

north peace
SAVINGS & CREDIT UNION



2018 - 2019

Annual Report



It's your life. Build it here.

2019 Annual Report

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2019 Message from the Chief Executive Officer and the Board Chair



Mitchel Chilcott
CEO, North Peace
Savings and Credit Union



Bruce Chisholm
Chair,
Board of Directors

A sincere thank you to you our members for trusting North Peace Savings and Credit Union to meet your financial needs. We exist for our members, and we continue to strive towards living our mission of 'helping our members succeed in life' and building strong relationships through exceptional service delivery.

2019 Priorities

This past year, we re-affirmed our commitment to our four key strategic priorities: 1) Profitability 2) Member Service and Member Engagement 3) Engaged Staff and 4) Community Engagement. These four priorities are the pillars to our success and require deepening of our relationships, being consistent in our approach and delivery, as well as balancing the complex needs of our organization.

While 2019 brought modest earnings, we will need to continue to grow to replenish retained earnings and overcome the profitability challenges of our recent past. To do this, we must remain relevant in our markets, adapting and changing to member and community needs to achieve the growth needed to thrive. We must invest heavily in our people, providing opportunity for development and advancement to sustain an engaged workforce that can deliver exceptional levels of service to ensure member satisfaction is strong, and loyalty is created. We also must take a proactive approach to staying connected to and knowledgeable of the communities we serve.

The digital environment in which we live has become ever more complex. Consumers have become increasingly vulnerable to the risks associated with cyber-attacks, fraud and scams. Member security and confidentiality is extremely important to us and that is why you have seen NPSCU implement changes to our member identification practices and online security over

the past year. NPSCU is committed to protecting member assets and works continuously to ensure best practices are in place to provide members with peace of mind.

Dividends

Members' direct investments into NPSCU in the form of equity shares are an integral component of our capital as a financial institution. Each year dividends are determined based on a number of factors including market conditions, capital strategies, and NPSCU financial performance. A competitive 3% share dividend was paid on both Class A Membership Shares and Class B Investment Shares in 2019.

Giving

In 2019, NPSCU gave over \$47,000 through sponsorships and donations to a variety of causes supporting arts, literacy, community, culture, education, health, seniors, sports, and youth. Additionally, staff gave their time through volunteerism in support of NPSCU events and personal interests for the betterment of our communities. We are proud of their contributions and acknowledge their generosity.

This year, we engaged with community partners to deliver several financial literacy workshops. Through our Each One Teach One program, our trained financial literacy coaches empower members of our communities with the knowledge to make thoughtful financial decisions while supporting two co-operative principles – education and concern for community.

Being relevant in our communities, supporting initiatives that are meaningful and which reflect the needs and desires of members and staff continues to be of top priority. We look forward to finding more ways to motivate and empower staff and our community to make a difference.

Thank you

We were honoured to be named the "Best Financial Institution" for the 10th consecutive year in the 2019 People's Choice Awards, as voted on by residents living in Fort St John and the surrounding area, and we are also proud to have NPSCU staff recognized for Best Bank Teller and Best Bank Manager.

In closing, we assure you, our valued members, we appreciate your continued confidence, trust, loyalty and patronage and we remain vigilant in our efforts regarding sustainability and engaging our members, staff and community. To the Staff, Management and the Board of Directors thank you for your commitment during this past year.

About Us

North Peace Savings and Credit Union (NPSCU) is a full-service financial institution offering retail and business banking, investment and insurance products. Located in Northeastern British Columbia, all of our decisions are made locally, making us quick to meet the optimism and energy of our members with enthusiasm, engagement and financial leadership.

NPSCU has proudly served the north for over 75 years. With 11,861 members amongst our four branches, NPSCU remains committed to the social and economic well-being of the communities we serve. As a local financial institution, we have the ability to provide innovative products and services to meet the personal and business banking demands of our membership.

NPSCU Business Services is committed to delivering resources and expertise to small and medium-sized businesses to help them achieve their goals. Our financial team's specialty skills cover all the local sectors: forestry, oil & gas, mining, agriculture, construction and retail.

We believe that by encouraging the success and well-being of our member-owners, our staff and community, and through the support we offer local businesses, we contribute to greater member prosperity, a healthy local economy and a better quality of life for all. It's the story behind our slogan: It's your life. Build it here.



Mission

Helping our members succeed in life. We work to simplify and enrich members' lives with exceptional, locally relevant solutions.

Vision

To foster and support a financially thriving membership.

Values

- Exceptional Service
- Flexible
- Innovative

Community Investment

Investing in the Communities We Serve

North Peace Savings and Credit Union (NPSCU) remains committed to the regions we serve through our community investment initiatives. By investing in the community, we provide support for local organizations to thrive and continue to provide services that benefit the community as a whole. Community Investment helps establish rewarding relationships with local partners, while contributing to long-term improvements in the quality of life of residents in our communities.

