
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.

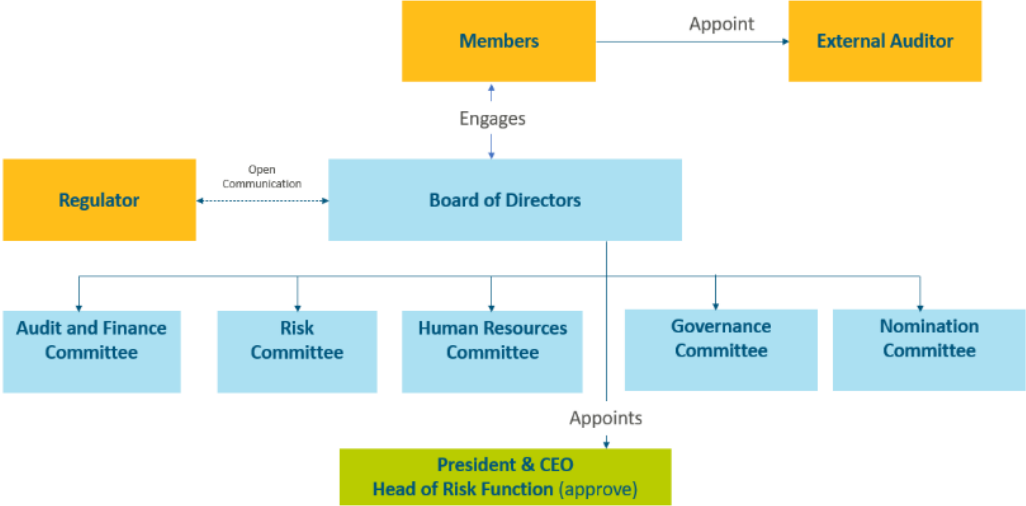
BOARD MANDATE

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.
- Nomination 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 a three-year term 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.

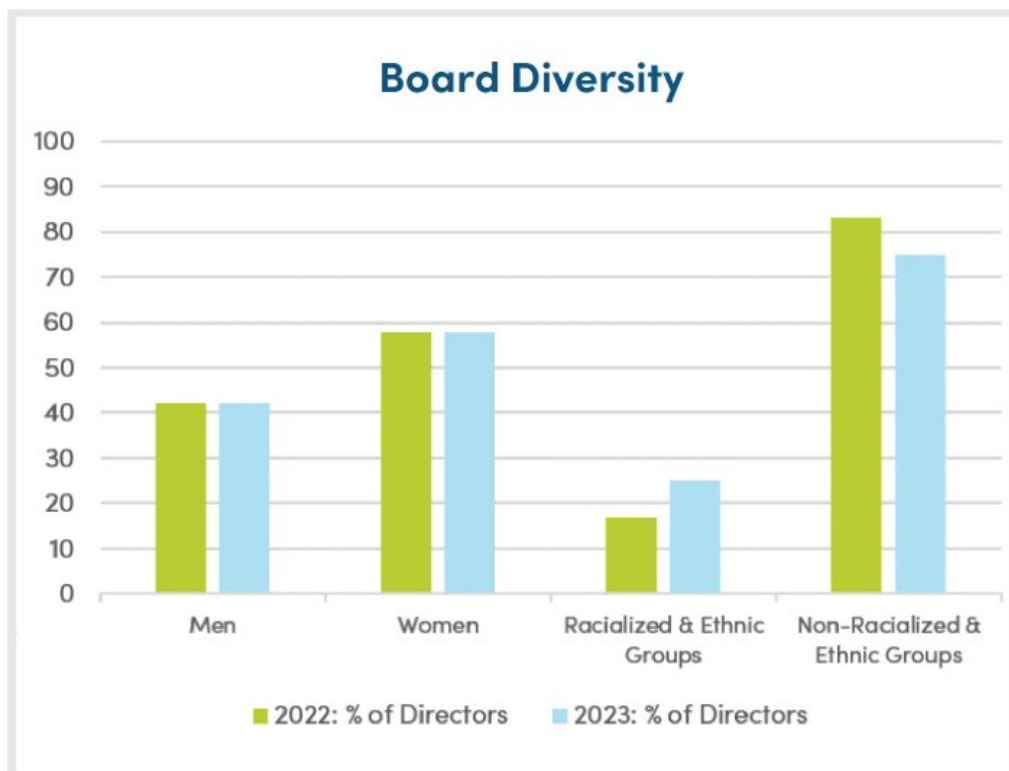
Meridian's nomination process for the selection of Directors is the responsibility of the Board's Nominating Committee. All candidates must complete a nomination package, including eligible Director's who wish to continue on the Board for another term. The Nominating Committee may retain an external 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.

