



THE POWER OF LOCAL

2023 Governance Report





As a board, we recognize the importance of and are committed to governance best practices. We know that good governance is essential for the success of an organization, as well as to maintain the trust and confidence of its stakeholders. The pursuit of effective board governance is an ongoing process of refinement, necessitating regular assessments and reviews to ensure that it remains relevant and effective. This involves a readiness to adapt and evolve as our operating environment changes, and the ability to anticipate and respond to, not only challenges but opportunities and emerging governance trends. Our commitment as a board to governance best practices and effective board governance is evident in our activities throughout 2023. As a board, we provide a high level of transparency in our activities and are pleased to share highlights of 2023.

Aligned with Prospera's goal to advancing environmental, social and governance (ESG) practices, we remained dedicated to supporting management, through oversight by the board's Governance and Nominations Committee (committee). The committee's oversight of ESG includes regular quarterly reporting by management, ensuring that we, as a board, remain well-informed of Prospera's progress, initiatives, and priorities and are strategically positioned to exercise effective oversight. We continue to evaluate all governance practices and initiatives through an ESG filter, where ESG considerations form part of our decision-making process. In line with our dedication as a board and organization to ESG and diversity, equity and inclusion (DEI), the board, through the committee, completed an external review of its Diversity Statement to ensure it supports meaningful impact and contributes to advancing significant and positive outcomes. As a board, we acknowledge our role in fostering a diverse and inclusive environment.

Early in 2023, we asked our members to vote in a special resolution and director's election. The special resolution amended our credit union rules, modernizing the rules and ensuring alignment with Prospera's strategic direction, and enhancing the foundation for sound governance practices. The director's election introduced two new directors to our board, Ingrid Leong and Dan Parmar, who underwent a comprehensive board orientation program throughout the year to ensure they succeeded in their new roles. The results of the special resolution and director's election were announced at our 2023 Annual General Meeting (AGM) held virtually on April 27, 2023.

As a board, we were excited to elect a new Chair at our annual reorganization meeting held at the close of the AGM. Gina Arsens succeeded Art Van Pelt as Chair on April 28; after Art completed his five-year term as Chair. As a result of a comprehensive and effective board leadership succession planning process, the transition to our new Chair was seamless, maintaining stability and continuity within the board and supporting and preserving our high-performance culture. This process ensures continuity and stability in our leadership, contributing to the overall effectiveness of our governance structure.

Reflective of the board's ongoing commitment to governance best practices and continuous improvement, the committee launched the board and director evaluation process in spring 2023, facilitated by a governance consultant. The board-approved governance policy requires the board to evaluate its performance on an annual basis, to be facilitated by a consultant every two years. The findings of the evaluation process serve to inform future board education, recruitment, and succession planning. As part of the evaluation process, the board reexamined its individual director accountability plans, adjusting the plans where necessary to support optimal director performance

that aligns with Prospera's organizational values. The evaluation resulted in various recommendations, which will serve to further strengthen the performance and dynamics of the board. These recommendations were further explored and enhanced during our annual governance session in the fall to ensure actionable outcomes. They now form part of the board's objectives and ongoing work in support of Prospera's strategic initiatives and direction.

In October, the committee launched the director's nominations process. In support of the board's commitment to DEI, the board Diversity Statement served as the guiding principle of the nominations process, enabling a balanced focus on business expertise and diversity as ideal candidate criteria. The committee received numerous nomination applications and underwent an extensive evaluation and interview process that included a methodology to preserve transparency and ensure the equitable treatment of all prospective candidates. This extensive process carefully considered the technical and business competencies, expertise and diversity of the candidates, which resulted in four candidates seeking election to the board in 2024, three of whom are being recommended by the committee.

As a board, we recognize the importance of digital infrastructure and cybersecurity in today's digital landscape and are dedicated to upholding the highest governance best practices in this regard. We remain vigilant and committed to effective oversight of our digital transformation journey and cybersecurity practices and roadmap. We recognize data as a critical strategic asset and through our respective board committees, we continue to diligently oversee data management, data governance and data quality initiatives to drive sustainable growth and value for members. Regular updates and strategic discussions are held to ensure alignment with industry best practices and to harness emerging technologies for organizational advancement. Through delegated authority, we continue to oversee cyber risk management policies and practices and ensure alignment with industry best practices.

