


Growing with Purpose.

2022 Annual Report



Land Acknowledgment.

Northern Credit Union's footprint spans the territories of many First Nations in Ontario and Quebec and includes territories subject to the Robinson Superior Treaty of 1850, Robinson Huron Treaty of 1850, Treaty 9, the Saugeen Tract Purchase of 1836 and Unceded Algonquin Territories. We would like to acknowledge all of the nations whose territories host our branches and thank them for welcoming us to their territories. As settlers, this recognition of the contributions and historic importance of Indigenous peoples must be clearly and overtly connected to our collective commitment to make the promise of Truth and Reconciliation real in our communities.



A close-up photograph of a wooden surface with a prominent, swirling grain pattern. The wood is light brown with darker, wavy lines and several knots. The texture is rough and natural.

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Message from your **Leadership.**





We've come a long way...

...since our humble beginnings in 1957 when our first office started in a small house in Sault Ste. Marie with the vision of 28 like-minded civic employees who wanted to provide people of the North with accessible banking options, and an opportunity to become owners of their financial institution. 65 years later, we

have over 70,000 members and offer services in 24 communities through 25 branches across the Northern footprint. While we may have grown quite a bit, we have never lost sight of our mission; **to Make a Difference - for our credit union, our people, and our members.**

Over the years, one thing remains constant at Northern: living our purpose and core values to ensure we are doing the right things to create a sustainable future for our organization and to help our members live their best financial lives possible. We remain community-driven – we are part of our communities, and as such, it is important for us to give back and continue to be embedded as part of the “Northern” community.

2022 was another strong year for Northern Credit Union with net income of just over \$7 million. Loan growth was approximately 10.5% with overall asset growth of just under 5%. With strong net income for the past two years and a controlled growth approach, we have seen organic growth in our capital, ending the year with a risk-weighted capital of 12.13%, up from 11.81% in 2021. As we become stronger, we can continue to improve our services for our members and provide ongoing support to our communities. And as promised last year, we have now eliminated our annual membership dues.

We have also continued to focus on improvement in our core business processes, completing over 30 projects focused on improving and streamlining the experience for our members. The changes over the last few years have been instrumental in our overall results and have positioned us well for future growth and success. Again in 2022, through our member survey, 90% of our member respondents recognized the role of our employees in helping them achieve financial success. We understand that our members' financial goals are unique, and we are committed to providing personalized solutions and guidance to help them reach their full potential.

Our employees work tirelessly to understand our members' needs and provide them with the tools, resources, and support they need to make informed financial decisions. Whether it's helping them save for the future, achieve their investment goals, or navigate complex financial challenges, our employees are always there to provide a helping hand. Our members' success is our success, and we are proud to play a role and make a positive difference in their financial futures.

Financial Highlights.

\$7.1 M

Net Income in 2022

4.90%

Asset Growth in 2022

12.13%

Risk Weighted Capital in 2022

In our High-Performance Organization (HPO) Employee Survey, 82% of our employees told us they were proud to work at Northern. At Northern, we believe that leveraging the skills, talent, and passion of our employees is key to fulfilling our purpose. We understand that our employees are the driving force behind our success, and we are committed to creating an environment where they can thrive and reach their full potential. This is why, in 2023, empowering our employees in building our future will be a key focus. Our employees' collective efforts and dedication to our purpose makes us a stronger, more resilient, and more successful organization. We are proud of our employees and are committed to investing in them as we work together to achieve our shared goals.

In 2022, Northern amped up its commitment to providing an atmosphere free from barriers to promote equity, diversity, and inclusion. We believe that success requires a balanced and sustainable approach to business, and we are dedicated to creating value for all our stakeholders. We believe that our approach must

be good for our business, good for our stakeholders, and good for the world. Financial performance and sustainability are not mutually exclusive, and we are committed to finding innovative and responsible ways to grow our business. We continue to build awareness at all levels of our business and are proud of the strides we have made toward being a more diverse, equitable, and inclusive organization that balances people, the planet, and profit.

Looking ahead, we believe that our investments in technology, infrastructure, and talent will drive sustainable and long-term growth. Our strategic priorities going into 2023 will have us strive to achieve organizational effectiveness by continually ensuring our members' experience is convenient and easy; empowering our employees in developing their skills; and inspiring with purpose. We will continue to strengthen our bonds with the communities we serve while having a social purpose in doing so and making a difference in people's lives.

Respectfully submitted by



A stylized, handwritten signature in white ink, likely belonging to Richard Adam.

Richard Adam, President & CEO



A stylized, handwritten signature in white ink, likely belonging to Tim Foster.

Tim Foster, Board Chair

Growing
with a
purpose.





In November 2022, Northern Credit Union reached a tremendous milestone.

Sixty-five years ago, 28 civic employees dreamed of providing people in the North with accessible banking options and an opportunity to become owners of their financial institutions. Each contributed \$2, and the Sault Civic Employees Credit Union was formed with just \$56. These humble beginnings are the foundation of what is now Northern Credit Union.

