

Credit Union Solution No. 14

Governance Framework for Credit Unions



FIRST DRAFT



ASSOCIATION
OF ASIAN CONFEDERATION
OF CREDIT UNIONS

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PREFACE

Credit union governance structure is very unique as compared with corporate enterprises. Credit union is a cooperative financial institution owned and controlled by its members and operates in a complex, dynamic, and highly competitive environment. Owners who are users also manage the affairs of credit unions. To strike a balance between the different dimensions of responsibilities have become a big challenge for credit unions.

The Association of Asian Confederation of Credit Unions (ACCU) recognizes the importance of good governance in credit unions. A credit union cannot claim fulfilling its mission if it does not practice good governance. Undoubtedly, good governance is a barometer in measuring and predicting credit union performance. Credit union scandals could be avoided if good governance is lived and actualized by directors, officers, managers and employees within and without the workplace.

As a community financial institution, the public and its members rely on the credit union board and employees for the safety and soundness of their savings. Public trust is earned and to earn that trust, a well defined policies and practices on good governance must be in place.

Currently, regulators are redefining and rewriting its rules and laws to enshrine the principles and values of good governance and mirror the world's best practices. Credit unions must also look at its current practices and start sweeping action to adopt good governance systems.

The Governance Framework for Credit Unions will serve as guides for individual credit unions and second level credit union organizations to assist its Board of Directors in the performance of its duties and the exercise of its responsibilities.

ACCU believes that good governance is a source of competitive advantage for credit unions. Good governance will serve to drive superior performance and maximize the effectiveness of the Board and the credit union's executive management team by efficiently bringing to bear the skills, experience and judgment of the Board.

These frameworks are compilation of what has been promoted by ACCU in its training programs and Credit Union Solutions 1-14. ACCU views these frameworks as guidelines — not rigid restraints—and believes they are evolutionary in nature. The Guidelines are neither intended to be, nor are they, rigid rules that govern the Board's activities. The Guidelines are subject to review and modification from time to time by the credit union Boards.

ACCU acknowledges the support of its member organizations particularly the Chief Executive Officers who provided valuable feedback in finalizing this document.

We acknowledge our development partners, especially the Canadian Co-operative Association (CCA) for supporting this initiative.



Section 1:
General Assembly

1. GENERAL ASSEMBLY

1.1 CONVENING THE GENERAL ASSEMBLY MEETING

- a. The general assembly shall convene within 90 days from the date of each new fiscal year.
- b. The Board of Directors shall set the exact date, venue, time and meeting agenda of the General Meeting;
- c. **Notice of Meeting.** The Secretary of the Board shall notify the members at least 15 days in advance. The letter of invitation shall be sent along with the major meeting documents such as Agenda, Audited Financial Statements, Proposed Budget, and Report of the Board, Sub-Committees and Management. In addition, notice shall be posted to conspicuous places so that it may easily read by the members.
- d. The Chairperson shall preside the general meeting.
- e. The Chairperson shall exercise the casting of vote in the event of a tie voting on any issues.

2. SPECIAL GENERAL MEETING

2.1. Special General Meeting shall be called by the Chairperson in any of the following cases;

- a. In case the external auditor deems it necessary to convene a special general meeting and request to the board in writing with reasons.
- b. In case Audit Committee requests in writing to deem necessary to convene the meeting for special business.
- c. In case % of the total membership or persons whichever is higher shall request to the credit union explaining the reasons for convening the meeting.
- d. The Cooperative Department shall call a special meeting upon the application of at least % of the total members or members, whichever is the higher number.
- e. In case decision has to be made for the improved operation of the credit union (i.e. launching new product etc.)

2.2. The Chairperson shall call a special general meeting within two weeks at written request.

2.3. In case there is no person who can call the general meeting or the chairperson does not take action on the request without any justified reason, the Audit Committee shall call the general meeting within fifteen days. In this case, the Chairperson of the Audit Committee shall preside the meeting.

2.4. No request shall be made for convening another special meeting before the expiry of six months from the date of the convening of the former annual general meeting or such meeting.

3. QUORUM OF GENERAL ASSEMBLY AND SPECIAL GENERAL MEETING

3.1. Only the Members in Good Standing shall be considered to constitute a quorum for the general and special meeting, thus proxy is not allowed at any given time.

3.2. In accordance with the official list of attendance, the Secretary of the Board declares the Quorum of the meeting:

- a. The presence of minimum 25% of Members in Good Standing, or ____ members whichever is higher shall be considered to constitute a quorum in conducting a General Meeting.
 - b. The quorum for special general meeting shall be 25% of the Members in Good Standing, or ____ persons, whichever is higher.
- 3.3. In case a quorum is not achieved, the meeting shall be postponed and again shall be called within ____ days. At this time, the presence of the members of not less than ____ of the members or just ____ members whichever is lower shall be deemed to constitute the quorum.
- 3.4. The decision of a meeting shall be made on the basis of the majority vote as above quorum. Provided that in connection with an amendment to be made in the bylaw, and shall be amended only with the two-third majority of the 50 % + 1 of the members present voting in favor. The bylaws so amended shall come into effect only after the approved by the concerned department.

4. AGENDA OF General Meeting

| Agenda | Remarks |
|---|------------------|
| <ol style="list-style-type: none"> 1. Ascertainment of Quorum 2. Opening Address by the Chairperson 3. Confirmation of the Minutes of the Last Annual General Meeting <ul style="list-style-type: none"> -Report of the Chairperson -Report of the Treasurer -Report of the Manager -Report of Audit Committee -Report of the Sub-committees -Report of the Auditor 4. Appointment of External Auditor 5. By Laws and Policy Amendment 6. Election of BOD, Audit Committee and Election Committee 7. Announcement of Elected BOD and Audit Committee 8. Discussion of Proposed Items Approval/Rejection 9. Any other Business Agenda 10. Adjournment | If election held |

5. SPECIAL RESOLUTION OF GENERAL MEETING

It requires 2/3 or 50.1%¹ of the eligible Members in Good Standing present to resolve the following matters.

- a. Changes in the by laws
- b. Temporary closing of the credit union

6. FUNCTIONS, DUTIES AND POWERS OF GENERAL MEETING

The function, duties and powers of the general meeting shall be as follows:

- 6.1. To adopt and endorse the annual financial reports and records of the credit union.
- 6.2. To elect the Board of Directors and the Audit Committee and take decisions on resolution concerning the removal of any directors or dissolution of the board and Audit Committee.
- 6.3. To discuss and approve the reports as mentioned in the agenda.
- 6.4. To approve resolutions concerning amendments in the by-laws.
- 6.5. To take decisions on resolutions concerning the division or dissolution of the credit union or its amalgamation with any other credit union.
- 6.6. To hold discussions on and endorse the audit reports for the previous year.
- 6.7. To appoint the external auditor
- 6.8. To issue directives in regard to the distribution of dividends and grant of remission on the recommendation of the board of directors.
- 6.9. To issue necessary guidelines for the development of the society and its institutional development.
- 6.10. To authorize the board to borrow loans from external agencies at a rate not exceeding 10 times of total paid-up share capital of the society.

7. MINUTES

Minutes containing the procedures and results of business transactions at the general meeting/special general meeting shall be taken and it shall be signed by the Secretary and sealed by the chairperson and not fewer than three members who have been elected at the meeting.

¹ The required votes would depend on the bylaws of the credit union

Section 2:
Board Structure and Responsibilities

8. BOARD STRUCTURE

Credit unions are democratically owned and controlled institutions based on 'people helping people' principles.

The Credit Union's members elect Board of Directors every two² All Board members are limited to maximum of 2 consecutive terms, each term lasting between 2-5 years. Each year every eligible member of the Credit Union has a single vote to cast in the elections, regardless of how many shares they have on deposit. Only members may serve as directors, and directors serve without compensation.

8.1 The following may be considered as some of the qualifications of the primary credit union Board:

- a) A member in good standing (MGS) as certified by the Manager for at least two years immediately prior to the filing of his Certificate of Candidacy, or appointment. Criteria on MGS is based on the compliance of membership requirements and patronage of the credit union services i.e. attendance in meetings, providing feedback to credit union, never been a defaulter, and good saver.
- b) Has paid the minimum Share Capital contribution
- c) Has signified in writing that he has the time, willing to serve the memberships, continually learn by undergoing the continuing training and education as referred to on 11 of this policy and be a team player
- d) Has been an officer of a duly registered cooperative or has been a leader of the Self-Help Group promoted by the credit union or has served as member of any committee of the credit union in any capacity for at least two years or has served in any senior management position of the credit union for at least two years.

The following may be considered as some of the qualifications of the secondary credit union Board:

- a) Has complied with the minimum requirements of Member in Good Standing in the credit union.
- b) The credit union represented has fulfilled its obligation to the federation: Share Capital, Savings, Loans (not a defaulter), attendance in meetings, patronizing the training services, actively implementing the programs promoted by the federation (Microfinance, Prudential Standards, Stabilization Fund, Central Finance Facility) and seek other services from the federation.
- c) The credit union meets the minimum requirements of the prudential standards for credit unions in the country
- d) The credit union has at least 5,000 in membership.

Board positions are for three-year terms and are staggered, so at any given election, only three positions are up for a vote. The Board of Directors is responsible for the policy and direction of the Credit Union.

² The provision is based on the WOCCU Governance principles. The underlined can be changed based on the Bylaws of the credit union in conformity with the Credit Union or Cooperative Law of the country.

The Board should have a sufficient number of Directors to reflect a substantial diversity of perspectives, backgrounds and experiences, but not so many Directors that the size of the Board hinders effective discussion or diminishes individual accountability. Given the current size and complexity of the credit union's businesses, the Board believes that its size should range from **five to nine** Directors as provided in the Bylaws. The Board will from time to time evaluate its size in light of changes in the size and complexity of the credit union businesses and may change the specific number of Directors constituting the Board by resolution.

Note: *The number of Board of Directors varies from country to country based on the Credit Union or Cooperative Law. The World Council of Credit Unions recommends the board be composed of an odd number of members, no less than five and no greater than nine. The purpose of this structure is to prevent tied votes. If the board has fewer than five members, it may be difficult for the board to adequately represent its diverse member body, while more than nine members may make consensus achieving difficult and may increase logistical problems.*

9. GENERAL RESPONSIBILITIES OF THE BOARD AS A BODY

The Board's job is to govern the affairs of the credit union within the framework of relevant legislation and standards. The Board of Directors, representative of the credit union's membership and the community, is given the legal authority and responsibility for the achievement of the credit union's mission, for its stability and for provision of systematic linkage with other organizations engaged in the pursuit of similar objectives, and the community at large. It is responsible for ensuring that it has adequate information to monitor major areas of credit union performance. The Board, in discharging its responsibilities for the governance of the credit union, oversees the management of the credit union's finances. The Board ensures the proper and adequate discharge of this duty through its Chief Executive Officer.

10. AUTHORITY AND ACCOUNTABILITY

The Board as a whole is responsible to the membership and those government and individual or donors who provide funds for the operation of the credit union. The Board is also accountable, in a more general sense, to exercise good stewardship of the credit union on behalf of the trust placed in it by the general public, consumers, staff, volunteers and other stakeholders.

Individual members are elected and/or appointed under the authority of the Bylaws and are responsible to the members of the credit union who elect or appoint them. However, they have no authority to act or give direction individually other than in such manner as is approved in these policies or by resolution of the Board. The Board may delegate authority to an individual Director or officer or employee or member of a committee; however the Board retains ultimate responsibility and accountability. The Board will account to the credit union's members, funders and other key stakeholders through annual and periodic reports on the activities and finances of the credit union, annual audited financial statements, providing access to minutes of Board meetings (except in camera³ portions), receiving representations from and consulting with key stakeholders and generally operating in an open and transparent manner

³ is a legal term meaning "in private"

11. MAJOR DUTIES OF THE BOARD

11.1 Determine the credit union's mission and vision - A Board of Directors is responsible for setting the course for the organization. They should establish the mission for the organization when it is conceived. The Board should revisit the mission of the credit union every 5 years in order to evaluate its relevance to the field, in light of any trends or issues the credit union is facing. In setting the organization's purpose, the Board determines the reason(s) for which the credit union exists. The Board should determine the credit union's services and goals based on the mission. In other words, the energy of the organization must be used to accomplish the credit union's mission. The Board is responsible for ensuring the organization stays true to its mission (duty of loyalty).

11.2 Select and Appoint the Chief Executive Officer – The Board of Directors is responsible for hiring the Chief Executive Officer. The hiring process can be delegated to a committee of the Board (such as a search committee), but the entire Board should be kept informed about the hiring process and should be able to give input into the criteria by which potential executives are assessed. Staff and other credit union stakeholders should be given input into the search process. When it comes to hiring the CEO, it is wise for the Board to seek input from multiple stakeholders in order to make the best decision for the organization.

