



ANNUAL GOVERNANCE REPORT FROM THE BOARD

It is with pleasure that I present the Annual Governance Report of the Board of Directors for Community Credit Union of Cumberland Colchester Limited for the 2017 fiscal year.

The Board of Directors operates within its mandate as outlined in legislation (Credit Unions Act - Board), and as well as within the By-Laws and Board Polices. During the year, the Board continued its diligence in assuring its mandate was managed in accordance with the legislation, by-laws, its governance policies and within the Regulator approved Standards of Sound Business Practice.

During the 2017 fiscal year, the Board and its Committees managed their mandates, which will be reported by each of them in their respective year-end reports. The Board Terms of Reference, contained in policy, describes its purpose and objectives as follows:

Purpose

The Board of Directors has the authority and obligation to protect and enhance the assets (tangible, intangible, human resources) of Community Credit Union in the interest of the stakeholders (members, employees, community) and is responsible for overseeing the President & CEO. Although Directors may be elected by the owners to bring special expertise or points of view, they are not chosen to represent a particular constituency. The Board and Directors are solely accountable to the Credit Union in their capacity as Directors.

Objectives

The Board's principal duties fall into six main categories:

1. Adoption and monitoring of strategic and business planning processes and plans;
2. Appointing, monitoring and compensating senior management;
3. Effective communication with stakeholders;
4. Overseeing management of enterprise risk;
5. Integrity of corporate internal control and management information systems; and
6. Establishing and maintaining effective governance practices.

While the Board is faced with continuous challenges and difficult decisions every year, I am extremely pleased to confirm that again in 2017, sound governance oversight was evident. Throughout this past year, the Board's oversight was extensive and again resulted in prudent governance and stewardship of the Credit Union.

As reported in previous years, the continued and profound evolution of the financial services industry has necessitated transformational change and effective risk oversight. These areas continue to place a significant impact on director oversight responsibilities, where strong and effective corporate governance remains the priority for the Board.

Each Board member has taken their role very seriously and they have remained diligent towards their responsibilities, having spent countless hours in governance development, board meeting preparation and understanding the change in our environment.

This commitment has enabled your Board to fully understand all areas of the Credit Union, including: the need for transformational change to effectively meet the needs of our Members and potential Members; the need to create a Member First Culture, where our responsiveness is second to none; the need to build our brand, in creative and unconventional ways, to ensure our communities understand our value proposition; and to build on our commitment to the communities we work and live, which is one of our primary co-operative principles. I am proud to say, that collectively, the Board has met the challenges of this complex and changing environment.

This past year was again positive and one that has seen continued improvement in a variety of areas, many of which were firsts for Community Credit Union. Our 2017 financial position saw our assets remain at the \$95 Million level, due primarily to our continued focus on purchase of mortgage pools and participating in provincial small business loan syndications. Our overall financial performance was similar to the previous year. Our President & CEO will provide more details in his reports.

During the past year, we remain committed to our communities where we work and live. As stated in our Co-operative Values, the well-being of our communities is at the very foundation of who we are and what we do. We take our corporate social responsibility extremely seriously and you will soon hear from this Committee.

As you experienced this evening, we committed \$4,000 to four worthy local organizations, that impact our communities in a very significant way. These commitments, along with many others, some of which are noted in the newsletter, VISION MATTERS, repress over \$200,000 in annual community support. We are extremely proud of this commitment and for making a difference in our communities, beyond that of our competitors. This is our 'annual dividend' to the community.

As we move forward into the new fiscal year, we are optimistic of continued success despite the impact from the current economic environment and its uncertainty. We are proving that to be successful, we need to be preemptive, creative and extraordinary. In each of these areas, we will continue to push our boundaries to achieve a Member First Cultural by creating "Service Experiences Unlike Anywhere Else".

We recognize that more and more of our Members, and the consumer at large, prefer to do their business outside of traditional methods, specifically through mobile and Internet delivery channels. Our transformational strategy will meet this evolving culture, with a new self-service digital platform that will provide immediate response on a 24/7 basis to the more than 60% of consumers requiring this service. This innovation and much more to happen in 2018 and beyond, will meet the continuous changes in consumer expectations and enable us to be flexible and expedient in the evolution of our new business model.

We are extremely confident, under the leadership of our President & CEO, that we will experience continued positive change that will position our credit union appropriately for future years.

I would like to take this time to formally acknowledge the Board of Directors. Governance and risk oversight in today's environment requires continuous stewardship, development and understanding. To this end, the Board has continued to perform admirably and have provided valuable insight and analysis throughout the past year. Their leadership has greatly assisted us in our objective to build strong governance practices and a sustainable strategic direction.

On behalf of the Board, I would like to say a very sincere thank-you to all who have assisted us throughout the past year. You are truly remarkable.

Finally, I would like to publicly thank our President & CEO, Darrell Kuhn, for what he has done for Community Credit Union during his tenure. To say that we have gone through a positive and significant transformation since his arrival would be a gross understatement. We are extremely fortunate that we have such an experienced and visionary leader - I would like to formally acknowledge that Darrell is a recipient of the prestigious, Atlantic Business Magazine's Top 50 CEO's in Atlantic Canada for an unprecedented fourth consecutive year and will be featured in the May edition of the Atlantic Business Magazine. And, on May 9th, he, along with the other 49 Top 50 CEO recipients throughout Atlantic Canada, will be honored at a gala in Halifax. Congratulations Darrell, we are extremely proud of such deserving recognition.

Respectfully submitted,
Howard Welch, Board Chair
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