Donations and Sponsorship –\$24,700

We encourage and support local programs and organizations that provide widespread benefit to the community as a whole. Through our donation and sponsorship program, we were able to help fund 34 initiatives in the North Peace, South Peace, and Northern Rockies regions. NPSCU is proud to support local programs by:

- Investing in community projects
- Sponsoring various activities and events
- Participating in education programs aimed at fostering a better understanding of financial matters
- Promoting community economic development

Social Responsibility - \$15,800

Remaining committed to investing in the communities we serve is embodied through our Corporate Social Responsibility Program. NPSCU provides funding to organizations that are locally based and supported, and have broad community impact. This year, our Corporate Social Responsibility Program supported 7 initiatives in the North Peace, South Peace and Northern Rockies regions that placed a focus on:

- Literacy and financial literacy
- Homelessness
- Building strong families
- Support for disabled adults
- Prevention of domestic violence & victim support

Casual for a Cause - \$6,675

Each month, employees pay \$5 to dress casually on Fridays as part of our Casual for a Cause initiative. NPSCU matches the employee contributions and the funds are donated to charities and community causes.

Governance Report & Executive Overview

North Peace Savings and Credit Union (NPSCU) is governed by a Board of Directors elected by the Credit Union's members. The Board of Directors are responsible under law for the management of the Credit Union's business and its affairs. It has the statutory authority and obligation to protect and enhance the assets of the Credit Union in the interest of all members. The duties and responsibilities of the Board are set out in the Mandate for the Board and include providing the mission and goals for the credit union, developing a governance system and an overall risk appetite to manage and monitor applicable risks.

Board Committees:

The Board has regulatory and standing committees that are responsible for carrying out both legislated and delegated functions as described in each committees' Terms of Reference.

Governance/Nominating Committee:

The Committee's primary role is to ensure that the Board of Directors provides for effective governance of the Credit Union which includes the establishment of policies, processes and procedures. The Committee also ensures that governance practices evolve with the needs of the Credit Union and the expectations of its stakeholders (members, employees, community). The Committee supervises the governance system of the Credit Union to ensure that duties by the governance body are being met and regulatory requirements are being fulfilled. In addition, it ensures that the Credit Union fulfills the process of electing persons to the Board of Directors consistent with legislative requirements and the Credit Union Rules. This includes monitoring communications and time-lines as well as overseeing the voting process to ensure a high level of integrity is maintained.

Audit Committee:

The Audit Committee assists the Board of Directors in fulfilling its financial reporting, internal controls, management information systems, capital requirements, enterprise-wide risk management, and compliance responsibilities, including responsibility for the internal and external audit engagements. The Audit Committee meets regularly with both the internal and external auditors.

Conduct Review Committee:

The Conduct Review Committee oversees the establishment of standards of business conduct and compliance with legislation and regulatory requirements regarding related party disclosure, conflict of interest, confidentiality, ethical reporting and privacy of personal information.

Investment & Loan Committee:

The purpose of the Investment and Loan Committee is to ensure that the Credit Union has written an Investment and Lending Policy which reflects prudent standards and ensures procedures are followed and reviewed regularly.

Click [here](#) for the Rules of North Peace Savings and Credit Union

Executive Overview

The NPSCU Management Team works with the Board of Directors to position the Credit Union's strategic direction and develop the annual operating plan. They monitor every aspect of the plan to ensure progress is being maintained and the organization is on track. For the year ending September 30, 2019, the following structure was in place.

Chief Executive Officer: Mitchel Chilcott

Chief Financial and Risk Officer: Jannine Scheurmann

Chief People Officer: Lisa Stewart

Chief Credit Officer: Kevin Jolly

Risk Management

Our business activities expose us to a wide variety of risks in virtually all aspects of our operations. Our ability to manage these risks is a key competency within the organization and is supported by a strong risk culture and effective risk management approach.

Taking measured risks is part of North Peace Savings and Credit Union's (NPSCU's) business. As a provider of financial products and services, we consider risk management critical and integral to our business success. Our risk profile is determined by our strategies, actions, and changes to the external business environment. We manage these risks within an enterprise-wide risk management (ERM) framework.

