
MERIDIAN CREDIT UNION LIMITED

CORPORATE GOVERNANCE PRACTICES

APPROACH TO CORPORATE GOVERNANCE AT MERIDIAN

As a co-operative financial institution, Meridian is member-owned and takes a long-term view of business decisions. Meridian's purpose is to help Members achieve their best life.

Meridian operates within a comprehensive regulatory framework which is underpinned by provincial legislation, the *Credit Unions and Caisses Populaires Act, 2020* (the "Act"). Ontario credit unions are regulated by FSRA, which administers regulations under the Act, as well as Rules and Guidance. FSRA oversees both market conduct and prudential regulation of all credit unions, including compliance with solvency rules, and provides deposit insurance held in Ontario credit unions and caisses populaires up to prescribed limits. To promote responsible corporate governance through strength and stability, Meridian meets quarterly with FSRA representatives, provides regular reporting to FSRA and participates in periodic risk-based examinations.

The Board is committed to the highest standards of Corporate Governance as evident in our stewardship to Members, employees, communities and stakeholders. Meridian's Board believes this is essential for continued success and enduring trust from Meridian's Members. Every Director is responsible for exercising independent judgment with honesty and integrity.

Meridian's Board is guided by the following core corporate governance principles:

- Compliance Culture: ensuring that MCU adheres fully and at all times to statutory and regulatory requirements;
- Stewardship: exercising independent judgement, instilling and fostering a corporate environment founded on integrity and sound guidance;
- Strategic Approval and Oversight: approving and overseeing Meridian's strategy developed and executed by Management;
- Risk Oversight: understanding and monitoring key risks associated with the operation of MCU and ensuring an effective enterprise-wide risk management framework is in place;
- Accountability: clear understanding of the role, responsibilities and accountabilities of the Board and the fiduciary duty of directors to MCU;
- Continuous Improvement: improving governance practices and governing capabilities through the recruitment, evaluation and selection of directors, and their orientation, assessment, training and development; and
- MCU Culture: ensuring that MCU is managed and governed in a manner consistent with co-operative principles; and embracing a culture which is Member-focused, innovative, collaborative, and results based.

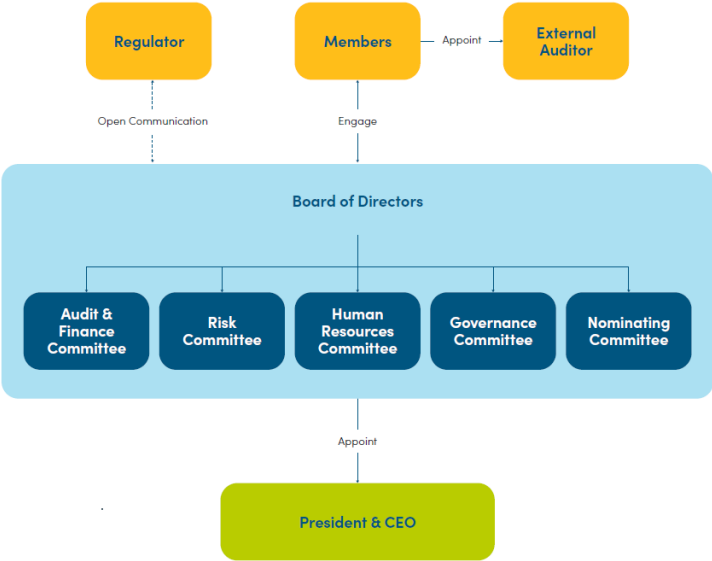
BOARD MANDATE

Meridian's Board is responsible for the overall strategic stewardship of Meridian Credit Union. It is accountable to Members and stakeholders and has the statutory authority and obligation to protect the assets of MCU in the interest of its Members. The Board is required to oversee the business and affairs of MCU in accordance with applicable laws, regulations, rules, by-laws and Board policies.

