

Corporate Governance – Board of Directors

The member-elected Board of Directors (the “Board”) must bring the skills, experience and competencies required to effectively guide and oversee one of Canada’s largest co-operative financial institutions. Both the Board and Management Team of Coast Capital are committed to excellence in sound business practices and the achievement of responsible economic, social and environmental objectives. The Board is responsible for overseeing Coast Capital’s business and affairs. It has the statutory authority and obligation to protect and enhance the assets of the credit union. The Board reviews and approves Coast Capital’s strategic direction and risk appetite, sets and monitors adherence to key corporate policies and is responsible for overseeing management and ensuring that Coast Capital complies with regulatory and statutory requirements.

Coast Capital uses the Office of the Superintendent of Financial Institutions’ (“OSFI”) Corporate Governance Guidelines, and the Corporate Governance Guidelines for Building High Performance Boards published by the Canadian Coalition for Good Governance as a baseline of best practices, and as they would apply to a non-public company and member-controlled financial co-operative. These include:

A high-performance board is accountable and independent

Guideline 1	Facilitate shareholder (member) democracy	✓
Guideline 2	Ensure at least two-thirds of directors are independent of management	✓
Guideline 3	Separate roles of Chair and Chief Executive Officer	✓

A high-performance board has experienced, knowledgeable and effective directors and committees, and the highest level of integrity

Guideline 4	Ensure that directors are competent and knowledgeable	✓
Guideline 5	Ensure the goal of every director is to make integrity the hallmark of the company	✓
Guideline 6	Establish reasonable compensation and share ownership guidelines for directors	✓
Guideline 7	Evaluate board, committee and individual director performance	✓

A high-performance board has clear roles and responsibilities

Guideline 8	Establish mandates for Board committees and ensure committee independence	✓
Guideline 9	Adopt well-defined board processes and procedures that support board independence	✓
Guideline 10	Oversee strategy	✓
Guideline 11	Oversee risk management	✓
Guideline 12	Assess the Chief Executive Officer and plan for succession	✓
Guideline 13	Develop and oversee executive compensation plans	✓

A high-performance board engages with shareholders (members)

Guideline 14	Report governance policies and initiatives to shareholders (members)	✓
Guideline 15	Engage with shareholders (members) within and outside the annual meeting	✓

Board Committees and Meetings

The Board of Directors meets a minimum of one time in each quarter for regular board meetings and holds strategy and planning sessions with management. The Board delegates specific governance responsibilities to five standing committees and one special purpose committee: Audit and Finance, Governance and Community Engagement, Human Resources, Nominations, Risk Review and Digital Credit Union & Temenos R17 Upgrade (a special purpose committee). The Committees are populated by a minimum of three directors and meet throughout the year and as required to fulfill their responsibilities. The Committees draw upon management resources as appropriate and

are authorized by the Board to engage outside advisors as required. The Board determines the authority and responsibilities of each committee. Committees meet as a matter of routine, make recommendations to the Board and, with the exception of the Nominations Committee, report regularly to the Board. The Nominations Committee is accountable to and reports directly to the membership.

Audit and Finance Committee: oversees the quality, integrity, accuracy and clarity of Coast Capital’s financial reporting and the effectiveness of systems of internal control. The Committee is the liaison between internal audit, the external auditors and the Board. The Committee

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is also responsible for monitoring the performance of the external auditors and reviewing legal and regulatory matters as they relate to financial reporting and controls.

Governance and Community Engagement Committee: Ensures the Board’s governance practices are consistent with leading practices and the needs of Coast Capital. The Committee recommends to the Board an evaluation process for individual directors, the Board as a whole, committees and the Board and committee chairs. The Committee oversees the relationship of Coast Capital and the Board with members and the community as well as Coast Capital’s Community Leadership Strategy.

Human Resources Committee: Ensures human resources policies are in place, implemented and maintained. The Committee reviews and recommends policy and strategy with respect to employee salaries, benefits and incentive compensation and succession planning. It engages an independent outside advisor to assist in the determination and approval of executive compensation and directs the annual evaluation process for CEO performance. The Committee is responsible for overseeing the conduct of Coast Capital’s directors, officers and employees.

Nominations Committee: Under the Coast Capital Rules, operates independently from the Board to ensure there are qualified candidates recommended for election to fill all upcoming vacancies on the Board. The Committee ensures the integrity of the election process for directors to the Board and reports the results of the election to the members at the AGM.

Risk Review Committee: Identifies and monitors the key risks at Coast Capital and evaluates the management of risks. The Committee approves key risk management policies, ensures policies and related internal controls are in place and assesses Coast Capital’s business strategies and plans from a risk perspective. The Committee reviews and monitors adherence to and the effectiveness of policies and internal controls and ensures Coast Capital is in compliance with legal and regulatory requirements. It provides a forum for macro analysis of future risks, which includes considering emerging risks, significant events and trends.