Risk Management Principles

The following principles guide the management of risks within NPSCU:

- Balancing risk and reward effectively through aligning business strategy with risk appetite, diversifying risk, pricing appropriately for risk, and mitigating risk through preventive and detective controls.
- Viewing risk as acceptable and necessary to build the business. We only accept those risks that can be understood, managed and are consistent with our cooperative values, code of conduct, and board approved policies.
- Believing every employee is essentially a risk manager and must be knowledgeable of the risks inherent in their day-to-day activities and responsibilities.
- Building stronger relationships with members reduces our risks by "knowing our members" and ensuring the services we provide are suitable for, and understood by, each member.
- Aiming risk controls at minimizing uncertainty and maximizing opportunity in a way that optimizes the Credit Union's capacity to protect, and sustainably grow, value for our members.
- Using common sense and sound judgment in order to manage risk throughout the Credit Union.

Enterprise Risk Management Framework

The primary goal of enterprise risk management (ERM) is to ensure the outcomes of risk-taking are consistent with the Credit Union's business activities, strategies and risk appetite. Our ERM framework provides the foundation for achieving this goal, and is regularly evaluated to ensure it addresses and meets the challenges and requirements faced by NPSCU. The evaluation includes ensuring compliance with evolving regulatory standards and comparison to industry best practices.

Risk Culture

A strong risk culture emphasizes transparency and accountability. Organizations with a strong risk culture have a consistent and repeatable approach to risk management when making key business decisions, including regular discussions of risk and ongoing reviews of risk scenarios that can help Management and members of the Board understand the interconnectedness and potential risk impacts.

A strong risk culture is the cornerstone of an effective ERM framework. It starts with appropriate leadership that demonstrates and sends clear messages throughout the organization. This strong risk culture is communicated and emphasized by the actions of Management and the Board of Directors.

Risk Appetite Statement

NPSCU's Risk Appetite Statement facilitates a shared understanding of its philosophy concerning acceptable risk and supports NPSCU's Mission and Strategy.

The Risk Appetite Statement is based on our mission, vision and values in attaining our strategic goals.

The Credit Union's risk management tools and activities, which are based on best practices, include:

- An Enterprise Risk Management ("ERM") framework to identify and quantify the magnitude and probability of individual risks faced by the Credit Union;
- A Risk Tolerance definition of these risks, which allows for the effective measurement and control of individual risks;
- Corporate policies, which outline in detail the risks the Credit Union is willing to engage in, and controls, which help mitigate against such risks. Integral to these policies are the Capital, Liquidity and Investment and Lending policies;
- An Internal Capital Adequacy Assessment Process (ICAAP) to determine the appropriate level of capitalization for the Credit Union, given various stress situations; and,
- The use of Risk-Capital Allocation tools to ensure the Credit Union's capital resources are effectively utilized in relation to the returns earned on such capital.

Key Principles:

To ensure effective risk management, key principles are embraced through:

- Aligning the strategic direction of the Credit Union through structured operating plans, budgets and related targets that are conservative and achievable. Risk tolerance levels are established and monitored on an ongoing basis for key targets;
- Ensuring that the Credit Union is appropriately rewarded for the risks that it takes in its operations;
- Designing and implementing effective policies, controls, reporting and auditing, to ensure that procedures are followed and help mitigate risks associated with the Credit Union's activities, such as lending and investing;
- Limiting the risks associated with our lines of business, through market segmentation and geographic diversification; and,
- Empowering our employees, through training, education and decision-making protocols, to manage risk within their individual responsibilities.

Ownership

At a minimum, annually, Management and the Board of Directors review the Risk Appetite Statement for appropriateness and alignment with the strategic direction of the Credit Union. In conjunction with this process, the Board also establishes risk tolerance levels to aid in monitoring risks.

Performance against operating plans, budgets and related targets are reported to the Board, at minimum, on a quarterly basis. Monitoring against risk tolerance levels for key targets is also reported. The Board ensures that any action plans requiring further monitoring or that are needed to bring targets back within acceptable levels are carried out in an effective and timely manner.

Management Discussion and Analysis

2019 continued to present challenges to the economy of Northeastern BC, as well as to the growth of North Peace Savings and Credit Union (NPSCU). Even though the Credit Union experienced moderate profitability in 2019, the Credit Union's asset base continued to shrink in step with a regional economy that continued to struggle to find its footings and provide greater certainty of future growth. Total Assets of the Credit Union declined by 7.2% in 2019. The majority of this change resulted from a 3.8% contraction in the loan portfolio, as repayment exceeded new borrowings in this time of uncertainty. As at September 30, 2019, the Credit Union's Total Assets were \$438 Million.

Membership in the Credit Union also declined over the year, falling by 2.5%, to end the year at 11,861 members. The reduction of 298 members was primarily driven by individuals and families moving away from Northeastern BC and the closing of dormant memberships. Dormant memberships are memberships that have been inactive for 12 months or more.

Member Loans

Loans and mortgages to members amounted to 81% of the Credit Union's Total Assets, of which 19% were business loans and mortgages.