BOARD DIVERSITY REPORT

Meridian's Board has adopted a Statement of Intent which states that Meridian recognizes and embraces the benefits of diversity, equity, inclusivity, belonging and reconciliation ("DEIBR") in Board members. We believe that a truly diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, age, race, gender identity, racial or ethnic identity, Indigenous status, abilities, sexual orientations, cultures, and other attributes of Directors. Meridian considers diversity of thought, experience and background equally important. The best qualified candidates will be recommended for election to Meridian's Board taking into account the broad diversity required to represent Ontario's population.

In 2023, 58% of the Board are women (no change from 2022). The Board seeks to achieve and maintain diversity in membership of the Board and will consider diversity in its nomination and selection process.



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 updated and circulated quarterly to Directors for consideration. The Meridian Board also has a corporate membership with the Institute of Corporate Directors (“ICD”). Education sessions are also held at every quarterly Board meeting. In 2023, key education sessions included: cyber security; ESG; DEIBR; co-operative principles, anti-money laundering and anti-terrorist financing; privacy; code of ethics; goodwill impairment; and provision for credit losses.

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.

In late 2023, the Governance Committee engaged an independent external advisor to conduct the annual Board evaluation including a peer-to-peer assessment, individual interviews of Board members and Management, and summary reports of results and recommendations for key development opportunities and priorities to ensure the Board continues to follow best practices. The advisor's report was delivered to the Board in February 2024.

BOARD CODE OF CONDUCT

Meridian's Board has adopted a Code of Conduct and 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. In accordance with the Subsidiary Governance Policy, four Directors of the Meridian Board also serve as independent Directors on the motusbank Board of Directors. The Board of Meridian OneCap Credit Corp. is comprised of executive management members, who provide reports to Meridian as a standing item at each Board meeting.

DIRECTOR COMPENSATION

The Board of Directors has adopted a Board Compensation Policy that outlines the philosophy and structure of Director compensation. The 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, the Board has discretion to provide a pre-determined additional fee 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.

The following table represents the specific remuneration for Directors for 2023:

<u>POSITION</u>	<u>ALL-IN FEE</u>
Board Member	\$65,000
<u>ADDITIONAL FEE FOR CHAIR ROLES</u>	
Board Chair	\$61,000
Audit & Finance Committee Chair	\$15,000
Governance Committee Chair	\$10,000
Human Resources Committee Chair	\$10,000
Nominating Committee Chair	\$10,000
Risk Committee Chair	\$15,000

MERIDIAN'S BOARD OF DIRECTORS

The following individuals are members of the 2023-2024 Meridian Board of Directors. The average tenure on Meridian's Board is 5 years.