Special Purpose Committee: In addition to these standing committees, the Board may establish ad hoc Special Purpose Committees, which are disbanded upon completion of their purpose. In November 2017, the DCU/R17 Committee was established to provide governance oversight on two major strategic projects (Digital Credit Union and Temenos R17 Upgrade).

Fourteen Board meetings were held in 2018. The number of meetings increased from eight in 2017 to 14 in 2018 to accommodate the transition of an interim CEO and the hiring of a permanent CEO. A portion of each regularly scheduled Board meeting is set aside for a directors-only session with and without the CEO. The Chair, as the presiding Board member, ensures the relationships between the Board, the CEO, the Executive Committee and the membership are effective, efficient and further the best interests of Coast Capital. The Board (led by the Governance and Community Engagement Committee) 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 Coast Capital’s governance, both now and for the future. The Board represents the membership and is held accountable by law to act in the best interest of Coast Capital and oversee the processes required to ensure the safety of the organization and the members’ money. The Board oversees the management of Coast Capital and holds the Chief Executive Officer accountable for achieving specific short- and long-term performance goals.

To do this effectively, the collective skills and experience of the Board are applied on behalf of the membership to:

- Effectively carry out oversight responsibilities by ensuring that strong management is in place and that policies, systems and practices that manage risk and protect the members’ assets are established and followed.
- Provide insight to management to guide and approve Coast Capital’s strategic plan and process. This includes understanding the business, its environment and its future opportunities and strategies.
- Engage with and report to the members, regulator and other stakeholders.

Current and Past Directors for 2018

All Directors, including the Chair, are independent. Independence is defined within the Director Independence Policy and pursuant to the Coast Capital Savings Federal Credit Union Rules and the *Bank Act*. As of December 31, 2018, Coast Capital’s directors are:

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Bob Armstrong

Background/Experience:	Mr. Armstrong is a seasoned executive and Board Director. In his 18 years with Ritchie Bros. Auctioneers Incorporated, he held the executive positions of Chief Financial Officer, Corporate Secretary, Chief Operating Officer and Chief Strategic Development Officer. Mr. Armstrong is a Chartered Professional Accountant and has his ICD.D designation. He brings to the Coast Capital Board experience in customer-focused technology, financial and oversight expertise. Mr. Armstrong's community activities include serving on the boards of the Crescent Beach Swimming Club and the Pennask Lake Fishing and Game Club (he is a past-president of both organizations), chairing the board of the Chris Spencer Foundation and being an active partner with Social Venture Partners Vancouver.
Position:	Board Chair (as of December 10, 2018), Chair Audit & Finance Committee (to December 10, 2018) Human Resources Committee Member, CEO Search Committee Member, and DCU/R17 Committee Member. As Board Chair, Mr. Armstrong is an ex officio member of all Committees on which he was not previously a member.
Director Since:	2016
Current Term Expires:	2019
Other Current Boards:	Central 1 Credit Union: September 30, 2017 to November 1, 2018; Rocky Mountaineer (Armstrong Hospitality Group) since September 2015; Traction on Demand (Advisory Board) since May 2015; Heffel Gallery Limited (Advisory Board) since December 2017; Crescent Beach Swimming Club since June 2016; Pennask Lake Fishing & Game Club since April 2008; Chris Spencer Foundation since January 1995; and Pennask Lake Company Ltd. since April 2015.

Bill Cooke

Background/Experience:	Mr. Cooke retired in 2006 as CEO of MD Investment Management, a national, member-based investment and wealth management firm. Mr. Cooke has held senior management positions in public companies, financial institutions and provincial government. Mr. Cooke has been a director and board committee chair of publicly traded and private corporations, educational institutions and non-profit organizations.
Director Since:	2007
Current Term Expires:	2019
Position:	Board Chair (to December 10, 2018), Governance and Community Engagement Committee Member, Nominations Committee Member and Human Resources Committee Member. As Board Chair, Mr. Cooke was an ex officio member of all Committees on which he was not a member.
Other Current Boards:	None

Robin Chakrabarti

Background/Experience:	Mr. Chakrabarti is a founding partner of Empresario Capital Partners, which has investment holdings and operational involvement in the food service, retail automotive and energy productivity industries. Mr. Chakrabarti brings significant executive operational, commercial banking and corporate finance expertise, as well as experience in developing and leading strategy.
Position:	Chair, Risk Review Committee; Governance and Community Engagement Committee Member
Director Since:	2011
Current Term Expires:	2020
Other Current Boards:	Assembli Restaurants Corp. since 2017; Empresario Capital Partners Ltd. since 2008; RAMMP Hospitality Brands Inc. since 2009; Valley Lube Holdings Ltd. since 2010.

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Mary Jordan

Background/Experience:	Ms. Jordan has held senior executive positions with American Airlines, Canadian Airlines and Air Canada. She served as Provincial Executive Director of the BC Centre for Disease Control and was Executive Vice President, Human Resources and Communications at Laidlaw International.
Position:	Chair, DCU/R17 Committee and Chair, Nominations Committee
Director Since:	2008
Current Term Expires:	2020
Other Current Boards:	Superior Plus since 2014; Timberwest Forest Products since 2013; Vancouver Airport Authority since 2004; Vancouver Opera: 2009 to 2018.

