



First Credit Union

*2018*  
**Governance  
Report**

# **Leadership & Governance**

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# Governance Philosophy

The Credit Union recognizes the important role that effective governance plays in protecting member rights, maximizing member value over time, and creating a vibrant, dynamic and successful Credit Union for its members.

The Credit Union is committed to achieving high standards of effective governance. It challenges itself to move “beyond compliance” to govern with excellence. It recognizes that the Board is responsible for governance and that what the Board does, and how it does it, is fundamental to achieving good governance.

## **The Credit Union strives to build a healthy governance culture that is based upon:**

- A clear understanding of the role, responsibilities and accountabilities of the Board and its Directors and the fiduciary duty of Directors to the Credit Union. This understanding is to be shared and respected by members, Directors and Management.
- Fulfillment by the Board of its governance and stewardship duties and responsibilities.
- A commitment to continually improve governance practices and the Board’s governing capabilities through the recruitment, evaluation and selection of Directors and their orientation, assessment, and training and development.
- Clear accountability of the Board to the members.

# Key Governance Processes

The Board is responsible for establishing governance policies and practices. It fulfills its responsibilities as described further in its governance policies, the Credit Union's by-laws, applicable legislation, or as determined by the Board from time to time.

In particular, it:

- Elects from the Directorship a Chair and a Vice-Chair;
- Ensures that policies are in place and effective processes are established, based on contemporary governance best practices as may be relevant to the Credit Union, for all aspects of Board governance;
- Develops appropriate criteria for the recruitment, evaluation and selection for Director that focus on the governance role of the Board and the needs of the Credit Union's members;
- Establishes processes for the effective orientation, training and development of Directors to ensure that they receive the information and assistance necessary to understand the role of the Board and Directors, the structure of the Credit Union, and the nature of the business;

- Conducts annually an assessment of its own performance and the performance of its Chair, Committee Chairs, and Committees of the Board;
- Conducts annually an assessment of the CEO per the policy on CEO performance assessment;
- Holds the required number of Board meetings as may be determined in order to fulfill its governance responsibilities;
- Ensures that the Credit Union maintains records of all open and in camera meetings and actions of the Board approved during these meetings; and
- Removes from office those elected Directors who cease to qualify as Directors under the Act or under the Credit Union's by-laws.

## Governing Legislation & Regulation

The Credit Union is established under legislation of the Province of British Columbia. It is regulated by the Financial Institutions Commission (FICOM) of British Columbia. Key legislation that regulates the operations of the Credit Union includes the Financial Institutions Act (FIA), the Credit Union Incorporation Act (CUIA) and applicable sections of the Business Corporation Act (B.C.). It is a requirement of the legislation that the Credit Union provides to FICOM monthly, quarterly and annual reports and filings, and other such reports as may be requested.

# Our Board of Directors

The Board of Directors of First Credit Union comprises 7-9 elected or appointed member representatives who serve terms that range from one to three years each. They are a dedicated group of individuals who live in our communities and come together to represent the membership in setting the strategic direction of the organization. All members of the Board have a professional or business background that contributes significant expertise at the Board table.

First Credit Union's Directors participate in the national Credit Union Director Achievement (CUDA<sup>®</sup>) program. This three-level program delivers the most current thinking about credit union corporate governance in Canada. The CUDA<sup>®</sup> program is a road map to the knowledge and skills required to effectively govern co-operative financial businesses. As required under the Credit Union Incorporation Act of British Columbia, First Credit Union ensures that every new Director elected completes, at minimum, the level one of the CUDA<sup>®</sup> program within their first year of service on the Board.

In addition to the CUDA<sup>®</sup> offered courses/programs, Directors are also encouraged to seek out and participate in continuous development and learning opportunities relevant to their role, which can include internal education and external webinars and education courses.

In 2018, the Directors held 10 Board meetings, along with a minimum of 4 meetings for each committee and several other planning meetings. During the year, they reviewed and revised First Credit Union's corporate goals and initiatives, approved the adoption of a new three-year strategic plan for the organization, monitored the overall performance and risk profile of the Credit Union, and transitioned leadership with a new CEO for the organization in response to the retirement of the incumbent CEO.