COMMITTEES OF THE BOARD

The Board has the following Committees to assist the Board in discharging its duties:

- Audit and Finance Committee**
 Oversees: the integrity and quality of financial reporting processes, practices and policies of Meridian; Meridian’s internal and external audit functions and processes related thereto; and Meridian’s financial framework and financial affairs consistent with best practices, in accordance with generally accepted auditing standards (GAAS), standards set by the Institute of Internal Auditors, and in compliance with laws and regulations applicable to Meridian.
- Risk Committee**
 Oversees: identification, assessment, and management of Meridian’s enterprise-wide risks, risk and investment management policies, risk appetite framework and investments portfolio in alignment and support of Meridian’s strategic plan; and adherence to Board risk policies and compliance with risk-related legislative and regulatory requirements.
- Human Resources Committee**
 Oversees: the appointment, performance assessment, and succession planning of Meridian’s President and Chief Executive Officer (“CEO”); the creation, development, monitoring, updating and implementation of remuneration programs, policies, and practices for members of the Board and Board Committees, and the Executive Leadership Team (“ELT”); remuneration programs, policies and practices for all employees; Meridian’s pension plan(s) for employees; talent, corporate culture, diversity, equity, inclusion, belonging and reconciliation (“DEIBR”) and employee ethics and conduct Board policies; and change management.
- Governance Committee**
 Oversees: the effective and efficient governance of Meridian and its material subsidiaries, including: Board composition and Committee structure; governance policies and strategic planning process; ethical conduct and conflict of interest; board orientation, performance, evaluations and education; board and management relationships; Annual General Meeting governance and reporting to Meridian’s Membership.
- Nominating Committee**
 Oversees: board succession through the Director nomination and election processes for Board candidates; integrity and quality of the nominating processes in compliance with applicable law; and recommending to the Membership those candidates who are best qualified to serve Meridian as a Director in order to have a high performing board.



BOARD SIZE AND TERM

Meridian's Board of Directors has the flexibility under its by-laws to fix the number of directors between 7 and 17 members. The Board of Directors is currently comprised of 12 members, all of whom are independent of Meridian's Management and represent a broad range of skills, experience and backgrounds which meets the needs of Meridian Credit Union.

Directors are elected for three-year terms which are staggered and Directors are subject to a 12 year service limit.

BOARD NOMINATION AND ELECTION

The process for the nomination and election of Directors is comprehensive. Each year, Meridian's Board reviews the skills, knowledge and experience of the Board to determine whether any gaps exist in order to consider the future needs of the Board's composition. The Board's Nominating Committee seeks to fill any identified gaps through engaging Meridian's Members as candidates for nomination. Prospective candidates are provided Meridian's Director Candidate Application Package detailing the desired skills and attributes for candidates; it is also made available on Meridian's website.

Meridian's nomination process for the selection of Directors is the responsibility of the Board's Nominating Committee. All candidates must complete a nomination package, including eligible Directors who wish to continue on the Board for another term. The Nominating Committee may retain an external advisor to assist in evaluating each application and establishing a short list of the most suitable candidates to be interviewed by the Committee. Following the interviews, it is the Nominating Committee's responsibility to recommend to the Membership the best qualified candidates to complement Meridian's existing Board members, in accordance with the criteria established by Meridian's Board. Candidates not recommended by the Nominating Committee may ask to be placed on the ballot for election by the Membership.

When an election occurs, all Meridian Members can vote for the election of Directors by casting a ballot via the internet or at any of our branches.

ORIENTATION AND CONTINUING DEVELOPMENT

New Directors are provided a comprehensive onboarding program to familiarize themselves with Meridian's business, corporate strategy, organizational structure, corporate governance policies, processes and business operations, including how Meridian's operations are affected by industry-specific regulations. Meridian's orientation program also includes attendance by each new Director at one meeting of each of the committees of which such Director is not a member, as well as meetings with the Board Chair, CEO and each Executive Leader. The Governance Committee conducts a debriefing of the orientation session to capture enhancement opportunities for subsequent years. The Governance Committee continues to evaluate and enhance this program to satisfy the needs of new Directors to best understand the environment in which Meridian and its subsidiaries operate. Individual Committees have also established their own orientation programs to better educate new Committee members on their responsibilities.

Meridian's Board has an approved budget for ongoing Director training and development, including educational sessions, as well as industry-sponsored seminars and other conferences for individual Directors that are relevant to Meridian's business. Meridian's Board has a policy in place that sets an objective for the majority of Meridian's Directors to receive or have an external director accreditation

designation. Meridian's education program also includes an ongoing list of educational opportunities, which is circulated to Directors for consideration. The Meridian Board also has a corporate membership with the Institute of Corporate Directors ("ICD"). Education sessions are held throughout the year and focus on important topics that consider the evolving business and disruptive forces Meridian faces..