Northern Credit Union has evolved tremendously in the past 65 years, growing our membership from 28 people in one community to over 70,000 in 25 communities across northern Ontario. While change is inevitable with evolution, our foundational values remain: we are here for our members, we keep our money close to home, and we invest back into the people and communities of the north.



Our Purpose:

Making a difference in people's lives.

Living Our **Purpose.**

To do what is right for our members and our communities. The growth of our business is measured by more than just our bottom line – **we make intentional, positive change for the people we serve.**



Strategic **Priorities.**

Aside from banking, we empower our employees in building our future, cultivate win/win relationships with our members and vendors, **and inspire with purpose by making a positive difference in the lives of our members and communities.**

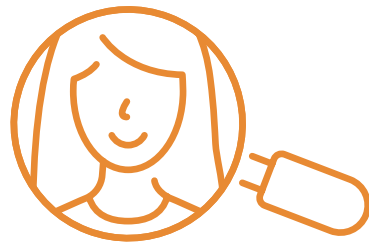
Our Values.

Be a
**True North
Partner**



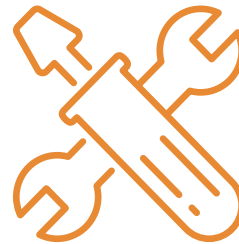
We work hard,
step forward,
and celebrate
our successes
as a team.

Be
**Member
Focused**



We make big
impacts and
provide that
WOW factor to
our members.

Get
**Stuff
Done**



We honour our
commitments,
and work with
integrity and
professionalism.

Own
**Our
Growth**



We step outside
of our comfort
zone to seize
opportunities
to learn.

Financial Growth Highlights.

\$7.1 M

Net Income in 2022

\$1.98 B

Total Assets

Loan Growth

10.49%

Growth % YOY

Deposit Growth

2.55%

Growth % YOY

\$153 M

Growth \$ YOY

\$37 M

Growth \$ YOY

Member Growth Highlights.



72,762

Total individual Members
as of December 2022



Member experience
rating of 4.5/5



5,200

Total NEW members in 2022



4,266

Total business members in 2022



255

Total NEW business members in 2022

Employee Growth Highlights.



243

Total Employees
as of Dec. 2022

TRUE NORTH

HUB

78,380

Calls answered in 2022



00:05:13

Average Time per Call

00:04:13

Average Time in Queue



\$87,667

Total given back to communities through
organizational donations and sponsorships.



160.5

Total recorded employee
volunteer hours in 2022.

Financial Report for 2021-2022.

Management's Responsibility For Financial Information.

Management is responsible for the preparation, presentation and consistency of the summarized financial statements and the complete financial statements of Northern Credit Union Limited and all the information in this Annual Report. The summarized financial statements are derived by management from the complete financial statements. The complete financial statements have been prepared by Management in accordance with International Financial Reporting Standards. Management has prepared the financial information contained in the Annual Report and has ensured that it is consistent with the complete financial statements. Management maintains the necessary system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained. This system of internal controls provides reasonable assurance that financial records are reliable and are a proper basis for preparation of the financial statements.

The Audit Committee, in carrying out their responsibility, has reviewed and approved the complete financial statements. KPMG LLP, the independent external auditors appointed by the members of the Credit Union, have examined the complete financial statements in accordance with Canadian generally accepted auditing standards.



Richard Adam

Richard Adam
President & CEO



Tammy Buchanan

Tammy Buchanan
Senior VP & CFO

Statement of Financial Position

Year ended December 31, 2022, with comparative information for 2021.

| (in thousands of Canadian dollars) | 2022 | 2021 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 49,325 | \$ 46,828 |
| Investments | 131,605 | 198,617 |
| Other assets | 6,875 | 5,179 |
| Derivative financial instruments | 3,255 | 7,208 |
| Loans to members | 1,619,228 | 1,465,349 |
| Deferred income taxes | 2,289 | 2,125 |
| Right-of-use assets | 2,119 | 1,795 |
| Property and equipment | 11,150 | 12,584 |
| Intangible assets | 296 | 1,117 |
| Total assets | \$ 1,826,142 | \$ 1,740,802 |
| Liabilities and Members' Equity | | |
| Members' deposits | \$ 1,532,369 | \$ 1,490,261 |
| Accounts payable and accrued liabilities | 6,500 | 8,557 |
| Derivative financial instruments | 3,255 | 7,208 |
| Lease liabilities | 2,177 | 1,857 |
| Securitized liabilities | 178,884 | 136,599 |
| Liabilities qualifying as regulatory capital: | | |
| Share capital | 28,270 | 29,408 |
| Total liabilities | 1,751,455 | 1,673,890 |
| Members' equity: | | |
| Contributed surplus | 19,134 | 19,134 |
| Retained earnings | 52,494 | 45,379 |
| Accumulated other comprehensive income | 3,059 | 2,399 |
| Total members' equity | 74,687 | 66,912 |
| Total liabilities and members' equity | \$ 1,826,142 | \$ 1,740,802 |