# Role of the Board

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In carrying out its duties and responsibilities the Board is committed to:

- Demonstrating its commitment to cooperative principles;
- Recognizing the important contribution that stakeholders, including members and employees, make to the success of the Credit Union;
- Respecting members' needs and interests;
- Respecting the dignity and self-worth of all members and employees;
- Respecting the communities served; and
- Demonstrating leadership and integrity in all business practices.

The role of the Board of Directors is to act as a policy board by providing effective governance and stewardship, leaving management to run the day-to-day operations of the Credit Union. There are five key responsibilities of the Board:

1. Establishing strategic direction and regularly reviewing that direction to ensure it responds to the changing business environment in which the Credit Union operates;
2. Hiring and delegating authority to the CEO;
3. Monitoring performance;
4. Communicating with members and other stakeholders; and
5. Monitoring and ensuring appropriate and effective governance of the Credit Union.

# Eligibility

## Rule 5.3 - Eligibility To Act As Director

In order to be eligible to stand for election or be appointed as a director, a person must, for at least one year prior to January 1 of the year in which the election will be held or at least one year prior to the appointment being made:

- (a) have been a member in good standing of the credit union; or
- (b) have been a member of another credit union of which all or substantially all of the assets have been purchased by the credit union.



# Board of Directors



## **Guy Chartier, Chair**

*May 12, 2015 - Current*

Guy is an executive leader with extensive experience in organizational management and innovation. He has been the Executive Director for the Powell River Division of Family Practice since 2013. Prior to healthcare management, Guy held various positions in international education in the Middle East and Asia-Pacific. He earned a bachelor's degree in Education at University of Montreal and a master's degree in Business Administration at Royal Roads University. He is an active member of the Institute of Corporate Directors (ICD) and the Canadian Society of Association of Executives (CSAE). Guy served on the board of Powell River Community Futures and is passionate about community development for a sustainable future. Guy brings strong financial literacy and risk management experience, along with experience working in the highly complex healthcare sector as well as commitment of service to First Credit Union. Guy has completed all three levels of the Credit Union Director Achievement (CUDA<sup>®</sup>) program and holds the Accredited Canadian Credit

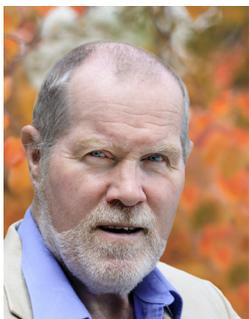


## **Catherine Bell, Vice-Chair**

*May 4, 2017 - Current*

Born and raised in the Comox Valley, living in Cumberland for the past 17 years with her spouse Roger Kishi, Catherine is the mother of two sons, and grandmother of four. Her Grandfather was one of the founders of the Courtenay Credit Union, and her parents were strong believers in credit unions as a means of investing in local businesses and community, a passion she inherited.

Catherine's diverse professional background includes Vice President for the BC Government and Service Employees Union, MP for Vancouver Island North, as well as owner of Zocalo Cafe and Gallery in Courtenay. Her financial experience includes fiduciary responsibility of approving and monitoring her Union's multimillion dollar budget. As Member of Parliament, she participated in the federal budget process. Catherine has also experienced the financial responsibilities of being a small business owner. Catherine has completed two out of three levels of the Credit Union Director Achievement (CUDA<sup>®</sup>) program.



## **Michael Matthews, Director**

*May 12, 2015 - Current*

Michael grew up and was educated in Oxford, UK. After university, he taught Physics and Philosophy in the UK and Belgium before coming to Canada and taking Canadian citizenship. His career has been spent in leadership positions in independent schools in Canada and the UK, and international schools in Brussels, New York, Bangkok and Zurich. He sat on the Board of the International Baccalaureate organization, and chaired the World Council of IB Heads. Michael is also a Director of the Johanna Heumann Foundation, a Swiss charity that funds university education in developing countries. Michael and his wife retired to Powell River in January 2012; since then he has continued to lead accreditation teams to schools around the world on a pro bono basis on behalf of the Council of International Schools. He has been looking for opportunities to contribute to his adopted community, and in 2014 he joined the board of the Pacific Region International Music Academy (PRISMA). Michael brings strengths in organizational structure, financial management and strategic planning to the First Credit Union Board. Michael has completed level one of the Credit Union Director Achievement (CUDA<sup>®</sup>) program.