11.3 Support the CEO and assess his or her performance - The Board must support and evaluate the CEO. Supporting the CEO includes:

- complimenting him or her for jobs well-done,
- giving him or her constructive feedback,
- assisting him or her when tough issues come up with other Board Members,
- keeping him or her informed of issues about which the Board is aware,
- clarifying expectations the Board has for him/her (including maintaining and up-to-date job description for him/her),
- provides opportunity for the CEO to develop himself or herself,
- encouraging the CEO to take care of himself or herself (including taking leave when necessary), and
- introducing him or her to community leaders

A committee of the Board (such as the executive committee), if necessary, conduct the annual evaluation of the CEO. The CEO should know well in advance of the review by what criteria he or she is being assessed. It is important that the review be conducted in a confidential, professional manner.

11.4 Plan for the credit union's development - As the Board sets the mission and purposes for the credit union, it should also be engaged in a planning process to determine what specific goals the credit union should seek to accomplish in order to pursue its mission. The Board may choose to bring in an outside facilitator to guide the credit union in its planning. It is possible for the Board to engage in a planning process without outside assistance, but the Board may wish to examine any of the number of materials that have been published regarding strategic planning before beginning to plan.

11.5 Ensure adequate resources - The Board sets the course for the credit union, and it must ensure that the credit union has access to enough resources to meet its goals. Beyond

raising resources, the Board should evaluate other potential sources of revenue for the organization. The Board should continuously aim to find sustainable income for the credit union but without losing its original purpose. The board should not seek income sources beyond its mission. (Mission drift – a credit union engaging in other line of business like consumer store, water refilling station, badminton court)

- 11.6 Ensure effective management of resources** - Because the Board is the guardian of the credit union and its resources, it is the responsibility of the Board to make sure these resources are used wisely. In order to determine how to allocate the credit union's resources, the Board should develop (in conjunction with credit union staff) and approve the annual budget consistent with the strategic plan of the credit union.

After a solid budget is approved, the Board should monitor the credit union's expenses to ensure that the credit union remains within the parameters of the budget.

In order to monitor the use of resources effectively, the Board should receive and read financial reports on a monthly basis. It is the Board's job to ask clarifying questions if the financial reports are unclear. The Board must take the time to carefully read these reports in order to keep check on the credit union's fiscal health. In order to best manage these resources, the Board should determine the financial policies for the credit union. (More information about these policies is contained in the Financial Management section of this handbook). The Board should also ensure that the credit union receives an external audit each year from a qualified and professional audit firm.

- 11.7 Determine and monitor the credit union's product and services** – Products and services exist in ever-changing environments. In order to change to meet the anticipated and evolving needs of members, the Board must assess any trends that would alter the needs of members and communities it is serving. Boards should then use this information in the credit union's planning processes to adapt services to meet the new and emerging needs. Credit union may need to alter their services even if there are not new trends in the field.

The Board is responsible for evaluating the effectiveness of the credit union's products and services as well. The Board, in conjunction with staff, should determine when products and services should be changed.

- 11.8 Enhance the credit union's public standing** - The Board Members are the credit union's main representatives out in the community. In order to promote the credit union, Board Members should be able to speak about the mission, goals, and services of the credit union. Board Members should take opportunities to promote the credit union to civic, religious, community, and government groups as appropriate. The Chair or the CEO should serve as the official spokesperson for the credit union, but all Board Members should be able to speak intelligently about the credit union on a more casual basis. Because Board and Staff cannot speak to every constituent or community member, credit union should publish an annual report that details accomplishments and financial data. By publishing such a document, the credit union informs the public about its mission and successes and generates more interest in the credit union as a whole.

- 11.9 Ensure legal and ethical integrity and maintain accountability** - The Board of Directors is responsible for ensuring that the credit union is in compliance with the law and with its contracts. In order to establish a system that encourages ethical and legal activity, the Board must set policy for the credit union. Major policy areas include personnel, finance,

and conflict of interest. The Board must ensure that any policies meet minimum legal requirements. Boards may choose to have a lawyer reviews the personnel policies, for example, in order to make sure the credit union stays in compliance with applicable employment law. Similarly, a Board may choose to have a Certified Public Accountant review the credit union's financial policies.

Because the Board is ultimately responsible for ensuring the credit union's compliance with the law, Boards may choose to bring in outside professionals with specific areas of expertise to guide them in setting policy. The credit union also must follow the requirements of its own by-laws and articles of incorporation. The Board should understand the contents of these documents and should follow the guidelines they outline. If the Board does not follow its own policies, the credit union becomes vulnerable and may face a lawsuit. Similarly, the Board should make sure that the credit union adheres to its contracts as well as occupational, safety, health, labor, and related regulations.

11.10 Board Development - Boards grow and change throughout the life of an organization. In order to best meet the changing demands facing them, the Board should:

- Develop a new Board orientation that prepares newcomers for their roles,
- Educate themselves continuously,
- Assess Board performance,
- Identify and recruit new members, and
- Develop committees as appropriate.

All Board Members should identify their own needs for ongoing education and be responsible for seeking out resources that will assist them in their jobs.

12. DUE DILIGENCE – RESPONSIBILITIES OF INDIVIDUAL BOARD MEMBERS

Among other things, the Board expects each Director to:

- 12.1 Be knowledgeable of the articles of incorporation and legislation under which the credit union exists, its bylaws, mission, values, code of conduct, and policies as they pertain to the duties of a Board member;
- 12.2 Understand the credit union businesses and the marketplaces in which they operate;
- 12.3 Regularly attend meetings of the Board and of the committees on which he or she serves;
- 12.4 Review and understand the materials provided in advance of meetings and any other materials provided to the Board from time to time;
- 12.5 Monitor and keep abreast of general economic, business and management news and trends, developments in credit union's competitive environment, and performance;
- 12.6 Exercise the same degree of care, diligence and skill that a reasonably prudent person would show in comparable circumstances;
- 12.7 Actively, objectively and constructively participate in meetings and the strategic decision making processes;
- 12.8 Offer personal perspectives and opinions on issues that are subject of board discussion and decision;
- 12.9 Voice clearly and explicitly at the time a decision is being taken, any opposition to a decision being considered by the Board;

- 12.10 Share his or her perspective, background, experience, knowledge and insights as they relate to the matters before the Board and its committees;
- 12.11 Ask the directors to review a decision, if he/she has reasonable grounds to believe that the Board has acted without full information or in a manner inconsistent with its fiduciary obligations, and, if still not satisfied after such review, ask that the matter be placed before the membership;
- 12.12 Be reasonably available when requested to advise the CEO and Management on specific issues not requiring the attention of the full Board but where an individual Director's insights might be helpful to the CEO or Management;
- 12.13 Maintain solidarity with fellow directors in support of a decision that has been made in good faith in a legally constituted meeting, by directors in reasonably full possession of facts;
- 12.14 Know and respect the distinction in the roles of Board and staff consistent with the principles underlying these governance guidelines; and
- 12.15 Exercise vigilance for and declare any apparent or real personal conflict of interest in accordance with the credit union bylaws and policies.

13. DIRECTORS LIABILITIES AND DISQUALIFICATIONS⁴

13.1 Liabilities

- a) Directors who willfully and knowingly vote for or assent to patently unlawful acts or who are guilty of gross negligence or bad faith in directing the affairs of the credit union or acquire any personal or pecuniary interest in conflict with their duty shall be liable jointly and severally for all damages or profits resulting to the credit union, members and other persons.
- b) When a director attempts to acquire or acquires, in violation of his/her duty, any interest or equity adverse to the credit union in respect to any matter which has been reposed in him/her in confidence, he/she shall, as a trustee for the credit union, be liable for damages and shall be accountable for double the profits which otherwise would have accrued to the credit union.

13.2 Disqualifications for Directors.

Without prejudice to specific provisions of law prescribing disqualifications for directors, the following persons are disqualified from becoming directors:

13.2.1 Permanently disqualified

- a) Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- b) Persons who have been convicted by final judgment of the court for violation of banking and credit cooperative laws; or
- c) Persons who have been judicially declared insolvent, spendthrift, insane or incapacitated to contract.

⁴ This provision also applies for Officers and Committee members of the credit union

13.2.2 Temporarily disqualified

- a) Persons who refuse to fully disclose the extent of their business interest to the Authority when required. This disqualification shall be in effect as long as the refusal persists;
- b) Persons who have business directly competing with credit cooperative business, until such time that such persons have divested their interests in and/or have disengaged from said business;
- c) Directors who have been absent or who have not participated during their incumbency, in three (3) consecutive meetings or in more than fifty percent (50%) of all meetings within a twelve (12) month period, both regular and special, unless with valid excuse as approved by the Board of Directors. This disqualification shall be applied immediately and for the succeeding election.
- d) Persons who are delinquent in the payment of their obligations as defined hereunder:
 - i. Delinquency in the payment of obligations means that an obligation of a person with a credit union/cooperative/bank/quasi-bank where he/she is a director or officer or at least two obligations with other credit unions/financial institutions.
 - ii. Obligations shall include all borrowings from a cooperatives/bank/quasi-bank or another cooperative obtained by:
 - A director or officer for his own account or as the representative or agent of others or where he/she acts as guarantor, endorser or surety for loans from such financial institutions;
 - The spouse or child under the parental authority of the director or officer;
 - Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;
 - A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
 - A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing items b1, b2, and b4.

The disqualification shall be in effect as long as the delinquency persists.

- e) Persons convicted for offenses involving dishonesty, breach of trust or violation of cooperative/banking laws but whose conviction has not yet become final and executory;
- f) Directors and officers of closed cooperatives/banks/quasi-banks/trust entities pending their clearance by the CDA or Monetary Board;
- g) Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations;
- h) Directors who failed to attend the special seminar required for board of directors. This disqualification applies until the director concerned had attended such seminar;
- i) Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- j) Those under preventive suspension; or

- k) Persons with derogatory records with the National Bureau of Investigation (NBI), court, police, Interpol and monetary authority (central bank) of other countries (for foreign directors and officers) involving violation of any law, rule or regulation of the Government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a cooperative/bank/quasi-bank/trust entity director/officer. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity.

14. OATH OF OFFICE AND CONFIDENTIALITY AGREEMENT

Respect for confidentiality is the cornerstone of trust and confidence as well as a legislated obligation. Board members must at all times respect the confidentiality of any members' names and/or circumstances that might identify members. Similarly, all matters dealt with by the Board during in-camera meetings and matters related to personnel must be held in strictest confidence. Confidentiality means Directors may not relate such matters to anyone including immediate family members. The duty of confidentiality continues indefinitely after a Director has left the Board. Board members shall agree to an Oath of Office and Confidentiality upon joining the Board of Directors.

Sample – OATH OF OFFICE AND CONFIDENTIALITY AGREEMENT

I, *insert name*, a director of the *name of credit union*, declare that, in carrying out my duties as a director, I will:

1. Exercise the powers of my office and fulfill my responsibilities in good faith and in the best interests of the credit union.
2. Exercise these responsibilities, at all times, with due diligence, care and skill in a reasonable and prudent manner.
3. Respect and support the credit union's by-laws, policies, Code of Conduct, and decisions of the Board and membership.
4. Keep confidential all information that I learn about members, personnel and any other matters specifically determined by board motion to be matters of confidence including matters dealt with during in-camera meetings of the Board.
5. Conduct myself in a spirit of collegiality and respect for the collective decisions of the Board and subordinate my personal interests to the best interests of the credit union.
6. Immediately declare any personal conflict of interest that may come to my attention.
7. Immediately resign my position as director of the credit union in the event that I, or my colleagues on the Board, have concluded that I have breached my 'Oath of Office' resulting to my disqualification to serve as a member of the Board.

Signature: _____ Date: _____

15. Code of Conduct

Board members are expected to comply with the prescribed Code of Conduct that encourages the development of a spirit of collective decision-making, shared objectives and shared ownership of and respect for Board decisions. The Code of Conduct should be a concise statement of essential principles intended to govern the conduct of the Board and staff of the organization.

Sample - Code of Conduct of the Board

Code: Members of the Board of Directors of the {Name of credit union} are committed to observing and promoting the highest standards of ethical conduct in the performance of their responsibilities on the board of {name of credit union}. Board members pledge to accept this code as a minimum guideline for ethical conduct and shall:

Accountability

1. Faithfully abide by the By-laws and policies of {Name of credit union}.
2. Exercise reasonable care, good faith and due diligence in organizational affairs.
3. Fully disclose, at the earliest opportunity, information that may result in a perceived or actual conflict of interest.
4. Fully disclose, at the earliest opportunity, information and facts that would have significance in board decision-making.
5. Remain accountable for prudent fiscal management to members, the board, and public, government and other stakeholders.

Professional Excellence

6. Maintain a professional level of courtesy, respect, and objectivity in all {Name of credit union} activities
7. Strive to uphold those practices and assist other {Name of credit union} members of the board in upholding the highest standards of conduct

Personal Gain

8. Exercise the powers vested for the good of all members of the credit union rather than for his or her personal benefit.

