

2012 Annual Report

Corporate Governance Report



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Corporate Governance Report

Meridian's Board of Directors continues to be committed to the highest standards of Corporate Governance in order to demonstrate our stewardship to Members, employees and the communities we serve.

Board Mandate

The Board of Directors protects and enhances Meridian's assets and is responsible for ensuring Meridian has clear strategic direction. Its goal is to protect the best interests of Meridian's Members and stakeholders. The Board is further responsible for overseeing management to ensure that Meridian's operations are managed in a sound and prudent manner thereby assuring Members that all regulatory and statutory requirements are met. Every Director is responsible for exercising independent judgment with honesty and integrity.

Board Composition and Election

In accordance with our Bylaws, Meridian's Board is composed of 12 Directors, all of whom are independent Directors. The process for the election of Directors is comprehensive. Each year the Board reviews the skills, knowledge & experience of the Board in order to determine if any gaps exist to ensure the highest quality Board composition. The Nominating Committee is requested by the Board to seek to fill any identified gaps as they solicit candidates for nomination from Meridian's Members. Prospective candidates receive an extensive package of information. The Deposit Insurance Corporation of Ontario ("DICO") recently used this package as the basis for a sample Director Candidate Information Guide for release to the Ontario credit union system. All eligible candidates are placed in nomination. The Nominating Committee interviews all candidates and evaluates them against a set of criteria defined by the Board in advance. The Nominating Committee recommends to our Members those candidates which are considered best qualified to serve Meridian to fill the number of vacancies. Nominees who are not recommended are eligible to remain on the ballot for election. Our Members can vote for the election of Directors by casting a ballot electronically via the Internet or in person at any of our Branches. Meridian's Directors are elected for three year terms and represent a broad range of skills, experiences and backgrounds.

Board Diversity

Meridian's Board views diversity broadly by considering not only the traditional views of gender, ethnicity, religion, etc, but as importantly diversity of thought, experience and backgrounds. The 12 Directors bring to the Board table the following backgrounds and qualifications:

Bachelor of Commerce; Two Chartered Accountants; BSc (Business Management & Economics); MSc (Masters in Management Operations); Extensive Governance experience with more than 40 years in the credit union sector; Bachelor of Law; Certified Independent Director Designation; Honours BA (Economics Major); BA Economics; CMA; MA in Leadership; MBA; Bachelor of Science; MSc (Mathematics and Computer Science); Professional Engineer; Certified Human Resources Professional; Various entrepreneurial endeavours; Large Corporate Business environments and considerable work experience within the cooperative sector.

Orientation and Continuing Education

New Directors are provided a comprehensive orientation to familiarize them with Meridian's business operations and Governance processes. Every year we conduct a formal de-briefing of the orientation session so as to capture enhancement opportunities for subsequent years. The Governance Committee continues to evaluate this program to ensure the most effective orientation is provided to new Directors. Individual Committees have also established their own orientation programs to better educate new Committee members in their responsibilities. The Board has an approved budget for ongoing Director training and development, including educational sessions for the Board as a whole, industry-sponsored seminars and other conferences for individual Directors that are relevant to Meridian's business. During 2012 several information/educational sessions were arranged for Board members as part of our Board meeting cycle. Examples were: Board Diversity; Asking the right questions; Basel III conducted by external auditors; Online Banking demonstration; Advertising Effectiveness study results; Member and Market Segmentation Strategy; and Distribution Model Alternatives. Increased focus in the area of up-skilling Directors' competencies continued through 2012.

Board Committees

The Board has delegated the oversight for monitoring adherence to its policies to five Committees with the following primary accountabilities:

Audit Committee:

- Review of financial statements, internal controls, accounting policies and reporting procedures;
- Ensuring integrity of financial reporting;
- Oversight of internal and external audit processes; and
- Overseeing management of significant operational risk and enterprise-wide risk.

Governance Committee:

- Maintaining a healthy governance culture and overseeing all Governance policies;
- Assessing the effectiveness of the Board, its Committees and Committee Chairs; and
- Oversight of the Board's annual planning process.

Nominating Committee:

- Oversight of the nomination, assessment and recommendation of candidates for the Board;
- Assessment of the adequacy of the candidate pool to ensure it fulfills any identified gaps;
- Overseeing the Director election process;
- Accountable for the general content, objectives and guidelines of Meridian's annual report; and
- Oversight of the activities associated with the Annual General Meeting and any Special Members' Meetings.

Credit & Investment Committee:

- Ensuring policy oversight of credit, investment and asset/liability risks for acceptable levels and compliance with regulations; and
- Reviewing and approving individual connected and restricted party credit applications.