Statement of Income

Year ended December 31, 2022, with comparative information for 2021.

| (in thousands of Canadian dollars) | 2022 | 2021 |
|--|-----------------|-----------------|
| Revenue: | | |
| Interest | | |
| – Residential mortgage loans | \$ 29,126 | \$ 25,253 |
| – Personal loans | 15,210 | 15,336 |
| – Commercial loans | 12,797 | 9,753 |
| Investment income | 1,889 | 1,581 |
| | 59,022 | 51,923 |
| Cost of financing: | | |
| Interest | | |
| – Demand deposits | 3,435 | 1,378 |
| – Term deposits | 6,843 | 6,317 |
| – Registered savings plans | 7,257 | 6,405 |
| Distribution to members | 1,182 | 687 |
| Interest on external borrowings | 4,394 | 3,849 |
| | 23,111 | 18,636 |
| Net interest income | 35,911 | 33,287 |
| Impairment loss (recovery) on loans | 3,109 | (168) |
| Net interest income after impairment (recovery) loss on loans | 32,802 | 33,455 |
| Non-interest revenue | 13,876 | 15,163 |
| | 46,678 | 48,618 |
| Operating expenses: | | |
| Salaries, wages and benefits | 17,037 | 18,347 |
| Board and committee | 344 | 270 |
| Data processing and clearing | 1,079 | 1,072 |
| General and administration | 12,403 | 11,830 |
| Insurance | 1,828 | 1,713 |
| Occupancy | 2,715 | 2,637 |
| Depreciation and amortization | 2,499 | 2,882 |
| | 37,905 | 38,751 |
| Operating income | 8,773 | 9,867 |
| Unrealized gains (losses): | | |
| Unrealized gain (loss) on interest rate swaps and forward exchange contracts | - | (136) |
| Income before income taxes | 8,773 | 9,731 |
| Income taxes (recovery): | | |
| Current | 2,060 | 1,674 |
| Deferred (recovery) | (402) | 345 |
| | 1,658 | 2,019 |
| Net income | \$ 7,115 | \$ 7,712 |

Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021.

| (in thousands of Canadian dollars) | 2022 | 2021 |
|---|-----------------|-----------------|
| Net Income | \$ 7,115 | \$ 7,712 |
| Other comprehensive income, net of income taxes: | | |
| Items that are or may be reclassified subsequently to profit or loss: | | |
| Net gain on cash flow hedges | 192 | 14 |
| Net change in fair value of debt investments | (2,307) | (1,176) |
| Debt investments at FVOCI – reclassified to profit or loss | 667 | 782 |
| Related income tax recovery | 384 | 114 |
| Items that will never be reclassified to profit or loss: | | |
| Defined benefit plan actuarial gains | 2,386 | 2,733 |
| Net change in fair value of equity investments | (40) | (133) |
| Related income tax expense | (622) | (684) |
| | 660 | 1,650 |
| Comprehensive Income | \$ 7,775 | \$ 9,362 |

Statement of Changes in Members' Equity

Year ended December 31, 2022, with comparative information for 2021.

| (in thousands of Canadian dollars) | 2022 | 2021 |
|---|------------------|------------------|
| Contributed surplus | \$ 19,134 | \$ 19,134 |
| Retained earnings | 45,379 | 37,667 |
| Net income | 7,115 | 7,712 |
| As at December 31 | 52,494 | 45,379 |
| Accumulated other comprehensive income: | | |
| Representing the fair value reserve: | | |
| As at January 1 | 2,399 | 749 |
| Other comprehensive income | 660 | 1,650 |
| Balance, end of year | 3,059 | 2,399 |
| Member's equity, end of year | \$ 74,687 | \$ 66,912 |

Our Community.



Community Trailblazers.

Helping our local communities is one of the most rewarding aspects of working at Northern Credit Union. Our Community Trailblazer programs give staff the power and influence to better their communities by aligning employee passions with Northern's environmental, social and governance efforts.



Here's the impact made in 2022 through employee programs:



DO SOME GOOD VOLUNTEER PROGRAM

21% of employees completed three hours of volunteer time or more

150+ volunteer hours in our communities

\$5,100 donated to local charities



WIN/WIN PAYROLL DONATION PROGRAM

30% of Northern employees contributed toward Win/Win throughout the year

\$3,600 donated to local charities



DO SOME GOOD VOLUNTEER PROGRAM

We provide every Northern Credit Union employee three paid hours per year to volunteer in their community as part of the Do Some Good Volunteer Program. Once their volunteerism is complete, Northern donates \$100 to a charity of the employee's choice to show our appreciation.

"Thank you, Northern Credit Union, for an opportunity to volunteer and donate to a local charity that has a special personal connection to me - Renfrew Hospice. I spent the morning helping make a real garland for holiday decorating. This brings immense joy to the residents and their families. Renfrew Hospice assists terminally ill individuals to live as fully as possible, with dignity, care, and support. I am thankful to have an opportunity to volunteer for this incredible organization!"