Effective board oversight is increasingly crucial as our operating environment continues to challenge us to think innovatively and strategically to remain a resilient and sustainable organization. 2023 brought with it increased pressure with rising interest rates and compressed margins, creating an extremely challenging operating environment. Despite the difficult economic climate, as a board, we continued to demonstrate prudent stewardship, navigating

uncertainties while safeguarding the organization's financial health and long-term sustainability. As we worked with management throughout the year, a key focus of our planning sessions was our strategic focus and objectives in planning for the future, recognizing that partnerships and credit union consolidations must form part of the conversation. To remain focused and explore partnership and merger opportunities, we created an ad-hoc committee of the board that worked in tandem with management to drive this initiative. While this committee's work is in early stages, it's important to note that we would only consider opportunities with like-minded credit unions that improve our services, support the business and personal banking needs of our members, enrich our employee experience and enhance our contributions to our communities.

As a board and management team, we're aligned in our future vision for Prospera and our members. This mutual understanding stands as a cornerstone for the success and resilience of Prospera and establishes a unified front in addressing critical issues and fostering a collaborative and strategic approach. The shared vision ensures that decisions made at the board-level resonate with the operational strategies devised by the management team, creating a cohesive organizational direction. This alignment not only enhances decision-making efficiency but also facilitates a more agile response to challenges and opportunities. The impact of such cohesion resonates throughout the organization, promoting a culture of unity, trust and collective purpose. This shared alignment to common goals not only strengthens the organization's overall performance but also enhances its capacity to navigate complexities and pursue sustained growth in a dynamic business landscape.

Throughout 2023, as a board, we stayed focused on driving forward Prospera's strategic plan, through rigorous oversight in support of management's work to deliver on the organization's strategic priorities. We closed 2023 with the approval of Prospera's Annual Operating Plan for 2024.

As we reflect on the accomplishments of the past year, we express our gratitude for the ongoing support and engagement of our members. We're committed to upholding the highest standards of governance and will continue to evolve in response to the changing landscape.

On behalf of the Board of Directors,

Gina Arsens, Chair

April 2024



Table of Contents

Board Chair letter	2
Governance principles	5
Governance standards	5
Board committees	6
Subsidiaries	7
Corporate governance disclosure	8
Board of Directors	8
Compensation philosophy	9
Compensation plan	9
Expenses	9
Education	10
Related party transactions	10
CEO compensation disclosure	10

Digital content

Click the link below to view additional information:

[BCFSA \(British Columbia Financial Services Authority\) Governance Guidelines – Governance Principles](#)

[Board Committee Composition for 2023](#)

[Meet our Board of Directors](#)

[Board Compensation and Attendance for 2023](#)

[Board Expenses and Education for 2023](#)

Governance principles

As a board, we have adopted the Governance Guideline, issued in September 2013 by the BC Financial Services Authority (BCFSA), as a primary assessment tool for our governance practices. The Governance Guideline sets out BCFSA's expectations of all British Columbia credit unions to practice sound governance and aims to assist us with the oversight function to ensure the sustainability of Prospera and protect the interests of our members. It also sets out the principles and standards of sound governance practices to assist us in exercising our duties and obligations. Principles form the foundation for good governance, and standards are the specific policies and procedures that are in place to achieve the objective of each principle.

[The principles of each area of governance, as set out in the Governance Guideline can be found here.](#)

Disciplined practices, enhanced disclosure and measuring our activities against industry guidelines all help to strengthen our position at the forefront of credit union governance practices in Canada.

As a board, we confirm that Prospera is aligned with the principles and standards of sound governance practices in accordance with BCFSA's Governance Guideline.



Governance standards

Ethics and principles

We recognize the importance of adhering to top-quality corporate governance standards and have developed corporate governance policies and procedures, which we, together with management, monitor and review regularly. We believe that strong corporate governance is essential to delivering value for our members and we take direct responsibility for monitoring the development of and compliance with corporate governance standards. In fulfilling our responsibilities, we annually report to our member-owners on governance practices and adherence to governance standards.

Board of directors

We're expected to act in a manner that protects and enhances Prospera's value in the interest of all members. Each of us as directors is responsible for exercising independent judgment with honesty and integrity, while adhering to policies and procedures, and statutory and regulatory requirements.

As a board, we're responsible for overseeing the management of Prospera. While retaining oversight responsibility, we delegate responsibility for the management of Prospera to the CEO.

Composition of the board

Pursuant to Prospera's Rules, the board has nine directors.

Directors are elected by the members or by acclamation, with results announced at the AGM. Directors are elected for three-year terms, up to a maximum of 12 years. For continuity, the term of office of three directors expires each year.

Independence of the board

All directors are unrelated and independent. In support of director independence, as a board we hold in-camera sessions without management present during every regularly scheduled board and committee meeting.

