

Director Independence Policy



Audience

All Directors of Coast Capital Savings Federal Credit Union (“Coast Capital Savings”)

Key Messages

- Coast Capital Savings is a complex and growing financial institution. The Board of Directors (the “Board”) must be independent so that it can effectively challenge and provide constructive and objective oversight of senior management.
- Consistent with governance best practices, relevant legislation and regulatory guidance, Coast Capital Savings must define independence, ensure a certain proportion of the Board is independent and ensure that certain Board roles are independent.
- The Director Independence Policy (the “Policy”) explains Coast Capital Savings’ approach to director independence.

Property of Coast Capital Savings

Revised June 2020

Owner: Legal Department

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1. Overview

Introduction The purpose of the Policy is to set out which directors must be independent, to detail the procedural implications for the Board and relevant Committees, and to define independent.

Rationale Coast Capital Savings is a complex and growing financial institution. The Board must be independent so that it can effectively challenge and provide constructive and objective oversight of senior management. Consistent with governance best practices, legislative requirements and regulatory guidance, Coast Capital Savings must define independence, ensure a certain proportion of the Board is independent and ensure that certain Board roles are independent.

Who is Affected This Policy applies to all directors.

2. Key Principles

Which directors must be independent Two thirds of the directors of Coast Capital Savings must be independent.

The Board Chair must be independent.

The following Committee members must be independent:

- All members of the Governance & Nominations Committee (the “GNC”);
- All members of the Risk Review Committee (the “RRC”);
- All members of the Audit & Finance Committee (the “AFC”)
- All members of the Human Resources Committee (the “HRC”); and
- All Committee Chairs.

Determination of independence The HRC assesses the independence of directors and reports to the GNC on the number of non-independent directors.

A director who is determined under this Policy to be independent and whose circumstances change so that he or she may be considered non-independent must promptly disclose these new circumstances to the Board Chair and the Chair of the HRC.

The independence of director candidates will be determined by the GNC.

Meetings The agenda of each meeting of the Board and each meeting of a Committee shall include a provision for an *in-camera* session without senior management present.

Definition of independence

Under the Coast Capital Savings Federal Credit Union Rules (“the Credit Union Rules”), a director is independent if a reasonable person with knowledge of all the relevant circumstances would conclude that the director is independent of management of Coast Capital Savings, and has no direct or indirect material relationship with Coast Capital Savings. The Board may also supplement the definition of independence in its policies.

Independence is further defined in Appendix A of this Policy.

3. Roles and Responsibilities in Executing Policy Requirements

Role	Responsibilities
Board of Directors	<ul style="list-style-type: none">• Adhere to this Policy and all related Policies
Human Resources Committee	<ul style="list-style-type: none">• Assess the independence of directors• Report to the Governance & Nominations Committee the number of any non-independent directors• Fulfill the responsibilities described in this Policy• Adhere to this Policy and all related Policies
Governance & Nominations Committee	<ul style="list-style-type: none">• Make a determination of independence of candidates• Ensure a sufficient number of recommended candidates are independent• Fulfill the responsibilities described in this Policy• Adhere to this Policy and all related Policies
Legal Department	<ul style="list-style-type: none">• Provides advice to the Board and Committees on independence of directors and candidates as needed• Ensure amendments, history and version control are documented• Ensure Policy is in compliance with applicable laws

4. Monitoring, Reporting, and Exceptions

Monitoring and reporting

The HRC reports to the GNC the number of non-independent directors.

The GNC reports to the Board the list of recommended candidates, including which candidates are independent, and

advises Coast Capital Savings' members of the recommended candidates, including which candidates are independent.

Exceptions to Policy

Not applicable.

5. Policy Governance

Role	Responsibilities	Cycle
Board of Directors	<ul style="list-style-type: none"> Review and approve the Policy as recommended by the Governance & Nominations Committee 	Every 3 years
Governance & Nominations Committee	<ul style="list-style-type: none"> Review the Policy and recommend any amendments to the Board 	Every 3 years
Legal Department	<ul style="list-style-type: none"> Draft Policy in collaboration with key stakeholders Take forward Policy and amendments as required for approval by Governance & Nominations Committee 	Every 3 years
Regulatory Compliance Department	<ul style="list-style-type: none"> Review Policy to ensure alignment with the Regulatory Compliance Program and any associated monitoring and reporting. 	Every 3 years

Next review date

Governance & Nominations Committee: 2021

Board of Directors: 2021

Related documentation

Coast Capital Savings Federal Credit Union Rules

Mandates and Charters

- Board Mandate
- Director Mandate
- Board Chair Charter
- Committee Chair Charter
- Governance & Nominations Committee Charter
- Audit & Finance Committee Charter
- Human Resources Committee Charter
- Risk Review Committee Charter

Frameworks and Policies

- Directors Code of Conduct and Conflict of Interest Policy

Procedures

- none
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6. Appendix A: Definition of Independence

A director will NOT be considered independent¹ if:

Director of Coast Capital Savings for more than 12 Consecutive years	1. The director has been a director of Coast Capital Savings for more than 12 consecutive years.
Employee/Officer of Coast Capital Savings	2. The director, or the director's immediate family member, ² has been an employee or officer of Coast Capital Savings, a subsidiary of Coast Capital Savings or a corporation in which Coast Capital Savings has a substantial investment ³ within the last 3 years.
Provides Goods or Services to Coast Capital Savings	3. The director or the director's spouse is: (a) an individual; (b) a partner or an employee in a partnership; or (c) an officer or employee of, (d) or a person who has a substantial investment in, a body corporate that provides good and services to Coast Capital Savings, if the total annual billings to Coast Capital Savings for goods or services provided exceeds 10 per cent of the total annual billings of the individual, partnership or body corporate.
Receives Significant Grants from Coast Capital Savings	4. The director is a senior manager with a foundation, university or other non-profit organization that receives \$1 million or more from Coast Capital Savings in one year.
Partner/Employee of Auditor of Coast Capital Savings	5. The director is an employee or partner of Coast Capital Savings' internal or external auditor. 6. The director's immediately family member is a partner of Coast Capital Savings' internal or external auditor. 7. The director, or the director's immediate family member, was within the last three years a partner or employee of Coast

¹ In order to be considered independent, a director must first be determined to be eligible under s.15.3 of the Credit Union Rules.

² Immediate family member means a director's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual's immediate family member) who shares the individual's home.

³ "Substantial investment means the definition in s.11(a)-(c) of this Appendix.

	<p>Capital Savings' internal or external auditor and personally worked on Coast Capital Savings' audit within that time.</p> <p>8. The director has an immediate family member who is an employee of Coast Capital Savings' internal or external auditor and participates in its audit, assurance or tax compliance (but not tax planning) practice.</p> <p>A partner does not include a fixed income partner whose interest in Coast Capital Savings' internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with the auditor if the compensation is not contingent in any way on continued service.</p>
<p>Member of an Interlocking Compensation Committee</p>	<p>9. The director is or has been within the last three years, or whose immediate family member is or has been within the last three years, an executive officer of an entity if any of Coast Capital Savings' current executive officers serves or served at that same time on the entity's compensation committee.</p>
<p>Significant Interest in Membership Shares of Coast Capital Savings</p>	<p>10. The director or the director's spouse has a significant interest in a class of shares or in membership shares of Coast Capital Savings.</p> <ul style="list-style-type: none"> a. A person has a significant interest in a class of shares of Coast Capital Savings if the aggregate of shares of that class beneficially owned by the person and by entities controlled by that person exceed 10 per cent of all outstanding shares of that class of shares of Coast Capital Savings. b. A person has a significant interest in membership shares of Coast Capital Savings if the aggregate of membership shares beneficially owned by the person and by entities controlled by that person exceeds 10 per cent of all outstanding membership shares.
<p>Substantial Investment in Affiliate of Coast Capital Savings</p>	<p>11. The director or the director's spouse has a substantial investment in an affiliate of Coast Capital Savings.</p> <ul style="list-style-type: none"> a. A person has a substantial investment in a body corporate where: <ul style="list-style-type: none"> (i) the voting rights attached to the aggregate of any voting shares of the body corporate beneficially owned by the person and by any entities controlled by the person exceed 10 per cent of the voting rights attached to all of the outstanding voting shares of the body corporate; (ii) the aggregate of any shares of the body corporate beneficially owned by the person and by any entities controlled by the person

	<p>represents ownership of greater than 25 per cent of the shareholders' equity of the body corporate; or</p> <p>(iii) in the case of a body corporate that is a federal credit union,</p> <ul style="list-style-type: none"> a. the voting rights of the person and of entities controlled by the person exceed 10 per cent of the aggregate of the voting rights that may be exercised by members and shareholders, or b. the aggregate of any shares and membership shares of the federal credit union beneficially owned by the person and by any entities controlled by the person represents ownership of greater than 25 per cent of the members' and shareholders' equity of the federal credit union.
<p>Significant Borrower of Coast Capital Savings</p>	<p>12. The director or the director's spouse is a significant borrower of Coast Capital Savings, is an officer or employee of an entity that is a significant borrower of Coast Capital Savings, or controls one or more entities of which the total indebtedness to Coast Capital Savings or to an affiliate of Coast Capital Savings would cause those entities, if treated as a single entity, to be a significant borrower of Coast Capital Savings.</p> <p>(a) Significant borrower means:</p> <ul style="list-style-type: none"> i. a natural person who has indebtedness for money borrowed from Coast Capital Savings or from an affiliate of Coast Capital Savings, other than a loan secured by a mortgage on the principal residence of that person, the total principal of which exceeds the greater of <ul style="list-style-type: none"> a. \$200,000, and b. one fiftieth of one per cent of the regulatory capital of Coast Capital Savings, or ii. an entity that has indebtedness for money borrowed from Coast Capital Savings or from an affiliate of Coast Capital Savings the total principal of which exceeds the greatest of: <ul style="list-style-type: none"> a. \$500,000,

	<ul style="list-style-type: none"> b. one twentieth of one per cent of the regulatory capital of Coast Capital Savings, and c. twenty-five per cent of the value of the assets of the entity.
<p>Has a Loan Not in Good Standing</p>	<p>13. The director or the director’s spouse has a loan that is not in good standing from Coast Capital Savings or from an affiliate of Coast Capital Savings or is a director, an officer or an employee of, or a person who controls, an entity that has a loan that is not in good standing from Coast Capital Savings or from an affiliate of Coast Capital Savings.</p> <p>(a) A loan not in good standing means a loan in respect of which:</p> <ul style="list-style-type: none"> (i) any payment of principle or interest is 90 days or more overdue; (ii) interest is not being accrued on the books of the lender because it is doubtful whether the principle or interest will be paid or recovered; or (iii) the rate of interest is reduced by the lender because the borrower is financially weak.