Chelsea Vanceeder

Wealth Representative / Investment Representative





WIN/WIN **PAYROLL DONATION PROGRAM**

The Win/Win Payroll Donation Program allows employees to opt-in to a \$3 deduction per paycheck, of which \$2 is directed to a Charity Pot and \$1 to a Fun Fund to support staff events. All contributing employees are entered into a draw at the end of each month. The winner selects a charity to benefit from the funds collected in that month's Charity Pot.

"I was the lucky winner of the June Win/Win Payroll Donation draw and chose the Sault Area Hospital NICU as my charity. Thank you to Northern Credit Union for making this donation possible to a charity that is near and dear to my heart. The NICU looked after our twin girls, Lauryn & Logan, when they were born - they are now thriving six-year-olds. This donation will help fund the equipment needed to help other newborn babies and their families."

Erin Bellerose
Senior Manager, Accounting

Advisory Committee.

Like our employees, our members are passionate about giving back to the communities in which we live, work and play. The Northern Advisory Committee consists of member representatives from across our footprint to represent the 'member voice' in community engagement initiatives. The Advisory Committee identifies how our charity work can best be implemented at a community level to maximize outcomes for each community.



Northern Credit Union employees and members of the Advisory Committee raised \$5,620 for the St. Joseph Food Bank and Recovery Road at the annual NCU Charity Golf Tournament in Pembroke, ON.

Donations and fundraising were the two areas of focus for the Advisory Committee in 2022, resulting in:

 **\$3,500**
Donated to charity event sponsorships

 **\$1,183**
In corporate donations to local causes

 **\$6,437**
Raised for local causes at events

Looking for ways to get more involved in your community?
Join our Advisory Committee! We are always welcoming new people to our enthusiastic team of community supporters.

Email communities@northerncu.com for more information.

Holiday Giving For Good.

The holiday season is an additional opportunity to spread kindness and joy in our communities. Branches in each of Northern Credit Union's 25 communities identified immediate local needs requiring extra support during the holiday season, and funds were provided to help those causes. Some branches chose to donate the money directly to their identified cause, others used the funds to

purchase winter clothing, food, and toys to help our most vulnerable populations. When branch staff have the power to direct Northern's donation efforts for the holidays, it enables more meaningful, lasting impacts. It strengthens the community - starting inside our branches and expanding outside into the diverse populations we serve.



\$14,900

Humanitarian
Aid



\$12,500

Hunger &
Food Insecurity



\$11,900

Senior
Support



\$3,000

Health
Services

\$42,000 Donated Monetarily & In-Kind



Thunder Bay Branch staff present a cheque to the Dew Drop Inn for \$4,000, to help stock pantries for seniors.

Pembroke Branch & True North Hub staff donate toys and essentials to the OPP East Christmas Angel Program.



North Bay Branch staff donated \$4,000 along with non-perishable foods to the North Bay Food Bank.



Promoting Economic Development:

The Northern Credit Union Community Centre.

In September of 2022, Northern Credit Union proudly entered a partnership with Curl Sudbury to secure the future of inclusive, accessible curling in Greater Sudbury.

The \$60,000 three-year commitment promotes local economic development, funding energy-efficient facility enhancements and equipment upgrades to the wheelchair-accessible six-sheet ice pad, community event space, and lounge area.

Renamed the Northern Credit Union Community Centre, the facility will host recreational and competitive curling leagues for all ages throughout the winter and transform into an indoor pickleball and roller derby arena during the summer.



Key Partnership Details

\$60,000 commitment

Three-year partnership

Funds energy-efficient facility upgrades

100% wheelchair-accessible facility

100% inclusive space, welcoming curlers and guests of all ages, abilities, communities, genders and ethnicities



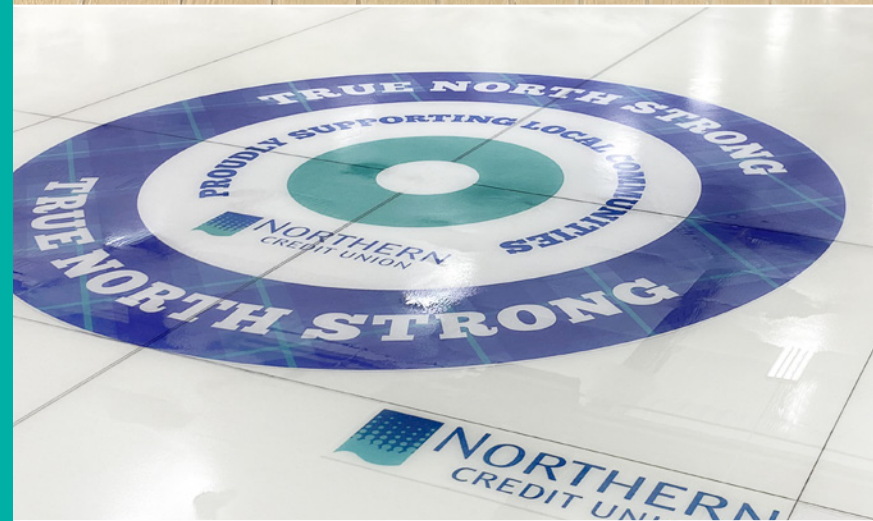
Northern Credit Union and Community Centre staff and Board Members are joined by Sudbury Mayor Paul Lefebvre, MPP Jamie West, and Councillor Bill Leduc in an official ribbon cutting for the new Northern Credit Union Community Centre.