Residential Mortgages accounted for 68% of NPSCU's lending portfolio, followed by Business Mortgages (18%) and Personal Loans & Lines of Credit (8%). Compared to 2018, every category of lending saw a decline in both dollar volume and count, except for personal loans, as the economy struggled in the region. The increase in personal loans is the result of a new vehicle financing program offered by the Credit Union beginning in the spring of 2019.

In 2019, the Allowance for Loan Impairment remained relatively flat with bad loans decreasing significantly over 2018 results. During 2019, NPSCU allocated \$0.3 Million to the Allowance for Loan Impairment, as a reflection of general losses anticipated across the loan portfolio and anticipated losses related to specific loans. Actual Net Write-offs for the year amounted to \$0.3 Million. As of September 30, 2019, the Credit Union identified all loans and mortgages which have a potential risk of impairment. This potential risk of impairment has been quantified and is reflected in the Allowance for Loan Impairment.

Allowance for Loan Impairment (000's)	2019	2018	Write Offs (000's)	#	2019	#	2018
Balance, beginning of year	2,344	1,680	Personal	41	308	68	763
Provision for loan impairment	300	3,148	Business	2	25	6	1,721
	2,644	4,828	Total	43	333	74	2,484
Less: Net loans written off	(333)	(2,484)					
Balance, end of year	2,311	2,344					

Member Deposits

Member deposits ended the year at \$380 Million, a decline of 5.2% over the prior year. The majority of Member Deposits are held in Demand Accounts (67%), followed by Term Deposits (25%). As the lending portfolio contracted over the course of 2019, the Credit Union strategically reduced the amount of deposits held, as holding excess deposits has a negative impact on Financial Margin.

Members' Equity

Members' Equity consists of Member Shares and Retained Earnings, the cumulative profit of the Credit Union since inception, net of Accumulated Other Comprehensive Loss, a cumulative loss related to the derivative swap portfolio held for hedging purposes. Members' Equity increased by 17.6% in 2019, a reflection of Total Comprehensive Income of \$3.5 Million earned over the year, and partially lifted by a small 1.1% increase in Member Shares. A 3% dividend was paid to holders of all classes of member shares in 2019. The dividend was paid in shares and, therefore, contributed to the overall increase in Member Shares.

The Financial Institutions Act of British Columbia (FIA) requires the Credit Union to maintain, at all times, a capital base, which is adequate in relation to the business carried on. The level of capital required is based on a prescribed percentage of the total value of risk-weighted assets of the Credit Union. The Credit Union's capital base primarily consists of Member Shares and Retained Earnings. Regulations prescribe a minimum capital ratio for a Credit Union's fiscal year. As at September 30, 2019, the Credit Union was in compliance with the FIA.

Operating Income

The Consolidated Income from Operations, before Members' Distribution and Income Tax, for the year ending September 30, 2019 was \$1.7 Million. As the economy of Northeastern BC continued to struggle in 2019, the focus for the Credit Union remained on minimizing loan losses through enhanced credit monitoring and on cost containment of Operating Expenses.

Financial Margin

Financial Margin is the difference between interest earned on the Credit Union's Member Loans, Investments and Derivatives and the interest paid on its Member Deposits and Borrowings. Over the course of 2019, lending related interest rates declined while continued competitive market pressures for deposits resulted in elevated deposit interest rates paid to members. However, the Credit Union was able to maintain Financial Margin levels, before the Provision for Loan Impairment, at \$11.7 million, relatively flat with 2018 levels. Of note is that Financial Margin, after the Provision for Loan Impairment, was \$11.4 Million, a significant increase over the \$8.5 Million earned in 2018 and the result of lower loan write-offs than in the previous year.

Operating Expenses

Operating Expenses include costs associated with staffing, occupancy and administration. For the year ending September 30, 2019, Operating Expenses amounted to \$11.6 Million, a decrease of \$1.7 Million or 12.8% from 2018 results. For 2019, while waiting for the regional economy to find its footings and ultimately begin the recovery process, the strategy of the Credit Union was to continue to focus on minimizing loan losses through enhanced credit monitoring controls and cost containment of Operating Expenses.

Comprehensive Income (Loss)

Comprehensive Income consists of Net Income, which is income earned from operations over the year net of Income Taxes and Members' Distribution, and Other Comprehensive Income (Loss), related to changes in the valuation of the Credit Union's derivative portfolio.

Consolidated Income from Operations, before Members' Distribution and Income Tax, was \$1.7 Million, for the year ending September 30, 2019, an improvement of \$3.7 Million from 2018 as detailed above.

Included in the Credit Union's derivative portfolio are Financial Instruments that generate income or loss related to changes in their valuation and are recorded in Other Comprehensive Income (Loss). As the Fair Market Value of an instrument can fluctuate on a daily basis, the change in its value is isolated within Other Comprehensive Income (Loss), so that Net Income excludes this volatility.

