

2020



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PenFinancial
Credit Union

ANNUAL REPORT

SNAPSHOT

—
Improving lives
and strengthening
communities



Our Commitment

OUR MISSION

**At PenFinancial Credit Union,
we improve lives and
strengthen communities.**

OUR VISION

**We will be your truly local financial
partner of choice, committed to inclusive
and authentic relationships. Trust us to make
your experience personal and simple.**



OUR VALUES

 **Accountability**

We take ownership for success while ensuring inclusivity, social responsibility, and cooperative principles.

 **Passion**

We deliver personal service by listening, guiding, nurturing, and caring.

 **Integrity**

We develop trusting relationships and maintain the highest ethical standards.

 **Respect**

We build mutual respect through honest and authentic relationships.

 **Knowledge**

We are committed to continuous learning.

REPORT FROM THE CHIEF EXECUTIVE OFFICER

PenFinancial, like all credit unions, was founded on the principle of community. That means we're rooted in the belief that a group can come together and, through cooperative strength, benefit both the individual contributor and the greater community.

Despite the challenges created by the pandemic in 2020, this philosophy has remained an important part of our social fabric as we have worked to benefit the many stakeholders in our PenFinancial community. Our community starts with you, our members, and the trust you have placed in PenFinancial for your financial wellbeing. Our community also includes our employees whose mission is to serve and take care of our members. The communities at large where we live and operate is another part of our Credit Union community. During the past year, PenFinancial was called upon to support all aspects of our community in a very different way than prior years. I'm proud to say that we showed great resilience, which allowed us to meet our mission of **improving lives and strengthening communities**.

We started the year, as with all years, by adopting a budget and business plan to move PenFinancial forward toward its strategic imperatives. By March 13, 2020, however, the world, and our plans to operate, had to change. The economy as we knew it was closed and we faced new restrictions. More questions were raised than answered: how do we continue to

serve you, our members, and support your lives; how do we keep our frontline, public-facing employees safe; how do we support our local communities where the pandemic only heightened social issues which were already complex and badly in need of funding?

During the year, we relied on our collective resilience and the principles established through our strategic plan. The new environment required action and the ability to adapt. We experienced more change than anyone could have predicted. In this environment, PenFinancial continued to support all areas of our community, including our members, our employees, and our neighbors. I'm very pleased to report on some of the highlights of the past year that moved our mission forward.

CREATE A PERSONAL MEMBER EXPERIENCE

As a member-owned cooperative, it is always critical that we evolve our Credit Union to accommodate the needs of our members in a rapidly changing business environment and, this year, that environment included the unprecedented influence of the pandemic. We achieved our evolution on two levels:

1. Supporting new and different member needs resulting from the pandemic environment, and
2. Implementing changes aimed at better positioning us to support our members in the long-term by providing a more modern banking experience that will contribute positively to the future growth of PenFinancial.

Based on the results of our 2019 member survey, we began the year with member communication as a top priority. With the onset of the pandemic, the need to stay in touch with you, our members, became even more paramount. During the year, we communicated with you both digitally and through personal contact. We created COVID-19 landing pages on our public website to keep you informed of relevant changes and opportunities for support. Throughout the year, branch staff made 10,801 member care phone calls to personally check-in with our members. We weren't calling to sell anything — we just wanted to make sure you were okay.

In the fall, we launched a brand-new public-facing website that greatly improved navigation and content relevant to our community. In early 2021, this will be followed by the

launch of our exciting new platform for online and mobile banking, which will enhance your digital banking experience. In addition, to support increased digital usage, e-transfer transaction dollar limits were increased, and our mobile wallet offering was expanded to include Google Pay alongside the existing Apple Pay and Samsung Pay. PenFinancial also worked quickly to help our members sign-up for electronic payments from the Government of Canada to reduce the need for members to visit a physical branch location.

In immediate response to the pandemic, we temporarily closed two of our smallest branches because public health physical distancing guidelines could not be accommodated. Our members were able to access services through alternative locations within the same areas. During the height of the pandemic, PenFinancial also altered branch hours to support frontline staff and reinforce the message that staying home saves lives. Alternative banking channels, such as bank machines and digital banking, were promoted. While digital channel usage has been growing over the past few years, we saw a substantial and rapid increase in the use of these channels in 2020. It is becoming clear that you are relying less on the physical branch network for your day-to-day needs.

The COVID-19 pandemic created financial challenges for many of our members. PenFinancial was proud to support our members and small business community by offering a loan payment deferral program for mortgages and loans, as well

as by facilitating access to the Government of Canada's Canada Emergency Business Account (CEBA) loan program for small business. In total, PenFinancial processed over 400 mortgage and loan deferrals to help keep our members in their homes during the year's economic challenges. The CEBA program was provided through an online application process that often delivered funds to our members within five business days or less. By year end, PenFinancial had facilitated our business members receiving 133 CEBA loans for \$5.2M. This funding directly supported our communities.