Responsibilities of the board

As a board, our principal responsibilities are described in our terms of reference and include reviewing and approving the vision, purpose and strategic plan, the annual operating plan and budgets, and Prospera's financial statements and regulatory filings. We also monitor the performance of the CEO, Prospera's progress toward achieving its strategic initiatives, business risks and compliance with policy and legislation. We're also responsible for managing our own affairs, such as electing our chair, appointing/electing our committees and their chairs, evaluating our performance and establishing board and committee processes.

Responsibilities of the chair of the board

Our chair provides strong leadership to the board to ensure we carry out our responsibilities effectively and fulfill our fiduciary obligations to Prospera, its members and all stakeholders under the law. Our chair performs key duties as described in the chair's terms of reference, including setting the board agenda, working productively with the CEO and leading the board in reviewing and monitoring the progress of the strategic plan and the achievement of our objectives. Our chair is responsible for setting the tone at the board table and establishing a culture of active and constructive board engagement and teamwork.

Review of the board

Under the direction of the chair of the board and the chair of the Governance and Nominations Committee, as a board, we annually evaluate our performance as a board, our committees and chairs. The evaluation also includes individual director evaluations every two years.

As a board, we review the evaluation summary report and, as appropriate, implement changes recommended in the report.

In addition, we set annual objectives for ourselves and monitor our performance.

Governing legislation and regulation

Prospera was established pursuant to the Credit Union Incorporation Act (CUIA) of British Columbia. It is regulated by BCFSa. Key legislation includes the CUIA, the *Financial Institutions Act* and the *Business Corporations Act*. It's a requirement of legislation that Prospera provide monthly, quarterly and annual reports and filings, and other reports to BCFSa as requested.

Board committees

As a board, we have standing committees responsible for carrying out legislated and delegated functions. All board committees comprise directors only, and all directors are independent. Our committees meet regularly throughout the year and must provide timely and regular reports to the board. Each committee is also required to provide an annual report confirming that it has fulfilled all its duties and responsibilities.

As a board, we delegate certain governance responsibilities to these five standing committees, with the following primary accountabilities:

Audit and Conduct Review Committee (ACRC)

- Oversees financial reporting, internal and external audit processes, internal controls and management information systems
- Responsible for reviewing internal and external audit procedures, and reports arising from audits and examinations
- Responsible for monitoring compliance with Prospera's policies with respect to conflicts of interest, related parties and confidentiality
- Meets directly with both the internal and external auditors, with and without management present

Governance and Nominations Committee (GNC)

- Oversees board governance, including the annual board evaluation process, director compensation and governance practices
- Responsible for periodic reviews and recommendations regarding Prospera's Rules
- Oversees the development and implementation of the environmental, social and governance (ESG) framework, which supports Prospera's strategy, initiatives, risks, opportunities and reporting on ESG matters relevant to Prospera's stakeholders
- Oversees the nomination and election of directors, ensuring rigorous and transparent procedures for maintaining the integrity of the nomination and election process and acts independently from the board

- Accesses all director nominees, considering the competencies and skills required of the board, diversity, equity and inclusion, Prospera's strategy and all other nomination requirements

Business Transformation Committee (BTC)

- Oversees Prospera's strategic plan, monitoring the progress made on the strategic plan, and overseeing and providing input to the measures of success
- Provides oversight of Prospera's digital transformation by monitoring the progress of the organization's digital maturity and providing input to the measures of success

People Experience Committee (PXC)

- Oversees the compensation philosophy, policies and programs, ensuring that they support Prospera's business strategy
- Assesses the performance of the CEO and determines the CEO's compensation
- Oversees the employee pension plans, CEO succession planning and monitors the maintenance of an effective management succession plan
- Appoints the pension plans' trustee, actuary and investment manager
- Oversees the Pension Committee's (internal management committee) administration of the employee pension plans and is accountable for the approval of the Prospera Employee Pension Plan's audited financial statements
- Monitors culture, change management and people experience, which includes employee engagement, employee relations and diversity, equity and inclusion strategies

Risk, Investment and Loan Committee (RILC)

- Oversees lending and investment activities in accordance with Prospera's lending and investment policies and reviews and recommends changes to these policies to the board
- Monitors performance against the policies, approves loans that exceed management limits and authorizes write-offs

- Oversees Prospera's enterprise risk management framework and is responsible for monitoring compliance with the risk framework, policy and risk profile, ensuring strategic opportunities are optimized

[A breakdown of committee composition for 2023 can be found here.](#)

Subsidiaries

We have seven wholly owned subsidiary companies. The Prospera board authorizes the establishment of subsidiaries and appoints the directors of each subsidiary. Currently, the director of each subsidiary is management and therefore not independent. The board of directors of each subsidiary is accountable and provides regular reporting to Prospera.