“This investment is about building communities by providing opportunities for people to come together and promoting accessibility, inclusion and sportspersonship.”

Liisa Woolley, SVP Member Experience, Northern Credit Union

“Every member and guest will benefit from these changes. Most of all, [this partnership] will allow us to focus on growing the game of curling and making it more diverse, equitable, and inclusive.”

Tom Leonard, Facility Ice Maker
& General Manager,
Northern Credit Union Community Centre



New facility signage at the Northern Credit Union Community Centre.

Our People.

Our employees are the champions of our business and are at the heart of our organization. Therefore, ensuring their personal and professional well-being is a critical first step in our support and investment in local communities.

Learning & Development.

Employee education and professional development contribute to the continued growth of Northern Credit Union. Our learning and development processes are designed to motivate and encourage employees to be more confident in their abilities and knowledgeable about our services.

Training Accomplished in 2022

7790

Training hours provided by the Training & Development Department

337

Total hours of self-directed courses (taken without being assigned)



3395

Total hours of required self-paced learning (Onboarding & annual courses)

4018

Total hours of in-person learning

Main Areas of Focus for Learning:

- Lending
- Standard products & services
- Member onboarding
- Commercial and Agricultural

Employee Feedback on Learning Opportunities:

- Interactive sessions were a hands-on way of learning
- Received step-by-step clear instruction
- Engaging instructors
- Easy to locate and use resources

Employee Participation Guided Truth and Reconciliation Education

- 220 employees participated
- Board of Directors also participated

Truth & Reconciliation Development Day.

Northern Credit Union recognizes and upholds the importance of Reconciliation with Indigenous Peoples. To advance the rights, perspectives, and prosperity of Indigenous peoples in Canada, we must engage in meaningful conversations about the legacy and history of residential schools and their impacts and consequences. This understanding will help us to better understand and empathize with the tragedies that have occurred to the First Nations, Inuit, and Metis peoples in Canada.

On September 30, National Day of Truth and Reconciliation, Northern Credit Union employees and board members participated in a day of guided learning led by Sandi Boucher, an expert in Indigenous recruitment/retention and Canadian Reconciliation.

To help amplify the “Every Child Matters” message, staff wore t-shirts purchased from **Indigenous Marketing Solutions**. Proceeds from the shirt sales were donated towards Indigenous-led community programs that support residential school survivors. The artwork on the shirts is titled “Mother Bear Energy” and was designed by Stacia Goodman of the We Wai Kai First Nation in British Columbia. The artwork symbolizes the inner strength and raw power of Indigenous women who act as warriors and healers in their communities.



Employee Voices.

A hiker with a large blue backpack is shown in profile, looking out over a dense forest. The hiker is wearing a red jacket. The background is a vast, green forest under a slightly overcast sky.

82%

of employee respondents say they are proud to work at Northern Credit Union.

Diversity, Equity & Inclusion.

Northern Credit Union is committed to developing inclusive workplaces and communities where everyone feels they belong. Diversity, Equity, and Inclusion (DEI) are integral to our organizational values and are critical to achieving our mission of creating a positive impact for our employees, members, and community.

Promoting and fostering a culture that values and respects individuals from all backgrounds, experiences, and perspectives is the right thing to do for our employees and makes business sense.

Our DEI commitment helps increase employee engagement, job performance and satisfaction, making us a healthier and more profitable organization. Our commitment to DEI is reflected in our policies, practices, and programs.

A just, equitable, and inclusive workplace is where everyone has an equal opportunity to succeed. Reflected in our employee hiring process, Board of Director nomination process, democratic election process, and open, inclusive, and voluntary membership policy, our goal is to remove bias and provide a safe working and banking environment.

DEI is an ongoing journey requiring continuous commitment to learning, growth, and improvement. It demands sustained effort and dedication. At Northern, we continue to listen, learn, and adapt.



84%

of our workforce
is women



70%

of our leadership positions
are held by women



42%

of our Board of Directors
positions are held by women

Employee Wellness.

The well-being of our employees is an ongoing priority at Northern Credit Union, and we believe we have a role to play in breaking down the barriers to finding accessible and affordable services that lead to better health.

In 2022, we improved our Employee Assistance Program (EAP) and proudly partnered with Homewood Health™ to better support the mental and physical well-being of our employees and their loved ones. Homewood Health™ provides coaching, counselling, and support for physical health and nutrition, career planning and advice at no fee to our employees.