In 2020, PenFinancial also began implementing strategic plans to permanently merge our Bunting Road (St. Catharines) branch into our Fourth Ave. (St. Catharines) location, and also to merge our Huggins Street (Niagara Falls) location into our Dorchester Road (Niagara Falls) branch. The smaller locations on Bunting Road and Huggins Street no longer provided safe environments to conduct business and didn't support the experience you deserve. As a state-of-the-art facility, the Fourth Ave. branch can safely serve you and accommodate substantial growth. By the end of 2021, we will move the Dorchester branch into a new location in Niagara Falls that will provide an improved experience for our members as well. With these changes, we are committed to growth in both the St. Catharines and Niagara Falls communities.

Once again, we engaged PMG Intelligence to conduct our annual member survey in 2020. The results reinforced the opportunity to increase digital service offerings but also

found that in-person branch service is still relevant to much of our membership. We intend to continue to balance our offerings through both of these types of delivery channels. The survey results also confirmed that our member experience rating of 85.67% remains above the credit union system average of 76.48%. We're proud to provide service excellence to you, our members, and remain committed to continuously improving our efforts in this area moving forward.

The evolution of our member experience also extended to PenFinancial's governance. Specifically, the 2020 Board of Directors elections were completed entirely online in March 2020 to ensure member and staff safety. The Annual General Meeting was also held virtually in April.

DEMONSTRATE FINANCIAL STEWARDSHIP

As a result of the pandemic, 2020 was filled with economic uncertainty. Interest rates were lowered to all time historic levels and the economy contracted with substantial uncertainty. PenFinancial was able to navigate the uncertain times while maintaining a strong financial balance sheet, supporting our local communities and ensuring that you, our members, had access to all of the products and advice you needed to address your own evolving financial circumstances.

A few financial highlights for 2020 include:

- During 2020, PenFinancial's assets grew by \$32.7M, representing growth of 4.9% (exceeding 2019 asset growth of 4.4%). Assets at year-end totaled \$696.6M.

- Our members continued to show their commitment to PenFinancial by investing in our deposit and wealth products. Deposits grew by \$40.7M or 7.4% while wealth grew by \$8.1M representing a growth rate of 9.0%.
- Investment in the local economy was accomplished with loan growth of \$10.3M. This reflects substantial lending activity to both our retail and commercial members. We are pleased to report that our delinquency rates and loan loss experience are below the credit union system average. Despite these uncertain times, PenFinancial has been able to support our members' borrowing needs while continuing to maintain high quality credit standards.
- Income earned from non-interest sources such as wealth management fees or commercial loan fees continued to be strong and exceeded budget. Stronger than anticipated revenues, coupled with continued strong control of expenses, allowed PenFinancial to post after-tax net income of \$1.6M, which represented an increase over the \$1.1M achieved in 2019.
- This after-tax net income was re-invested in the Credit Union and added to our capital position. As of December 31, 2020, our capital leverage ratio was 6.80%, which exceeded both the regulatory minimum of 4.00% and the Ontario credit union system average of 6.77%. Our strong capital position continues to contribute to PenFinancial's stability and sustainability.
- Based on these financial results, the Board of Directors declared a dividend payment of 3.00% for our Class B special shares in 2020.
- PenFinancial also underwent an examination by our provincial regulator – the Financial Services Regulatory Authority of Ontario (FSRA) – in 2020. These examinations are a normal course of business and take place approximately every two years. The results of our 2020 examination continued to place PenFinancial in the highest score range, reflecting our strong governance and balance sheet.
- Cyber security remains a high priority for PenFinancial and we continued to invest in, and proactively enhance our IT systems, to guard our member's funds and data. To this end, we engaged with external experts to review our policies, practices, and systems. These experts reported that we are taking all necessary steps as digital transaction levels continue to increase. I'm pleased to report we passed all audits in this regard.

FOSTER TRULY LOCAL BANKING

The results of our annual member survey continued to reinforce that you, our members, highly value PenFinancial's Truly Local Commitment to supporting our community. I'm pleased to report that we met our pledge to give back 10% of our pre-tax earnings to our local communities.

In a year where demands for support increased due to the challenges of the pandemic, we continued to put much-needed dollars in the hands of

local organizations actively supporting our neighbors in the community.

A comprehensive summary of our community work is covered in Our Truly Local Commitment Accountability Report. But we can shine a light on a few key initiatives here:

- Socks For Change remained our signature community partner. This local organization provides warm socks, hats, and gloves to those who need support in Niagara. This support is greatly needed as 20% of people in our communities live below the poverty line, and 40% of these people are children. During 2020, PenFinancial directed \$25,000 to this important cause. I'm also very proud to report that many of our employees volunteered their time to support Socks For Change.
- PenFinancial also continued to support children by sponsoring the Kids Ultimate Challenge (virtual) for the Niagara Health Foundation, and the Wrapped in Courage initiative for Gillian's Place, who support the most vulnerable in our community.
- We supported others in need as well, as the Canadian Credit Union Association (CCUA) noted when they selected PenFinancial as one of only 11 credit unions from across Canada to be highlighted in their 2020-2021 Community Impact Report. "Amid the COVID-19 crisis, PenFinancial donated \$20,000 in emergency funds to local organizations to support critical food shortages across Niagara, while continuing to honor their Truly Local pledge of giving 10% of pre-tax profits back to the local community".