Equal Opportunity

9. Ensure the right of all members for appropriate and effective services without discrimination based on geography, political, religious, or socio-economical characteristics of the region represented.
10. Ensure the right of all members for appropriate and effective services without discrimination based on staff make-up in respect to gender, sexual orientation, national origin, race, religion, age, political affiliation or disability, in accordance with all applicable legal and regulatory requirements.

Confidential Information

11. Respect the confidentiality of sensitive information known due to board service.

Collaboration and Cooperation

12. Respect the diversity of opinions as expressed or acted upon by the {Name of credit union} board, committees and membership, and formally register dissent as appropriate.
13. Promote collaboration, cooperation, and partnership among association members.

16. CONFLICT OF INTEREST

If an actual or potential conflict of interest develops because of a change in the business of the credit union or a subsidiary, or in a Director's circumstances, the Director should disclose the matter to the Mediation and Conciliation Committee. If a Director has a personal interest in a matter before the Board, the interest shall be disclosed to the full Board, and the Director shall restrain himself or herself from participation in the discussion, and shall not vote on the matter.

Members of the Board of Directors shall act at all times in the best interests of the credit union rather than particular interests or constituencies. This means setting aside personal self-interest and performing their duties in transaction of the affairs of the credit union in such a manner that promotes public confidence and trust in the integrity, objectivity and impartiality of the Board. Members of the Board shall serve without remuneration. No director shall directly or indirectly receive any profit from his/her position as such, provided that directors may be paid reasonable expenses incurred by them in the performance of their duties. The financial interests of immediate family members or close personal or business associates of a director are considered to also be the financial interests of the director.

16.1 Definition of Conflict of Interest

- a) Board members are considered to be in a "conflict of interest" whenever they themselves, or members of their family, business partners or close personal associates, may personally benefit either directly or indirectly, financially or otherwise, from their position on the Board.
- b) A conflict of interest may be "real", "potential" or "perceived"; the same duty to disclose applies to each.
- c) Full disclosure in itself, does not remove a conflict of interest.

16.2 Principles for Dealing with Conflict of Interest

- a) The Board member must openly disclose a potential, real or perceived conflict of interest as soon as the issue arises and before the board or its committees deal with the matter at issue.
- b) If the Board member is not certain he/she is in a conflict of interest position, the matter may be brought before the Chair, Executive Committee or Board for advice and guidance.
- c) If there is any question or doubt about the existence of a real or perceived conflict, the Board will determine by vote if a conflict exists. The person potentially in conflict shall be absent from the discussion and vote.
- d) It is the responsibility of other Board members who are aware of a real, potential or perceived conflict of interest on the part of a fellow Board member to raise the issue for clarification, first with the Board member and, if still unresolved, with the Board Chair.
- e) The Board member must abstain from participation in any discussion on the matter, shall not attempt to personally influence the outcome, shall refrain from voting on the matter and unless otherwise decided by the Board, must leave the meeting room for the duration of any such discussion or vote.
- f) The disclosure and decision as to whether a conflict exists shall be duly recorded in the minutes of the meeting. The time the person left and returned to the meeting shall also be recorded.

16.3 Examples of Conflict of Interest on the Part of a Board Member:

- a) Any circumstance that may result in a personal or financial benefit to a director or his family, business associate or friend. This includes, but is not limited to, accepting any payment for services rendered to the credit union, including contracted work or honoraria;
- b) Accessing financial or other resources for personal use, i.e. transportation, training costs, supplies, equipment, etc.
- c) Personal interests which conflict with the interests of members or are otherwise adverse to the interests of the credit union;
- d) Seeking, accepting or receiving any personal benefit from a supplier, vendor, or any individual or organization doing or seeking business with the credit union;
- e) Being a member of the board or staff of another organization which might have material interests that conflict with the interests of the credit union or its clients; and, dealing with matters on one Board which might materially affect the other Board;
- f) Any involvement in the hiring, supervision, grievance, evaluation, promotion, remuneration or firing of a family member, business associate or friend of the director;
- g) Individuals who serve as directors on the same board with members of their family or others with whom they have a direct business or personal relationship will be subject to an immediate perception of apparent conflict of interest. *(Director eligibility criteria in the bylaw should exclude such arrangements.)*

17. DISPOSITION OF COMPLAINTS AND DISPUTES INVOLVING DIRECTORS

- 17.1 The Mediation and Conciliation Committee, in a meeting duly called for the purpose, shall review any complaints that a director has violated any provision of the credit union's Bylaws, Governance Policies, Code of Conduct, Oath of Office & Confidentiality Agreement.
- 17.2 The Mediation and Conciliation Committee shall similarly review disputes between members of the Board that interfere with the ability of the Board to carry on its business.
- 17.3 Complaints of a grave nature may be referred to an independent arbiter.
- 17.4 Allegations of illegal activity shall be immediately referred to appropriate authorities for investigation. Any director against whom such allegations are made shall take a leave of absence from the Board pending completion of the investigation.
- 17.5 The review of such complaints or disputes shall include an opportunity for the members concerned to present their positions. Mediation and Conciliation Committee members who originate or are the subject of such complaints or disputes must declare their conflict and absent themselves from such meetings.
- 17.6 Every attempt should be made to resolve such matters expeditiously and fairly.
- 17.7 The recommendations regarding resolution of such matters shall be brought to the Board for approval.
- 17.8 The ruling of the Board shall be final. Should the member refuse to abide by the ruling the Board may table the matter pending determination of disciplinary action. Such action may include formal or informal censure by the Chair or the board, suspension or a request for the member's resignation.

18. RESPONSIBILITIES OF THE OFFICERS OF THE BOARD

18.1 Board Chair

The Board Chair:

- a) Serves as the Chief Volunteer of the organization
- b) Is a partner with the Chief Executive Officer in achieving the organization's mission
- c) Provides leadership to the Board of Directors, who sets policy and to whom the Chief Executive Officer is accountable.
- d) Presides meetings of the Board after developing the agenda with the Chief Executive Officer
- e) Encourages Board's role in strategic planning
- f) Serves *ex officio* as a member of committees and attends their meetings when invited.
- g) Discusses issues confronting the organization with the Chief Executive Officer.
- h) Helps guide and mediate Board actions with respect to organizational priorities and governance concerns.
- i) Reviews with the Chief Executive Officer any issues of concern to the Board. The Chair will be the Board's primary liaison with the Chief Executive Officer, who is responsible for the execution of Board policies and directives and for determining the means, organizational structure and management processes necessary to achieve the credit union objectives.
- j) Monitors financial planning and financial reports.
- k) Formally evaluates the performance of the Chief Executive Officer and informally evaluates the effectiveness of the Board members.
- l) Evaluates annually the performance of the organization in achieving its mission.
- m) Performs other responsibilities assigned by the Board.

18.2 Vice Chair Job Description

The Vice Chair position is typically successor to the Chair's position. In addition to the responsibilities outlined in the Committee Member job description, this position:

- a) Is a member of the Board
- b) Performs Chair responsibilities when the Chair cannot be available (see Chair Job Description)
- c) Reports to the Board's Chair
- d) Works closely with the Chair and other staff
- e) Participates closely with the Chair to develop and implement officer transition plans.
- f) Performs other responsibilities as assigned by the Board.

18.3 Secretary

The Secretary is responsible for documenting Board decision and maintaining records of all credit union governance information. The Secretary shall ensure that all secretarial functions are performed for the Board and Executive Committee and those records are kept of all proceedings and transactions. The Secretary is the custodian of the credit union seal and of all official books, papers, records, documents and correspondence of the credit union. S/He shall:

- a) Oversee the keeping of records of meetings, policies, membership and any other records required by law.
- b) Ensure that minutes are taken at all regular and special meetings of the Board of Directors.
- c) Ensure that copies of minutes and agendas are circulated to Board members prior to each meeting.
- d) Maintain, or ensure the maintenance of, the files and records of the credit union to be passed on to future officers and ensure the security and confidentiality of all such files and records

18.4 Treasurer

The Treasurer manages the credit union's financial information. He/she may work closely with the credit union's accountant to determine the credit union's financial procedures. The Treasurer oversees the credit union's financial reports and audit, and makes sure that the Board receives copies of these pieces of information. The Treasurer reports on finances to the Board at the regular Board meetings and responds to the question board members pose. The Treasurer serves on the Finance Committee and develops recommendations of financial policies for the Board to review.

18.5 Board Member

- a) Regularly attends board meetings and important related meetings.
- b) Makes serious commitment to participate actively in committee work.
- c) Volunteers for and willingly accepts assignments and completes them thoroughly and on time.
- d) Stays informed about committee matters, prepares themselves well for meetings, and reviews and comments on minutes and reports.
- e) Gets to know other committee members and builds a collegial working relationship that contributes to consensus.
- f) Is an active participant in the committee's annual evaluation and planning efforts.
- g) Participates in fund raising for the organization.

Sample - BOARD OF DIRECTORS Job Description

| | | |
|-----------------------|---|---------------------------------|
| TITLE | : | Director |
| REPORT TO | : | Chairperson of the Board |
| SUPERVISES | : | Chief Executive Officer |
| Accountable to | : | General Assembly |

Primary Responsibilities:

To formulate policies, plan the credit union's course, make sure the credit union maintains its sound financial condition, keep communication open to educate members on services, review the Chief Executive Officer's progress in achieving goals and objectives, and report to the members at the annual meeting. All decisions must be guided by the best interest of the membership.

Knowledge and Skills:

- Understanding of credit union philosophy and desire to improve the financial lives of members
- Ability to understand basic financial statements
- Ability to think and plan strategically

Specific Responsibilities (for the entire Board):

1. Works with the Chief Executive Officer and the board to develop objectives and goals for the credit union, including strategic plans.
2. Ensures the credit union adheres to pertinent laws, regulations, and sound business practices.
3. Ensures the credit union maintains sound financial conditions and that the credit union's assets are protected against unauthorized or illegal acts. Designate depositories, authorize borrowing and investing, provide for bonding and other security factors, including internal control policies and procedures. Approve interest rates, dividends, and refunds, or approve policies to guide management in doing so. Approve loan limits and savings minimums.
4. Develops personnel policies, or make sure they are developed, and then approve them for all credit union programs and activities.
5. Review policies at least once a year and update as necessary.
6. Ensures that the credit union bylaws is reviewed to be consistent with the appropriate laws and direction of the credit union.
7. Ensures new products and services are developed as needed.
8. Approves the credit union budget.

9. Define the scope of the Chief Executive Officer's job, hire someone to fill the position, and review his or her progress in attaining goals and objectives.
10. Attend board meetings, exercise judgment independently from the Chief Executive Officer, and report to the members at the annual meeting.

Individual Responsibilities:

1. Make a personal commitment to the mission of the credit union.
2. Regularly attend Board and committee meetings.
3. Disclose any conflicts of interest as they arise.
4. Stay informed about the goings-on of the credit union, including reading financial and operation reports.
5. Participate in special events of the credit union.
6. Attend Board training events in order to obtain continuing education.
7. Work with the Board and staff to strive towards the goals of the credit union.

Accepted:

Date: _____

Sample Board Member Contract

I agree to serve the Board of Directors of the (name of credit union). I understand that I have a responsibility to ensure that the organization is well-managed and financially sound as it pursues its mission and goals.

As a Board Member, I will:

1. Commit my support to the mission of the (name of credit union).
2. Attend all Board Meetings, committee meetings, and special events.
3. Disclose any conflicts of interest as they arise.
4. Stay informed about the work of the credit union.
5. Regularly read programmatic and financial reports and request additional information or ask questions as necessary.
6. Obtain on-going training to increase my ability to serve the (name of credit union) as a Board Member.
7. Work with the Board and Staff to strive towards the goals of the organization.

Signed:

Member, Board of Director

Date

President, Board of Directors

Date

19. COMMITTEES

Committees have an advisory function to the Board. They do not speak or act for the Board unless such authority is formally delegated, is time-limited, and is for specific purposes. They do not have any authority to direct staff although they may, through the board, ask the Chief Executive Officer to allocate resources in support of committee activities. Except for the Audit Committee and Election Committee, the Board appoints committee members annually for one-year term or co-terminus with the Board's term.

Guidelines in the Creation of Committees

1. Establish committees when it is apparent that issues are too complex and/or numerous to be handled by the entire board.
2. For ongoing, major activities establish standing committees; for short-term activities, establish ad hoc committees that cease when the activities are completed. Standing committees should be included in the by-laws.
3. Committees recommend policy for approval by the entire board.
4. Committees make full use of board members' expertise, time and commitment, and ensure diversity of opinions on the board.
5. They do not replace responsibility of each board member; they operate at the board level and not the staff level.
6. Committees may meet monthly (this is typical to new organizations, with working boards), every two months, or every three months; if meetings are not held monthly, attempt to have committees meet during the months between full board meetings.
7. Minutes should be recorded for all board meetings and for Executive Committee meetings if the Bylaws indicate the Executive Committee can make decisions in place of the board when needed.

