

Director Compensation and Expense Policy

Approved: September 7, 2018

Reviewed: June 12, 2018

1.1 PURPOSE

In accordance with Section 110(1) of the *Financial Institutions Act* (British Columbia), the members of Central 1 Credit Union (“**Central 1**”) determine from time to time the aggregate remuneration paid to the directors of Central 1, including annual retainers and per diems for attendance at meetings and travel time. The members of Central 1 have resolved that the aggregate remuneration paid to the directors of Central 1, including annual retainers, meeting fees and per diems for travel time, shall not exceed \$800,000 per annum. The members of Central 1 also resolved that such amount shall be allocated and distributed to the directors at the discretion of the board of directors of Central 1 (the “**Board**”). Pursuant to this authority, the Board has adopted the Director Compensation and Expense Policy (“**Policy**”).

1.2 COMPENSATION PHILOSOPHY

The Board recognizes that strong corporate governance is a key ingredient to an organization's success and the Board has determined that, subject to the limits set by the members of Central 1 by resolution, the directors of Central 1 should be remunerated at approximately the 50th percentile of director compensation for comparable entities, as that group is determined from time to time, by the Board, on the recommendation of the Conduct Review and Corporate Governance Committee, giving due consideration to the qualifications, liability, experience and involvement in value-added decision making commensurate with Central 1's size, complexity and functions.

Compensation for directors of Central 1 falls into the following four categories:

- a) annual retainer,
- b) meetings fees for attendance at Board and committee meetings,
- c) per diem compensation for travel time, attending meetings and other work performed on behalf of Central 1; and
- d) reimbursement for reasonable expense incurred in connection with authorized work performed on behalf of the credit union.

1.3 ANNUAL RETAINERS

Directors of Central 1 shall receive the following annual retainers:

Annual Retainer	Role	Amount
Board Retainers	• Chairperson	\$45,000
	• Vice Chairperson	\$24,000
	• General Director Member	\$18,000
Committee Retainers	• Audit & Finance Chair	\$12,000
	• Risk, Review and Investment & Loan Chair	\$12,000
	• All Other Committee Chairs ¹	\$6,000
	• Non-chair Committee Members	\$0

1.4 MEETING FEES FOR BOARD AND COMMITTEE MEETINGS

- a) subject to Section 1.4(b), Central 1 shall pay a director the following fees for attendance at Board and committee meetings or sessions, either in person or by conference call or other electronic means:

¹ Chairpersons of the Credentials Committee, the Resolutions Committee and any sub-committee or ad hoc committee of the Board or a committee are not eligible to receive an annual retainer.

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Meeting/Session	Type	Fee
Board and Committee Meetings (does not include consultant, peer, or board assessment interviews)	• for meetings 30 minutes or less	\$0
	• for meetings equal to or less than 4 hours	\$500
	• for meetings more than 4 hours	\$800
Strategic Planning Sessions	• for sessions equal to or less than 4 hours	\$500
	• for sessions more than 4 hours	\$800
Orientation and In-house Education and planning sessions	• for meetings 30 minutes or less	\$0
	• for sessions equal to or less than 4 hours	\$500
	• for sessions more than 4 hours	\$800
AGM/Special Meeting	• for attendance at AGM/Special Meeting	\$0
Annual Director Assessments	• for participation in the annual director assessments– these are considered part of each director’s professional development; if travel is required to attend these sessions, it will be reimbursed pursuant to this Policy.	\$0

- b) a director cannot earn a fee of more than \$800 for any one calendar day. This includes any combination of board or committee meetings.

1.5 DIRECTOR PER DIEM FOR ATTENDANCE AT RELATED BUSINESS EVENTS

Directors are entitled to a “Director Per Diem Fee” for attendance at Related Business Events. “Related Business Events” are events designated as such in advance by the Board. These events include, without limitation:

- a) a Central 1’s director’s attendance at Central 1’s affiliate organization’s or subsidiary’s annual or general meeting as the appointed voting delegate representing Central 1;
- b) a Central 1’s director’s attendance at Central 1’s affiliate organization’s or subsidiary’s board meeting as the Central 1 appointed director to that Board if such affiliate organization or subsidiary does not pay a per diem fee. If the organization or subsidiary pays a lesser amount than the Director Per Diem Fee, Central 1’s director shall be paid the difference;
- c) a Central 1’s conference or other conferences and industry events identified by the Board as relevant to the credit union, the financial services industry or board governance. Guidelines about how many directors may attend these events and how they will be selected are included in the Director Orientation, Education and Development Policy. Central 1’s Annual Conference and Trade Show is exempt from limits on the number of Directors attending;
- d) a director’s own peer group/contact meeting, provided however that only one director may claim a per diem in respect of attendance at any sub-regional meeting of Peer Group Seven;
- e) related business events or functions at the request of the Board’s Chairperson, the Board or the CEO;
- f) related business events or functions which have been approved in writing by the Board Chairperson, the Board or CEO prior to such event or function. The Chairperson shall approve the payment of a per diem for travel time, if applicable. A copy of any such written approval must be forwarded to the Corporate Secretary;
- g) meetings of affiliate organizations with the approval of the Board Chairperson; and
- h) a Director’s, attendance at meetings of credit unions in his/her Peer Group/Region (in this case, the Per Diem Fee is inclusive of travel time).