### **Susan Clark, Director**

*May 4, 2017 - Current*

Susan moved to Texada Island from Prince George in 2013 and has been a member of First Credit Union since that time. She has experience as a director on several boards, including Texada Arts Culture Tourism, Powell River Tourism, and more. Susan has been Principal of project management services and communication for S. Clark and Associates since 2009. Prior to moving to Texada, she held a variety of positions including Program Officer for Union of BC Municipalities, Executive Director for North Central Local Government Association, and Manager of Smithers Chamber of Commerce. Susan understands the importance of a vital financial institution in small centres, and appreciates the community support provided by credit unions. Susan has completed all three levels of the Credit Union Director Achievement (CUDA<sup>®</sup>) program.



### **Tim Wall, Director**

*September 22, 2016 - May 4, 2017*

*May 23, 2017 - Current*

An energetic finance professional, Tim Wall has full knowledge of GAAP and provides vast experience in full cycle accounting and reporting, budgeting and forecasting. His extended skills include many financial software applications (Sage, Cognos, Oracle, PeopleSoft, etc.), office management software (Word, Excel, PowerPoint, etc.), negotiations, mediations, business case development and software implementations. Tim has over 25 years development and oversight of Annual budgets, financial reporting and internal control development and review in Municipal, Provincial and Private sector environments, ensuring adherence to GAAP and PSAP. Tim is excited for the opportunity to provide his experiences to First Credit Union, as it will enable him to take advantage of his professional strengths. Tim has completed level one of the Credit Union Director Achievement (CUDA<sup>®</sup>) program.



### **Vickey Brown, Director**

*May 8, 2018 - Current*

Vickey resides in the Legendary Village of Cumberland with her husband and two teenage boys. She has an educational background in Environmental Studies and Political Science, with a post graduate diploma in Community Economic Development. Her work experience is primarily in non-profit leadership and small business. Vickey has almost 20 years' experience on non-profit boards. She was elected in 2014 as School Trustee representing the Village of Cumberland, chaired the Cumberland Community School Society from 2011 - 2014, and is the president of the BC Association of Farmers' Markets. She was recently elected as a Councillor for the Village of Cumberland. Vickey brings a wide skill set to the Board, including: business development, marketing and promotions, strategic planning, policy development, governance, and HR. Vickey has completed level one of the Credit Union Director Achievement (CUDA<sup>®</sup>) program.



### **Sean Dees, Director**

*May 8, 2018 - Current*

Sean has been an active member of Powell River since he moved to the community in 2006. He is a big supporter of artists and musicians and has volunteered with, or served as a board member for PRISMA, the Yacht Club, and Rotary. He has been involved in Rotary for over 8 years and is a past President of the evening club. Sean and his wife have run three different incorporated businesses over the past 20 years, including Breakwater Books in Powell River. Sean did most of the accounting as well as all the day-to-day activities involved in running a business. Sean has completed level one of the Credit Union Director Achievement (CUDA<sup>®</sup>) program.

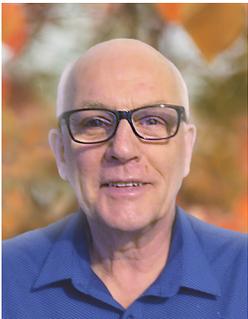


### **Karl Siegler, Director**

*May 8, 2018 - current*

A study of music and the literary arts have provided Karl with the basis for his involvement in cultural industries throughout his life: first as an editor and business manager, then as CEO and publisher of one of Canada's most successful literary book publishing houses; as a co-operative community organizer of professional associations and chair of many of their committees; as an adjunct professor of the faculties of Business Administration and Communications at Simon Fraser University; and finally as both lobbyist and author of public policy across a broad spectrum of the arts in Canada for many decades.

His passion to help build and nurture effective co-operative organizations that benefit the communities they serve remains unabated after implementing and mentoring a successful succession strategy for his former independent publishing company, Talon Books Ltd., between the years 2008 through 2011. Karl has completed level one of the Credit Union Director Achievement (CUDA<sup>®</sup>) program.