Best Practice in Developing Committees

1. Ensure the committee has a specific charge or set of tasks to address, and ensure board members understand the committee's charge. Terms of Reference or Job Description should be developed.
2. Have at one or two board members on each committee
3. Do not have a member on more than two committees
4. In each board meeting, have each committee chair report the committee's work since the past board meeting
5. Consider having non-board volunteers as members of the committee
6. Consider having a relevant staff member as a member of the committee as well
7. Committee chairs are often appointed by the Board Chair; consider asking committee members for a volunteer for committee chair
8. If committee work is regularly effective and the committee has a strong relationship with the Chief Executive Officer, consider having board meetings every other month and committee meetings between the board meeting
9. The Chief Executive Officer should serve as *ex officio* to the board and any relevant committees

(Note: Committees use valuable board and staff resources so should be confined to the minimum number⁵ essential to ensure efficient and effective governance. This advice pertains to establishment of both standing and ad hoc committees. The committees also depend on what is required in the credit union/cooperative law in the country. Supervisory or Audit Committee and Election Committee, in some countries are a permanent or standing committee as stipulated in the cooperative law. Executive, credit, education and other committees are appointed by the board. The committees also vary from country to country.)

19.1 Composition

A member of the Board shall chair all committees except that a Past President, who need not be an incumbent director, may chair the Nominating Committee. The composition of the committees shall be representative of the Board and, where possible and appropriate, of staff and members of the community at large. This is an effective way to add expertise, involve more of the community in the work of the credit union and bring to the credit union a reflection of public opinion. It shall also serve as a means of recruiting, orienting and screening prospective candidates for the Board. The CEO is an ex-officio member of all committees.

The following is the job description of the Committee Chair:

- a) Sets tone for the committee work.
- b) Ensures that members have the information needed to do their jobs.
- c) Oversees the logistics of committee's operations.
- d) Reports to the Board's Chair.
- e) Reports to the full Board on committee's decisions/recommendations.
- f) Works closely with the Chief Executive Officer and other staff.
- g) Assigns work to the committee members, sets the agenda and runs the meetings, and ensures distribution of meeting minutes.
- h) Initiates and leads the committee's annual evaluation.

19.2 Function

A committee's function is to bring the experience, expertise and judgment of a group of interested and informed persons to bear on a specific area of the credit union's responsibility. Its job is to assist the Board by considering matters referred to it in greater depth than would be possible by the whole Board. Committees isolate the key issues requiring Board consideration, propose alternative actions, present the implications and make recommendations to the Board for decision. The Board will not review the matter in the same detail as the committee but must be satisfied that all pertinent information was considered or refer the issue back to the committee for further study. The Board will consider the recommendations of the committee and adopt or amend these recommendations or make such other disposition as it deems advisable.

⁵ Maximum five members

19.3 Relationship to Staff

Board and staff work co-operatively to carry out the objectives of the credit union. The board relies upon the ability, training, expertise and experience of staff to plan for and provide services within the credit union's mandate. Committee and board meetings are the generally recognized avenues for board and staff to think and plan together. The attendance of the CEO, or designate, at all committee meetings as a resource and staff support is essential to the effective work of the committees. Committees may advise the Board or the CEO or but do not exercise authority over staff, and will ordinarily have no direct dealing with staff operations. Committee members must know and respect the distinction between Board and staff responsibilities. Communications between Board and Staff, outside of committee meetings, shall be through the CEO. This includes:

- a) Any assignments or directives;
- b) Requests for organizational resources or staff time;
- c) Staff performance concerns or policy infractions;
- d) Concerns regarding any aspect of programs or administration.

19.4 Executive Committee

The Board Chair chairs the Executive Committee, which is comprised of the officers (Chair, Vice-chair, Secretary and Treasurer or any two Directors of the Board if there is no Secretary and Treasurer) of the credit union including the CEO as a non-voting member. This committee possesses specific powers under the Bylaw to make decisions between Board meetings if necessitated by unusual circumstances. Such decisions are subject to ratification by the Board at its next meeting. The Executive Committee also has responsibility for the annual performance evaluation of the Chief Executive Committee and for making recommendations to the Board with respect to his performance, continuing tenure and compensation.

19.5 Nomination Committee

The Past Chair of the Board chairs the Nominating Committee, which includes the CEO as a non-voting member. The Board annually names other members to the committee. These may include representatives from the general membership of the credit union. The committee is responsible for:

- a) Developing and recommending to the Board the skills, experience and diversity criteria for directors necessary to ensure balanced community representation and effective governance;
- b) Identifying, interviewing and checking references on prospective candidates for vacant positions on the Board of Directors;
- c) Recommending, to the Board or membership, candidates suitable, according to the approved criteria, to fill director vacancies;
- d) Ensuring that board members receive proper orientation to their responsibilities.

Note: Some organizations also task the Nominating (& Bylaw) Committee with responsibility for regular review and update of the Bylaw. Corporations using a 'Results-Based' governance model will establish a 'Governance Committee' that include the Nominating Committee functions noted above and adds responsibility for review of governance policies/practices and performance of board members and the board.

Cooperative Law in some countries has a provision for the creation of an election committee as may be necessary. The members of the election committee shall be elected by the General Meeting. As practiced, the election committee's function is limited to conducting the election of the Board of Directors at the General Meeting.

19.6 Audit Committee

The members elect the Audit Committee at the General Assembly. Audit Committee members are appointed for two/three-year terms⁶. The Audit Committee performs internal control reviews, annual audits and bi-annual member account verifications. All officials are unpaid volunteers.

In the absence of internal audit staff, the Audit Committee performs the internal financial audit of the credit union. However, when the credit union has an internal audit staff, the Audit Committee performs compliance and risk based audit for the credit union.

19.6.1 Qualifications of the members of Audit Committee

The general qualifications applicable to the Board also apply to the Audit Committee in addition to the following qualifications:

- a) Ability to read a basic financial statement
- b) Ability to critically examine and question
- c) Understanding of credit union's internal control
- d) Understanding of applicable laws and regulations

19.6.2 Functions of the Audit Committee

1. Review external audit firms' proposals in order to appoint or to recommend for appointment to the General Assembly. In making such recommendations, the Audit Committee shall consider the following points:
 - a) Current needs of the organization;
 - b) Audit firms' credit union knowledge and experience;
 - c) Scope of the audit as outlined in their engagement letter;
 - d) Other Credit Unions' experience with the firm;
 - e) Independence and potential conflict of interest;
 - f) To place some level of reliance on internal/systems auditor; and
 - g) To develop an audit program to complement the internal/systems auditor.
2. Assess the cost/benefit of audit fee. The assessment should be based on such facts as:
 - a) The experience of the audit staff;
 - b) The amount and quality of work performed;
 - c) A comparison of costs with same-size credit unions;
 - d) What the credit union can do to improve audit efficiencies and reduce cost;
 - e) Is the audit time being efficiently spent in most critical areas; and
 - f) The recommendations and observations made to assist the credit union.

⁶ Change the underlined based on the Bylaws of the credit union.

3. Assess the quality of audit performed. Such an assessment could consider the following:
 - a) The audit staff's knowledge, understanding and experience of a credit union's operation;
 - b) The audit staff's communication skills i.e. open, timely, clear and decisive
 - c) The timeliness of reports;
 - d) The degree of co-operation with board/management/employees/other auditors;
 - e) The disruption of office routines.
4. Review and approve interim or management letter issued by the external auditor. This could include:
 - a) The clarification of issues identified, if any;
 - b) A review of the recommendations;
 - c) Management's response to observations;
 - d) The establishment of an action plan to address unresolved issues and to assign responsibility; and
 - e) The time frame for follow-up or corrective action.
5. Reviews and recommend approval of the year-end financial statement to the board. This could include:
 - a) Reviewing the opinion of the external auditor;
 - b) Reviewing all audited financial statements including accompanying notes to be issued to the membership; and
 - c) Noting and clarifying any significant changes on the financial statement.
6. Meets regularly to:
 - a) Reviews the monthly financial statements;
 - b) Monitors and follow-up activities on previously identified audit initiatives; and
 - c) Reviews internal audit reports (*if credit union has internal audit department*)
7. Reviews and discuss any and all other audit reports i.e. internal, government, and credit union apex. The review could include:
 - a) The need for follow-up;
 - b) The identification of trends;
 - c) The clarification of any outstanding issues; and
 - d) The review of policy to determine if recommendations to the board for change are required.
8. Meet and discuss audit strategy with the internal auditor (*if credit union has internal audit department*)
 - a) A review of the audit plan for the following period (quarter/year);
 - b) A discussion of trends identified;
 - c) A review of results to plans; and
 - d) A discussion of specific areas of concern.

9. Make recommendations to the board on policy issues. Issues could include:
 - a) Trends identified in audit reports; and
 - b) Communication with management.
10. Report to the board any significant changes in the accounting principles or practices followed by the credit union.

Sample - AUDIT COMMITTEE Job Description

TITLE : **Audit Committee Member**
REPORTS TO : **General Meeting**
SUPERVISES : **Internal Audit Staff**

Primary Responsibilities:

To inspect the credit union's records for accuracy, its assets for security, and its procedures for the proper handling and use of funds.

Knowledge and Skills:

- Ability to read a basic financial statement
- Ability to critically examine and question
- Understanding of credit union's internal control
- Understanding of applicable laws and regulations

Specific Responsibilities:

1. Provides internal audit service, or cause them to be undertaken, as required by government agencies. Prepare and submit the necessary written reports to regulatory body. Conduct or order supplementary audits, as the committee deems necessary.
2. Inspects the securities, cash, and accounts of the credit union. Scrutinize the acts of all officers, committees, and employees of the credit union to determine compliance with policies and regulations.
3. Conducts or order a verification of the loan and share accounts of the members, in accordance with the credit union policy and regulatory requirements.
4. Conducts Electronic Data Processing systems audit.
5. Reviews the minutes of the board meetings.
6. Ensures there are adequate internal controls, and that they are being followed.
7. Recommends suspension of any director or credit committee member if necessary, in accordance with government regulations or cooperative law of the country.
8. Prepares report to members to be presented at the annual meeting.

Accepted:

Date: _____

19.7 Election Committee

(will be inserted for the Philippine cooperatives only)

19.8 Credit Committee⁷

The function of the Credit Committee is a very important within the credit union. It will affect the financial soundness of the credit union if sufficient care and time is not given to ensuring careful and diligent consideration is not given to all lending decisions. The Credit Committee is appointed by the Board of Directors. To avoid conflict of interest, good governance suggests that Credit Committee is appointed by the Board or the Committee delegates their powers to the Loan Officers of the credit union.

The ideal size is from three to five members. All are volunteers. Normally, the term is co-terminus with the Board.

19.8.1 Qualifications

- a) The credit committee members should possess sound judgment, a general level of business knowledge and be as independent and impartial as possible.
- b) The committee should be made up of people with varying backgrounds, financial knowledge, education and technical skills; and
- c) The key skills required are common sense and the willingness to ask questions for clarification and understanding.

19.8.2 Basic Function

The Credit Committee's basic function is to oversee the extension of credit to the members and ensure a quality loan portfolio that will contribute to the attainment of the objectives of the credit union. The credit committee ensures that these functions are carried out within:

- The parameters of sound credit and financial management;
- Credit union organizational objectives and operating policy; and
- The criteria established by legislation and regulation.

19.8.3 Roles and Responsibilities

The following are the roles and responsibilities of the Credit Committee:

- a) To develop and recommend changes in loan and collection policies to the board, for approval and granting loans;
- b) To review all loan applications, extensions and revisions over management's authorized lending limits and within board policy and legislation;
- c) To direct loan collection action within policy;
- d) To maintain a complete record of all meetings and actions of the committee;
- e) To maintain complete confidentiality of all activities of the board and committee;

⁷ Credit Committee is not mandated in RA 9520; however if the bylaws of the coop provides for the creation of the Credit Committee, the following regulation shall apply.

- f) To review management's recommendations regarding collection activity to ensure that standards are met;
- g) To review management-approved loans on a monthly basis; and
- h) To ensure that management is maintaining liquidity standards relative to the lending operation.

Sample - CREDIT COMMITTEE Terms of Reference⁸

1. Primary Responsibilities:

To decide loan appeals from members; check compliance with lending policy, laws, and regulations; recommend changes in credit union loan policies.

2. Knowledge and Skills:

- 2.1 Knowledge of credit union lending policies
- 2.2 Knowledge of applicable laws and regulations

3. Specific Responsibilities

- 3.1 Review written appeals of decisions made by loan officers. Review all loan denials and "marginal" risk cases.
- 3.2 Render decisions fair to members' and beneficial to credit union's health based on the policies established by the Board.
- 3.3 Be familiar with all the relevant government laws and regulations related to lending (Truth-in-Lending etc.)
- 3.4 Evaluate the credit union's loan performance annually, including a breakdown of the amounts of loans approved, total number of loans approved, a breakout of the number and percentage of loans by purpose, the total number of borrowers, the average loan size, the ratio of borrower to members, the ratio of loans to savings, and the number of loans rejected.
- 3.5 Review credit union loan policies along with performance. Recommend changes to loan policy.
- 3.6 Prepare and make available a report to be read at the annual meeting.
- 3.7 Promote thrift and encourage the wise use of credit.