	<p>Karen Farbridge - PhD, C.Dir, GCB.D Board Chair Director since: 2015 Term expiry: 2024</p>	<p>Board Committee membership: GC and HRC, ex officio for AFC and RC Board & Committee meeting attendance: 100% 2023 remuneration: \$123,500² Karen Farbridge also serves as the Motus Bank Board Chair as an independent director (2023 remuneration \$46,500)³</p>
	<p>Upkar Arora - FCPA, FCA, ICD.D Director since: 2023 Term expiry: 2026</p>	<p>Board Committee membership: AFC and GC Board & Committee meeting attendance: 100% 2023 remuneration: \$43,333²</p>
	<p>Jacqueline Beurivage - ICD.D, CMC, GCB.D Human Resources Committee Chair (effective of May 2023) Director since: 2020 Term expiry: 2026</p>	<p>Board Committee membership: AFC and HRC Board & Committee meeting attendance: 100% 2023 remuneration: \$75,167²</p>
	<p>Ian Cunningham - ICD.D Nominating Committee Chair (until April 2023) Director since: 2020 Term expiry: 2024</p>	<p>Board Committee membership: HRC and RC Board & Committee meeting attendance: 100% 2023 remuneration: \$71,333² Ian Cunningham also serves as an independent director on the Motus Bank Board (2023 remuneration \$25,000)³</p>
	<p>Larry Doran - P.Eng, LLM, MBA, ICD.D Director since: 2014 Term expiry: 2026</p>	<p>Board Committee membership: NC and RC Board & Committee meeting attendance: 100% 2023 remuneration: \$67,000²</p>
	<p>Stacey Grant-Thompson - ICD.D Director since: 2022 Term expiry: 2025</p>	<p>Board Committee membership: GC and RC Board & Committee meeting attendance: 93% 2023 remuneration: \$67,000² Stacey Grant-Thompson also serves as an independent director on the Motus Bank Board (2023 remuneration \$12,500)³</p>
	<p>Lianne Hannaway - CPA, CA Nominating Committee Chair (effective of May 2023) Director since: 2022 Term expiry: 2025</p>	<p>Board Committee membership: AFC and NC Board & Committee meeting attendance: 100% 2023 remuneration: \$74,667²</p>
	<p>Gail Harding - K.C., ICD.D, GCB.D Risk Committee Chair (until April 2023) Director since: 2019 Term expiry: 2025</p>	<p>Board Committee membership: NC and RC Board & Committee meeting attendance: 100% 2023 remuneration: \$74,200²</p>
	<p>Suanne Nielsen - C.Dir, CHRE, PCC, FLMI Governance Committee Chair (effective May 2023) Director since: 2021 Term expiry: 2024</p>	<p>Board Committee membership: GC and HRC Board & Committee meeting attendance: 100% 2023 remuneration: \$75,167²</p>
	<p>Hari Panday - FCPA, FCGA, ICD.D, NACD.DC Governance Committee Chair (until April 2023) Risk Committee Chair (effective May 2023) Director since: 2020 Term expiry: 2026</p>	<p>Board Committee membership: AFC and RC Board & Committee meeting attendance: 93% 2023 remuneration: \$80,333²</p>
	<p>Tamara Paton - CFA, C.Dir Human Resources Committee Chair (until April 2023) Director since: 2013 Term expiry: 2025</p>	<p>Board Committee membership: HRC and NC Board & Committee meeting attendance: 100% 2023 remuneration: \$71,833² Tamara Paton also serves as an independent director on the Motus Bank Board (2023 remuneration \$25,000)³</p>
	<p>Bruce West - FCAP, FCA, C.Dir Audit & Finance Committee Chair Director since: 2018 Term expiry: 2024</p>	<p>Board Committee membership: AFC and GC Board & Committee meeting attendance: 100% 2023 remuneration: \$83,500²</p>

¹ Board Committees: AFC = Audit & Finance Committee; GC = Governance Committee; HRC = Human Resources Committee; NC = Nominating Committee; RC = Risk Committee

² Total remuneration including annual retainer and where applicable, additional chair fee and/or additional meetings fee.

³ Denotes only Motus Bank compensation including annual retainer and where applicable additional chair fee.

EXECUTIVE COMPENSATION

Compensation Philosophy

In 2023, Meridian's Board of Directors approved a new Compensation Philosophy to enable the organization to recruit, motivate, and retain a skilled and capable workforce required to achieve our vision of being an inclusive, transparent, and people-focused financial partner, and to successfully execute of our strategy. Meridian's approach to compensation plans and programs is aligned with our mission and values and balances the interests of key stakeholders (i.e., members, employees, regulators, and our communities), while remaining market competitive.

Meridian's Compensation Philosophy supports a holistic approach to establishing Total Rewards and informs the Compensation Principles that underpin our employee offerings. Our compensation plans and programs ensure leaders and employees at Meridian act in good faith, with integrity and care throughout- and beyond- our organization.

Our Total Rewards programs at Meridian will:

- a. Attract, retain, and engage high-performing employees with diverse skillsets and experiences by offering market competitive Total Rewards programs (including compensation and benefits such as pension, paid time-off, etc.)
- b. Provide Total Rewards that are free of bias and discrimination and align with our cooperative principles and values, ensuring employees performing work of equal value are compensated equitably without gender or diversity related bias. We are committed to being a Living Wage Employer, and place importance on the financial well-being of our employees.
- c. Ensure compensation plans and programs are aligned with prudent risk management and discourage excessive risk taking through appropriate plan design and governance.
- d. Promote a pay-for-performance culture that appropriately rewards exceptional performance. Corporate and individual performance goals are measurable and motivating, while incentivizing strong performance and ensuring Meridian remains commercially viable, financially strong, and sustainable. Executives will have a significant proportion of compensation tied to short- and long-term business results.
- e. Be governed by strong oversight and accountability.