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Director Per Diem Fee is set as follows:

Director Per Diem Fee	<ul style="list-style-type: none"> for meetings that are 30 minutes or less 	\$0
	<ul style="list-style-type: none"> for meetings which are equal to or less than 4 hours 	\$500
	<ul style="list-style-type: none"> for meetings which are more than 4 hours 	\$800

A director cannot earn a Director Per Diem Fee of more than \$800 for any one calendar day. This includes any combination of attendance at various Related Business Events.

1.6 PER DIEM FOR DIRECTOR EDUCATION

Directors are expected to be prepared to carry out their duties and therefore should take personal responsibility to ensure they keep up with developments in the industry or with respect to governance. As per the Director Orientation, Education and Development Policy, Section 1.11, directors shall not receive meeting or per diem fees for attending the CUDA training program, continuing formal and informal education, accredited director education certification program and conferences and industry events. Directors may be reimbursed for associated reasonable expenses as set out in Section 1.9 of this Policy. Directors shall receive a per diem fee for attendance at orientation sessions and in-house training sessions as set out in Section 1.4 of this Policy.

1.7 NON-DIRECTOR PER DIEM

An individual appointed by the Board or a Board Committee to a committee, sub-committee, working or advisory committee (a “**Non-Director**”) is entitled to a Non-Director Per Diem for attendance at meetings, either in person or by conference call or other electronic means. Non-Directors are also entitled to reimbursement of reasonable and justifiable expenses as set out in Section 1.9 to the extent that such expenses are associated with activities required of the Non-director in complying with his or her duties for Central 1 (but specifically excluding expenses set out in Section 1.10).

The “Non-Director Per Diem Fee” is set as follows:

Non-Director Per Diem Fee	<ul style="list-style-type: none"> for meetings that are 30 minutes or less 	\$0
	<ul style="list-style-type: none"> for meetings which are equal to or less than 4 hours 	\$500
	<ul style="list-style-type: none"> for meetings which are 4 hours or more 	\$800

A Non-Director cannot earn a Non-Director Per Diem Fee of more than \$800 for any one calendar day. This includes any combination of attendance at any committee, sub-committee, working or advisory committee.

1.8 PER DIEM FOR TRAVEL TIME

When travelling in connection with carrying out his/her duties, a director is entitled to the following per diem travel fees:

Per Diem Travel Time	<ul style="list-style-type: none"> for travel less than 4 hours 	\$0
	<ul style="list-style-type: none"> for travel 4 hours or more 	\$500

1.9 REASONABLE EXPENSE FOR MEETINGS, BUSINESS EVENTS AND ORIENTATION

Directors of Central 1 are reimbursed for all reasonable and justifiable expenses incurred in connection with attending:

- board and committee meetings, Central 1’s AGM or special meeting of members;
- Central 1’s Orientation for new Directors and strategic planning session;
- Peer Group/Contact meetings, other than their own Peer Group/Regions if they have been invited to attend such meetings;
- business related events at the request of the Board’s Chairperson, the Board or CEO;

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- e) pre-approved Business Related Events;
- f) continuing formal and informal education; and
- g) an affiliate organization's annual or general meeting as the appointed delegate representing Central 1.

Directors of Central 1 will use their best judgment to contain travel and other related costs.

1.9.1 Transportation Expenses

Central 1 shall reimburse directors for the actual cost of economy class airfare for flights less than two and a half (2.5) hours. When other modes of travel are necessary, Central 1 shall reimburse the director for the actual costs of such transportation. Directors shall use their judgement to select the most efficient form of travel reasonable under the circumstances.

To accommodate the use of Central 1's flight pass arrangement with Air Canada, directors travelling on behalf of Central 1 shall book their travel through Central 1's Corporate Travel Service Providers, TTI Canada or Carlson Wagonlit Travel Co-op. Flight passes are only used for flights over 2.5 hours. Contact information for Central 1's Corporate Travel Service Providers can be obtained from the Corporate Secretary's Office.