413297 B.C. Ltd.

Mercado Capital Corporation (MCC)
(Mercado Financing Ltd., is a wholly owned subsidiary of MCC)

Prospera Holdings Ltd.

Prospera Insurance Agencies Ltd.

Prospera Technologies Inc.

WS Leasing Ltd.

Westminster Savings Financial Planning Ltd.

Corporate governance disclosure

Meet your Board of Directors

As a board, we consist of nine independent directors responsible for the stewardship of Prospera and oversight of its risks and financial performance.

[Director bios and tenure can be found here.](#)

As of December 31, 2023, the directors of Prospera are:



Gina Arsens, Board Chair
Director since 2020
Current term expires 2026



Rod Thomson, Vice Chair
Director since 2018
Current term expires 2026



Stacey Crawford, Director
Director since 2012
Current term expires 2024



Jill Donaldson, Director
Director since 2021
Current term expires 2024



Ingrid Leong, Director
Director since 2023
Current term expires 2026



Colin MacKinnon, Director
Director since 2018
Current term expires 2024



Dan Parmar, Director
Director since 2023
Current term expires 2025



Catherine Roome, Director
Director since 2020
Current term expires 2025



Art Van Pelt, Director
Director since 2013
Current term expires 2025

Compensation philosophy

Prospera has a long history of high-quality service and consistent financial performance that carefully balances the needs of its members with prudent fiscal management. As a board, we represent the members and provide critical stewardship through guidance and oversight.

We believe that better boards produce better results, and that better boards are made up of dedicated and competent members. A director in a modern credit union must possess the skills and expertise relevant to the strategic initiatives of the credit union in an increasingly complex environment. Directors spend considerable time and effort carrying out their duties with due care and diligence against a backdrop of potential exposure to financial, reputational and personal risk.

It's vitally important that we attract and retain qualified directors to provide proper oversight and stewardship to ensure Prospera's long-term success and sustainability. There is competition for skilled directors, and appropriate director compensation is seen as a key component to ensuring that the board attracts qualified candidates.

Accordingly, as a board, we've adopted the following board compensation philosophy:

The level of compensation paid to Prospera directors is at the median of large urban credit unions in Canada.

Compensation plan

The members of Prospera may approve by resolution at an AGM an aggregate amount that is available for director compensation. Currently, the aggregate amount available for the annual compensation of directors is \$500,000.

The total compensation paid to directors for 2023 was \$394,882.

COMPENSATION STRUCTURE FOR 2023

Position	Annual Retainer
Board chair	\$68,620
Vice chair	\$42,228
Board member	\$36,950
Committee chairs	\$5,278
External chair (e.g., chair of an external industry group such as Peer Group 5)	\$3,695

Compensation for the ad hoc committee formed by the board is:

Meeting duration	Compensation
Meetings of 1 hour or less	\$200
Meetings of more than 1 hour and up to 3 hours	\$425
Meetings of more than 3 hours	\$850

As a board, we review our compensation plan and compensation philosophy every three years through our Governance and Nominations Committee, which may from time to time retain the services of an independent consultant. Due to the challenging economic environment throughout 2023, we deferred our scheduled compensation review.

[Board compensation and attendance for 2023 can be found here.](#)

Expenses

Reasonable expenses incurred by the board in performing their duties as a director of Prospera are eligible for reimbursement in accordance with the Directors' Compensation, Expenses and Insurance Policy. Expenses eligible for reimbursement include director development programs, flights, accommodations and meals. Expenses must be consistent with the values and employee policies of Prospera and not perceived as excessive. Directors must provide receipts for expenses they incur to be reimbursed.

In addition, as a board, we incur expenses during the performance of our duties. These expenses include engaging consultants to provide guidance and expertise on various matters.

Education

Prospera recognizes the importance of ongoing education and training for directors to safeguard the effective oversight of Prospera and ensure our directors understand the issues that face Prospera, the credit union system and the financial industry. Accordingly, all first-time directors are required under BC law to complete Level A of the Credit Union Director Achievement (CUDA®) Program within 12 months of being elected to the board. All directors of Prospera have fulfilled this requirement. In addition, Prospera provides numerous opportunities for education and training, such as access to publications and industry information, educational seminars for the board as a whole, industry-sponsored seminars and events, and other conferences and seminars, including an education allowance of \$15,000 per term (three years) toward the professional development of each director in their role as a director of Prospera.

All directors must complete anti-money laundering, ransomware threats and cybersecurity training on an annual basis. In support of our commitment to advance ESG practices within the organization, all directors must also complete ESG training on an annual basis.