Governance Process

The Board of Directors' Human Resources Committee is responsible for reviewing and assessing the CEO's performance objectives and evaluating the CEO's performance against those objectives annually and recommending same to the Board. The CEO's performance objectives are aligned with Meridian's strategic imperatives. Emphasis is placed on the appropriate balance to incentivize achievement of both short- and long-term objectives while ensuring Meridian's long-term success. Each year, Meridian's Board approves the design, metrics, targets, and performance ranges for Meridian's Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP), the final multipliers for the purpose of STIP and LTIP payments and the annual compensation payments to the CEO. Meridian's HRC assists the Board in executing these responsibilities.

Meridian's HRC is responsible for overseeing and recommending to the Board the annual compensation payments to the CEO and ensuring that the compensation practices relating to senior management are consistent with Meridian's Compensation Philosophy and Principles. The HRC engages an independent external advisor for advice, guidance, and best practices related to Executive Compensation. In 2023, Mercer Canada was engaged to conduct a review and analysis of Meridian's CEO and Senior Management Compensation program.

The third-party review involves assessing and recommending the peer comparator group on an annual basis and using this group to inform the design of the CEO and senior management total rewards offering. For 2023, the peer group consisted of a blend of large Canadian Credit Unions, mid and large sized Financial Institutions.

The Board approves the design and amount of CEO total compensation and the design of Senior Management Compensation based upon recommendations from Meridian’s HRC.

The CEO reports annually to the HRC regarding the performance of direct report Senior Management and corresponding compensation adjustments.

Short-Term and Long-Term Incentive (STIP/LTIP)

Meridian’s HRC annually reviews and recommends Board approval of the STIP and LTIP design, metrics, targets, and performance ranges. STIP payments are linked to measurable shared corporate performance targets and individual performance, and LTIP payments are linked to the long-term business strategy.

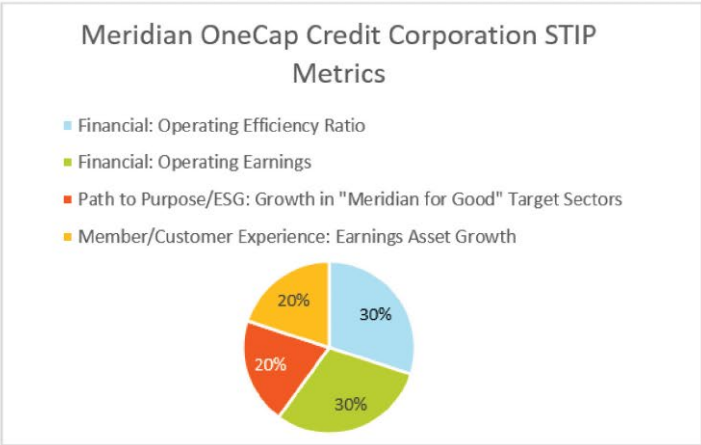
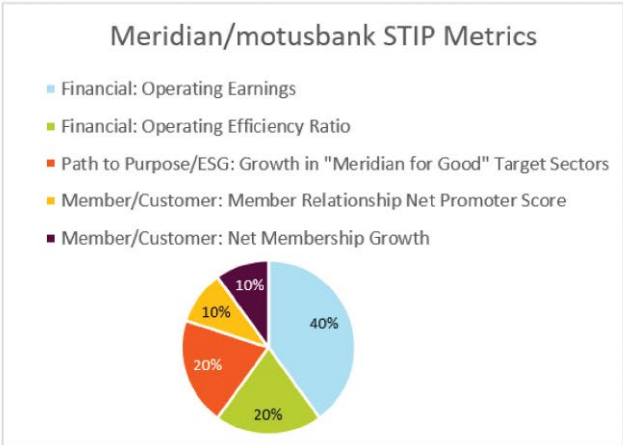
The following are key components of the STIP:

- Cash based program to reward plan participants based on short-term performance.
- Expressed as a percentage of base salary that varies by level.

