

BOARD GOVERNANCE POLICY #10: "DIRECTOR NOMINATION AND ELECTION POLICY"

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1.0 General

The Board of Directors (the "**Board**") of Meridian Credit Union ("**Meridian**") has adopted this Director Nomination and Election Policy that outlines (a) the nomination process, by which Qualified Candidates (as defined in s. 7.0 below) will be selected as Recommended Candidates, and (b) the election process, by which qualified Candidates may be elected to the Board. The Nominating Committee is responsible for this Policy, in accordance with the Nominating Committee Mandate and Terms of Reference.

2.0 Overview and Guiding Principles

- 2.1 The Board of Directors (the "Board") acknowledges the importance of its role in ensuring effective succession planning and in having policies to enable the recruitment, nomination, evaluation, selection and election processes to occur in a consistent and fair manner.
- 2.2 The Board is responsible for establishing a Nominating Committee to act independently in its oversight of these processes. For greater clarity, from the commencement of the Nomination Period, the Nominating Committee shall work independently from the Board.
- 2.3 Meridian aims to have a Board composition of qualified candidates reflective of the communities served by Meridian and aligned with Board Policy with regards to Diversity and Inclusiveness.

3.0 Role of the Nominating Committee

- 3.1 The Nominating Committee is a standing committee of the Board composed of members not eligible for re-election at the next annual general meeting ("AGM").
- 3.2 The Nominating Committee may engage external advisors, as needed or deemed appropriate, to assist the Committee, at its request, with the recruitment, review of applications, interview and/or background checks of the candidates.
- 3.3 If a member of the Nominating Committee finds her/himself in a real or perceived conflict of interest situation with respect to one of the candidates, the member shall disclose, in writing, to the Committee Chair the nature and extent of his/her interest. The Committee Chair will ask to have the conflict recorded in the minutes of Committee meeting. In addition, the member will not attend the interview of the candidate. The member shall not participate in any deliberations or discussion nor vote on the candidate and the Committee Chair will ask that this process be recorded in the minutes of the Committee meeting.

4.0 Role of the Returning Officer

- 4.1 The Returning Officer is appointed by the Board and provides ongoing administrative and functional assistance to the Nominating Committee and to candidates in order to ensure the integrity and effectiveness of the nomination and election processes, including by:
- a) Maintaining a list of individuals who have been identified by Directors and Management as potentially Qualified Candidates for future elections, as required;
 - b) Providing information to interested parties, and assisting candidates in understanding the nomination and election processes, as required; and
 - c) Supporting and assisting the Nominating Committee throughout its processes, including communicating with candidates on behalf of the Committee or its Chair.
- 4.2 The Returning Officer receives applications and conducts an initial review. The Returning Officer makes recommendations and provides advice to the Nominating Committee regarding the validity of the applications, including any basis for rejecting them, and Candidate eligibility.

5.0 Candidate Recruitment

- 5.1 The Board acknowledges that it is accountable for its own succession and, as a result, commits to the recruitment of potential candidates on an ongoing basis with a view to maintaining a pool of potentially Qualified Candidates for future elections. A key principle in consideration of the creation of this pool is the quality, rather than the quantity, of prospective candidates.
- 5.2 Candidate recruitment may be undertaken through such processes as:
- a) Ongoing identification of potential qualified candidates by Directors and Management;
 - b) Placement of appropriate signage in Meridian’s branches and offices;
 - c) Publication on Meridian’s website; and
 - d) Committee Advisor search.

6.0 Nomination Process

The Nominating Committee shall oversee the director nomination process outlined in the Policy, including the following:

- 6.1 *Notice of Nomination Period* – The Returning Officer shall give notice of the Nomination Period to all of Meridian’s members of record. The Nomination Period should be established to allow a minimum of fifteen (15) calendar days for the receipt of applications. The notice shall be posted on Meridian’s website and shall include:
- a) an announcement that an election of directors is to take place, specifying the number of positions which are to be filled, and instructions relating to the submission of an application; and
 - b) the beginning and end dates of the Nomination Period.
- 6.2 *Validity of Applications* – Applications received from the membership, to be valid, must be in the form, and received by the deadline, prescribed by the Nominating Committee and must contain the information and accompanying documents outlined in the application package, which shall be posted on Meridian’s website. The Nominating Committee has full and unfettered discretion to reject an application, based on the recommendation of the Returning Officer pursuant to his/her duties under s. 4.0 above, including on the following basis:
- a) the information provided by the applicant is incomplete, false, or misleading, or the application has not been received within the prescribed timeline; or
 - b) the applicant’s intention to stand for election is primarily for the purpose of enforcing a personal claim or redressing a personal grievance against the credit union or its directors, officers or members; or
 - c) a real or perceived conflict of interest (collectively, a “**Conflict of Interest**”) exists, in accordance with s. 6.8 below, that would prevent the applicant, if elected, from properly discharging their duties as a Director; or

- d) the applicant is an individual who ought not to be in a position to influence a financial institution; or
- e) the applicant is an individual that, if elected, may not act honestly, in good faith, and in the best interests of the financial institution; or
- f) the application does not adhere to applicable legal or regulatory requirements.

The Committee Chair and/or the Returning Officer will notify the applicant of the rejection of the application within 48 hours of the Committee's decision.

6.3 *Identification of Qualified Candidates* – The Committee will identify Qualified Candidates as defined in section 7.0 of this Policy and inform those candidates who have been determined not to be Qualified Candidates that they will not be considered in the Nomination process.

6.4 *Interview of Qualified Candidates* – The Committee may be assisted in interviewing Qualified Candidates by external advisors.

6.5 *Candidate Travel* - The Nominating Committee acknowledges that Qualified Candidates may incur some travel and other expenses related to their application. All reasonable travel and accommodation costs, which have been pre-approved by the Returning Officer, will be reimbursed for any Qualified Candidate who is required to travel more than 300 kms to be interviewed.

6.6 *Recommended Candidates*

- a) After completing the interviews, the Committee collectively discusses their assessment of all Qualified Candidates. The Committee then identifies the best Qualified Candidates to be recommended to the Members for election to the Board (“Recommended Candidates”) and may recommend one additional back-up candidate to become a Recommended Candidate in the event that one of the selected Recommended Candidates should withdraw from the nomination and election process.
- b) The Committee informs each of the Qualified Candidates, individually, whether or not the Nominating Committee has selected them as a Recommended Candidate (subject to the results of a background check).
- c) Those Qualified Candidates that have not been identified as Recommended Candidates may choose to place their name on the ballot for election. To do so, Qualified Candidates must advise the Returning Officer within 48 hours of the Committee's communication regarding its final recommendation (to be sent by email to the candidate). For greater clarity, the notification from the Qualified Candidate must be received within 48 hours from when the communication was sent from the Committee. Any Qualified Candidate who requests to have their name placed on the ballot will undergo a background check.
- d) Subject to the results of the background checks, any Qualified Candidate, who informs the Returning Officer within the 48-hour period that they wish their name to be placed on the ballot, will have their name placed on the ballot for election.

6.7 *Actions by the Returning Officer* – Upon receiving the list of Recommended Candidates from the Nominating Committee, the Returning Officer shall proceed to distribute voting information to the Members pursuant to the By-law #1.

6.8 *Conflicts of Interest* - In considering the validity of an application pursuant to s. 6.2 above, the Returning Officer will assess whether a Conflict of Interest exists, taking into consideration the criteria set out below. If the Returning Officer determines that a Conflict of Interest does exist, he/she will report such finding to the Committee, who, in turn, will factor such finding into its determination of validity pursuant to s. 6.2 above. A Conflict of Interest includes, but is not limited to, the following circumstances:

- a) A conflict of interest as defined under applicable legislation or regulatory guidance;
- b) A scenario in which a candidate is an elected member of a Municipal, Provincial or Federal Government;
- c) A scenario in which a candidate is an employee, officer, advisor or Member of the Board of a financial services regulatory authority that directly regulates one or more of Meridian's businesses on a consolidated basis; or

- d) A scenario in which a candidate is a director, officer, employee or agent of an entity that is engaged in, or has the potential to be engaged in, offering products or services that are the same as or similar to, and that directly compete with those offered by the Meridian’s businesses on a consolidated basis; or
- e) A real, perceived or potential conflict of interest that exists at the time of submitting the application, unless such conflict will be resolved, with a high degree of certainty in the opinion of the Returning Officer, by the time of the election.