Homewood
Health | Santé



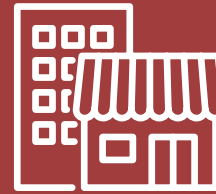
Giving Back.

Northern Credit Union is firmly committed to making a difference in the lives of members and communities in Ontario. We do this through our core business model by providing financial products and services that meet the unique needs of our membership. We also make a positive difference with our community engagement activities.

By aligning the causes that matter to us and our communities with our Northern impact strategy, we are a strong force for good in Ontario—in fact, giving back to where we live and work is one of the most rewarding aspects of being part of Northern Credit Union.

Together with our employees, we donate, volunteer, and do other forms of community engagement. Our goal is the tangible impact on causes in our region that lead to a more just, equitable, and sustainable future for all.

We prioritize supporting organizations with causes that fall into the following priority areas of impact:



Community Economic Development

We focus on making our communities more equitable, inclusive, and livable. This includes local, community-based causes that address the development of community services, accessible and affordable housing, education and health services, thriving businesses, etc.



Environmental Stewardship

Initiatives that steward the lands and waters that nourish our members and communities, protecting the planet and resources upon which we all depend on.




Philanthropy & Volunteerism

We particularly seek to support initiatives that benefit underrepresented groups who have traditionally not had equal access to opportunities because of discrimination or other societal barriers.



Financial Literacy

Educational content, resources, and events to support financial literacy in our community as a means to impact upward mobility.



We are only as strong as the communities we serve.
In 2022, we are proud to have contributed:

\$69,125

\$54,775

Spent on donations and sponsorships toward charities and organizations that directly support undeserved people in our communities

\$14,350

Spent on donations and sponsorships toward community development initiatives (ie. healthcare facilities, community centers, and public events)

Board of Directors **Governance.**

Governance Philosophy.

The Credit Union recognizes the critical role that effective governance plays in Northern's success, as it sets the foundation for effective decision-making and oversight. The role of the Board is to represent the interests of stakeholders, provide strategic direction that is aligned with our purpose, and create a vibrant, dynamic, and successful credit union.

The Credit Union is committed to achieving high standards of effective governance, challenging itself to move beyond compliance and to govern with excellence. It recognizes that the Board is responsible for governance and that what the Board does, and how it does it, is fundamental to achieving good governance.

Northern Credit Union's Board of Directors, operating as a policy board, approves a comprehensive set of Board policies that provides broad direction and delegates authority to Management for the operations of the Credit Union, to ensure consistency with those Board policies. The Board oversees Management decisions to ensure that sound and prudent practices are supported by effective organizational and procedural administrative systems. Effective internal controls are established to ensure compliance with applicable laws, regulations, rules, and established policies. In carrying out the Board policies, Management develops its own operational policies and practices.

The Board's commitment to the organizational purpose involves a deep understanding of the organization's mission, values, and goals. It also involves ensuring that these values and goals are reflected in all aspects of the organization's decision-making processes. The Board works closely with Management to ensure resources are allocated to support the organization's strategic purpose and to monitor progress toward achieving its goals.

Credit Unions and Caisses Populaires Act (2020)

On March 1, 2022, the new Credit Unions and Caisses Populaires Act (2020) was proclaimed into law together with Regulations. As a result, the Financial Services Regulatory Authority of Ontario (FSRA) was provided increased powers to set rules to administer the aims of the Act in a more principled-based approach through those rules, allowing for greater flexibility for Credit Unions.

In addition to increased powers to FSRA, the new Act granted increased business powers to Credit Unions and Caisses Populaires to allow Credit Unions to be more agile and competitive by being able to increase the products and services they can offer to their members.

With the proclamation of the new Act, FSRA introduced the Rules for Sound Business and Financial Practices, Capital Adequacy and Liquidity and has since issued Rules for Deposit Insurance Advertising. The Board is working in conjunction with Management to ensure the Credit Union meets all its requirements under the Act, Regulations and Rules and continues to engage with system stakeholders through consultation to ensure the Credit Union's compliance and ongoing progress to improving our business and serving our members better.

Meet our Board.

Our Board of Directors spearhead a number of committees **dedicated to creating a dynamic & successful credit union.**

G Governance

A Audit

F Finance & Risk

H Human Resources

N Nominating



Tim Foster
Board Chair

G **N**



Sue Klatt
Board Vice Chair

H **G** CHAIR



Louise Ahrens

A **H**



Amber Aird-Williams

G **A** CHAIR



Peter Beaucage

F **N**



Jeannie Kilgour

G **H** CHAIR



Max Liedke

A **F**



John Mangone

A **N**



Lori Martin

F **G**



Daniel McCoy

H **N** CHAIR



Cameron Ross

A **F** CHAIR



Reg St-Amour

F **H**

Board Diversity Report.

Northern Credit Union is committed to promoting diversity, equity, and inclusion in all aspects of our work, including within our Board of Directors. We believe that a diverse and inclusive Board is essential for effective governance, and for ensuring that our organization serves all stakeholders equitably and responsively.