Comprised of three key components:

1. Target award percentage (% of eligible earnings)
2. Corporate Performance Score: Payout can vary from 75% - 150%
3. Individual Multiplier: Payout can vary from 50% - 150%

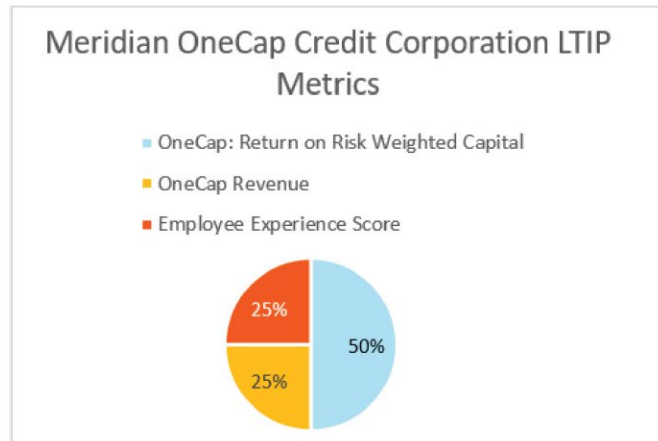
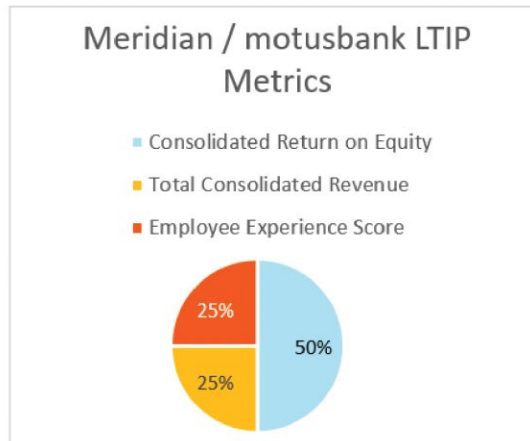
The Board approved the following 2023 STIP metrics and weightings:



The following are key components of the LTIP:

- Cash-based program to reward the CEO and Senior Management based on sustainable value created for Meridian over the long-term
- 3-year performance-based vesting
- Grants based on a target percentage of base salary
- Payout can vary from 50% to 150% of grant value

The Board approved the following metrics and weightings for the 2023-2025 LTIP grant:



An annual review of STIP and LTIP results is undertaken by Meridian's external auditors. Meridian's Internal Audit Services department performs a validation of the data used in each STIP and LTIP metric's year-end calculation and recalculates the final Corporate Multipliers for both plans. A formal confirmation of the results are provided to the HRC and the Board as input into their approval of the final STIP and LTIP multipliers used to calculate incentive plan payouts. There is also a review completed by an Incentive Plan Risk Assessment Committee comprised of the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief People & Culture Officer to ensure the incentive plan metrics did not incent inappropriate risk-taking behaviors and that the plans are aligned with Meridian's risk appetite and prudent risk taking.

Pension

Meridian has a Defined Contribution (DC) Pension Plan. Meridian contributes an amount equal to 10% of earnings for the CEO and eligible Senior Management, who join the Plan immediately upon hire. A Supplementary Employee Retirement Plan (SERP) is available to eligible Senior Management when DC pension contributions exceed tax limits. SERP "contributions" are determined in the same amount as the DC Pension Plan and are 10% of base salary for Senior Management.

Executive Flexible Cash Program (EFCP)

The purpose of the EFCP program is to acknowledge that executives, because of their position and visible company and community roles, have different responsibilities than other employees. The Flexible Cash program is provided to employees at the Vice President level and above and allows for an additional component of cash compensation outside of base salary.

Benefits

Meridian provides benefits and wellbeing programs, including staff rates on loans and mortgages, based on credit eligibility. CEO and Senior Management benefits also include an annual health assessment.

2023 Executive Compensation

For the fiscal year ending December 31, 2023, the CEO compensation was as follows:

<u>CATEGORY</u>	<u>AMOUNT</u>
Base Salary	\$ 570,000
Short Term Incentive	\$ 400,400
Long Term Incentive	\$ 562,500
TOTAL	\$1,532,900

For the fiscal year ending December 31, 2023, the aggregate compensation of the CEO's direct reports were as follows:

<u>CATEGORY</u>	<u>AMOUNT</u>
Base Salary	\$2,350,363
Short Term Incentive	\$1,093,333
Long Term Incentive	\$ 854,459
TOTAL	\$4,298,156

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>