NPSCU has a derivative swap portfolio of interest rate swaps, which hedge its variable rate lending portfolio against a decline in market interest rates. These swaps qualify for hedge accounting treatment under International Financial Reporting Standards and, as such, changes in their valuation are recorded in Other Comprehensive Income (Loss). In 2019, with decreases in market interest rates, the valuation of NPSCU's derivative swap portfolio fluctuated to result in an income of \$2.7 Million. The derivative swap portfolio had a negative valuation of \$0.4 Million as of September 30, 2019.

Swaps are settled semi-annually, between the strike price (contract rate) of the swap against the market rate (Canadian Dollar Offered Rate) multiplied by the notional value of the contract. Any loss or gain on this settlement is offset by increased or decreased Financial Margin earned on variable rate loans and mortgages held by NPSCU. In 2019, this settlement produced \$0.4 Million (2018: \$0.1 Million income) in loss.

The derivative swap portfolio, when held to maturity, will expire with a \$0 valuation. The current market valuation would only be realized, either positive or negative, if the swap portfolio was liquidated prior to maturity.

Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Members of North Peace Savings and Credit Union:

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at September 30, 2019, and the summary consolidated statements of comprehensive income (loss) and changes in members' equity for the year then ended are derived from the audited consolidated financial statements of North Peace Savings and Credit Union (the "Credit Union") for the year ended September 30, 2019.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited consolidated financial statements.

Summary Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated December 10, 2019.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Abbotsford, BC
December 10, 2019

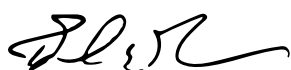
MNP LLP

Chartered Professional Accountants

North Peace Savings and Credit Union
Summarized Consolidated Statement of Financial Position
As at September 30, 2019

	2019 (000s)	2018 (000s)
Assets		
Cash and cash equivalents	35,321	42,901
Investments	34,012	44,209
Member loans receivable	355,619	369,722
Other assets	2,903	3,472
Premises and equipment	8,683	9,468
Intangible assets	693	832
Deferred tax asset	777	1,423
	438,008	472,027
Liabilities		
Member deposits	379,784	400,440
Income taxes payable	1	-
Borrowings	30,857	46,027
Accounts payable and accrued liabilities	2,768	4,521
Member shares	879	869
	414,289	451,857
Members' equity		
Member shares	7,909	7,824
Retained earnings	16,228	15,457
Accumulated other comprehensive loss	(418)	(3,111)
	23,719	20,170
	438,008	472,027

Approved on behalf of the Board of Directors




North Peace Savings and Credit Union
Summarized Consolidated Statement of Comprehensive Income (Loss) and Changes in Members' Equity
For the year ended September 30, 2019

	2019 (000s)	2018 (000s)
Interest income		
Member loans	15,079	15,154
Investments	1,441	1,054
	16,520	16,208
Interest expense		
Member deposits	3,928	3,578
Borrowings	879	977
	4,807	4,555
Financial margin before provision for loan impairment	11,713	11,653
Provision for loan impairment	300	3,148
Financial margin	11,413	8,505
Other income	1,871	2,734
Financial margin and other income	13,284	11,239
Operating expenses		
Wages and benefits	5,867	6,477
Administrative expenses	4,133	4,739
Occupancy	1,601	2,081
	11,601	13,297
Income (loss) from operations before members' distribution and income taxes expense (recovery)	1,683	(2,058)
Members' distribution	(265)	(314)
Income (loss) before income tax expense (recovery)	1,418	(2,372)
Income tax expense (recovery)		
Current	1	-
Deferred	646	(693)
	647	(693)
Net income (loss)	771	(1,679)
Other comprehensive income (loss), net of tax	2,693	(1,290)
Comprehensive income (loss)	3,464	(2,969)
Members' equity, beginning of year	20,170	22,209
Net income (loss)	771	(1,679)
Net change in member shares	85	930
Other comprehensive income (loss) for the year	2,693	(1,290)
Members' equity, end of year	23,719	20,170

Note: Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures required for complete and fair presentation. Copies of the North Peace Savings and Credit Union full financial statements and auditors' report, can be obtained at all of our branches.

Compensation Disclosure

Key policies and practices for CEO compensation.

For the fiscal year ending September 30, 2019 the CEO received the following compensation.

Base Salary – \$247,711.00

Bonus paid for FY18-19 – \$37,156.65

Pension, benefit and perquisites: Please see below.