Valerie Lambert

Background/Experience:	Ms. Lambert is the Executive Director of Big Brothers of Greater Vancouver, Big Brothers of Greater Vancouver Foundation and Renew Crew Foundation and prior to that served for seven years as Treasurer at BC Hydro. She is a CPA, CA, ICD.D. and has run large and complex Treasury Departments, including Risk Management at both BC Hydro and BC Gas.
Position:	Chair, Audit and Finance Committee (from December 10, 2018); CEO Search Committee Member, DCU/R17 Committee Member, and Governance and Human Resources Committee Member.
Director Since:	2017
Current Term Expires:	2020
Other Current Boards:	BC Hydro since 2015; Powerex since 2017; Shaughnessy Golf and Country Club (Chair) since 2018.

Frank Leonard

Background/Experience:	Mr. Leonard has 28 years of Public Service as Mayor/Councillor of the District of Saanich in addition to over 15 years of co-operative experience. He has chaired or served on many public and private boards, including serving as Chair of the Agricultural Land Commission. Mr. Leonard brings his oversight and financial governance strengths to the Coast Capital Board.
Position:	Vice Chair of the Board since December 10, 2018; Audit & Finance Committee Member, Risk Review Committee Member
Director Since:	2016
Current Term Expires:	2019
Other Current Boards:	Parkbridge Lifestyle Communities since 2012; Victoria Tire since 1972; Lengai Properties since 2014.

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Nancy McKenzie

Background/Experience:	Ms. McKenzie is an FCPA, FCA with significant experience in executing strategy and guiding an organization through a significant growth period. During her 19-year career with Seaspan ULC, the last 12 of which were as CFO, she was responsible for leading the Finance, Information Technology, Risk Management, Supply Chain Management, Facilities/Security and Corporate Communications and teams, and managing major capital projects that resulted in decreased costs and improving efficiencies. Ms. McKenzie is an experienced corporate director with deep roots in youth sports community involvement and brings a depth of business experience to Coast Capital.
Position:	Member of the Audit and Finance and Risk Review Committees
Director Since:	2018
Current Term Expires:	2021
Other Current Boards:	University of British Columbia since 2017; UBC Investment Management Trust Inc. since 2018.

Christian Morrison

Background/Experience:	Ms. Morrison is a former Senior Vice President of RBC Financial Group with 29 years of experience in financial services across Canada, including roles as CEO and President, Royal Bank Mortgage Corporation; Chair, RBC Action Direct; and Vice President Personal Markets, Lower Mainland BC. She has also served on the boards of Interac, Acxsys, Moneris and NYO Canada. An active community music director, festival organizer and volunteer musician, Ms. Morrison has also served on the board of the National Youth Orchestra of Canada and donated her time as a volunteer mentor for the Forum for Women Entrepreneurs.
Position:	Chair, Human Resources Committee, Chair, CEO Search Committee, Nominations Committee Member
Director Since:	2009
Current Term Expires:	2021
Other Current Boards:	None

Chris Trumpy

Background/Experience:	Mr. Trumpy holds a CPA (CGA) designation and is a former Deputy Minister of Finance for the Province of B.C. As Deputy Minister, he held responsibility for the legislation and government policies related to the Financial Institutions Commission and the Credit Union Deposit Insurance Corporation.
Position:	Chair, Governance and Community Engagement Committee, Human Resources Committee Member
Director Since:	2012
Current Term Expires:	2021
Other Current Boards:	Coast Opportunities Fund since 2010; 94Forward since 2012; Puget Sound Energy since 2010; BC and Yukon Cancer Society since 2017.

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Glenn Wong

Background/Experience:	Mr. Wong is the founder of strategy consulting company, Catalyst Solutions Ltd. Mr. Wong has served as President/CEO of Electronic Arts Canada, Rogers Cable TV BC and BC Hot House and serves or has served on the Boards of the Canadian Media Fund and LIFT Philanthropy, Vancouver Police Board, Ecomm911, the BC Cancer Foundation and S.U.C.C.E.S.S. Mr. Wong also serves as Board Chair of LIFT Philanthropy Partners, a national non-profit organization that helps at-risk and vulnerable Canadians.
Position:	Nominations Committee Member
Director Since:	2007
Current Term Expires:	2019
Other Current Boards:	LIFT Philanthropy Partners since 2014; Cascade Public Media since 2015; Ora, Inc. since 2017.

More detailed biographies available at www.coastcapitalsavings.com/about-us/our-leadership-team/board-of-directors

Interlocking Board Service

Interlocking Boards occur when directors sit on the same boards. No Coast Capital Directors sit on interlocking boards.