- PenFinancial's Truly Local Commitment also extended to its employees in 2020. PenFinancial remained the only financial organization in Niagara to be part of the Ontario Living Wage Network, during a time when providing a fair wage that allows people to fully participate in our communities is more important than ever. Our example has led to an increase in the number of corporate Living Wage participants in the regions we serve. We are also proud to remain a Certified B Corporation. This is a worldwide community whose mission is to use business as a force for good.

IMPROVE SIMPLICITY AND EFFICIENCY

Despite a challenging year that seemed determined to be overly complicated and inefficient, PenFinancial made notable progress toward its strategic priority of improving simplicity and efficiency for our employees and for you, our members. Some of our work in this area is highlighted below:

- To accommodate members staying safe at home, we adopted the use of electronic signatures and had over 1,000 documents signed electronically by the end of 2020.
- We continued to install cash recyclers in our branches in Fonthill, Welland, and Fort Erie. These machines allow for a more efficient and streamlined process of conducting over-the-counter cash transactions.
- We introduced video-conferencing technology to allow you to connect with your valued financial

advisors without having to visit branch locations.

- Internally, we introduced staff training focused on innovation and continuous improvement that resulted in improvements to internal systems and processes. The improvements will continue to enhance your member experience and improve efficiency.

OPTIMIZE THE USE OF HUMAN RESOURCES

The support and wellness of our employees has always been a top priority in our culture. The pandemic further heightened the importance of ensuring the safety and well-being of the people that support you, our members.

In March, PenFinancial was one of the first organizations in our region to modify our branches to include plexiglass barriers and enhanced cleaning protocols. We sourced personal protective equipment (PPE) early to ensure we didn't experience shortages during the year. Wherever possible, employees were asked to work remotely to ensure appropriate physical distancing and do our part in staying safe.

We also quickly increased the frequency of communication to all employees and included clear expectations and proper health and safety protocols. Information was posted and regularly updated on our intranet and weekly communications were sent out regarding any COVID-19 related events of the current week.

In addition, to recognize the impact of the pandemic on our frontline staff, we modified branch hours to increase safety and provided the additional paid time off to support

the wellness of our branch employees during such stressful times.

In spite of 2020's many challenges, the resilience of our employees was clear. They completed the work needed to support our members, as well as key training initiatives via virtual channels to support continual improvement.

PenFinancial continued to monitor employee health through our employee engagement survey. The survey is conducted twice annually by a qualified and independent third party to ensure appropriate confidentiality and professional analysis. Despite the challenges of the year, the December results showed an increase in our employee engagement with a "healthy" score. Our external partner told us that our survey results are much stronger than many others and indicate that we have taken appropriate action to support our employees in the evolving work environment of 2020.

LOOKING FORWARD

Moving forward, PenFinancial continues to prepare for the future. Over the past year, we entered into an agreement with Central 1, the supporting body of Ontario and B.C. credit unions, regarding payments modernization. The forthcoming investments in payment modernization will support significant improvements to technological platforms. These improvements will provide for future state payment transfers, data sharing, and other innovations that will proactively prepare our industry for future technology trends. When combined with our increasing ability to mine and analyze data, payments modernization will support a future

move to “Open Banking” which will expand the financial services landscape in Canada.

The results of our annual member survey tell us that you want to hear from us – more often and in new ways. As we plan for the future, PenFinancial is also looking at ways to enhance communication and touchpoints with our members. One such enhancement under consideration is a member call centre.

While the past year has been challenging in many ways, PenFinancial has been able to respond and move forward. Looking back on 2020, I would like to thank and recognize our employees for their strong work, resiliency, and support of our members. I would also like to acknowledge and thank the Board of Directors for their direction, insight, and support. In addition, I would like to recognize

Diane Nieuwesteeg and Rick Tabaka who are retiring from the Board after many years of exemplary service.

I look forward to another great year of working together with PenFinancial’s board, employees, members, and community to bring our vision, mission, and values to life in Niagara.

Respectfully submitted,

Ken Janzen

Chief Executive Officer

2020 BY THE NUMBERS

MEMBERS

21,415



EMPLOYEES

100



COVID CARE CALLS TO MEMBERS

10,500



ASSETS UNDER MANAGEMENT

\$811.36M



ONLINE BANKING INTERACTIONS

1,003,450



MOBILE APP INTERACTIONS

1,844,361



REPORT FROM THE BOARD CHAIR

Thankfully, 2021 is finally here. Looking back, 2020 will be remembered as a year like no other. What a start to the new decade! The global pandemic has affected everyone – from how we interact and stay connected to how we work together to take care of our families, our neighbours, and our communities. I am proud of our staff's commitment and ability to follow public health guidelines while still providing the financial services our members require. The COVID-19 crisis has influenced how we deliver services to our members, but it has not stopped us from doing what we do best: "Improving lives and strengthening communities".