Our commitment to Board diversity is demonstrated by our efforts to recruit and retain Board members with varied backgrounds, experiences, and perspectives. We believe that a Board that represents the diversity of our communities and stakeholders brings a variety of perspectives and experiences to decision-making and better informs our strategic priorities.

The Nominating Committee's mandate is to develop criteria that equitably evaluates all candidates. Considering their skills, education, experience, and commitment ensures collectively that they can discharge their duties and responsibilities effectively, having regard for the nature, size, complexity, operations, and risk profile of the Credit Union. In doing so, the Nominating Committee aims to recruit individuals that fill strategic competencies in the Board profile as determined by the Governance Committee.

Northern Credit Union considers the diversity of thought, experience, and background important in building a balanced board that has complementary expertise, skills, and perspectives. The Nominating Committee will endorse the best-qualified candidates for election to Northern Credit Union's Board taking into consideration the broad diversity required to provide effective oversight.

We recognize that achieving diversity and inclusion is an ongoing process, and we are committed to regularly reviewing and updating our practices to ensure that we are making progress toward supporting our goal. We believe that by working together, we can create a board that truly reflects the diversity of our communities and is better equipped to serve their needs.

In fiscal 2022, Northern's Board composition consisted of **58% male** and **42% female** with **8% black, indigenous, and people of colour (BIPOC)**, as well as a diverse range of education, experience, and expertise. **2/5 committee chairpersons and the Vice Chair were female.**

Board Remuneration.

It is the policy of the Credit Union that Directors receive fair financial compensation for their services to Northern Credit Union commensurate with the size and complexity of the Credit Union. The primary objective of the Credit Union is to serve the membership. It is this commitment that guides the leadership of the Credit Union, and any reimbursement is intended to offset expenses, and to a reasonable measure, the Directors' time dedicated to the Credit Union business.

To ensure an ongoing objective approach to compensation, the Central 1 Board Governance & Directors' Remuneration Survey will be the main source for comparator information, using the 50th percentile or median number for like-size credit unions at the national level for credit unions under \$3 billion. To ensure that compensation levels do not fall behind the market, comprehensive compensation reviews are conducted every two years.

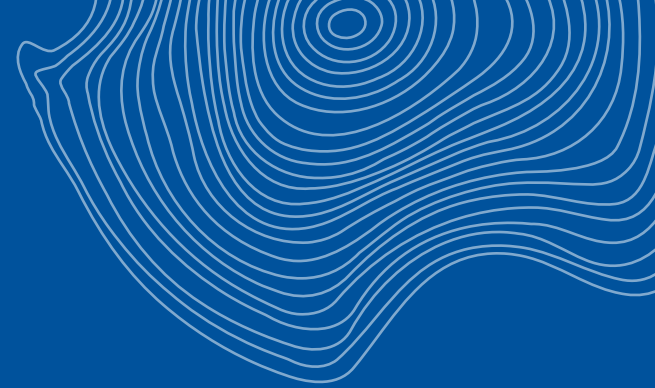
For fiscal 2022, the total remuneration paid to the Board:
\$187,000

Total expenses of the Board:
\$45,210

Board Evaluation Process.

The Board is committed to ensuring effective performance and competency requirements of all Directors. To maintain compliance with the Financial Services Regulatory Authority of Ontario (FSRA) guidelines and requirements, a new approach to the Director Assessment and Evaluation process was implemented in 2021. On an annual basis, the Board participates in this evaluation process to assess the effectiveness of the Board as a whole, each of the Committees, Chair of the Board, Audit Committee Chair, Committee Chairs, and their peers.

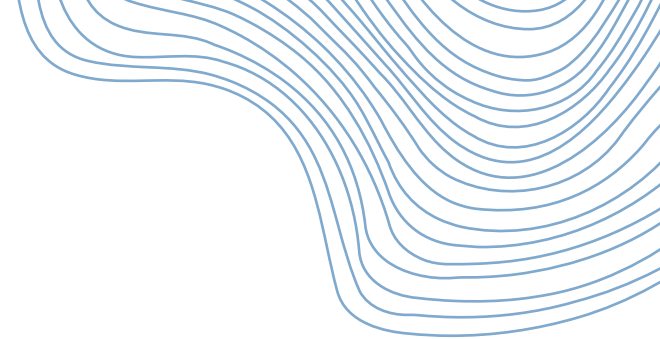
In conjunction with an annual skill and competency assessment against nine core competencies, individual development plans are designed to address any gaps in skill set and experience. As well, overall Board competency gaps for focused recruitment along with an improved endorsement process were embedded into the nomination process. This supports continuous improvement in the Board profile, and prioritizes succession planning and diversity.



Board Training & Development.

The Board of Directors plays a critical role in guiding the direction and strategy of a credit union, and it is essential that the Board continuously learns and develops key skill sets to effectively fulfill this role. Board learning aligns with Northern's strategic objectives by ensuring that the Board has the knowledge, skills, and expertise necessary to make informed, effective decisions that support Northern's mission and goals.