2018 Past Directors:

Shauna Turner

Background/Experience:	Ms. Turner provided executive experience in technology, finance and healthcare, with prior service as a CEO in both the private and public sector. Her experience includes leading enterprise technology transformation in Fortune 500 companies in Canada and the US, serving F500 global media firms, financial institutions and government. Ms. Turner serves as an advisor and mentor to digital health and cloud-based innovation startups.
Position:	Chair, DCU/R17 Committee (to May 10, 2018), Governance and Community Engagement Committee Member (to May 10, 2018) and Risk Review Committee Member (to May 10, 2018).
Director Since:	2015
Current Term Expired:	2018

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Remuneration for Directors, Senior Management, Executives and Employees

At Coast Capital we provide remuneration to our Directors, senior management, executives and employees.

Coast Capital senior management, executive and employee remuneration is based on both business and individual performance objectives and is structured to incentivize employees to meet strategic business objectives in a manner that is aligned with our Board-approved risk appetite policy and framework and applicable governing legislation.

Our compensation structure is overseen by HRC. The Committee is comprised of three or more directors, all independent, as determined by the Board.

The framework of our compensation program consists of base salary and a general incentive plan (a staff incentive plan and an executive incentive plan, which includes Senior Management and the CEO) with thresholds and maximums. Base salary is reviewed for all employees annually and as required by market conditions. Our incentive plan is paid to eligible participants annually if threshold goals are achieved. The general incentive targets are expressed as a percentage of base salary determined by position and level within the organization. The HRC has been delegated the responsibility of reviewing and approving our incentive plans. Coast Capital is governed by its Board of Directors, and Senior Management has the authority and responsibility for planning, directing and controlling corporate activities.

For the year ended December 31, 2018, the compensation of our material risk takers, which includes senior management and members of the Board of Directors, is disclosed in Note 29 to our 2018 audited annual consolidated financial statements.

Additionally, the total amount of guaranteed bonuses was \$50,000, and special project achievement bonuses were \$75,000. There were no sign-on bonuses.

Further remuneration detail is provided below.

Director Compensation

Coast Capital director remuneration is set in accordance with a member-approved remuneration philosophy. Following our triennial review requirements, in 2019 the Governance and Community Engagement Committee retained WillisTowers Watson, a leading advisory firm, as the independent remuneration consultant to conduct the review. As required by the Philosophy, the consultant compared rates of remuneration against two sample groups consisting of other cooperatives and public companies in the financial services sector that are comparable in size to Coast Capital.

The consultant's report concluded that the current levels of director remuneration continued to be consistent with the Philosophy: remuneration is below that of all of the comparable public companies group and is situated in the highest quartile of cooperatives.

Based on this investigation, the Governance and Community Engagement Committee recommended no changes to director remuneration.

The next review of Director Remuneration will take place in the next scheduled Triennial Review (2022). The following table sets out Director Remuneration:

Board of Directors Remuneration

Annual Board Chair Retainer	\$65,000
Annual Director Retainer	\$25,500
Annual Committee Chair Retainers	\$5,000
Board and Committee Meeting Fee	\$1,000

Total remuneration paid to directors in 2018 was \$659,912 (2017 – \$587,570) including matching Canada Pension Plan contributions as required by law. Directors do not receive any product or service preferences that are not available to the general membership. The following table provides the total remuneration paid for the year to each director for attendance at all Board and committee meetings and at other designated meetings and events deemed eligible for payment.

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2018 Calendar Year Board & Committee Attendance and Remuneration

Director	Board Meetings		Assigned Committees of the Board		Percentage of all Meetings Attended	Total Remuneration Paid for Year	
	Attended	Percentage	Meetings	Attended Percentage			
Robert Armstrong (Board Chair from Dec 10)	13 of 14	93%	Audit & Finance (Chair to Dec 10) CEO Search DCU/R17 (from May 10) Human Resources	5 of 5 11 of 11 4 of 4 5 of 5	100%	97%	\$77,311
Robin Chakrabarti	14 of 14	100%	Risk Review (Chair) Governance (from May 10) Nominations (to May 10)	2 of 4 2 of 3 4 of 4	73%	88%	\$53,498
Bill Cooke (Board Chair to Dec 10)	14 of 14	100%	Audit & Finance (ex officio) CEO Search (ex officio) Governance (ex officio) Human Resources (ex officio) Nominations (ex officio) Risk Review (ex officio) DCU/R17 (ex officio)	5 of 5 11 of 11 4 of 4 5 of 5 7 of 10 3 of 4 4 of 4	91%	93%	\$117,585
Mary Jordan	12 of 14	86%	Nominations (Chair from May 10) DCU/R17 (Chair from May 10)	10 of 10 4 of 4	100%	93%	\$58,164
Valerie Lambert	14 of 14	100%	Audit & Finance (Chair from Dec 10) Risk Review (to May 10) CEO Search Governance (from May 10) DCU/R17	5 of 5 1 of 1 11 of 11 3 of 3 4 of 4	100%	100%	\$63,778
Frank Leonard	14 of 14	100%	Audit & Finance (from May 10) Governance (to May 10) Risk Review (from May 10) Human Resources (to May 10) Nominations (Chair to May 10)	3 of 3 1 of 1 3 of 3 2 of 2 4 of 4	100%	100%	\$59,166
Nancy McKenzie (from May 10)	7 of 9	78%	Audit & Finance (from May 10) Risk Review (from May 10)	3 of 3 3 of 3	100%	93%	\$29,000
Christian Morrison	13 of 14	93%	CEO Search (Chair) Human Resources (Chair) Nominations (from May 10)	11 of 11 5 of 5 6 of 6	100%	97%	\$81,246
Shauna Turner (to May 10)	5 of 5	100%	Risk Review (to May 10) DCU/R17 (Chair to May 10) Governance (to May 10)	1 of 1 1 of 1 1 of 1	100%	100%	\$18,166
Chris Trumpy	14 of 14	100%	Governance (Chair) Human Resources (from May 10)	4 of 4 2 of 3	86%	95%	\$52,498
Glenn Wong	14 of 14	100%	Audit & Finance (to May 10) Risk Review (to May 10) Nominations (from May 10)	2 of 2 1 of 1 6 of 6	100%	100%	\$49,500