Beyond the pandemic, 2020 saw many other changes. For instance, our Credit Union experienced its first audit by the new regulator, Financial Services Regulatory Authority of Ontario (FSRA). Although we have had many audits conducted by the former regulator, Deposit Insurance Corporation of Ontario (DICO), this was the first audit conducted by FSRA. We welcome these ongoing audits as they provide us with helpful information about how we can improve our business. Once again, we scored in the highest range in 2020. This score ensures we will continue to pay the lowest amount possible for our deposit insurance premiums.

Another change for our Credit Union was how we conducted our Annual General Meeting and election of Board members. We had to conduct these electronically in 2020, and it was very different for me to stand in front of a camera and not see your faces looking back at me. This year we will follow the same format, as the current restrictions do not allow for large gatherings.

At the 2020 AGM, I quoted a statement from the PenFinancial

Board of Directors Terms of Reference and I believe it's worth repeating:

"The Board has the authority and obligation to protect and enhance the assets (tangible, intangible, human resources) of PenFinancial. The Board is accountable to the Credit Union and must conduct its duties in the best interest of PenFinancial as a whole. In order for PenFinancial to be successful, the Board recognizes that the Credit Union needs to be accountable to and strive to meet the needs of its stakeholders (including members, employees, regulators and the credit union system)."

COVID-19 has forced us to make some changes to keep everyone safe. For instance, we've changed how we provide services to you, our members, by limiting the number of members in a branch at one time and changing our branch hours. Not all of the changes to our branch delivery system are due to COVID-19, though.

In 2015, we examined our branch delivery system and developed

a strategic delivery plan. The implementation of this delivery plan has been underway for the last several years, and another part of this plan was implemented in 2020. The amalgamation of our Niagara Falls branches and the amalgamation of our Bunting Road branch with our Fourth Ave. branch was, we believe, the correct strategy moving forward. We are very much in tune with our members and the changing ways you interact with PenFinancial. Given the amount of branch traffic, the interaction with branch staff, and the increased use of digital technology for our services, we believe these amalgamations were the right move. We based our decision on growth. Investing in one strong branch in a community will allow us to focus on growth for that community and maintain the best possible service to remain profitable and sustainable into the future.

Following the theme of change, your Board is undergoing many changes as well. We will maintain the number of Board members at 11, as we feel this provides the Credit Union with an appropriate level of Governance.

And, in April of 2021, we will welcome three new members to your Board. At that time, we will transition from having two female Board members to having five. This is just one more step towards ensuring a diverse Board that is representative of our membership.

Two of our long-standing Board members are retiring in April and I wish to thank them for their service to PenFinancial. Diane Nieuwesteeg and Rick Tabaka have been on your Board since the merger with Cataract Credit Union and were Board members with Cataract Credit Union for many years also. Their knowledge and experience have served our members well over the years and they will be missed.

Despite these changes, your Board continues to fulfill its Governance responsibilities during these difficult times. We've accomplished this by

- attending virtual training courses,
- attending Central 1 webinars,
- attending CCUA webinars,
- attending virtual Directors Forum meetings,
- attending our virtual strategic planning session,
- virtually meeting with our External and Internal Auditors, and
- upholding PenFinancial Credit Union's commitment to integrity, ethics and social responsibility.

On behalf of your Board of Directors, I welcome two new Senior Leadership Team members to PenFinancial. Our Chief Retail Officer and Chief Marketing Officer will bring new sets of eyes to the table and help us achieve our strategic goals.

I would also like to thank those staff members who have left PenFinancial

either for retirement or personal reasons. We wish them well in their new endeavours.

It has been my honour to serve you, the members of PenFinancial Credit Union, as your Board Chair and I thank current and past Board members for their support during my time as Chair. Without their support, I would not have been able to fulfill my responsibilities. I would also like to thank all of our employees for the service they provide to our members and each other. Lastly, thank you, our members, for being loyal to us during these trying times. We are in this together and together we can improve lives and strengthen communities.

Respectfully submitted,

N. Reg Sonnenberg
Chair, Board of Directors

IN MEMORY OF BOB WATSON

It was with great sadness that we announced the passing of Bob Watson on January 19, 2021. Bob was the CEO of PenFinancial Credit Union for over thirty years until his retirement in August 2016.



Bob's vision, inspiration, and care for our members, employees, and community resulted in the PenFinancial we know today.

In his retirement comments, Bob noted "helping Credit Union members plan their dreams was inspirational". PenFinancial is a result of his vision, as he led the merger of eight Niagara credit unions over the years to become today's PenFinancial Credit Union. Bob's vision, inspiration, and care for our members, employees, and local communities resulted in the PenFinancial we know today.