- 4. **Composition and Term of Membership:** The Committee will be composed of the Chairman of the Board and two appropriately qualified independent persons.

- 5. **Delegated Powers:** If in case the Committee's opinion, a matter arises in the course of exercising the Delegated Powers that warrants the attention of the Board, the Committee will refer it to the Board for direction or a determination.

- 6. **Periodic Review of Objectives and Terms of Reference:** These Terms of Reference may be reviewed annually by the Board, or as required, to ensure that the operation of the Committee meets the Board's requirements.

⁸ The Credit Committee TOR serves as sample for all the committees appointed by the Board. Responsibilities, functions, knowledge and skills will vary per committee.

7. **Meetings:** The Committee will meet if so requested by any member of the Committee and on an as required basis each year.
8. **Minutes:** Minutes of the Committee's meetings will be kept and provided in the monthly Board Reports following the Committee meeting.
9. **Report to Board:** The Committee may table a formal report to the Board on its activities when it considers the same to be appropriate.
10. **Resolutions:** Any matters arising at a meeting of the Committee must be determined by a resolution passed by a majority of votes of those present and voting. The Chair does not have a casting vote in addition to his or her deliberative vote.
11. **Electronic Meeting: If**
 - 11.1 the Committee members confer telephone, video conferencing facility or other electronic or technological means of audio or audiovisual communications; and
 - 11.2 all the Committee members who for the time being are entitled to receive notice of a Committee meeting:
 - a) receive notice of the meeting; and
 - b) have access to the means by which the meeting is to take place;
 - 11.3 the fact that a Committee member is taking part in the meeting is known to all other Committee members taking part;
 - 11.4 each of the Committee members taking part in the meeting is simultaneously able to hear each of the other Committee members taking part in the meeting; and
 - 11.5 no Committee member disconnects or ceases to have access to the Committee member's means of communication or otherwise ceases to take part in the meeting, unless that committee member makes known to all other Committee members that the Committee member is ceasing to take part in the meeting; then:
 - 11.6 the requirements relating to Committee meetings apply to that conference as if:
 - a) it were a Committee meeting; and
 - b) the Committee members taking part in the meeting were physically present
 - c) together at the meeting;
 - 11.7 a resolution passed at that meeting is deemed to have been passed at a meeting of the Committee members present at the same place and held on the day on which and at which the meeting was held; and
 - 11.8 the meeting is deemed to be held at the place from where the Chair of the meeting participates;
 - 11.9 until a Committee member makes it known that that Committee member is ceasing to take part in the meeting, the Committee member is deemed to be present and to form part of the quorum.

12. Resolutions without a meeting

The Committee may pass a resolution without a meeting provided the process is in accordance with the provisions of the Bylaws and the following procedures are complied with:

- a) The resolution may be circulated in electronic form;
- b) Committee members may reply in electronic form;
- c) It must be signed by all current Committee Members at the earliest
- d) opportunity after the resolution has been passed; and
- e) Can consist of several separate pieces of paper.

Any resolutions made in this manner will be confirmed in the minutes of the Committee at the Committee's next meeting, and will be stored with those minutes.

13. Financial Interest and Conflict of Interest

Any member of the Committee with a financial interest or conflict of interest in any matter being considered by the Committee, must advise the other Committee members of the existence of that financial interest or conflict at the earliest possible opportunity, and will participate in the determination of that matter in accordance with the provisions of this Governance policy.

14. Secretarial Support

- 14.1 A representative of Management of the Credit Union will attend each meeting of the Committee and act as Secretary to the Committee. The Secretary will be responsible for the arrangement of Committee meetings, preparation and circulation of the agenda, committee papers, preparation of minutes and maintaining records.
- 14.2 Other members of Management will attend Committee meetings as and when required.

15. Professional Advice

The Committee may seek advice from any of the service providers appointed by the Credit Union to advise the Board on the Management of the Credit Union, to assist it in making any determination.

16. Records of the Committee

The Secretary to the Committee must establish and maintain the following records: The Committee terms of reference as approved by the Board of the Credit Union, together with any variation to those Terms of Reference from time to time.

Dated ____ day of _____

SIGNED for and on behalf of Credit Union

.....
Committee Chairperson

19.9 Finance Committee

The Board Treasurer chairs the Finance Committee, which includes the Chief Financial Officer and/or the Chief Executive Officer, ex-officio, non-voting. The Board appoints other directors to the committee. The committee is responsible for overseeing and ensuring the development and approval of the annual budget including:

- a) Determining/reviewing the credit union budget as presented by the management
- b) Recommending financial guidelines and policy
- c) Working with staff to design financial reports
- d) Overseeing investments
- e) Advising the Board on the financial priorities
- f) Monitoring actual revenues and expenditures against budget forecast and recommending to the Board any adjustments that it deems necessary.

Note: The size of the credit union's budget and staff resources will determine the extent to which members of Finance Committee will be directly involved in the actual preparation of budgets and financial reports. The creation of the Finance Committee may also depend on the size of the credit union. The Committee may not be necessary for small size credit union. The Executive Committee can assume the responsibilities of the Finance Committee.

19.10 Human Resources Committee

The Board Secretary or another director chairs the Human Resources Committee which includes the Chief Executive Officer, ex officio, non-voting. The Board appoints other Directors to the committee. The Board is still ultimately responsible in ensuring that appropriate Human Resource policies and systems are adopted with the credit union to guarantee a highly motivated and efficient management. The HRC is responsible for drafting/revising personnel policies for Board approval by:

- a) Annual review of salaries and recommend competitive salary structure
- b) Reviewing the job description
- c) Developing personnel evaluation system
- d) Reviewing the employee benefit packages.

Note: The size of the credit union's staff resources will determine the need of creating the Human Resource Committee.

19.11 Governance Committee

Large credit unions may choose to have a separate Governance Committee on top of the Nomination Committee. The purpose of the Governance Committee is to:

- a) Advise and make recommendations to the board of directors on matters concerning governance;
- b) Review potential or actual conflicts of interest involving members of board of directors;
- c) Oversees the review of Board and committee performance, as well as reviews and recommends governance practices;
- d) Hold regular meetings that coincide with full Board meetings;

- e) Ensure effective board processes, structures and roles, including retreat planning, committee development, and board evaluation.

19.12 Ethics, Mediation and Conciliation Committee

An Ethics, Mediation and Conciliation Committee is hereby created and shall be composed of three (3) members to be elected during a regular general assembly meeting. Within 10 days after their election, they shall elect from among themselves a Chairperson, who shall serve for a term of ____ (____) years or until their successors shall have been elected and qualified. No member of the Committee shall hold any other position in the cooperative during his term of office.

The Conciliation Committee shall have the following powers and functions:

- a) To formulate, issue and implement a code of ethics that shall govern the manner and conduct of all officers, employees and members of the cooperative duly approved by the General Assembly;
- b) To hear, mediate, conciliate, and decide all intra-cooperative disputes between and/or among members, and officers;
- c) Subject to the approval of the General Assembly, to issue supplemental rules and procedures concerning conciliation processes as may be deemed necessary; and
- d) To exercise such other powers as may be necessary to ensure speedy, just, equitable and inexpensive settlement of disputes within the cooperative.

19.13 Other Committees

The Board may form ad hoc committees from time to time. The Board will determine the size, membership, and chair of each ad hoc committee. Generally, the chairs and most members of such committees will be Independent Directors. The Board may appoint the Chief Executive Officers or members of Management as ex officio members of such ad hoc committees.

19.14 Potential Ad Hoc Committees

Ad hoc Committees can be created as deem necessary by the Board. The committee exists to accomplish a certain task or project and cease to exist upon the completion of the task or project. It is ultimately up to the Board to determine which committees should exist and what they should do.

19.15 Vacancy in the Committee

Any vacancy in the committee, other than by expiration of term, may be filled by the board of directors. A member of the committee so elected to fill a vacancy shall serve only the unexpired term of his or her predecessor in office.

20. BOARD & STAFF RESPONSIBILITIES

To help convey who does what regarding board and staff, the following activities are suggested to be done by board, staff or jointly. This guideline should be reviewed by board members to finalize who they would like to do what among board and staff members.

| Activity | Responsibility | | |
|--|----------------|-------|-------|
| | Board | Staff | Joint |
| PLANNING | | | |
| Direct the process of planning | | X | |
| Assess and examine the credit union SWOT | | | X |
| Provide input to long range goals | | | X |
| Approve long range goals | X | | |
| Formulate annual objectives | | | X |
| Approve annual objectives | X | | |
| Prepare performance reports on achievements of goals and objectives | | X | |
| Monitor achievement of goals and objectives | | | X |
| PRODUCTS & SERVICES | | | |
| Assess stakeholder (customers, community) needs | | X | |
| Orient volunteer leaders and facilitate to get the training required | | X | |
| Oversee evaluation of products, services and programs | X | | |
| Maintain operational records; prepare reports | | X | |
| Prepare preliminary budget | | X | |
| Finalize and approve budget | X | | |
| See that expenditures are within budget during the year | | X | |
| Market the credit union products and services | | | X |
| Approve expenditures outside authorized budget | X | | |
| Allocate resources for the operation of the credit union | | | |
| Insure annual audit of the credit union | X | | |
| PERSONNEL | | | |
| Employ Chief Executive Officer | X | | |
| Hire and discharge staff members | | X | |
| Decision to add staff | | X | |
| Settle conflict among staff | | X | |
| Evaluate the staff performance | | X | |
| Evaluate the performance of the Chief Executive Officer | X | | |
| Decide on the salary increase of staff | | X | |
| Decide on the salary increase of Chief Executive Officer | X | | |
| Approve Human Resource Policy | X | | |
| Develop Human Resource Systems and Procedures | | X | |
| COMMUNITY RELATIONS | | | |
| Market the credit union to the community | | | X |
| Provide organization linkage with other organizations | | | X |
| Serves as symbol organization strength in the community | X | | |

| Activity | Responsibility | | |
|---|----------------|-------|-------|
| | Board | Staff | Joint |
| BOARD COMMITTEES | | | |
| Appoint committee members | X | | |
| Call Committee Chair to urge him/her into action | X | | |
| Promote attendance at Board/Committee meetings | | | X |
| Plan agenda for Board meetings | | | X |
| Take minutes at Board meetings | | | X |
| Plan and propose committee organization | | | X |
| Prepare exhibits, materials and proposals for Board and Committees | | | X |
| Sign legal documents | X | | |
| Follow-up to insure implementation of Board and Committee decisions | | X | |
| Settle clash between committees | X | | |

Section 3: Board Recruitment and Orientation

21. NOMINATION AND SELECTION OF DIRECTORS

Vacancy in the Board of Directors: Any vacancy in the board of directors, other than by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the general assembly in a regular or special meeting called for the purpose. A director so elected to fill a vacancy shall serve only the unexpired term of his or her predecessor in office.

Board election at General Assembly: The Nominating Committee will be responsible for identifying, screening, personally interviewing and recommending candidates to the entire Election Committee.

In nominating candidates, the Nominating Committee shall take into consideration such factors as it deems appropriate. These factors may include integrity, achievements, judgment, intelligence, personal character, the interplay of the candidate's relevant experience with the experience of other Board members, the willingness of the candidate to devote adequate time to Board duties, and likelihood that he or she will be willing and able to serve on the Board for a sustained period.

In connection with the selection of nominees for Director, due consideration will be given to the Board's overall balance of diversity of perspectives, backgrounds and experiences. It is the Board's policy that a majority of the members of the Nominating Committee will have interviewed any potential nominee. The Nominating Committee will consider any suggestions offered by Management, other Directors or any member with respect to potential Directors.

For Individuals Standing for Board Nomination

Evaluate your own interest in serving on the board. Ask the following questions:

- Am I committed to the mission of the organization?
- Can I contribute the time necessary to be an effective board member?
- Am I comfortable with the approach and positioning of the credit union's services?
- Can I contribute knowledge and skills expected of a board of director?
- Can I place the credit union's purposes and interests above my own professional and personal interests when making decisions as a board member?

22. GUIDELINES FOR RECRUITING NEW BOARD MEMBERS

Note: The following guidelines should be modified as necessary to conform to the particular culture and purpose of the organization.