### **Arlo McCubbin, Director**

*May 2013 - May 2015*

*May 8, 2018 - current*

Arlo has lived in Cumberland for 25 years, and in B.C. for 44 years. He has served as Treasurer for Street Link in Victoria, Comox Valley Art Gallery and is currently treasurer for Cumberland Community Schools Society. Arlo sat on the board of Cumberland & District Credit Union for 2 years prior to the merger with First Credit Union and brings a strong financial background to the Board; he worked with CRA as an auditor and in many positions with First Nations, as controller, auditor and trainer. He also owned a CGA/CPA Accounting practice from 1990 to July 2018 with corporate and personal clients. An avid world traveller, Arlo enjoyed 2 years in Vanuatu (South Pacific) working as a CUSO volunteer setting up finance systems for Island Local Councils. Arlo has completed level one of the Credit Union Director Achievement (CUDA<sup>®</sup>) program.

## **Past Directors**

### **Gerry Wray, Vice Chair**

*May 12, 2009 - May 8, 2018*

Gerry was born and raised in New Westminster and moved to Powell River in 2005. She has over 30 years of experience working for financial institutions. Gerry volunteers for many organizations; she served as a director for the 2007 Disability Games and treasurer for 3 years for the non-profit charity responsible for 9 Villages in Malawi Africa. Gerry also volunteers at the Powell River Health Care Auxiliary, Kathaumixw, and Festival for Performing Arts on a regular basis. It is Gerry's passion for volunteering and community involvement that inspired her to become a First Credit Union Board member in May 2009. She enjoys working in a dynamic environment, on a variety of projects, with a diverse group of people; all working on behalf of credit union members.

### **Dan Dyble, Director**

*August 29, 2014 - May 8, 2018*

Dan Dyble works as a consultant to small and mid-sized organizations implementing strategies through start-up or growth phases. His background in industry and conflict resolution across cultures serves a growing portion of clients as smaller firms globalize. Prior to his consulting practice, Dan spent many years working in the oil and gas industry in a variety of roles including both manager and advisor, managing projects designed to increase operational efficiency, review and implement policy, and standardize procedures. Dan is also an Executive member of the Powell River Yacht Club and a Director of the Fermenters Guild BC.

# First Credit Union's Committee Structure

## **Audit & Operational Risk Committee**

The Audit & Operational Risk Committee ensures the quality, integrity, reliability, accuracy and clarity of the financial reporting. It ensures sound internal and external controls are in place, implemented and maintained. The Committee acts as the liaison between the internal auditors and the internal resources, as well as the external auditors, and the Board of Directors.

## **Governance, Ethics & Human Resources Policy Committee**

The Governance, Ethics & Human Resources Policy Committee acts as the Conduct Review Committee as prescribed in the Financial Institutions Act to establish procedures to prevent conflicts of interest and to resolve them if they occur. In addition, the Committee ensures that human resources policies are in place, implemented, and maintained. It reviews and recommends policy and strategy with respect to CEO performance and compensation plan, incentive compensation and succession planning for senior management. It is responsible for ensuring the Board assessment is conducted annually.

## **Credit & Market Risk Committee**

The Credit & Market Risk Committee ensures policies and related internal controls are in place to manage risks to which the organization is exposed. It fulfills the functions of the Investment & Lending Committee as prescribed by Section 135 of the Financial Institutions Act. It reviews the Credit Union's investment and lending policies to ensure proper controls and limits are established and that the Credit Union has procedures in place to implement its investment and lending policies.

## **Nominating & Elections Committee**

The Nominating & Elections Committee oversees the nomination and election of Directors in accordance with the Rules of First Credit Union.

## **First Credit Union Subsidiaries**

First Group Of Companies Realty Holdings Ltd. was formed in 2008 as a holding company owned by First Credit Union. The Directors of the company are Linda Bowyer, First Credit Union CEO; Marty Cattermole, First Credit Union Vice-President Credit & Commercial Services and Guy Chartier, First Credit Union Board Chair.

First Wealth Management Ltd. was formed in 2016 and offers life insurance and financial services. The Directors of the company are Linda Bowyer, First Credit Union CEO; Kirsty Reid, First Credit Union Vice-President Wealth Management & Retail Branch Operations and Guy Chartier, First Credit Union Board Chair.

# Compensation Philosophy

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First Credit Union is committed to strengthening the communities it serves through the growth of its locally owned financial cooperative. This is reflected in our purpose, to empower through knowledge and our vision, to build financially healthy communities. We deliver on our vision and purpose by focusing on our four organizational pillars: employee experience, member experience, community impact, and financial sustainability. These pillars form the framework for our organizational scorecard, around which we set goals and measure success. These four principles also form the basis for each individual staff member's development plan for the year, ensuring that each member of our team is focused on the same strategic priorities.