Bob was well respected within our Credit Union, the credit union system, and our community. He will be remembered for his indomitable spirit, compassion, and dedication to our community. In his memory, a donation in the amount of \$10,000 was made to Wellspring Niagara. Bob was also a driving force behind the design of our Fourth Ave. branch and we are proud to rename the community room the Bob Watson Community Room in his honour.

THE BOARD OF DIRECTORS



N. REG SONNENBERG
CHAIR



DAVE JASTRUBECKI
VICE-CHAIR



EVAN ACS



DAVE CHAMBERLAIN



MARIO DE DIVITIIS



SANDY HENDERSON



DIANE NIEUWESTEEG



KIRBI SIMPSON



RICK TABAKA



DAVE TEUTENBERG

2020 MEETING ATTENDANCE

Name	Board Meetings Attended	Committee Meetings Attended*	Honorarium Paid	Place of Residence
N. Reg Sonnenberg Chair	10/10	6/6	\$17,250	Niagara Falls
Dave Jastrubecki Vice-Chair	10/10	6/6	\$11,525	St. Catharines
Evan Acs Chair of Governance and Human Resources Committee	9/10	6/6	\$10,625	St. Catharines
Dave Chamberlain	10/10	6/6	\$9,875	St. Catharines
Mario DeDivitiis	6/10	5/6	\$9,500	St. Catharines
Sandy Henderson	7/7	4/5	\$4,250	St. Catharines
Diane Nieuwesteeg	10/10	6/6	\$9,500	Niagara Falls
Kirbi Simpson	9/10	5/6	\$9,175	Wainfleet
Rick Tabaka	10/10	6/6	\$9,500	Niagara Falls
Dave Teutenberg Chair of Audit and Risk Committee	10/10	6/6	\$9,875	Niagara Falls
Chris Walsh (Term expired in April 2020)	3/3	1/1	\$5,250	Niagara Falls

*including Audit & Risk Committee and Governance & HR Resources Committee.

2020 BOARD EXPENSES

- Total honorarium paid — \$106,325
- Total expenses including education, conferences & other related expenses — \$39,081
- Total board expenses — \$145,406

REPORT FROM THE GOVERNANCE AND HUMAN RESOURCES COMMITTEE

In 2020, as in prior years, the Governance and Human Resources Committee was comprised of five directors who were appointed from and by the Board of Directors.

The Committee works with the corporate governance framework. This framework details the processes and procedures for making decisions on Credit Union affairs. It also provides the structure through which the Board of Directors sets objectives, as well as the means of attaining and monitoring the achievement of those objectives. Ultimately, the corporate governance framework encompasses the principles of fiduciary duty and accountability.

The Committee has three primary areas of responsibility:

1. Ensures that governance practices evolve with the needs of the Credit Union. The Committee makes certain that Board members have adequate development and succession plans, the Board is accountable to stakeholders, and that duties and regulatory requirements are fulfilled.
2. Assists in protecting the reputation of PenFinancial through the oversight of the development and monitoring of ethical conduct policies followed by directors and employees of the Credit Union.
3. Ensures Human Resources policies are in place to provide

PenFinancial employees with fair and meaningful employment in a safe and respectful workplace.

The Governance and Human Resources Committee is pleased to report that, throughout 2020, we carried out all of our responsibilities in accordance with the Terms of Reference assigned to us by the Board of Directors. The Committee was involved with many important initiatives, including the following:

- We completed an evaluation on remuneration for the directors to ensure fair compensation was provided for the effort and responsibility required by the position. No action was taken because current compensation levels were deemed adequate.
- We performed the annual Board self-assessment and confirmed committee self-assessments were completed to ensure alignment with individual terms of reference.
- We reviewed all governance-related policies for relevance and conformity with regulatory requirements and recommended changes to the Board of Directors.

- We considered staff-recommended updates to human resources policies and recommended changes to the Board of Directors.

The Board has a growth mindset, believing that its talents can be developed over time. As a result, they strive to increase their collective baseline skills level with continuous learning. The Committee assists the Board in accomplishing this goal to benefit of all of our stakeholders.

PenFinancial recognizes the important role that effective governance plays in protecting member rights, maximizing value over time, and creating a vibrant, dynamic and successful Credit Union for our members.

Given that PenFinancial Credit Union is committed to achieving high standards of effective governance, we continue to challenge ourselves to move “beyond compliance” to govern with excellence.

Respectfully submitted,

Evan Acs

Chair, Governance and Human Resources Committee

REPORT FROM THE AUDIT AND RISK COMMITTEE

Remaining cautiously optimistic and focused in 2020, the Audit and Risk Committee enjoyed a productive year. This included reviewing various reports from management and evaluating changes to existing policies at six meetings, and receiving presentations and reports from PenFinancial's internal and external auditors.