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Director Education

Directors are required to engage in learning activities that will expand their knowledge in areas of corporate governance, financial literacy, risk management, the financial services sector generally, and the company's impact on members/customers, employees and other stakeholder groups. Coast Capital provides funding of up to \$20,000 per director for each three-year term (Director Development & Continuous Learning allotment) to facilitate active participation in individual continuous learning. The Governance and Community Engagement Committee determines and facilitates periodic learning opportunities for all directors by way of special presentations made by topical experts at Board meetings and planning sessions. Other committees suggest education sessions for Board meetings, and some provide committee specific education sessions during their meetings.

In 2018 the Board of Directors held the following education sessions:

- Superior Member Experience – Evolution of Call Centres
- Enterprise Transformation through the Empower Me Initiative
- Data Governance
- Community Leadership and National Expansion
- Youthful Cities with guest speaker Robert Barnard
- Canadian Credit Union Association with guest speakers M. Durdin and A. Mentzelopoulos
- IT Infrastructure – Technology Overview

Director Total Expenses

Description of 2018 Expenses

Director	Total Expenses	Description of 2018 Expenses
Bob Armstrong Board Chair from December 10, Chair Audit & Finance Committee to December 10	Total: \$7,183.43	Includes travel and attendance at Board-related events (Kelowna), attendance as Coast Capital's representative at Peer Group 5 meetings, Canadian Credit Union Association conference (Toronto), credit union system outreach and Director Development and Continuous Learning expenses.
Bill Cooke Board Chair to December 10	Total: \$4,662.95	Includes travel and attendance at Board-related events (Victoria and Kelowna), credit union system outreach and Director Development and Continuous Learning expenses.
Robin Chakrabarti Chair, Risk Review Committee	Total: \$3,000	Includes Technology expenses.
Mary Jordan Chair, Nominations & DCU/R17 Committees	Total: \$668.46	Includes travel and attendance at Board-related events (Kelowna) and Director Development and Continuous Learning expenses.

Director Expenses

Directors are reimbursed for all reasonable expenses incurred in carrying out their duties and responsibilities as a director of Coast Capital. Reasonable expenses can include:

- Meals and entertainment while carrying out their duties as a director.
- Travel expenses such as airfare, ferry, rental car, tolls, taxi and parking, or mileage expense from the director's place of principal residence to regularly scheduled meetings.
- Technology expenses may include a laptop or tablet that meets Coast Capital's specifications, purchased as necessary to access the online Board portal on which all Board and Committee meeting packages are posted. The cost of the laptop or tablet will be reimbursed, up to \$3,000 per three-year term, and will be deducted from the director's individual Director Development and Continuous Learning allotment.

Directors are expected to use restraint and good judgment to ensure consistency and equity in spending. Expenses are reviewed by the Board Chair prior to reimbursement, or in the case of the Board Chair, expenses are reviewed by the Governance and Community Engagement Chair.