For greater certainty, it is the responsibility of all candidates, before submitting an application, to have obtained all approvals from their employer or other stakeholders in order to address any Conflict of Interest.

7.0 Qualified Candidates

The Nominating Committee will interview candidates that i) have the Director eligibility requirements outlined in By-law #1, ii) meet the Director Selection Criteria outlined in section 7.1 below, and iii) would best complement the current Board based on the skills and expertise gap analysis approved by the Board and outlined in the application package (“Qualified Candidates”).

7.1 Director Selection Criteria

A. Each Director should have:

1. A high standard of personal values and ethics, including integrity, accountability, commitment and courage;
2. Excellent business and professional judgment;
3. The ability to think strategically and problem solve;
4. Demonstrated mature and cooperative leadership;
5. A strong understanding of fiduciary duty;
6. Strong communication skills, including the ability to listen and speak his/her mind independently and respectfully;
7. Willingness and ability to commit the required time to the role and actively participate in meetings;
8. Commitment to ongoing training and education for Board skills and duties;
9. Share Meridian’s purpose and values, and demonstrate a willingness to act in Meridian’s best interest at all times;
10. Demonstrate the ability to bring a perspective of external business, finance, and social issues to Board deliberations;
11. Uphold the values of teamwork demonstrating the ability to operate as “a team” at Board level and “speak with one voice” once full discussion has been undertaken and a decision made by the Board;
12. Generally have 7 to 10 years of senior executive or governance experience with organizations that operate in a competitive environment, or 7 to 10 years of senior executive or governance experience with public, non-profit or cooperative organizations of a scale and complexity similar to the Credit Union; and
13. Have a demonstrated reputation of valuable community involvement.

B. Each Director should have a strong understanding of each of the following core competencies as outlined by the Financial Services Regulatory Authority, or a willingness to achieve a strong understanding within a specified timeframe if elected to the Board:

1. **Audit and Compliance:** Knowledge and understanding of monitoring and auditing processes required to ensure compliance with the credit union’s policies, standards of sound business practices and regulatory requirements;
2. **Board & CEO Performance:** Knowledge and understanding of tools and methodologies for assessing the Board’s performance and also for monitoring the performance and development of the CEO to determine strengths, deficiencies and areas for improvement;
3. **Credit Union Operations:** Knowledge and understanding of how a credit union’s infrastructures inter-relate and how they enable the effective and efficient delivery of services while managing risk and regulatory requirements;

4. Financial Literacy: Financial knowledge and understanding to interpret financial reports and statements and monitor corrective actions to ensure financial goals and regulatory requirements are met;
5. Governance and Ethics: Knowledge and understanding of the critical elements of good governance and ethics;
6. Leadership: Knowledge and understanding of the attributes of leadership to motivate, influence and support others to accomplish organizational goals and encourage on-going education to further develop competencies;
7. Regulatory Environment: Knowledge and understanding of the regulatory environment, policy development and policies to meet legal, regulatory and governance requirements;
8. Risk Management Oversight: Knowledge and understanding of the risk management framework for identifying, measuring and managing significant risk and events that may impact the credit union’s objectives; and
9. Strategic Planning: Knowledge and understanding of strategic planning processes and the ability to contribute to the development of the strategic direction, core values and strategic goals and objectives for the credit union.