Directors participate in ongoing training and development that includes Director development courses to maintain their accreditation, and other structured and non-structured learning opportunities that close competency gaps while keeping them abreast with industry changes.



Types of Training.

Informal.

Autonomous, industry-relevant learning through scholarly articles, educational videos, podcasts, social media, or guest speakers.

Formal.

Board participation in scheduled self-directed courses, new Director and Audit Committee orientations, development conferences, webinars, seminars, or workshops that are relevant to the credit union industry.

Mentorship.

Formal coaching and guidance for new Directors, intended to expedite their ability to conduct their fiduciary role.

In 2022, we designed and implemented a formal Mentorship program as an addition to our new Directors' orientation curriculum. The Mentorship program ensures that new Directors have a valuable resource to guide them through the necessary Director requirements, duties, and responsibilities in their first year of governance. Participant response for the first inaugural year was favourable, and we look forward to further reviewing their feedback to enhance the program.

Accreditation.

Guarantees that Directors understand, meet, and maintain appropriate competency levels in credit union corporate governance through certified designation.

Northern Credit Union Directors are required to complete three levels of credit union governance courses through the CCUA's Credit Union Director Achievement (CUDA) Program within their first term of service. Through CUDA, Directors develop a deeper understanding of the foundations, risks, strategies, and applications associated with credit union governance. CUDA graduates who have served on a credit union board for two years are eligible to write a qualifying exam to become an Accredited Canadian Credit Union Director (ACCUD). In 2022, three of our Directors successfully completed their ACCUD accreditation. ACCUD accredited Directors are required to complete at least four Continuing Education courses annually to maintain their designation.

Audit Committee Report for 2022-2023.

Northern Credit Union Limited's Audit Committee is a committee of the Board of Directors pursuant to Section 104 of the Credit Unions and Caisses Populaires Act, 2020 and Section 36 of Ontario Regulation 105/22. The committee consisting of five directors has adopted a mandate that comprises all of the duties specified to be performed by Audit Committees in the Regulations to the Act.

The Audit Committee is pleased to report to the members of Northern Credit Union that it is functioning pursuant to the requirements of the Act, and that it has fulfilled its annual mandate.

The Audit Committee held five meetings during the year and completed the following significant activities:

- 1 Served as the liaison between the Board of Directors and the external auditors.
- 2 Reviewed and recommended to the Board of Directors, the terms of engagement for the external auditors and their remuneration.
- 3 Reviewed and approved the external auditors' scope and audit plan.
- 4 Reviewed the audited financial statement of the Credit Union and recommended their acceptance to the Board of Directors.
- 5 Served as the liaison between the Board of Directors and the internal auditors.
- 6 Received and reviewed and approved the internal audit scope and plan.
- 7 Received and reviewed all Internal Auditor activities and reports.
- 8 Received and reviewed reports of regulatory compliance audits, including the Credit Union's response and progress on management's action plans.
- 9 Held in camera sessions with both the external and internal auditors.
- 10 Reviewed the committee's mandate and annual workplan to ensure compliance with our responsibilities.

Based on its findings, the Audit Committee issues reports and makes recommendations to the Board of Directors or Senior Management, as appropriate, with respect to the matters outlined above, and follows up to ensure that the recommendations are considered and implemented.

The Committee received full co-operation and support from the CEO and Management enabling it to play an effective role in improving the quality of financial reporting to the members and enhancing the overall control structure of Northern Credit Union. The Audit Committee demonstrated a respectful and professional relationship with all parties.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented.

In addition, there are no matters the Audit Committee believes should be reported to the members, nor are there any further matters that are required to be disclosed pursuant to the Act or the Regulations.

Respectfully submitted,



Amber Aird-Williams, Audit Committee Chair

Audit Committee Members:

Louise Ahrens, Max Liedke, John Mangone, Cameron Ross

Board of Directors Meeting Attendance (2022–2023)

| Director | Term Expiry | Branch | Meetings Held | Meetings Joined |
|---------------------|-------------|-------------------|---------------|-----------------|
| Louise Ahrens | 2023 | Elmwood | 22 | 21 |
| Amber Aird-Williams | 2025 | Durham | 21 | 21 |
| Peter Beaucage | 2025 | Timmins | 21 | 20 |
| Tim Foster | 2024 | North Bay | 21 | 21 |
| Jeannie Kilgour | 2023 | Capreol | 21 | 21 |
| Sue Klatt | 2023 | Barry's Bay | 21 | 19 |
| Max Liedke | 2024 | Sault Ste. Marie | 21 | 12 |
| John Mangone | 2024 | Sault Ste. Marie | 22 | 22 |
| Lori Martin | 2023 | Sudbury Long Lake | 20 | 16 |
| Daniel McCoy | 2024 | Wawa | 22 | 20 |
| Cameron Ross | 2024 | Thessalon | 21 | 18 |
| Reg St-Amour | 2025 | Sault Ste. Marie | 21 | 20 |





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