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Valerie Lambert Chair, Audit and Finance Committee (from December 10)	Total: \$1,565.32	Includes travel and attendance at Board-related events (Victoria and Kelowna) and Director Development and Continuous Learning expenses.
Frank Leonard	Total: \$12,806.34	Includes travel to and from principal residence (Victoria, BC) and attendance at Board-related events (Kelowna), attendance as Coast Capital's representative at Central 1 conference (Toronto) and Director Development & Continuous Learning expenses.
Nancy McKenzie	Total: \$16,298.60	Includes travel and attendance at Board-related events (Victoria and Kelowna) and Director Development and Continuous Learning expenses.
Christian Morrison Chair, Human Resources and CEO Search Committees	Total: \$4,078.66	Includes travel and attendance at Board-related events (Kelowna), attendance as Coast Capital's representative at Waterstone Culture conference (Toronto) and Director Development & Continuous Learning expenses.
Shauna Turner Chair DCU/R17 Committee (to May 10)	Total: \$9,527.39	Includes travel to and from principal residence (San Jose, CA) and attendance at Board-related events and Director Development and Continuous Learning and Technology expenses.
Chris Trumpy Chair, Governance and Community Engagement Committee	Total: \$5,107.70	Includes travel to and from principal residence (Victoria, BC), attendance at Board-related events (Kelowna), attendance as Coast Capital's representative at Regulatory events and Director Development and Continuous Learning expenses.
Glenn Wong	Total: \$1,689.50	Includes travel and attendance at Board-related events (Victoria and Kelowna) and Director Development and Continuous Learning expenses.

Board Performance Reviews

The Board reviews the position descriptions for directors, the Board Chair, Committee Chairs and the CEO. In anticipation of continuance as a federal credit union, all Board, Chair and Committee Charters and Mandates received comprehensive reviews and amendments. A director's job is to use their skills and experience to work with the Board in providing strategic advice and business oversight of Coast Capital's operations. This includes critiquing and giving approval to Coast Capital's three-year strategic plan and annual operating capital expenditure plans. Directors are required to act honestly, in good faith and in Coast Capital's best interests. In doing so, they must take into account the interests of the members, depositors, employees and other stakeholders.

The Board undertakes periodic comprehensive evaluations to review the effectiveness of the Board's governance and performance. This review process is based on the duties and responsibilities of the Board, individual directors and the Board Chair as described

in their respective charters. Annually, the Governance and Community Engagement Committee recommends to the Board a process for the evaluation at a frequency appropriate to Coast Capital. A comprehensive review was conducted in late 2017 and will be conducted again in late 2019. The evaluation is administered by an external governance consultant and involves the elements listed below:

- Structured individual interviews are conducted by the consultant with members of senior management to obtain input on the performance of the Board, the Board's committees and the Board and Committee Chairs.
- Structured interviews are conducted by the consultant with each director to discuss self-performance as a Coast Capital director and obtain input on peer performance, the performance of the Board, the Board's committees and the Board Chair. Each director is provided with the consultant's findings in respect of their performance.

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- An in-depth governance review and debriefing session on Board performance is held with the consultant and all directors. Board goals for the next 12 months are determined and the responsibility for achieving each goal is assigned.
- The Board Chair meets privately with each director to discuss their peer evaluation results with a view to determining how the director could contribute more effectively to the Board.
- The Governance and Community Engagement Chair meets privately with the Board Chair to discuss the Board Chair's evaluation results.

CEO Evaluation and Compensation

The Board's responsibilities include choosing and evaluating the CEO, along with determining the CEO's compensation plan. Our executives make a significant and important contribution to Coast Capital's performance and long-term growth and success. The Board of Directors recognizes that a competitive compensation and benefits package is a fundamental tool in attracting, motivating and retaining high-performing executive leadership with the requisite skills and dedication. Accordingly, Coast Capital's executive compensation and benefits programs are designed to:

- Attract, motivate, and retain individuals with the competencies, values and commitment to support Coast Capital's success and culture.
- Deliver fair compensation for the contributions that are made.
- Be competitive and aligned with practices in comparable organizations.
- Link pay with performance on key organization and individual goals and objectives.
- Be accountable and transparent to members and other stakeholders.

Our CEO compensation disclosure meets or exceeds legislative and regulatory requirements.

Industry Positioning and Comparator Groups

The Board retains an independent compensation consulting firm to provide advice on the total compensation elements of the executive compensation program that includes base salary, variable pay, benefits, vacation, perquisites and retirement savings. We design our pay programs to be competitive with comparable types of organizations from which we recruit qualified executives.

The peer group is made up of organizations from across the financial services sector including large credit unions, banks and other financial service organizations. It also includes organizations outside of the financial services sector for certain jobs that are not specific to our industry. Pay is targeted at the median of the peer group and adjusted for our relative size.

Chief Executive Officer Performance and Compensation Reviews

One of the Board's important annual responsibilities is the assessment of the CEO's performance and setting of their compensation. Pay-for-performance is an important component of the CEO's total compensation, and it is based primarily on Coast Capital's performance and the CEO's individual performance against goals. The CEO's total direct compensation (salary and incentive compensation) is designed so that at least 50 per cent of potential target compensation opportunities are in the form of variable "at risk" pay, which is based on individual and corporate performance. If performance goals exceed expectations, payouts may pay up to and within the top quartile of the peer group. If threshold performance goals are not met, no payouts are made.

Our corporate performance is based on four strategic pillars: Superior Member Experience, Innovation and Growth, Operational Excellence and Community Leadership. Within these pillars we have metrics that are measured on a predetermined frequency and presented quarterly to the Human Resources Committee and the Board for review. Individual performance, evaluated semi-annually, is based on the progressive achievement of Coast Capital's strategic plan. Our 2018 results are keeping the credit union aligned and on track to achieve its long-term strategy and goals.