As Chair of the Committee, I would like to express my thanks to the members of the Audit and Risk Committee for their contributions and candor during our discussions this year. I would also like to thank management and staff for their cooperation and support.

The Audit and Risk Committee effectively conducted its affairs as per Section 125 of the *Credit Union and Caisses Populaires Act, 1994* and Section 27 of *Ontario Regulation 237/09*.

The Committee used a checklist process to ensure all requirements were tracked and completed on a timely basis. As always, key aspects of the Audit and Risk Committee mandate included receiving and reviewing reports from both the internal and external auditors.

Although that aspect of the Committee's duties remained the same, both internal and external audit processes had to be adjusted to ensure the safety of staff and auditors as a result of the COVID-19 pandemic. Again, I would like

to thank everyone. All parties involved did an exceptional job accommodating the changes while maintaining the highest standard of care and quality of work.

In relation to auditing, the Committee:

1. Reviewed audit reports of branch locations including Central Services provided by the internal auditor, Jones and O'Connell LLP, and subsequent responses from management.
2. Obtained and reviewed the results of the 2020 PenFinancial Credit Union financial reports provided by the external auditor KPMG LLP.

In addition, the Committee received detailed presentations related to annual audit plans and results from audit company representatives and then conducted in-camera sessions to review and discuss.

Other notable committee activities included:

1. Reviewed the results of the IT security audit with management

along with various IT policies;

2. Reviewed the PenFinancial Credit Union Business Continuity Plan and associated testing results of the Plan;
3. Reviewed revisions to the Liquidity Risk, Market Risk, Structural Risk and Credit Risk policies and recommended those policies for Board approval; and
4. Provided oversight of Enterprise Risk Management (ERM) to ensure that strategic, operational, financial, and regulatory objectives were monitored and responded to by management.

The Committee meeting minutes were provided to the Board, along with a verbal report by the Committee Chair, to ensure all Board members were apprised of key matters.

I'm happy to report, there are no matters requiring disclosure to the members pursuant to the Act or Regulations.

Respectfully submitted,

Dave Teutenberg

Chair, Audit and Risk Committee

OUR COVID-19 RESPONSE

The impact of COVID-19 has been monumental. In 2020, it required adaptability and resilience as we all had to navigate new and unexpected challenges.

Our employees rose to these challenges and remained committed to ensuring our members' needs were safely met throughout the pandemic. To support these efforts, we made many adjustments and modifications to our business. For example, PenFinancial:

- Retained all employee positions with no layoffs
- Communicated with our employees at least weekly to ensure their understanding of changing COVID-19 procedures and to provide updates
- Encouraged our non-frontline staff to work from home wherever possible and provided the computer equipment and digital access required to ensure there was no disruption to business
- Provided additional paid time off work for our frontline staff to allow them to focus on their mental health and well-being, and to care for their families
- Implemented extensive internal procedures to ensure strict adherence to public health requirements and protect the safety of our employees and members
- Undertook weekly reviews of changing public health guidelines and conducted weekly Senior Leadership Team meetings to evaluate and update safety protocols on an ongoing basis
- Increased cleaning protocols and installed protective barriers in branches and offices
- Reinforced social distancing through signage and limits on the number of people allowed in the branch at a given time
- Increased *Interac Flash*® limits to encourage contactless payments
- Sourced personal protective equipment (PPE) from local vendors wherever possible, and continue to do so, as part of our local commitment
- Provided our members with the option for virtual meetings with advisors to limit in-branch visits
- Developed a COVID-19 resource centre on our public website to ensure our members are informed of our policies and our commitment to continue supporting them
- Implemented product solutions to support government programs such as CERB, CEBA, and also provided our members with additional support through mortgage deferrals
- Re-directed \$20,000 of our TLC contributions to address the immediate impacts of COVID-19 within our community
- Implemented Member Care Calls to check in with our members and offer our support

Amid the COVID-19 Crisis, PenFinancial donated \$20,000 in emergency funds to local organizations to support critical food shortages across Niagara, while continuing to honour their Truly Local Commitment of giving 10% of pre-tax profits back to the local community.



Quote taken from the
Canadian Credit Union Association
2020 – 21 Impact Report

PENFINANCIAL'S TRULY LOCAL COMMITMENT

PenFinancial Credit Union has been helping Niagara grow for over 60 years. With more than 21,000 members, and a rich history, our roots are firmly planted and our future is strong. As a values-driven co-operative we believe the prosperity of our members and our community go hand-in-hand, and we're on a mission to improve lives and strengthen communities. We do that through our Truly Local Commitment (TLC).

OFFERING COMPETITIVE PRODUCTS AND FINANCIAL SOLUTIONS

We provide a wide range of competitive products and financial solutions that meet our members' needs, and give back to our communities.

REINVESTING 10% OF OUR PRE-TAX PROFITS

To help improve lives and strengthen communities, PenFinancial gives back 10% of our pre-tax profits each year through our TLC investment program.