BOARD EVALUATION

Meridian's Board is committed to effective corporate governance and continuous improvement. Annually, the Governance Committee leads a 360-degree Board performance evaluation process to assess the effectiveness of Meridian's Board as a collective, each Committee of the Board, individual Directors, as well as the Board Chair and Committee Chairs. Management is also invited to evaluate the performance of the Board. The evaluation is conducted either through an external consultant or internally.

BOARD CODE OF CONDUCT

Meridian's Board has adopted a Code of Conduct and Ethics & Conflict of Interest Policy that outlines the duties and obligations of Directors. Directors complete ethics training on an annual basis and commit to respect and abide by the Board policies at all times.

SUBSIDIARY GOVERNANCE

Meridian has two material subsidiaries, Meridian OneCap Credit Corp. and motusbank. The Board adopted a Subsidiary Governance Policy to ensure that appropriate levels of governance and oversight are embedded in our subsidiaries, aligning with their respective businesses and the parent company expectations. The Policy establishes an enterprise-wide approach to the governance of Meridian's subsidiaries. This Policy is responsive to evolving legal and regulatory requirements, regulator expectations and subsidiary governance practices. The Meridian Board of Directors determines whether the material subsidiaries board composition includes one or more Meridian Board member representatives. The motusbank Board of Directors includes Meridian Board member representatives.

DIRECTOR COMPENSATION

The Board of Directors has adopted a Board Compensation Policy that outlines the philosophy and structure of Director compensation. The Human Resources Committee ("HRC") is responsible for this Policy. Meridian recognizes the significance of the accountabilities and responsibilities associated with the governance of Meridian, in light of its size, complexity and risk profile, as well as the contributions by its Board of Directors. Meridian strives to provide Director compensation that is competitive and reasonable in comparison with its peer group determined by an independent advisor.

Meridian reviews director compensation usually every two years to ensure it remains competitive with businesses of comparable nature, size and complexity within the Canadian financial industry, while also being aligned to Meridian's long-term strategy, sustainability and business objectives.

The Human Resources Committee will generally engage an independent third-party consultant to complete a review. The third-party review is a robust process. Its scope is approved by the HRC, and it includes an independent market survey and compares Meridian's Director compensation against other

Canadian credit unions as well as organizations of comparable size and complexity within the Canadian financial services industry.

All-In Fee Structure

Meridian uses an all-in fee structure to compensate Directors for time spent on Meridian business. This single fee is intended to recognize the skill, knowledge, level of responsibility, size of the organization, time commitment involved and expertise that Directors bring to Meridian. It also recognizes the time required of Directors in fulfilling their responsibilities, including but not limited to travelling, preparing for and attending meetings, attending education sessions, assembling information, and attending and participating in community activities, annual general meeting, and other credit union functions as required.

The following principles pertain to the setting of the all-in fee:

- i. Use of benchmarking against organizations of comparable size and complexity within the Canadian financial industry; and
- ii. Reflective of competitiveness based on available market information from survey sources.

Where extraordinary circumstances result in additional meetings beyond the typical number, and/or special committees are formed, the Board has discretion to provide a pre-determined additional fees which is fair, competitive and reasonable for the additional meetings.

The Board Chair and Committee Chairs receive additional all-in fees which reflect the increased responsibility and time commitment placed on them.

Read more about our employee compensation philosophy and approach in Meridian's Annual Report.

YOU MAY CONTACT THE BOARD THROUGH OUR GOVERNANCE OFFICE BY WRITING TO:

Email: Board.ofDirectors@MeridianCU.ca

Mail:

Meridian Credit Union c/o Corporate Secretary
3280 Bloor Street West Centre Tower, 7th Floor
Toronto, ON M8X 2X3

FOR FURTHER INFORMATION ABOUT MERIDIAN'S BOARD, PLEASE VISIT: [Board of Directors | Meridian Credit Union \(meridiancu.ca\)](#)

ADDITIONAL REFERENCES:

Meridian Credit Union By-law No. 1:

<https://www.meridiancu.ca/MeridianCreditUnion/media/Meridian-Credit-Union/pdfs/Meridian-Credit-Union-By-law-No-1.pdf>