Components of CEO Compensation and Summary

For the fiscal year ending December 31, 2018, Coast Capital's CEO position earned the following total cash compensation. The position was occupied by three (3) incumbents over the year: former CEO January 1 – March 9, 2018; interim CEO January 8, 2018 – September 23, 2018; and current, permanent CEO September 24, 2018 – December 31, 2018.

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	Year	Base Salary Earnings	Short-term (Annual) Incentive	Long-term Incentives (Grant Estimate)	*Total Cash Compensation
Chief Executive Officer	2018	\$518,793	\$178,049	\$219,308	\$916,150

Base Salary

Base salary for the CEO takes into consideration scope of responsibilities, experience and past performance, as well as comparison to the targeted primary comparator group. The CEO salary is reviewed annually and, if appropriate, adjusted accordingly. Base Salary Earnings, per IFRS, reflect the number of days' pay earned over the course of the fiscal year.

Short-term Incentive Program ("STIP")

The annual incentive plan links compensation to the achievement of performance objectives set in our annual business plan. The CEO STIP target is set at 60 per cent of base salary (weighted at 30 per cent for individual performance and 70 per cent for corporate performance), with an opportunity to earn up to a maximum of 90 per cent of base salary for exceptional performance. If the CEO does not meet threshold performance, we do not make a payout. The 2018 CEO corporate STIP measures, notated below, are to create a balance between supporting members and providing prudent fiscal and operational management:

Measures

Financial

- Normalized Operating Income

Member

- Deepening Member Relationships
- Member Experience Score

Innovation and Growth

- Active Membership Growth (Net)
- Youth Member Growth (0 – 29)

Long-term Incentive Plan ("LTIP")

The long-term incentive plan links eligible compensation to the actual achievement of performance objectives that support our long-term strategy and vision and create value for members. We provide the LTIP to the CEO and executives to serve as an attraction and retention tool and to prioritize their long-term focus. The goals of the LTIP are to:

- Ensure Coast Capital's long-term health and growth so we can continue to serve our members.
- Increase the depth of member relationships through innovative products and services.
- Build upon our community contributions with a goal of building a richer future for youth in our communities.

We measure the LTIP over a three-year performance period. At the start of each year, we establish specific metrics and targets for the new three-year performance period with an established target payout ("grant") percentage of current base salary if these metrics are successfully achieved. The LTIP is a variable pay program, with target payout for performance period 2016-2018 at 50 per cent of base salary and maximum 100 per cent. To incent greater long-term value for our members, the LTIP target payout increases to 80 per cent, to a maximum of 160 per cent for exceptional performance, effective performance period 2018-2020. If threshold performance targets are not met, there is no payout. 2018 performance is measured within three rolling LTIP performance periods: 2016-2018, 2017-2019, and 2018-2020. The payment for 2016-2018 would not be made until July 2019. To allow for transparent comparison to peer credit unions, the LTIP amount reported in the Compensation Summary is the 2016-2018 grant level. The CEO 2016-2018 LTIP measures are:

Measures

Financial

- Return on Risk Weighted Assets

Member

- Revenue Per Member

Community

- Community Brand Score

The CEO role was in transition in 2018, and as the former CEO left prior to payout, LTIP paid in 2018, for performance period 2015-2017, was \$ 0.

Corporate Governance – Board of Directors

Benefits and Perquisites

We believe in investing in the health and well-being of our employees. As such, a competitive flexible benefits program protects employees and their families through the following components: health, dental, disability, life, critical illness and accidental death and dismemberment insurance, employee and family assistance, vacation and personal leave, and tuition and educational assistance. In addition, an annual physical (optional) is provided to the CEO and executives. Total contributions towards the CEO's benefits for 2018 were 13.1% per cent of base salary. The CEO is also provided a perquisite allowance of 8.1% per cent of base salary to cover costs for out-of-pocket expenses such as car allowances and memberships.

Retirement Income Programs

We provide a Defined Benefit Pension ("DBP") plan or a Group RRSP program to all employees who meet the eligibility criteria. The CEO has elected to participate in the Group RRSP program and also participates in a Supplemental Executive Retirement Plan ("SERP"). Both programs are based on salary and STIP paid in 2018. Coast Capital contributed 27.9% per cent of base salary for 2018 towards the CEO's retirement savings.

Termination and Change in Control Benefits

The CEO has an employment agreement that includes provisions covering position, term, duties, obligations, compensation (including base salary and variable pay), pension, benefits, vacation and provisions covering termination for cause and without cause. If the CEO's employment is terminated without cause, 24 months of severance continuance will be payable (including salary, bonus, and benefits). If employment at another financial institution commences within the 24 months, any amount owing is payable at 50 per cent.