PAYING ALL EMPLOYEES A LIVING WAGE

We believe that employees are our greatest asset, so we're proud to be a Champion Level Living Wage Employer and a part of the Ontario Living Wage Network.

PenFinancial gives 10% of our pre-tax profits back to our community each year. Our contributions exceed the 4% average across Canadian credit unions.



4 out of 5 PenFinancial members believe it's important to operate with a Truly Local philosophy.

USING BUSINESS AS A FORCE FOR GOOD

We're the only credit union in Niagara to be a Certified B Corp. and we're committed to using business as a force for good. As part of our ongoing certification, we're evaluated against measurable standards of social and environmental accountability.

SUPPORTING LOCAL

Wherever possible, we support our community by sourcing local suppliers, vendors, and businesses that share our values. We encourage our staff to do the same, such as with our Loyal2Local challenge in support of local businesses.

ASKING MEMBERS TO JOIN OUR PLEDGE

We ask all members to join our Truly Local Commitment with a pledge to recognize that the wealth generated by our members can, and should, be used to improve the well-being of our entire community.

OUR TRULY LOCAL COMMITMENT ACCOUNTABILITY REPORT

Despite the headwinds created by COVID-19, PenFinancial Credit Union remained focused on delivering our Truly Local Commitment (TLC) throughout 2020, while at the same time continuing to evolve our business to meet the changing needs of our members and our employees.

Our Truly Local Commitment remained at the heart and soul of our values-based philosophy and we continued to operate with the belief that the prosperity of our members and our community go hand-in-hand — perhaps now more than ever.

We continued to weave our TLC throughout our operations — ensuring we also remained true to our corporate values of accountability, passion, integrity, respect, and knowledge. And, by working closely with our community partners, we adjusted our sponsorships and community involvement to support virtual events. We also quickly mobilized to refocus some of our TLC investment to directly support those impacted by COVID-19, recognizing the great need for support across the region.

INVESTMENTS IN OUR MEMBER EXPERIENCE

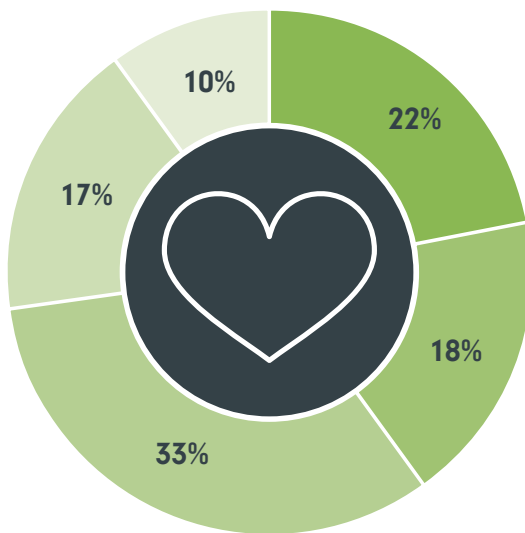
Despite the disruption created by COVID-19, PenFinancial remained focused on continuing to evolve our business, our brand, and our member experience. These investments have helped to nurture our business, strengthen the foundation required to support continued growth, and set the stage for a balanced evolution of our credit union. Some of the notable achievements in 2020 included:

- **Invested in our digital capabilities** — COVID-19 expedited our need to invest in digital capabilities to provide our members with more options for how they bank. We launched a new public website that was responsive across all devices and we increased *Interac Flash*® limits to provide more flexibility for contactless payments. We also completed the final stages of preparation for the launch of a more modern online banking and mobile app experience.
- **Deepened our understanding of our members' needs** — We also continued our investment in member research to better understand satisfaction levels and identify opportunities to improve in areas that matter most to our members.
- **Offered competitive product options that align with our values** — Through our research, we've learned that having access to socially responsible investment options is important to our members, so we continued to offer socially responsible investment options that balance building wealth and building a better world.
- **Adjusted our branch footprint** — Evaluating our branch strategy

and physical footprint was already part of our five-year strategic plan, but COVID-19 expedited the need for this move. The pandemic introduced additional considerations, such as the requirement for safe social distancing, that could not be achieved within the existing branches at Bunting Road and Huggins Street. As a result, in St. Catharines, we merged the Bunting Road branch with our Fourth Ave. branch, and in Niagara Falls we merged our Huggins branch with the Dorchester Road branch. We'll be reinvesting in a new and more modern branch in Niagara Falls in 2021.

INVESTMENTS IN OUR COMMUNITY

We take our commitment to our community to heart. In 2020, PenFinancial continued to honour our commitment to giving 10% of our pre-tax profits back to the community — including providing emergency relief to those most impacted by the pandemic. While the pandemic impacted our plans and reduced the opportunities for in-person volunteerism, we're proud of the contributions we made — both at the corporate level and through branch-led local fundraising initiatives.