It is very important to keep the perspective that the credit union deserves highly skilled and participative board members. The most important consideration is the skills currently needed by the board. The nominating committee must consider the nature of issues and goals currently faced by the credit union. The following guidelines may help the Nominating Committee in setting out its strategies in recruiting qualified and dedicated leaders of the credit union:

- a. Maintain an up-to-date list of potential board candidates, including the particular skills they can bring to the organization.
- b. Develop a Board Application Form for prospective new board members. The form should solicit information about the potential new member, including biographical information, why they want to join this board, what they hope to bring to the board, what they would like to get from their board membership and any questions they might have.
- c. Reference the list of potential candidates to recruit for board membership and ask to meet with them.
- d. Conduct background investigation of prospective candidates
- e. Prospective board members should meet with the Board Chair and the Chief Executive Officer, hear an overview of the credit union and receive relevant organizational materials describing the organization's products or services, receive a board member job description and a board member application form. The prospective new member should hear about how the credit union orients new members. Provide names of several board members whom the prospective new member might contact with any questions.
- f. Identify if there are any potential conflicts of interest with the candidate, e.g., is he or she on the board of a competing organization, a vendor of the organization, etc.
- g. Invite the prospective new member to a board meeting. Notify current board members that a potential new member will be attending. Consider name tags to help the potential new member be acquainted with board members. Introduce the member right away in the meeting and, at the end of the meeting, ask the potential new member if they have any questions. Thank them for coming.
- h. Shortly after the meeting, call the prospective new member to hear if they want to apply for joining the board or not. If so, solicit their completed board member application to be submitted to the Nominating Committee.
- i. Notify new members (those who have been elected) and invite them to subsequent board meetings and the board orientation.

Sample Board/Committee Nomination Form

The sample document should be reviewed and modified by the credit union according to needs.

Name _____ Phone _____

Address _____

Relevant Experience and/or Employment (attach a resume if relevant) _____

Why are you interested to serve as Board of the Credit Union? _____

Area(s) of expertise/Contribution you feel you can make _____

Other volunteer commitments _____

=====

For use of the Nominating Committee:

☐ Nominee has had a personal meeting with either Chief Executive Officer, Board Chair, or other board members. Date _____

☐ Nominee reviewed by the Nominating Committee. Date _____

☐ Nominee attended a board meeting. Date _____

☐ Nominee interviewed by the Nominating Committee. Date _____

Action taken by the Nominating Committee: _____

23. BOARD NOMINATION MATRIX

Often times, Board recruitment is an informal process; individuals who are either interested in the credit union's issue or who are prominent in the community are frequently invited to stand for Board election. However, Board recruitment can be much more productive and successful if the credit union takes the time to engage in a thoughtful process to determine what types of skills, experience, expertise, and demographic representation would best benefit the credit union.

Because Board Members rely on each others' specific sets of skills and expertise in order to be productive, they must first determine what skill sets, experience, and diversity they want to see on the Board as a group. All Board Members should be committed to the issue and the credit union. However, each Board Member individually brings a different set of skills and experience, in addition to their commitment to the credit union. In determining what groups or skills should be represented in the credit union, it can be helpful to think of:



- a) demographics (geography, race, gender, age, abilities)
- b) skills and experience (accounting, legal, public relations, finance, management), and
- c) experience (Board work, Volunteer work, activism, business, government)

The credit union is a democratic organization. All members in good standing, regardless of educational background are qualified to stand for Board election. It is the role of the Nominating Committee to promote and encourage diversity in the Board. A policy on Board Nomination must be in place.

It is suggested to use the Board Nomination Matrix to help a Board determine what gaps exist within the group. After filling in all current Board Members, the Nominating Committee can begin to determine what groups are missing and recruit new Board Members to fill those gaps.

Potential Board Members can be listed and accounted for on the matrix. The matrix is intended to be used as a guide to continuous Board recruitment.

Sample - Board Recruitment Matrix

| Qualities we seek on the board  | Demographics | | | | | Skills and Experience | | | | | | |
|---|--------------|--------|--------------------|--------------------------|--------------------|-----------------------|---------------------|-----------------|-------------|------------------------|-----------------|------------------|
| | Male | Female | Below 35 years old | Above 35 to 60 years old | Above 60 years old | Finance | Info. & Comm. Tech. | HR or Education | Agriculture | Enterprise or Business | Marketing or PR | Medical Practice |
| Names of Current & Potential Board Members  | | | | | | | | | | | | |
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24. SERVICE ON OTHER BOARDS

The Board believes that individuals should limit the number of boards on which they serve in order to give proper attention to their responsibility to each board. Directors will seek and obtain approval of the Governance Committee for memberships on other boards of directors (or similar governing bodies) and shall inform the committee of any nomination to such a body. The committee shall review the requirements of such membership with the Director.

As a general policy, the Board believes that Directors should limit their service to not more than three other boards of a primary, secondary and tertiary credit union or any cooperative organizations, but exceptions to this policy will be made in appropriate cases. Where a Director seeks to serve on more than three other boards, the Governance Committee will consider the request and submit its recommendation to the Board for consideration and decision.

Meanwhile, all memberships on other boards by the CEO will be considered and decided by the full Board based upon the Governance Committee's recommendation.

25. SERVICE ON BOARDS OF COMPETING OR INTERLOCKING ORGANIZATIONS

A Director will not serve as a director of any public or private companies that is competitive with the businesses of the credit union. This situation may lead to a conflict of interest which occurs when a Director is making a decision or influencing a decision being made by the credit union where he/she stand to unfairly gain or be somehow favorably advantaged from that decision.

26. DIRECTOR AND COMMITTEE ORIENTATION PROGRAM

It is the responsibility of the Chief Executive Officer to help develop the Board and encourage the Board Members to focus on the larger governance and policy issues. In order to prepare to take on these often new tasks and perspectives, Boards require training.

When new Board members begin their terms, it is important to give them an orientation to their roles. This orientation is a crucial part of helping Board Members understand what their responsibilities are to the organization. Because many Board Members have not served in this capacity previously, they may need training and orientation on topics such as: the roles and responsibilities of Board Members, Board and Staff boundaries, what new Board Members can expect from Staff and other Board Members, what the credit union expects from new Board Members (should be discussed prior to becoming a Board Member), and how the Board really works.

In addition, new Board Members should receive training and information about the credit union. The Management will provide materials, such as:

- a) credit union's organizational and governance documents
- b) recent Board and committee minutes
- c) strategic and operating plans
- d) financial information
- e) organizational structure and organizational charts, and
- f) information about the credit union's businesses, products, services and the industries in which the credit union operates.

Below is the sample content of the Board Toolkit that should be provided by the Chief Executive Officer during the Director Orientation Program.

Sample Contents of Board Member's Toolkit

| Areas | Contents |
|---|---|
| LEGAL DESCRIPTIONS | |
| Charter Documents | <ol style="list-style-type: none"> 1. Articles of Incorporation (if applicable) 2. Revenue Department Letter on the status of the organization on Tax Payments 3. Licenses and Permits |
| STRATEGIC PLAN | |
| Strategic Plan Document | <ol style="list-style-type: none"> 1. Mission, Vision and Values Statements 2. Goals and Strategies 3. Action Planning (objectives, responsibilities, timelines, etc.) 4. Status Reports |
| BOARD ORGANIZATION/OPERATIONS | |
| Bylaws and Policies | <ol style="list-style-type: none"> 1. Bylaws and Articles of Incorporation 2. Resolutions 3. Code of Ethics and Code of Conduct (including conflict-of-interest policy) 4. Board Meeting Attendance Policy 5. Guidelines for Recruiting, Orienting, Informing and Removing Members 6. Guidelines for Evaluating Board 7. Guidelines for Evaluating Chief Executive Officer |
| Board Organization and Membership | <ol style="list-style-type: none"> 1. Organization Chart of Board 2. Roles and Responsibilities of Board 3. Job Descriptions of Board Officers and Other Members 4. Board Committees and Terms of Reference 5. List of Board Members (their organizations, contact information, etc.) 6. Board Member Biographies or CVs |
| Board Operations | <ol style="list-style-type: none"> 1. Board Calendar 2. Work Plans ("to-do" list for each Board Committee) 3. Board Meeting Agendas and Minutes 4. Committee Meeting Agendas and Minutes 5. Reports from Chief Executive |
| PROGRAMS/PRODUCTS AND MARKETING | |
| Description of Programs, Products and Services | <ol style="list-style-type: none"> 1. Descriptions 2. Service Objectives 3. Income Objectives 4. Evaluation Results |

| Areas | Contents |
|--|---|
| Marketing and Promotions | <ol style="list-style-type: none"> 1. Marketing and Promotions Plan 2. Market Analyses 3. Positioning Statement 4. Brochures, articles, etc. |
| FINANCE | |
| Financial Management | <ol style="list-style-type: none"> 1. Fiscal Policies 2. Internal Control Policies (bookkeeping controls) 3. Collections for Accounts Past Due 4. Tracking Volunteer Hours 5. Travel Reimbursements 6. Other Reimbursements |
| Financial Records/Data | <ol style="list-style-type: none"> 1. Yearly Budget 2. Budget Narrative 3. Cash Flow Reports 4. Program Budgets 5. Financial Statements 6. Financial Analysis 7. Audit Reports |
| Fundraising (if applicable) | <ol style="list-style-type: none"> 1. Fundraising Plan 2. Lists of Sources 3. Lists of Donors 4. Fundraising Reports |
| COMMUNITY/PUBLIC RELATIONS | |
| Information | <ol style="list-style-type: none"> 1. Interview Guidelines 2. Scripts (for reference during interviews) 3. Listing of Major Stakeholders and Contacts 4. Public Event Planning |
| PERSONNEL AND POLICIES | |
| Staff Organization and Data | <ol style="list-style-type: none"> 1. Organization Chart 2. Job Descriptions 3. Staff Address List 4. Staff Information Form |
| Personnel (Staff) Policies and Procedures | <ol style="list-style-type: none"> 1. Personnel Recruitment, Management and Development Policies and Procedures Benefits and Compensation 2. Code of Ethics and Code of Conduct 3. Diversity Plan 4. Dress Code 5. During Chief Executive's Absence 6. Disaster Recovery Plan 7. Performance Management Policies (performance appraisal, firing, etc.) |

27. CONTINUING EDUCATION

- 27.1 **Compulsory training for board:** The credit union endeavors to provide Directors with frequent updates on governance practices and the legal requirements of Board members. In addition, Directors are expected, to complete the Credit Union Directors Competency Course (CUDCC) and participate in relevant educational opportunities on an annual basis to enhance their effectiveness on the Board. The credit union will pay for courses Directors deem appropriate to help them in their role as Board members.
- 27.2 **Basic skills and knowledge:** Boards are expected to have or should seek to acquire the following basic knowledge and skills to effectively perform their responsibilities:
- a) Philosophy and history of the credit union movement, plus the history of your own credit union
 - b) General understanding of regulatory, compliance, and legal issues
 - c) Technology for office operations and member service
 - d) Finance and understanding of financial reports
 - e) All services your credit union currently offers and new services the members need or want
 - f) What the competition is doing, and current issues in the financial marketplace
 - g) The technicalities of delivering financial services to the membership
 - h) Business procedures and the ability to read and comprehend financial statements
 - i) Leadership, management, personnel, planning, information technology, marketing and budgeting
 - j) Local, national, and international economic and social environments and their effects on the credit union movement
 - k) Your credit union's operating and personnel policies, strategic plans, and other written documents for which the board is responsible
 - l) Activities of your sponsoring organization (s) or national federation
- 27.3 **Continuing education:** After Boards are oriented, their training needs continue throughout their terms. In order to determine what topics to cover in training, the Director and Board need to complete a regular analysis and prioritization of training needs using the Board Self-Assessment and Performance Evaluation. In addition, obtaining training should be a regular part of the work of Board Members. The Board must make a commitment to ensuring that they receive training, both by scheduling training opportunities and securing financial or donated resources to support the costs of training.
- 27.4 **Innovative ways of training:** Board leaders should be committed to finding new and innovative ways for training to take place. For example, trainings can occur at retreats, over breakfast meetings, during brown bag lunch events, through videos, books, teleconferences and internet conferences. Training itself doesn't have to be expensive – many Board Members have expertise that they can share with the rest of the Board during a regular meeting. For example, if an accountant serves on the Board, she/he can train the Board about International Financial Reporting Standards (IFRS) regulations or about how to read financial statements. As is usually the case with busy community members, it's always tough to schedule an additional meeting. Instead of trying to make training an additional event every few months, Boards can be trained during their regularly scheduled retreats and meetings.

- 27.5 **Specialized topics for Board:** In addition to training the Board as a whole, individual Board Members may have topics about which they would like more information. If a new person has just joined the Board, she/he may want to learn more about issues facing the credit union, financial and reporting requirements, and general Board service. In order to meet the new Member's many needs, a Director can work with him/her to develop a personalized training plan. The plan can be informal, but should outline ways in which the Board Member can obtain the training he/she desires, and should have a timeline. The training possibilities can include meetings with current or former Board Members, meetings with staff, reading materials, videos, attending outside trainings/conferences, etc.

Section 4: **Board Operations**

28. BOARD MANAGEMENT

28.1 Meetings

Regular meetings of the Board of Directors shall be held every month unless otherwise stipulated in the bylaws. Special meetings of the Board maybe called at any time by the Chairperson or upon written request of majority of the Board members.

The meeting shall be exclusive for the Board of Directors except when the presence of the Committee is required to provide more information on their report.