Central 1 shall reimburse directors for the use of personal automobile at the Automobile Allowance Rate per kilometer, as published by the Canada Revenue Agency in effect at such time, plus cost of tolls and parking. Mileage can be claimed in lieu of airfare, but not to exceed economy class airfare and reasonable related ground transportation expenses such as taxis and airport parking.

Directors of Central 1 must submit all travel receipts, to claim reimbursement of any travel expenses.

1.9.2 Hotel Accommodation

The Corporate Secretary's office or the designated travel agent will arrange hotel accommodation in order to obtain the best possible rate. Central 1 shall cover the actual cost paid. Directors of Central must submit all original hotel receipts in order to claim reimbursement of any hotel expenses.

1.9.3 Meals

Directors will be reimbursed for the cost of meals incurred while carrying out his or her responsibilities as a director, including gratuities and refreshments. No expenditures for alcoholic beverages shall be incurred while attending meetings where a hospitality suite is provided except in combination with meals. When dining alone, meal expenses are not to exceed \$100 per day including beverages, tax and gratuity. As a guideline, expenses should reflect \$20 for breakfast, \$25 for lunch and \$55 for dinner (in accordance with Central 1's meal allowance for employees). Directors must submit all meal receipts over \$25 to claim reimbursement of any meal expenses.

1.9.4 Professional Development

While directors do not receive meeting or per diem fees for attending the CUDA training program, continuing formal and informal education, or accredited director education certificate programs, they may be reimbursed for associated reasonable expenses being travel, accommodations and meals if the course is being completed outside the director's home region.

1.10 TECHNOLOGY EXPENSE REIMBURSEMENT

Directors are entitled to reimbursement for the following costs:

<ul style="list-style-type: none">• to support the purchase of technology necessary to assist the director in carrying out his or her duties to Central 1	Up to \$1,500 per 3-year term
<ul style="list-style-type: none">• for basic voice/data plan for handheld technology - handheld technology is intended to supplement, not replace, personal computer technology	Up to \$75/month

Directors of Central 1 must submit all receipts to claim reimbursement of any technology expenses.

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1.11 SPOUSE/COMPANION EVENTS

Central 1 does not reimburse expenses incurred by spouses/companions accompanying director on Central 1 business. Exceptions may be made on a case by case basis with the approval for attendance being given by the Board Chairperson or Corporate Secretary.

1.12 PAYMENT OF COMPENSATION AND EXPENSES

Annual retainers, meeting fees and per diems will be paid bi-weekly upon receipt of a completed expense claim form (retainer is paid on a bi-weekly basis automatically). Statutory deductions will be made in accordance with instructions issued by Canada Revenue Agency. T-4 Revenue Statements will be issued to directors, unless payment is made to the organization to which the director represents.

All expense claims must be filed with the Corporate Secretary within 30 days of each meeting or event, as applicable, using the Expense Report form approved by the Corporate Secretary. Individual claims must be submitted for each meeting or function attended.

The Corporate Secretary may approve payment of all expense reports that are permitted by this Policy. Expense claims, which exceed the amounts set forth in this Policy, will only be paid up to the limit of the Policy, unless previously approved by the Board Chairperson (or Chairperson of the Conduct Review and Corporate Governance Committee in respect of expenses of the Board Chairperson).

Any claim for an expense or director per diem fee not approved by this Policy must be reviewed by the Board Chairperson (or Chairperson of the Conduct Review and Corporate Governance Committee in respect of the Board Chairperson) for approval or disapproval and, if paid, shall be reported to the Conduct Review and Corporate Governance Committee.

The Corporate Secretary shall provide a summary of all expenses to the Conduct Review and Corporate Governance Committee, quarterly.

1.13 REPORTING

As a key element of transparency, Central 1's director compensation philosophy, processes, practices and amounts shall be reported each year in Central 1's annual report. The aggregate remuneration paid to the directors is also reported in Central 1's financial statements.

1.14 AMENDMENT

The Board must authorize substantive amendments to this Policy, including amendments to rules and procedures. The Corporate Secretary, with the President and CEO's approval, may make administrative amendments to this Policy, including amendments related to formatting, organization, spelling and similar matters.

1.15 REVIEW

An ad-hoc subcommittee shall be appointed from time to time by the Conduct Review and Corporate Governance Committee, but not less than every three years, or if there is a material change to the complexity of the current role profile, to review director compensation to ensure directors are appropriately compensated for their contributions. The ad-hoc subcommittee makes recommendations to the Conduct Review and Corporate Governance Committee.

The Conduct Review and Corporate Governance Committee shall review the Director Compensation and Expense Policy annually and, as deemed necessary or advisable, recommend change to the Board (other than core compensation items in years in which the ad-hoc subcommittee is not appointed).