In addition to the professional development of individual directors, as a board, we evaluate our composition and performance on an annual basis to assess our operating proficiency and discover areas for improvement. Every two years, we engage an external consultant to facilitate this exercise. The board evaluation process is designed to strengthen our overall performance and effectiveness.

[Individual director and board expenses and education for 2023 can be found here.](#)

Related party transactions involving directors (loans to directors)

Loans to directors are granted under the same terms and conditions as they are granted to all other Prospera members. In 2023, authorized and/or outstanding loans to directors totaled \$2,963,420.85 and none were in arrears. There were no new related party transactions involving a director during 2023.

CEO compensation disclosure

Prospera's Total Rewards programs are based on a pay-for-performance philosophy and are intended to attract, retain and reward employees who live the organizational values and deliver exceptional results for the benefit of our members.

Total rewards philosophy

Prospera is committed to providing a total compensation package that is aligned with our strategic direction, is competitive in the marketplace and maintains internal equity. To this end, the total compensation package comprises direct and indirect components.

Direct compensation includes base salary and incentive payments for performance at or above expected results.

Indirect compensation includes a defined benefit or defined contribution pension plan, health and welfare benefits, leave provisions (vacation, wellness days), short and long-term disability, banking privileges, and education and career development. It may also include additional compensation through an allowance for such items as auto expenses and wellness benefits.

Prospera maintains salary ranges that are competitive within the financial services market. Our objective is to pay at the median of the market on a total compensation basis for meeting performance expectations. The primary source of comparative market data is obtained from CCUA, Mercer, and Willis Towers Watson and is focused on mid and large-sized credit unions and organizations primarily located within Metro Vancouver, and Western Canada.

Executive compensation

Total Rewards for the Executive Leadership Team, including the President and Chief Executive Officer (CEO), are guided by the organization's compensation philosophy. The People Experience Committee of the Board (PX Committee) has confirmed that the market comparator group is urban Canadian credit unions of similar size and executive compensation is set at the median of the market.

CEO compensation summary

The total compensation package for the CEO is reviewed and approved by the PX Committee. This total package includes a base salary in line with the median of the designated comparator group along with short and long-term incentive plans designed to reward the achievement of annual and longer-term organizational performance objectives.

Short-term incentive plan

The CEO's short-term incentive (STI) is based on a weighted combination of organizational results (75%) and individual objectives (25%); each are determined and approved annually by the PX Committee. The CEO's target STI rate for 2023 is 60% of base salary to a maximum of 90%, based on delivering exceptional performance.

The organizational results are measured based on a number of qualitative and quantitative factors that together form a balanced assessment of success of Prospera, including engaging with our members and employees, managing the overall operations and growing the credit union for long-term sustainability to provide enduring value to our membership. The individual objectives are set annually by the PX Committee with a focus on key priorities identified to achieve the credit union's strategic objectives.

Long-term incentive plan

The long-term incentive (LTI) plan is designed to reinforce long-term sustainable growth and effective management of the credit union using quantifiable metrics over overlapping three-year periods that are approved by the PX Committee. Payment of the LTI occurs at the end of each three-year period if performance meets or exceeds performance metrics. The CEO's target LTI rate for 2023 is 60% of base salary to a maximum of 90% based on delivering exceptional performance.

Base Salary	STI Payout	LTI Payout	Total
\$540,000	\$162,000	\$219,103	\$921,103

Benefits and pension

The CEO participates in a health benefit plan that is provided to all Executives that includes short and long-term disability insurance benefits. In addition to participating in the non-contributory employee-defined benefit pension program, the CEO is also eligible for the pension benefits under the Supplemental Executive Retirement Plan (SERP). The total combined retirement benefit is determined based on 2% of final base salary average earnings for each year of credited service. As part of the market competitive perquisite program, the CEO receives an additional health benefit through an annual health assessment provided by a private health care facility and receives an additional monthly allowance for wellness, automotive and other expenses.

Other employment terms

If the CEO is terminated without cause, he will be entitled to a severance based on 12 months plus one month for each year of service up to a maximum of 24 months base salary, unvested short and long-term incentive payments and an additional amount in lieu of benefits (based on the value of benefits provided).

If the CEO is terminated for cause, retires or resigns, he would not be entitled to any notice of termination, payment in lieu or severance.



Corporate Information

Credit union industry directorships held by directors and officers

Gavin Toy
Canadian Credit Union Association

Art Van Pelt
Central 1 Credit Union

Corporate Counsel

Dentons Canada LLP
Vancouver, British Columbia

Auditors

KPMG LLP
Vancouver, British Columbia

Contact

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