Compensation Policies and Practices

Eligible employees, like the CEO, participate in comprehensive compensation and benefits programs.

In addition to a compensation philosophy for executive roles, we have a non-executive employee-specific compensation philosophy that includes the following guiding principles:

- Market Competitive
- Fair
- Performance Linked
- Easily Understood by Employees
- Cost Conscious
- Scalable

Base Salary

We believe in providing wages that are not only market-competitive but also ensure a reasonable standard of living for all employees. Nationally recognized compensation surveys are used to evaluate the competitiveness of our salary ranges. We target above the median for base salary ranges, with individual differences based on performance and tenure. In addition to market comparison, we obtain cost of living data to ensure our starting salary ranges are sufficient to provide a reasonable standard of living to employees.

Variable Incentive Pay

Eligible front-line, administrative and management staff also participate in an annual short-term incentive program based on a combination of overall achievement against pre-defined team metrics and individual metrics subject to overall achievement against pre-defined Corporate Normalized Operating Income performance, team metrics and individual metrics; executives are measured on pre-defined corporate and individual metrics. Payout potential varies per level of role and payments are contingent on board approval, which is based on the results achieved, overall financial health and stability of the organization.

Benefits – Health and Wellness

We provide the same competitive flexible benefits program to all our benefits-eligible employees as we provide to the executive team and CEO. Employees select their benefits coverage level, within allocated credit amounts, according to personal need. The program, named FlexWise, is flexible and encourages wise decisions by the employees in choice of coverage and in usage. FlexWise components include health, dental, disability, life, critical illness and accidental death and dismemberment insurance, employee and family assistance, and sick and personal leave. Employees also receive vacation to support work-life balance and tuition and educational assistance to help grow their skills and careers with us.

Retirement Savings Programs

We provide pension plan programs to all employees who meet the eligibility criteria to support their retirement savings goals. Under the DBP, both the employee and employer contribute as per a pre-defined age-graded table. The DBP is administered by Morneau Shepell as a multiemployer plan with oversight by the Pension and Benefits Trustees. Under the Group RRSP program effective July 1, 2014, employees are not required to contribute to the plan, but if they wish to make voluntary contributions, we will match them up to a maximum.

Corporate Governance – Board of Directors

Perquisites

Employees are offered additional perquisites that include an employee loan program and on-site fitness centres at the administrative offices. We also provide paid volunteer time and charitable donations of up to \$1,000 per year on behalf of individual employees through our Help Heroes Employee Volunteer program.

Nomination of Directors

Each year three or four vacancies occur on Coast Capital's 10-member Board for three-year terms. Immediately after the AGM, the Board appoints a Nominations Committee (the "Committee") whose responsibility is to recommend qualified candidates in the following year for election to the Board. The Committee reports directly to the membership, not to the Board. The composition of the Committee is restricted to directors who will not be standing for re-election in the ensuing year. The Committee seeks qualified candidates from the membership and retains the services of an expert governance consultant to assist in seeking out and screening for highly qualified nominees. In keeping with its charter and adhering to corporate governance best practices, the Committee carries out a due diligence review of all nominees, including a structured full committee interview of new nominees whose stated skills and experience most closely match the current year's Ideal Director Candidate Description. Following the interviews and at the completion of all the due diligence reviews, the Committee determines those candidates it will recommend for election to the Board. The Committee is responsible for:

- Approving an updated Ideal Director Candidate Description for the current year based on a gap analysis of the required skills and experience required within the Board to guide and oversee the implementation of Coast Capital's strategic plan.
- Sourcing candidates for election to the Board who best match the skills and experience set out in the Ideal Director Candidate Description.

- Recommending qualified candidates for election to the Board equal to the number of upcoming vacancies.
- Providing information to all Coast Capital members in a standard format for all candidates seeking election to the Board to ensure fairness.
- Recommending to the Board the appointment of an independent returning officer to supervise the election.
- Receiving certified election results from the returning officer. The results of each year's Directors election are announced at the AGM by the Chair of the Nominations Committee.

Ethical Business Conduct

The Board embraces and promotes a culture of ethical behaviour at Coast Capital and is accountable for ensuring Coast Capital meets public, regulatory and member expectations in complying with existing laws. The Board has a Code of Conduct and Conflict of Interest (the "Director's Code") that establishes the standards that govern the manner in which directors conduct themselves and in particular how they consider the interests of members, employees and other stakeholders. Annually, each director is required to formally adopt and agree to the Director's Code. Coast Capital also has a Code of Conduct and Business Ethics Corporate Policy ("The Code") that applies to the Board, officers and employees. The Code states the values upheld by Coast Capital and the standards of behaviour expected. Every director, officer and employee at Coast Capital is required to acknowledge and sign The Code each year. The Board's Human Resources Committee is responsible for reviewing The Code and the Director's Code at least annually, reviewing any incidents of non-compliance and the resulting consequences and reporting to the Board. More information regarding governance is available at www.coastcapitalsavings.com/governance.