Beyond just sharing in a common purpose and developing smart plans to achieve our goals, First Credit Union recognizes that a fair and equitable compensation program is important in order to attract and retain individuals with the skills and abilities required to carry out its objectives. The First Credit Union compensation program, which reflects internal equity, external competitiveness, and individual contribution, is designed to include an appropriate balance of cash compensation and a wide range of benefits.

## It is First Credit Union's compensation philosophy to:

- Attract, motivate and retain highly skilled employees by taking a total rewards approach to all cash compensation and benefits.
- Align employees with the company's objectives by linking employee contribution to organizational achievements.
- Foster fair, equitable, competitive and responsible pay practices through:
  - o Internal Equity: First Credit Union maintains systems to ensure that the relative value of all jobs, roles, and functions are correctly ranked in relation to one another in an equitable, gender neutral, consistent and effective manner, and properly recognize those aspects of work which are valued by First Credit Union.*
  - o External Competitiveness: Paying wages that are competitive with other comparable employers (at a median rate within a similar industry, local environment and size), and for jobs of equivalent responsibility. In order to establish and/or verify the competitive position of salary ranges, First Credit Union regularly participates in external compensation surveys and acquires other available market data.*
- Take a standardized approach to salary range progression. Employees will progress through their assigned salary range over a period of time-based on skill, experience, and job performance.
- Be a Living Wage employer, which means we have agreed to pay all employees the income required to meet basic living needs as defined by the BC Living Wage for Families Campaign.

### Salary Administration

Salary Administration Guidelines<sup>1</sup> have been developed to support the application of the organization's compensation philosophy. First Credit Union's salary administration program includes the development of standardized compensation grids, salary ranges, and job evaluations in order to achieve internal equity and external competitiveness.

### Profit Sharing

First Credit Union shares profits with all employees because it believes that the success of the organization is based on the engagement and commitment of those who serve the organization, the members and the community. The intent of the profit share plan is to reinforce the achievement of key business objectives in order to enhance First Credit Union's long-term viability.

### Non-Cash Benefits (Benefit coverage, employee discount, pension plan, etc.)

As part of the total compensation, these non-cash benefits are provided at a level equal to, and in some cases greater than, those prevailing in the Credit Union system in B.C. These include a comprehensive extended health benefits program, health and wellness benefits, employee discounts on certain financial services, and employer sponsored pension plans.

<sup>1</sup> The wages and the administration of wages of Union employees are governed by the provisions of the applicable collective agreement.

# Director Compensation Disclosure 2018

## First Credit Union provides Directors with the following remuneration:

- \$300 monthly honorarium to the Board Chairperson; \$200 monthly honorarium to Directors
- \$50 (for Directors) or \$75 (for Committee Chair) stipend for each scheduled quarterly half-day Committee meeting;
- \$100 (for Directors) or \$125 (for Committee Chair) stipend for each scheduled quarterly full-day Committee meeting;
- \$50 stipend for each half-day Board meeting or attendance at a webinar or Director Orientation;
- \$100 stipend for each full-day Board meeting or attendance at a conference or education session
- Reimbursement of expenses such as accommodation, travel, mileage, and other applicable expenses when travelling to attend meetings or approved conference and education sessions
- \$90 monthly stipend for technology (electronic access)