The CEO's bonus is based on objective and subjective performance factors, with a 50% weight given to objective performance factors and 50% on subjective performance factors. Objective factors are measured through the balanced scorecard and entail financial and risk, members and employee measures. Subjective performance factors are measured using a CEO Evaluation Survey completed by Directors as well as select managers and staff. Scorecard/performance targets for the bonus are set based on the strategic plan, operating plan and annual performance plan. These measures are reviewed and approved by the Board.

The annual compensation review process involves the following steps. This data is used to determine the appropriate adjustments to the CEO's total cash compensation package, based on the credit union's ability to pay.

1. Compiling an annual external market data review for CEO's of credit unions nationally from the annual Central 1 Canadian Credit Union Executive Compensation Survey to determine the
 - P75 Total Target Cash position for comparable credit unions, calculated with respect to NPSCU on balance sheet assets as projected to year end
 - base salary by calculating 85% of the P75 Target Cash position
 - target (meets expectations) and maximum (exceptional performance) bonus potential
2. Determining the CEO's Total Achievement Score based on assessment of annual performance against targeted goals as determined through objective and subjective performance factors as described above.

Calculated based on results of the objective and subjective performance factors in the annual review, where the CEO achieves a total achievement score for the fiscal year performance of less than 85% (meets expectations), the salary increase, as determined above, and a 15% bonus are granted. Calculated based on results of the objective and subjective performance factors in the annual review, where the CEO achieves a total achievement score for the fiscal year performance of 85% or greater (exceptional performance) the salary increase, as determined above, and a 25% bonus are granted.

While this bonus was earned for performance and accrued for in FY18-19, actual payment was made in FY19-20 once FY18-19 results were finalized. For FY18-19, the CEO achieved the expectations performance or target payable bonus under the plan (15%). Compensation increases and bonus payout is contingent on board approval which is based on the overall financial health and stability of the organization.

The CEO participates in a Long Term Retention (LTR) plan that is intended to align CEO retirement with a long term CEO retention strategy for NPSCU. In consideration for the CEO's commitment and in recognition that energies remain dedicated to NPSCU's best interests, from October 1, 2014 to September 30, 2019 (five years) NPSCU accrued 10% of the CEO's base annual salary provided that in the calendar year preceding the LTR entitlement active employment with the Credit Union was maintained. In 2018-2019, the CEO accrued \$24,771 and the amount accrued as at September 30, 2018 is \$119,310.56. A resignation prior to September 30, 2019 would have resulted in no payouts from the LTR. Effective October 1, 2019 and each October 1 following until (and including) October 1, 2024, LTR will be paid out as follows: In year 6 (October 2019), the CEO may access and withdraw the LTR accrued in year one (October 2014). In year seven (October 2020), the CEO may access and withdraw the LTR accrued in year two (2015) and so forth. After September 30, 2019, provided the required resignation notice is given, the CEO will be eligible for payment of all funds accrued from October 1, 2014 to September 30, 2019. The LTR agreement may be reviewed, renewed and/or renegotiated for additional terms (2019 – 2024; 2025 to 2030) at the mutual agreement of both parties.

Pension:

The CEO participates in a Defined Contribution (DC) Pension Plan with the same terms as other executives. The CEO's pension is calculated at 7% of gross income.

Benefits:

The CEO participates in the employee BC Medical, extended health, dental, disability and life insurance plans. These programs are the same as the plans offered to all NPSCU's employees.

The CEO's full compensation package is reviewed by the board annually.

Key Policies & Practices for Executive and Employee Compensation:

The CEO is fully responsible for setting an executive compensation and bonus structure that supports the attraction and retention of key talent to move the organization forward quickly and meet the strategic objectives of a progressive organization. Compensation increases and bonuses are contingent on the overall financial health and stability of the organization. The compensation packages received by executives considers the 75th percentile for base salaries within roles of similar responsibility as described in the Central 1 Canadian Credit Union Executive Compensation Survey. Executives, excluding the CEO, are eligible to share in the staff profit sharing plan. Additional bonus payments may be available to executives from time to time based on achievement of financial and risk, members and employee measures as established in the balanced scorecard.

Executives receive the same benefits and perquisites as the CEO and employees.

Employees participate in a profit sharing program based on our achievement against overall financial targets. For FY18-19, a payout of 2% of base salary was awarded to employees and executives at the discretion of the CEO based on achievement of financial and risk, members and employee measures as established in the balanced scorecard. Employee bonuses are contingent on the overall financial health and stability of the organization.

Employees also receive a competitive benefits package which includes extended health insurance, dental insurance, employee and family assistance, life insurance, dependent life insurance, short term disability insurance, long term disability insurance, accidental death and dismemberment insurance, a health care spending account of \$500 per year and tuition and educational assistance. NPSCU provides a Defined Contribution Pension Plan to 1) employees with the following key terms; up to age 50 = 5%, 50 to 54 = 6%, 55 plus = 7%, and 2) executives with the following terms; up to age 50 = 6%, 50 plus = 7%. Employee perquisites also include an employee loan program.