8.0 Campaigning Rules

- 8.1 Campaigning by candidates is prohibited. The only written communication that may be used regarding a director candidate’s candidacy in connection with the election is the information provided to Meridian by the candidate for the purpose of a Candidate Statement of Interest. Such written communication may only be distributed by Meridian.
- 8.2 The following further defines Meridian’s guidelines:
 - a) Candidates may not use social media to announce or promote their candidacy;
 - b) Director candidates are not permitted to use traditional media (brochures, newsletters, flyers); or disseminate campaign materials including messaging via mass electronic distribution; advertising; rallies etc., to promote their candidacy in the election;
 - c) Director candidates may not organize public meetings to promote their candidacy;
 - d) Director candidates must not solicit or participate in interviews with the media in connection with the election or place any advertisements or statements regarding their candidacy in the election in any newspaper, website, or other publication or media, or permit anyone to do so, on the director candidate’s behalf;
 - e) Director candidates are not permitted to campaign on Meridian property, including ATM vestibules or inside branches. This includes physically positioning ones-self on Meridian premises to speak to those entering or attending at Branches. If third parties, beyond the control of the director candidate or Meridian choose to ignore this restriction, the director candidate may be asked to show evidence they have not encouraged the support and have made a strong attempt to discourage it; and
 - f) Director candidates are not permitted to partake in activities that would reflect negatively on the professionalism of the credit union.
- 8.3 No director candidate shall interfere with or permit any person on their behalf to interfere with the duties of Meridian employees. To minimize any potential conflict of interest, direct contact during the election between director candidates and employees including existing directors is limited to Meridian’s Returning Officer. Direct contact means in person, by telephone, or by email/text or similar. Assistance provided during the election will be limited to administrative or informational details.
- 8.5 All director candidates are expected to abide by these guidelines. The contravention by any director candidate of these guidelines may be grounds for the Nominating Committee to disqualify the candidate, as it determines under the circumstances.

9.0 Director Election Process

- 9.1 The required timelines for the election notice and the voting period are set forth in By-law No. 1 as confirmed by the Membership from time to time.
- 9.2 The Returning Officer shall put in place a process to make available information for all Members eligible to vote in the election, in a reasonable time prior to the voting period.
- 9.3 The Returning Officer will put in place a process to ensure electronic in-branch and on-line voting is effective and ensures one vote per Member.

The electronic/online ballot will clearly highlight which candidates have been recommended by the Nominating Committee.
- 9.4 The counting of the electronic/online ballots at the end of the election period will be overseen by the Returning Officer.
- 9.5 In the event that the positions being filled have unequal terms associated with them, the following will apply in the event of an election: the candidate with the least number of votes will be awarded the shortest term; and where there is a tie vote, the tie shall be broken by the drawing of lots whereby the tied candidates will participate in a draw at the commencement of the AGM in order to determine which candidate will be awarded the shortest term.
- 9.6 Unless there is a determination by the Board that there may be a dispute over the election results, the Board will require that a resolution be placed before the Membership at the AGM, requesting the destruction of the election ballots.
- 9.7 The results of the election will be communicated, in writing, on a strictly confidential basis, to the candidates and to the Board, by the Returning Officer, as soon as practicable prior to the AGM, at which time the results will be announced to the Members by the Returning Officer.
- 9.8 All Director candidates shall sign a form after their interview, agreeing to keep confidential the results of the election until after the results have been announced at the AGM.

10.0 Director Acclamation Process

When the list of Recommended Candidates has been determined and after it is determined by the Returning Officer that the election has resulted in an acclamation and that no vote is required, the following process will be put in place:

- 10.1 The Returning Officer advises the Chair of the Nominating Committee that no vote is required.
- 10.2 The Chair of the Nominating Committee advises the Nominating Committee of this outcome.
- 10.3 The Board is advised by the Nominating Committee Chair of the names of those elected by acclamation.
- 10.4 A news release is produced that congratulates the candidates and announces those featured as elected by acclamation.
- 10.5 Concurrent with the public announcement of the AGM, the brochure is released publicly to the Membership.
- 10.6 As required by section 4.03(e) of By-law No. 1, in the case of an acclamation of all candidates where there are terms of office of varying length, the Nominating Committee will determine and assign terms to the candidates in its sole and unfettered discretion. In accordance with section 4.04(b) of By-law No. 1, if the number of candidates is equal to the number of vacancies to be filled, the candidates shall be declared by the Chair of the Board at the next AGM to be elected by acclamation for a three (3) year term, unless a shorter term is otherwise specified.
- 10.7 The results of the election by acclamation will be announced by the Returning Officer at the AGM.

11.0 Reporting to the Board

At the conclusion of the Nomination Process, the Chair (or the Returning Officer on behalf of the Chair) will submit a report by email to the Board Directors, with a copy to the Executive Leadership Team, as to whether or not there is an election, with the names of the Recommended Candidates and those Qualified Candidates who are standing for election, if any.

12.0 Review of this Policy

Every three years, the Nominating Committee will review this Policy and recommend changes to the Board of Directors.