Human Resources Committee:

- Overseeing the HR policies and programs, ensuring that they are developed, implemented and adhered to by management in support of the business strategies of the Credit Union;
- Reviewing and recommending Director compensation;
- Administering the process for reviewing the CEO's performance and compensation; and
- Oversight of the employee pension plans.

2012 Board Initiatives

The Board believes it is important to offer a level of transparency to you the Members who elect the Board to serve you. To that end the Board provides you with information on its activities.

The Board is proud of the following initiatives implemented in 2012:

- Conducted a comprehensive Board evaluation that involved an assessment of the Board, its Committees, as well as a Peer assessment;
- Established clear working objectives for each Committee and the Board, based upon the results of this assessment;
- Completed individual Director self-assessments against the nine competencies required under the DICO Guidance Note published to the credit union system, including a comprehensive validation of those results;
- In conjunction with the Board Chair, used the results of the above to establish updated individual Director plans including specific objectives for their own development and specific actions plans;
- Undertook a comprehensive review of the Terms of Reference of both the Credit & Investment and Audit Committees, to ensure appropriate focus on Risk within Meridian. This review has resulted in the Board agreeing to revise the mandate and rename the Credit & Investment Committee to Risk Committee, as well as renaming the Audit Committee to Audit & Finance Committee. These revised Committee mandates will come into effect in May 2013; and
- Continued its leadership role in promoting dialogue among Board Chairs of the 15 largest credit unions in Canada.

Board Code of Conduct

Meridian's Board has adopted a policy which outlines the Duties and Obligations of Directors, and annually requires each Director to sign a statement of Director Commitment which confirms that they have read the Board's policies and agree to respect and abide by them at all times.

Director Compensation

Meridian's Human Resources Committee is responsible to recommend Director compensation. As stated in the Board's policies, a comprehensive review is undertaken every two years in this regard. An interim review of Board meeting fees was conducted in early 2011 as a result of the Board's decision to move to quarterly all-day meetings. As a result an increase in Board meeting fees was implemented May 1, 2011. The full comprehensive bi-annual review was conducted in the latter part of 2011 with implementation effective January 1, 2012. Meridian strives to compensate its Directors in reasonable relationship to organizations of like size and function, and who place a similar level of importance on the role of Directors. As a result Meridian has established a compensation philosophy which states that Meridian's Director's total compensation should be aimed towards the higher end of a range between the 50th and 75th percentile of those organizations surveyed in a third party survey of large Canadian credit unions and cooperatives.

Listed below are the retainers paid to Meridian's Directors in 2012.

Director Retainers	
Board Chair	\$35,000
Audit Committee Chair	\$25,000
Vice Chair and Other Committee Chairs	\$20,000
Director	\$15,000

Executive Compensation

Meridian's Human Resource Committee is also responsible for recommending to the Board the Compensation of the CEO, and ensuring that the compensation practices relating to the Executive Leadership Team are consistent with the strategy and policy of executive compensation. A third party executive compensation firm is engaged by the Committee to assist them in this work.

Director Attendance

The Board has a policy for "Attendance by Directors" and receives semi-annual reporting of individual attendance. While the policy reflects a 12 month rolling attendance record due to the need to capture consecutive meeting attendance, the following chart reflects attendance during the fiscal year. It includes former and newly elected Directors whose terms ended and/or commenced concurrent with the Annual General Meeting in April 2012. The attendance records of our respective Directors are noted below. The percentages pertain to the attendance at both Board and Committee meetings held during the period January 1, 2012 to December 31, 2012. Overall this translates to a 93.6% average attendance by Meridian's Directors.

12 Months of 2012							
Director	BoD		Committee		Total		%
	Attend	Held	Attend	Held	Attend	Held	
Ariss, Don	10	10	13	13	23	23	100.0
Barr, Jim	9	10	8	9	17	19	89.5
Caslin, Alan	7	10	4	4	11	14	78.6
Cerantola, Gary	10	10	4	4	14	14	100.0
Kraemer, Mark	10	10	11	11	21	21	100.0
Krause, Erv	2	2	4	4	6	6	100.0
Lamont, Ross	8	8	6	6	14	14	100.0
Murphy, John	8	10	6	6	14	16	87.5
Owen, Richard	9	10	10	10	19	20	95.0
Poray, Andy	2	2	1	2	3	4	75.0
Sidford, Colleen	8	8	6	6	14	14	100.0
Thompson, Kevin	10	10	14	14	24	24	100.0
Wettstein, Karl	10	10	12	12	22	22	100.0
Young, Helen	8	10	9	10	17	20	85.0

The Board is pleased with the progress that Meridian has made in the eight years since we were formed. Many of Meridian's recent successes are highlighted in the Management Discussion & Analysis report.

Your Board would like to thank all of our Members for your continued loyalty and patronage in 2012.



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