The Secretary in consultation with the Chairperson and Chief Executive Officer shall prepare the agenda of the Board meeting. The Chief Executive Officer should ensure that sufficient and appropriate background information is provided for each meeting agenda to aid the Board in making sound decision. Thus, any issue proposed during the meeting will be discussed only and no decision will be taken at the meeting. If necessary, the same issue will be included as agenda of the next meeting with sufficient information or study to support board's decision.

The meeting folder should be made available to the Board prior to the meeting. The Board should be given reasonable time to study the Board papers. The meeting may take one or maximum two hours if the Board receives sufficient information prior to the meeting. Individual Directors are expected to come to the meeting prepared. The Board can decide on what is the reasonable time for them to prepare i.e. 7 days or 5 days before the meeting.

| Sample – Board Meeting Agenda (Name of Credit Union) Board Meeting Agenda (Month Day, Year) (Location) (Planned Starting Time to Ending Time) | |
|--|--|
| Activity | Action |
| Roll Call - verifies that a quorum is present and note who is absent. | Chair declares Quorum |
| Minutes from previous meeting Matters arising from the minutes of the meeting | Discussion/Approval |
| Election of Officers and Appointments to Committees- <i>This item is on the agenda of the first board meeting after the annual membership meeting and any other time a vacancy must be filled.</i> | Approval Discussion/Approval |
| Reports: <ul style="list-style-type: none"> ▪ Chairman ▪ Treasurer ▪ Secretary ▪ CEO <i>In case reports contain recommendation that require board response at the same meeting, the proposed action should be included in Other Business. In such cases, the Chief Executive Officer should ensure that background information is included in the Board folder distributed in advance.</i> | Discussion/Approval Discussion/Approval Discussion/Approval Discussion/Approval |
| Committee Reports | Approval |
| Agenda Based on Operational Issues that relates to Policy Formulation | Approval |
| Other Business: Old and New - Announcements - letters, messages, and documents received by the credit union since the last meeting that deal with matters of interest or importance to the board. These communications may come from members, non-members, regulatory agencies or elsewhere. | Discussion/Approval/f or information |
| Evaluation of Meeting and Review of Actions from Meeting | |
| Adjourn | |

28.1.1 Guide to Effective Meetings

These basic guides in conducting effective meetings are described below.

Opening Meetings

1. Always start on time; this respects those who showed up on time and reminds late-comers that the scheduling is serious.
2. Welcome attendees and thank them for their time.
3. Review the agenda at the beginning of each meeting, giving Board a chance to understand all proposed major topics.
4. Note that a meeting recorder will take minutes. The Board should decide when the minutes will be circulated to the Board, example after five days or after 7 days. Give reasonable time for the meeting recorder to complete the minutes.
5. The Chair should show enthusiasm and high level of energy at the meeting. This will set the tone of the level of energy of other Board members.
6. Clarify role(s) in the meeting.

Establishing Ground Rules for Meetings

The Board should set basic ground rules that can be used in the meetings. These ground rules cultivate the basic ingredients needed for a successful meeting.

1. Four powerful ground rules are: participate, get focus, maintain momentum and reach closure. (You may want a ground rule about confidentiality.)
2. List your primary ground rules on the agenda.
3. If you have new attendees who are not used to your meetings, you might review *each* ground rule.
4. Keep the ground rules posted at all times.

Sample - Guide in Establishing Ground Rules for Effective Meetings

Although Robert's Rules of Order are the official "ground rules" for meetings, in all honesty many meetings are far less formal and have a faster flow with more interaction among attendees. However, a set of ground rules is still necessary, ones that facilitate discussion and not inhibit it. Of course, if meetings get "out of hand", then Robert's Rules would be the set of rules to revert to avoid or manage conflict.

Establishing Ground Rules

- **Group Generated:** The rules should be generated by the group so there is peer pressure to abide by them.
- **Written:** Write them down, so when other people attend the meetings they can be given a copy.
- **Meeting Times:** They should include meeting times such as the day of the week or month that they will take place, and the provision that the meeting will begin and end on time.
- **Timekeeper:** Define the method to control the start and end times – for example, appoint a time keeper.
- **On Track:** Define the method to keep discussion on topic – for example, make sure that the chair knows this is their responsibility, or set a limit on the amount of time any one person can speak. Appoint a timekeeper to keep track.
- **Respect:** Mutual respect should be a guiding principle, along with open sharing of information. For example: No one will withhold pertinent information. All ideas will be treated openly and with respect. No derogatory or negative phrases will be used.
- **Attendance:** There should be a rule for attendance (the bylaws of each credit union state that a Board member can be replaced if they miss two or three consecutive meetings, for example).
- **On-Time:** A rule for being on time unless with prior notice – for example, any person later than ten minutes after the start of the meeting will not be able to participate.
- **Conflict Resolution:** For example, all ideas will be treated with respect. In the event of a disagreement, there will either be a vote taken (if appropriate) or the conversation can take place "off-line" after the meeting.
- **Disruptions:** No cell phones, pagers or email during the meeting.
- **Participation:** Participants wanting to speak will raise their hand and wait to be called upon by the chair. Participants will stay on the agenda and wait to discuss other items until they are at the right place on the agenda.
- **Procedure:** The standard meeting procedure will remain the same: For example: acceptance of minutes from the previous meeting, review of agenda and agreement on time allotted for each point, consent agenda for reports, new items, meeting closure.
- **Decisions:** For example: Although debate is encouraged, once a decision has been reached, all board members will back this up. There will be an attempt to reach consensus on all issues.
- **Make it Fun:** For example: Boards are volunteers to gain experience and have fun. They should not lose sight of this objective, although humor will not be demeaning.

Robert's Rules of Order - Summary Version⁹

For Fair and Orderly Meetings & Conventions

Provides common rules and procedures for deliberation and debate in order to place the whole membership on the same footing and speaking the same language. The conduct of ALL business is controlled by the general will of the whole membership - the right of the deliberate majority to decide. Complementary is the right of at least a strong minority to require the majority to be deliberate - to act according to its considered judgment AFTER a full and fair "working through" of the issues involved. Robert's Rules provides for constructive and democratic meetings, to help, not hinder, the business of the assembly. Under no circumstances should "undue strictness" be allowed to intimidate members or limit full participation.

The fundamental right of deliberative assemblies requires all questions to be thoroughly discussed before taking action!

The assembly rules - they have the final say on everything!

Silence means consent!

- Obtain the floor (the right to speak) by being the first to stand when the person speaking has finished; state Mr./Madam Chairman. Raising your hand means nothing, and standing while another has the floor is out of order! Must be recognized by the Chair before speaking!
- Debate cannot begin until the Chair has stated the motion or resolution and asked "are you ready for the question?" If no one rises, the chair calls for the vote!
- Before the motion is stated by the Chair (the question) members may suggest modification of the motion; the mover can modify as he pleases, or even withdraw the motion without consent of the seconder; if mover modifies, the seconder can withdraw the second.
- The "immediately pending question" is the last question stated by the Chair! Motion/Resolution - Amendment - Motion to Postpone
- The member moving the "immediately pending question" is entitled to preference to the floor!

⁹Henry Martyn Robert was an engineering officer in the regular Army. Without warning he was asked to preside over a public meeting being held in a church in his community and realized that he did not know how. He tried anyway and his embarrassment was supreme. This event, which may seem familiar to many readers, left him determined never to attend another meeting until he knew something of parliamentary law. Ultimately, he discovered and studied the few books then available on the subject. From time to time, due to his military duties, he was transferred to various parts of the United States where he found virtual parliamentary anarchy since each member from a different part of the country had differing ideas of correct procedure. To bring order out of chaos he decided to write Robert's Rules of Order as it came to be called Robert's Rules of Order. <http://www.robertsrules.org/>

- No member can speak twice to the same issue until everyone else wishing to speak has spoken to it once!
- All remarks must be directed to the Chair. Remarks must be courteous in language and deportment - avoid all personalities, never allude to others by name or to motives!
- The agenda and all committee reports are merely recommendations! When presented to the assembly and the question is stated, debate begins and changes occur!

The Rules

- **Point of Privilege:** Pertains to noise, personal comfort, etc. - may interrupt only if necessary!
- **Parliamentary Inquiry:** Inquire as to the correct motion - to accomplish a desired result, or raise a point of order
- **Point of Information:** Generally applies to information desired from the speaker: "I should like to ask the (speaker) a question."
- **Orders of the Day (Agenda):** A call to adhere to the agenda (a deviation from the agenda requires Suspending the Rules)
- **Point of Order:** Infraction of the rules, or improper decorum in speaking. Must be raised immediately after the error is made
- **Main Motion:** Brings new business (the next item on the agenda) before the assembly
- **Divide the Question:** Divides a motion into two or more separate motions (must be able to stand on their own)
- **Consider by Paragraph:** Adoption of paper is held until all paragraphs are debated and amended and entire paper is satisfactory; after all paragraphs are considered, the entire paper is then open to amendment, and paragraphs may be further amended. Any Preamble can not be considered until debate on the body of the paper has ceased.
- **Amend:** Inserting or striking out words or paragraphs, or substituting whole paragraphs or resolutions
- **Withdraw/Modify Motion:** Applies only after question is stated; mover can accept an amendment without obtaining the floor
- **Commit /Refer/Recommit to Committee:** State the committee to receive the question or resolution; if no committee exists include size of committee desired and method of selecting the members (election or appointment).
- **Extend Debate:** Applies only to the immediately pending question; extends until a certain time or for a certain period of time
- **Limit Debate:** Closing debate at a certain time, or limiting to a certain period of time
- **Postpone to a Certain Time:** State the time the motion or agenda item will be resumed
- **Object to Consideration:** Objection must be stated before discussion or another motion is stated
- **Lay on the Table:** Temporarily suspends further consideration/action on pending question; may be made after motion to close debate has carried or is pending
- **Take from the Table:** Resumes consideration of item previously "laid on the table" - state the motion to take from the table
- **Reconsider:** Can be made only by one on the prevailing side who has changed position or view

- **Postpone Indefinitely:** Kills the question/resolution for this session - exception: the motion to reconsider can be made this session
- **Previous Question:** Closes debate if successful - may be moved to "**Close Debate**" if preferred
- **Informal Consideration:** Move that the assembly go into "**Committee of the Whole**" - informal debate as if in committee; this committee may limit number or length of speeches or close debate by other means by a 2/3 vote. All votes, however, are formal.
- **Appeal Decision of the Chair:** Appeal for the assembly to decide - must be made before other business is resumed; NOT debatable if relates to decorum, violation of rules or order of business
- **Suspend the Rules:** Allows a violation of the assembly's own rules (except Constitution); the object of the suspension must be specified

28.1.2 Evaluations of Meeting Process

Get the feedback of the Board during the meeting in order to improve the process right away. An overall evaluation of the meeting can be conducted before closing the meeting:

1. Leave 5-10 minutes at the end of the meeting to evaluate the meeting; don't skip this portion of the meeting.
2. Have each member rank the meeting from 1-5, with 5 as the highest, and have each member explain their ranking
3. Have the Chief Executive Officer rank the meeting last.

Sample Evaluation Form FOR A BETTER MEETING¹⁰

We need your ideas, suggestions and constructive criticisms in order to make next meeting better. Please be frank and tell us what you think.

1. Please indicate your overall impression of this meeting

| Poor | Fair | Satisfactory | Good | Excellent | | | | | |
|------|------|--------------|------|-----------|---|---|---|---|----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

2. Please indicate strong points (Give examples please):

3. What did you consider to be weak points (Give examples Please)?

4. Recommendations for improvement:

5. What other comments would you like to make?

¹⁰ Adopted from ACCU Board and AGM Meeting Evaluation Form

28.1.3 Closing Meetings

1. Always end the meeting on time and attempt to end on a positive note.
2. At the end of a meeting, review actions and assignments, and set the time for the next meeting and ask each person if they can make it or not (to get their commitment)
3. Clarify that meeting minutes and/or actions will be reported back to members in at most a week (this helps to keep momentum going).

28.2 Board Member Attendance

Carrying out the work of the Board of Directors effectively requires a commitment to attend all Board meetings as required. Board members who are absent, without excuse, from three consecutive meetings are automatically considered to have resigned their position. In the event such a member wishes to be reinstated, a letter of request must be sent to the Board; the Board shall then make a decision by motion regarding reinstatement as well as any terms associated with a decision to reinstate if such is the decision.

Sample Board Attendance Policy

| | | |
|--|--|--------------------------------|
| Credit Union Logo | Policy Manual of (name of Credit Union) | Policy code No. |
| Subject: Board Attendance | | Effective Date: |
| Issued By: | | Revised Date: |
| Approved By: Board of Directors | | Last Board Review Date: |

This policy is a sample that should be modified to suit the nature and needs of the credit union.

Purpose

This policy is intended to support full contribution of all board members. All board members receive a copy of this official policy. The policy is reviewed once a year and maintained in each member's Board Manual. The policy has been reviewed and authorized by the board (see signature and date below).