TRULY LOCAL COMMITMENT RE-INVESTMENTS INTO THE COMMUNITY

Poverty Alleviation	\$29,894.00
Education	\$24,793.85
Health & Wellness	\$44,820.00
COVID-19 Relief	\$23,000.00
Other Community Sponsorships & Events	\$13,825.44
TOTAL	\$136,333.29

NUMBER OF ORGANIZATIONS SUPPORTED: 40

USING BUSINESS AS A FORCE FOR GOOD®

Certified



Corporation

bcorporation.net

Since 2019, PenFinancial has been a proud part of the global movement of Certified B Corporations™ who commit to using business as a force for good and understand that the race to the top isn't to be the best *in* the world but to *be the best for the world*. Together, B Corps are accelerating a global culture shift to redefine success in business and build a more inclusive and sustainable economy.

B Corp certification requires the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. Becoming a B Corp, and maintaining our certification, adds measurable standards of social and environmental responsibility, which help us guide our strategic priorities.

PenFinancial is the only financial institution in Niagara who is B Corp certified and we're committed to a better way of doing business – one that is better for employees, our communities, and our environment.

HELPING TO END POVERTY FEET FIRST



2020 marked the third year of PenFinancial's signature partnership with Socks for Change as part of our Truly Local Commitment. Socks for Change provides warm, quality wool socks and winter accessories to charities, shelters, and schools in communities across Niagara.

Since our partnership began in 2018, working together we've donated more than 76,500 pairs of socks and almost 100,000 winter accessories to those in need.

Learn more at socksforchange.ca.

Together, we reinvested just over \$135,000 back into the community in 2020, supporting 40 different local organizations in the process.

INVESTMENTS IN OUR PEOPLE

At PenFinancial, our people are our greatest asset and our values speak for themselves: accountability, passion, integrity, respect, and knowledge. More than a poster on the wall, our values guide everything we do. By investing in our employees, we ensure our members are supported with the best possible advice and support for their banking needs. We live our brand from the inside out, and our Truly Local Commitment starts with our employees.

- **Living Wage** — At PenFinancial, a living wage is our minimum wage. We're proud to pay all of our employees a living wage, which is set and reviewed annually by the Ontario Living Wage Network. A living wage represents how much a household – two adults working full-time supporting two small children – must earn per hour in order to make ends meet and enjoy modest participation in their civic and cultural community.
- **Rewards that go beyond wages** — Our eligible employees also receive a comprehensive benefits package, defined contribution pension plan, and performance-based annual variable compensation program that rewards them for their hard work achieving goals. PenFinancial also provides a health and wellness allowance, and competitive vacation and wellness days, to give our employees time to invest in themselves.

- **Training and learning** –

Continuous learning is a priority at PenFinancial and we offer an abundance of leadership and professional development programs to help our employees be the best they can be. We're committed to recognizing employee development and performance through career progression and opportunities to take on new roles at PenFinancial. We also provide education reimbursements to help our employees further their knowledge relevant to their position.

HIGHLY ENGAGED EMPLOYEES

PenFinancial is committed to conducting Employee Engagement Surveys twice per year to measure the overall engagement and satisfaction of our employees through a confidential assessment supported by a respected third party firm.

The results showed that, even with the challenges and changes of 2020, overall engagement at PenFinancial continued to climb, with incremental improvements seen in five of the six engagement drivers (job characteristics, relationships, leadership, meaning and well-being). By comparison, only 20% of organizations measured by this firm in 2020 showed growth. This speaks to PenFinancial's strong culture and organizational resilience.

We also showed notable growth with our internal Community and Trust scores, as PenFinancial's community work remained a source of pride and the challenges of 2020 brought employees closer together.

WHERE YOU PUT YOUR MONEY MATTERS



At PenFinancial, we believe that by employing highly skilled subject matter experts we're able to help the business evolve and better serve our members. The majority of our staff have designations in their respective fields of expertise ranging from Financial Planning designations to Information Security certifications to other professional designations, such as CPA (Chartered Professional Accountant).

Providing our members with financial advice – no matter what stage of life they're at – is part of the value we offer at PenFinancial. All of our PenFinancial Financial Advisors hold a Responsible Investment Specialist (RIS) designation, and all PenFinancial Financial Advisors either hold, or are working toward, achieving their Certified Financial Planner (CFP) designation, or their Personal Financial Planner (PFP) designation.

We have created a dedicated team of accredited professionals who are accountable to providing wealth solutions to our members.

In 2020, we were recognized with an industry recognition award for our focus and commitment to wealth management practice standards.

We TRY HARDER. We have heart.
We know you do too.



We choose CHANGE.

It takes **COURAGE** to be different.

Driven by PURPOSE.

Having fun and feeling good about our choices.

**We believe the prosperity of our members
and our community goes hand in hand.**

Together we get what we give.

We are TRULY LOCAL.

Remaining inclusive and accountable,
with integrity and respect.

Improving lives.

Strengthening communities.

**This is our
commitment
to each other.**

PenFinancial
Credit Union

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