Corporate Governance

The elected directors serving on the Board of Directors (the Board) must bring the skills, experience and competencies required to enable the Board to effectively guide and oversee our credit union. The Board is responsible for governing North Peace Savings and Credit Union's business as well as the obligation to protect and enhance the assets of the credit union. The Board reviews and approves North Peace Savings and Credit Union's strategic direction and risk appetite, sets and monitors corporate policies, and is responsible for overseeing management and ensuring that NPSCU complies with regulatory and statutory requirements.

Governance of North Peace Savings and Credit Union

North Peace Savings and Credit Union uses the Corporate Governance Guidelines for Building High Performance Boards published by the Canadian Coalition for Good Governance as a baseline of best practices.

The Board undertakes a regular process of identifying and reviewing the overall skills and experience required amongst directors to strengthen the Board and to meet the needs of North Peace Savings and Credit Union's governance, both in the present and into the future.

Each year three vacancies occur on North Peace Savings and Credit Union's nine-member Board for three-year terms. After the Annual General Meeting, the Board appoints a Governance/Nominating Committee that is tasked with recommending qualified candidates in the following year for election to the Board. The Committee is responsible for identifying required skills and experience required within the Board to guide and oversee the implementation of North Peace Savings and Credit Union's strategic plan.

The results of each year's Directors' Election are announced at the AGM by the Chair of the Governance/Nominating Committee.

Director Remuneration and Expenses

The following table summarizes the attendance of directors at Board and committee meetings and also provides the total remuneration paid for the fiscal year ending September 30, 2019. The table also outlines any other designated meetings and events deemed eligible for payments.

Directors' remuneration for the 2018-2019 fiscal year were calculated as follows:

Honorarium	\$3,000
Chair Honorarium	\$2,700
Board Meeting	\$225
Committee Meeting	\$225
Full day meeting or travel	\$250
Half day meeting or travel	\$125

Expenses

- Reimbursement of expenses, including travel, accommodation, & meals.
- When out of town for either training/conference/education an incidental stipend of \$25 per day.

The remuneration of Directors of North Peace Savings and Credit Union in relation to their service as directors is established, allocated and distributed to the directors at the discretion of the Board of Directors.

The Governance Committee conducted a full review of the board's remuneration in November 2019. The review is scheduled for every three years.

Our directors each bring unique value and experience to the board. Profiles of each director are included on the following pages, with more detailed resumes available on our website at npscu.ca. The following tables summarize the board members, their tenure, roles on the board and total remuneration for the 2018-2019 fiscal year.

To read the full biography of each Director, click [here](#)

Bruce Chisholm, Board Chair

Committees:

Audit
Governance/Nominating
Conduct Review

Profile: Bruce Chisholm retired from his career as an educator after dedicating 33 years to the local education system. Bruce has a Bachelor's Degree in Education and a Master's Degree in Educational Administration, and during his career he fulfilled the roles of teacher, Vice Principal, and Principal.

Tenure: 13 years

BOD Meetings	12	\$2,700
Committee Meetings	16	\$3,600
Honorarium		\$3,000
Honorarium – BOD Chair		\$2,700
Conference/Education		\$4,600
Total Remuneration		\$16,600
Expenses		\$3,932
Total		\$20,532

Tracy Wolsey, Vice Chair

Committees:

Investment and Lending
Audit

Profile: Tracey has worked with Suncor since 1998 and has been involved in a variety of oil and gas and wind power projects primarily in Alberta and British Columbia but also in Saskatchewan, the United States and Australia. She is currently the Director of Stakeholder and Aboriginal Relations for Suncor's oil sands operations.

Tenure: 4 years

BOD Meetings	8	\$1,800
Committee Meetings	13	\$2,925
Conference/Education		\$1,375
Honorarium		\$3,000
Total Remuneration		\$9,100
Expenses		\$429
Total		\$9,529

Bob Trobak, Director

Committees:

Audit
Governance/Nominating

Profile: A retired Chartered Accountant with over 40 years of experience at a public accounting firm, Bob Trobak has lived in the Fort St John area since 1968. Over the years, Bob has devoted a significant amount of his spare time to volunteering, especially within the local hockey community.

Tenure: 11 years

BOD Meetings	12	\$2,700
Committee Meetings	18	\$4,050
Honorarium		\$3,000
Conference/Education		\$250
Total Remuneration		\$10,000
Expenses		\$0
Total		\$10,000

Allan Loberg, Director

Committees:

Governance/Nominating
Investment and Lending

Profile: Raised in Fort Nelson, BC, Allan Loberg has been a resident of Fort St John since 1984. He currently works as an aircraft maintenance engineer, as well as an oilfield consultant through Western Canada. Allan has achieved the Credit Union Director Accreditation through Dalhousie University.