## For fiscal year 2018, the remuneration paid and expenses incurred for each Director is summarized below:

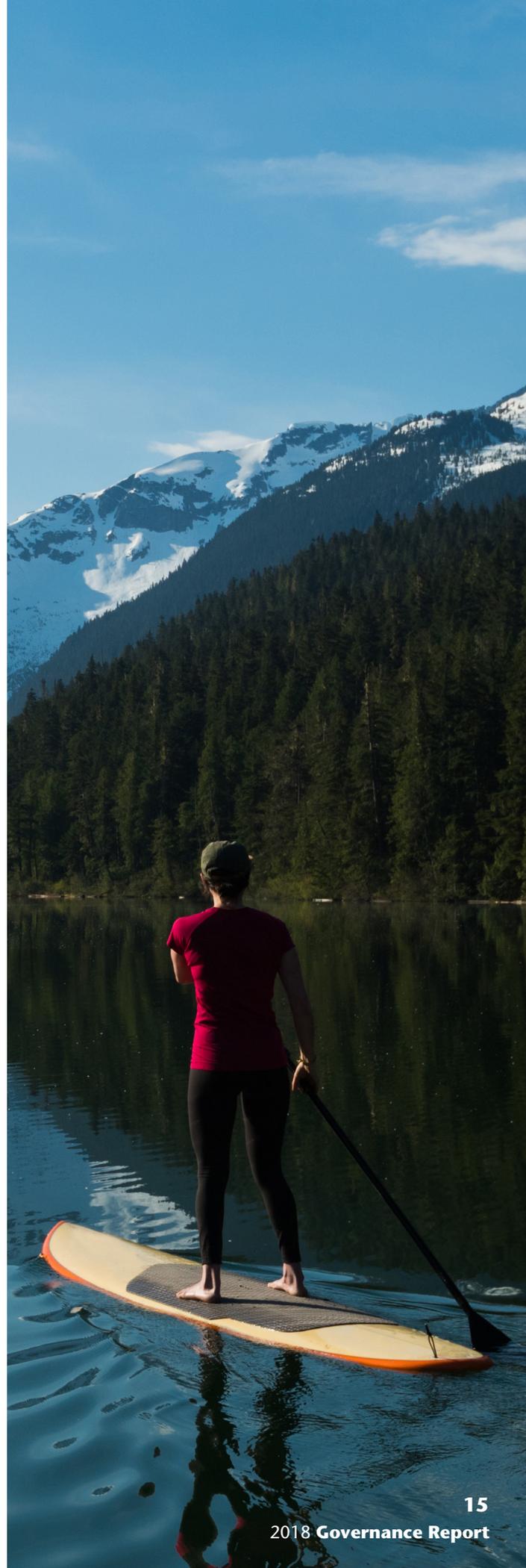
	Honorarium, Meeting & Education Stipends	Travel, Training & Meal Expenses	Technology (electronic access stipend)	Board & Strategic Planning Meetings Attended	Committee Meetings Attended
Guy Chartier <i>Chair</i>	\$8,474.46	\$6,014.50	\$1,080.00	10/10	17/17
Catherine Bell <i>Vice Chair</i>	\$5,483.37	\$2,049.12	\$1,080.00	9/10	17/17
Michael Matthews	\$4,643.78	-	\$1,080.00	9/10	15/17
Susan Clark	\$5,798.23	\$8,479.83	\$1,080.00	10/10	17/17
Tim Wall	\$4,827.43	\$178.30	\$1,080.00	10/10	14/14
Vickey Brown	\$2,870.67	\$1,340.98	\$630.00	6/6	9/10
Sean Dees	\$2,844.43	\$185.45	\$630.00	6/6	7/7
Arlo McCubbin	\$2,765.71	\$1,761.50	\$630.00	5/6	6/7
Karl Siegler	\$2,600.00	\$1,271.42	\$630.00	6/6	7/8
Gerry Wray	\$3,700.00	\$32.91	\$540.00	4/4	12/12
Dan Dyble	\$2,518.67	\$810.13	\$540.00	4/4	7/7

# CEO Compensation Disclosure 2018

When determining CEO compensation, the same organizational philosophy and salary administration principles apply, along with other added considerations. First Credit Union's Board of Directors is responsible to review and assess the CEO's performance annually based on the organization's annual scorecard. The Board is also responsible for setting and reviewing the compensation of the CEO. The approach taken by the Board is to target overall CEO compensation at the median of the BC Market (comparing credit unions of similar size and scope.) On an annual basis, the Board of Directors receives an independent analysis of CEO remuneration and uses that, along with the following additional considerations, to determine the final compensation of the CEO:

- Economic health of the credit union;
- The presence (and design) of incentive, profit sharing, and other packages which may be added to the base salary paid;
- Perquisites and pension plan arrangements;
- The incumbent's performance, years of experience, and qualifications; and
- The credit union's overall compensation philosophy.

In 2017, First Credit Union's Board of Directors undertook a significant project to recruit a new CEO, as the organization's incumbent CEO announced his retirement, effective February 2018. Timed with this change in leadership was a project to once again evaluate the overall compensation and benefits package that would be offered, taking into consideration the priority of attracting and retaining top-tier leadership talent to the organization, and balancing that with the need to ensure thorough, equitable, and data-driven analysis be performed. The results of that analysis formed the basis of the 2018 CEO's compensation and benefits package.