Tenure: 15 years

BOD Meetings	11	\$2,475
Committee Meetings	20	\$4,500
Conference/Education		\$750
Honorarium + Chair Honorarium		\$3,000
Total Remuneration		\$10,725
Expenses		\$825
Total		\$11,550

Donna Stolk, Director

Committees:

Audit
Governance/Nominating

Profile: Donna has a strong business background, from 1989 to 2010 she owned two Panago Pizza restaurants in Prince George, which gave her a deep understanding of the passion and commitment it takes to be an entrepreneur.

Tenure: 3 year

BOD Meetings	10	\$2,250
Committee Meetings	18	\$4,050
Conference/Education		\$1,000
Honorarium		\$3,000
Total Remuneration		\$10,300
Expenses		\$816
Total		\$11,116

Laurie Petrucci, Director

Committees:

Investment and Lending
Conduct Review
Governance/Nominating

Profile: Laurie Petrucci and her husband moved to this region in 1996 to begin their teaching careers and start a family. Laurie holds a Bachelor of Science from the University of British Columbia (UBC), a teachers certificate from Simon Fraser University and a Masters in Educational Technology from UBC. Laurie has served on several volunteer boards in the community.

Tenure: 3 years

BOD Meetings	11	\$2,475
Committee Meetings	15	\$3,375
Conference		\$500
Honorarium		\$3,000
Total Remuneration		\$9,350
Expenses		\$542
Total		\$9,892

David Scott-Moncrieff, Director

Committees:

Investment and Lending
Conduct Review
Audit

Profile: David has lived and worked in Fort St John since 1999 with his wife and three children. His work in both the automotive and oil & gas industries gives him a grounded understanding of the economic drivers in this community.

Tenure: 2 years

BOD Meetings	11	\$2,475
Committee Meetings	13	\$2,925
Honorarium		\$3,000
Conference		\$0
Total Remuneration		\$8,400
Expenses		\$812
Total		\$9,212

Mike Whalley, Director

Committees:

Audit

Profile: Michael Whalley is the principal of Edgeworx Business Professionals Inc., which is under contract with the Resource Municipalities Coalition as Executive Director. Through this position, Mike works with regional municipalities in the promotion of responsible resource development by establishing science-based limits for a project's cumulative impact on nature, society and the economy for a sustainable future.

Tenure: 1 year
(appointed February 2019)

BOD Meetings	3	\$675
Committee Meetings	7	\$1,575
Honorarium		\$1,500
Conference		\$375
Total Remuneration		\$4,125
Expenses		\$1,506
Total		\$5,631

Edwina Nearhood, Director

Committees:

Investment and Lending

Tenure: No longer on the Board
(effective November 2019)

Profile: Edwina is a lifelong resident of the North Peace River Region. She brings 30 years of experience in the real estate appraisal and consulting business. Edwina is an Accredited Appraiser Canadian Institute (AACI) Professional Appraiser (P. App.) and a Real Estate Institute of BC RI designated member. She opened her appraisal firm in 2010 upon the return of a two year move to Fort McMurray.

BOD Meetings	5	\$1,125
Committee Meetings	7	\$1,575
Conference		\$250
Honorarium		\$1,500
Total Remuneration		\$4,450
Expenses		\$2,250
Total		\$6,700

Carrie Bennett, Past Director

Tenure: No longer on the Board
(effective February 2019)

BOD Meetings	5	\$1,125
Committee Meetings	5	\$1,125
Conference/Education		\$1,897
Honorarium		\$750
Total Remuneration		\$4,897
Expenses		\$686
Total		\$5,583

Russ Beerling, Past Director

Tenure: No longer on the Board
(effective December 2018)

BOD Meetings	4	\$900
Committee Meetings	1	\$225
Conference/Education		\$1,232
Honorarium		\$750
Total Remuneration		\$3,107
Expenses		\$1,696
Total		\$4,803

Fort Nelson Service Centre

5420 – 50th Avenue North
Fort Nelson, BC V0C 1R0
Tel: 250.774.5215

Hudson's Hope Service Centre

10050 Beattie Drive
Hudson's Hope, BC V0C 1V0
Tel: 250.783.5217

North Peace Financial Planning Services Ltd.

10344 – 100th Street
Fort St. John, BC V1J 3Z1
Tel: 250.787.0365

Fort St. John Service Centre

10344 – 100th Street
Fort St. John, BC V1J 3Z1
Tel: 250.787.0361

Dawson Creek Service Centre

11040 – 8th Street
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