The following details outline how the CEO's total compensation package is structured:

- The CEO participates in the same comprehensive benefits plan as all other employees which provides for medical, dental, disability and insurance coverage. Additional perquisites provided to all employees and the CEO includes staff accounts and staff rates on loans and mortgages. The total combined retirement benefit under the defined contribution pension plan that the CEO participates in is equal to 8% of base salary.
- An annual performance-based incentive bonus (variable compensation) is provided to the CEO and credit union employees. Components of the variable compensation plan are reviewed annually, and are subject to change as appropriate in order to meet corporate goals. In 2018, the short term incentive paid to the CEO equated to 20% of base salary.
- The CEO also receives a car allowance for a total of \$8,400 per annum and in 2018, received a recreation benefit of \$1,995 and a relocation benefit of \$15,985.

**Total Compensation paid to the CEO in 2018:**

**Base Salary: \$181,346**

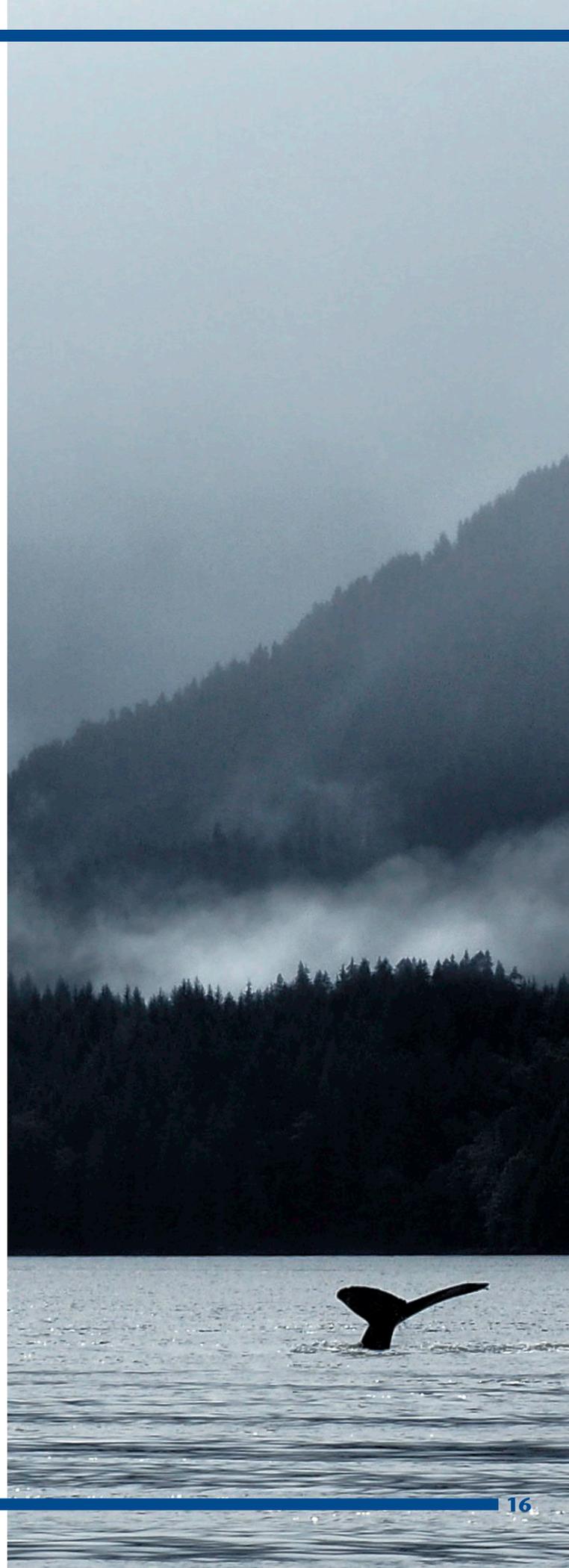
**Retroactive Salary: \$22,917**

**Pension, benefits, perquisites: \$40,578**

**Short Term Incentive**

**(variable compensation): \$36,269**

**Total Compensation: \$281,110**





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