Definition of a Board Attendance Problem

A board-attendance problem occurs if any of the following conditions exist in regard to a board member's attendance to board meetings:

1. The member has two un-notified absences in a row ("un-notified" means the member did not call ahead to a reasonable contact in the organization before the upcoming meeting to indicate they would be gone from the upcoming meeting).

2. The member has three notified absences in a row.
3. The member misses one third of the total number of board meetings in a twelve-month period.

Sample Policy continued . . .

Suggested Response to a Board-Attendance Problem

If a board-attendance problem exists regarding a member, the Board Chair will promptly contact the member to discuss the problem. The member's response will promptly be shared by the Chair with the entire board at the next board meeting. In that meeting, the board will decide what actions to take regarding the board member's future membership on the board. If the board decides to terminate the board member's membership, termination will be conducted per this policy (or the process may be specified in the organization's bylaws). The board will promptly initiate a process to begin recruiting a new board member.

(For example, the termination process might include that the Board Chair will call the member with the board-attendance problem and notify him or her of the board's decision to terminate the member's membership per the terms of the Board Attendance Policy. The Chair will request a letter of resignation from the member to be received within the next two weeks. The Chair will also request the member to return their board manual back to the credit union by dropping it off at a specified location over the next two weeks. The board will vote regarding acceptance of the member's resignation letter in the next board meeting.)

Board Chair's Signature Indicating Board Authorization _____ Date _____
(Board Policy Last Revised: [insert date])

28.3 Board of Directors Meeting Minutes

Minutes are considered legal documents by the auditors, and courts, and they represent the actions of the board. There is no standardized level of content and format for board minutes. Therefore, sufficient information should be included to describe how board members reasonably came to reasonable decisions.

Include the name of the organization, date and time of meeting, who called it to order, who attended and if there a quorum, all motions made, any conflicts of interest or abstainments from voting, when the meeting ended and who developed the minutes.

The secretary of the board usually takes minutes during meetings. The Secretary prepares the first draft of the minutes within 7 days after the meeting. The first draft will be circulated to the Board members requesting them to comment on the draft minutes within 7 days. The draft minutes will then be finalized after getting inputs from the Board members.

Final minutes are distributed to board members five days before each meeting for member's review. Minutes for the previous meeting should be reviewed right away in the next meeting. Any changes should be amended to the minutes and a new version submitted before the next meeting where the new version is reviewed to be accepted. Minutes should be retained in a manual and shared with all board members.

28.4 Board Work Plan and Objectives

The Board will develop a plan and objectives for its own work in support of the credit union's goals as articulated in the approved Strategic Plan and the annual operating or business plan.

One of the best ways to ensure effective Board is through use of a work plan. The plan specifies the actions of the Board and activities to meet timelines. (Please refer to the Board Calendar which can help the Board in preparing their work plan on a particular activity).

Sample – Board Work Plan – Strategic Plan

| Actions | 2010 | | | | | | | | | | | | Milestone s |
|---|------|---|---|---|---|---|---|---|---|---|---|---|----------------|
| | J | F | M | A | M | J | J | A | S | O | N | D | |
| Develop Strategic Plan | | | | | | | | | | | | | |
| 1. recruit consultant help | | | | | | | | | | | | | |
| 2. planning with chief executive officer | | | | | | | | | | | | | |
| 3. draft first version of strategic plan | | | | | | | | | | | | | |
| 4. board review of plan | | | | | | | | | | | | | |
| 5. approval of plan | | | | | | | | | | | | | |
| Implement Strategic Plan Responsibility: Board | | | | | | | | | | | | | |
| 1. Reach strategic goal #1 | | | | | | | | | | | | | |
| 2. Reach strategic goal #2 | | | | | | | | | | | | | |
| 3. Reach strategic goal #3 | | | | | | | | | | | | | |
| 4. Reach strategic goal #4 | | | | | | | | | | | | | |
| 5. Celebration! | | | | | | | | | | | | | |

28.5 Conflict Resolution

Board members are commonly elected to bring diverse views on issues to board debates and decision-making. Constructive disagreements between board members are encouraged in a well-functioning board. They can generally be managed by following proper rules of procedure and

encouragement of good listening skills. However, in the heat of board debate, disagreements sometimes degenerate into serious conflict on issues or between personalities.

The Board Chair is responsible for managing such conflicts. A neutral board member or Mediation and Conciliation Committee should be selected if the Board Chair is a party to the conflict. It is important to identify early on whether the conflict is based on the immediate issue at hand or has deeper roots based on differences in personal values and history, personalities, personal or political agendas, gender or culture.

a) Managing Issues-Based Conflict

The following techniques are suggested to assist in managing issue-based conflicts:

1. Acknowledge the value and importance of divergent views in informing decision making.
2. Practice and encourage good listening skills, understanding and respect. Clarify the ground rules for effective communication: confidentiality of discussions, allowing others to have their say, listening to understand, group ownership of problems and solutions, focus on issues rather than personalities or personal attacks.
3. Assist the parties in defining the issue. State what you understand to be the substance of the issue and seek agreement between them on a clear definition of the issue. Name the problem!
4. Seek agreement on the objectives, outcomes or decisions sought by placing this item on the board agenda.
5. Assist the disputants to identify and expand points of agreement.
6. Assist them in identifying why this issue is important to them rather than encouraging more debate on who has the best solution/idea.
7. Ask each to 'step into the other's shoes' and 'role play' the debate from the other's perspective.
8. Paraphrase or summarize the discussions repeatedly until they've reached consensus on points of agreement and disagreement.
9. Encourage both parties and other board members to suggest new insights or compromises. Seek agreement on a compromise.
10. Re-state the favored solution. Check with both parties to see if it is acceptable and will allow them to resolve the matter.
11. Table the item to be dealt with after a 'cooling off' period either later in the meeting, at a future meeting of the board or privately with the parties outside a board meeting.

b) Building Positive Board Relationships

Building positive board relationships will enhance the team and contribute to the board's success.

1. Bring personal concerns to the attention of the Board Chair.
2. Demonstrate a willingness to listen to others.
3. Keep an open mind.
4. Disclose yourself to others in an open fashion.
5. Publicly support your colleagues.
6. Publicly support decisions of the board.
7. Adhere to a code of ethics that guides your behavior.
8. Base recommended action on the board's agreed-upon mission, as opposed to special interest.

20.5.3 Managing Personality-Based Conflict

The following techniques, in addition to those suggested for managing issue-based conflicts, are offered to assist in managing conflicts based on personality, personal or political agendas, or other more deeply rooted factors too time-consuming and disruptive to deal with during board meetings:

1. Do not waste valuable board time and energy in attempting to resolve such conflicts at the board table.
2. Meet with the parties individually outside the board meetings to express concern about the negative effect of their conflict on board deliberations, attempt to define the issues and seek a resolution of the conflict.
3. Meet with the parties together to determine whether an accord can be reached between them that will allow the board to function effectively with their continued membership.
4. Seek to mediate their conflicts.
5. In the event that such an accord cannot be reached then suggest that either or both parties consider resigning their positions as directors of the corporation.
6. Recommend disciplinary action to the board in the event that resignations are not forthcoming.

28.6 Board Yearly Calendar

The Boards meet their responsibilities usually by conducting certain major activities at certain times of the year. The bylaws specify when certain activities will be conducted.

Activities include, for example, conducting regular Board meetings (every month, two months, etc.), conducting the Board self-evaluation, evaluating the Chief Executive Officer, reviewing and updating Board and personnel policies, conducting strategic planning, holding an annual general meeting, reviewing and authorizing the yearly budget. The following sample Board Operations Calendar lists typical recurring activities of the Board and suggests the timing for these activities.

Sample Board Operations Calendar

The following calendar can be reviewed by a credit union to modify according to their needs. The following calendar should be updated yearly and provided to each board member. In consultation with the Board, the Chief Executive Officer prepares the Board Operations Calendar.

NOTE #1: There are certain one-time activities that the board should conduct during the startup of the organization. When forming a new credit union or federation, the Board typically has several specific activities they must conduct, including meeting to:

1. Approve the mission statement (may include vision and values statements, as well)
2. Approve Articles of Incorporation (or whatever charter document is required in your state)
3. Approve Bylaws (these are not always required in every state; you should strongly consider having them anyway)
4. Select officers in the Board (usually including the president or chair, vice president or vice chair, secretary and treasurer)
5. Approve strategic plan and yearly budget.

NOTE #2: There are also certain activities that recur in each regular board meeting. Regular board meetings might be held once a month, every two months, once every three months, etc. (according to bylaws).

NOTE #3: The timing for each of the following activities should be relative to the timing of the beginning of the fiscal year. In the following sample table, the fiscal year begins January 1.

Sample Board Operations Calendar

| Actions | 2010 | | | | | | | | | | | | Milestones |
|--|------|---|---|---|---|---|---|---|---|---|---|---|------------|
| | J | F | M | A | M | J | J | A | S | O | N | D | |
| Conduct Self-Evaluation and overall board evaluation (done once a year in preparation for the first Board retreat – there are 2 once a year) | | X | | | | | | | | | | | |
| Evaluate the Chief Executive Officer (by comparing his or her progress toward last fiscal year's goals and his or her job description) | | X | | | | | | | | | | | |
| Elect new board members at the Annual General Meeting (90 days after the end of the fiscal year or calendar year) | | | X | | | | | | | | | | |
| Conduct first board retreat (address board self-evaluation and overall board results, orientation for new board, team building, begin strategic planning) | | | X | X | | | | | | | | | |
| Conduct strategic planning to produce organizational goals and resources needed to reach the goals. (refer to work plan for the details of Strategic Plan development) | | | | | | X | X | | | | | | |
| Review and update Board policies and personnel policies | | | | | | X | X | X | | | | | |
| Establish Chief Executive Officers goals for next year based on the Strategic Plan | | | | | | | | X | | | | | |
| Draft next year's budget based on the strategic plan | | | | | | | | X | | | | | |
| Conduct second board retreat that address board orientation/training, re-organize or form new committees based on the goals from strategic plan, develop work plans, update board operations calendar, review the planning status, etc.) | | | | | | | | | X | X | | | |
| Regular Board meetings | X | X | X | X | X | X | X | X | X | X | X | X | |

28.7 Board Member Expenses

- a) The directors shall not receive any compensation except for reasonable per diems. Provided, however, that the directors and officers shall not be entitled to any per diem when, in the preceding calendar year, the credit union reported a net loss or had a dividend rate less than the official inflation rate for the same year. Any compensation other than per diems may be granted to directors by a majority vote of the members with voting rights at a regular or special general assembly meeting specifically called for the purpose. Provided, that no additional compensation other than per diems shall be paid during the first year of existence of any credit union.
- b) Based on the policy of the credit union on expenses, board members and committees are entitled for reimbursement of expenses incurred in carrying out official business for the credit union.
- c) All Board member expenses must be documented on a Board Member Expense form and be authorized by the Treasurer; the Chair shall authorize the Treasurer's Expense forms.
- d) The Treasurer is responsible to recommend, to the Board, appropriate rates of reimbursement for Board member expenses.

29. BOARD DECISION MAKING

29.1 Decision-Making Process

Decisions of the Board are made as a group at Board meetings at which a quorum of the Board (51%) is present. A quorum is required for the transaction of any business of the credit union. Decisions will ideally be made through a consensus development process leading to a formal vote to record the decision. This process is intended to encourage full discussion and development of a decision that all or at least the largest possible majority of, board members can support, prior to a vote. Where disagreements continue to exist, dissenting members may request that their objections be recorded in the minutes. A favorable vote of a majority of the members present, regardless of abstentions, is required for approval.

Directors have the right to discuss questions before the board and make their decisions in an uninhibited atmosphere. These Governance Policies, the Code of Conduct and procedural guidelines will govern Board deliberations. Directors will welcome and respect the diverse views of their colleagues, maintain confidentiality as required and support Board decisions

a) Board decision-making model

The following decision-making model can help Board in making effective and sound decision for the credit union:

1. Define the problem
2. Gather information
3. Get a second opinion - depending on the issue you are addressing
4. Forecast consequences - what will be the consequences of each alternative?
5. Check proposed decisions against mission, values, goals and strategic plan.
6. Decide, determine, settle, conclude and resolve.

b) Basic problem solving

The following guide for basic problem solving can be observed by the Board:

1. Gather the facts
2. Define the problem (90% of the solution of any problem lies in its proper definition)
3. Get the options
4. Get the Chief Executive Officer's preferred alternative
5. Get the members input
6. Do you own thinking
7. Weigh each other's viewpoints
8. Keep the members' welfare number one
9. Retain sense of humor
10. Never lose calmness

c) In Camera Meetings

In camera is a legal term meaning "**in private**". The Board may conduct an in camera meetings in certain cases where the agenda is sensitive and should be strictly confidential. In camera sessions, also known as **executive session** which are a common point of order during board meetings, where information is provided that is not reflected in the minutes, and not available to the public. Some topics that may be discussed during *in camera* sessions include personnel decisions, financial decisions that must be kept secret (for example, where a credit union is contemplating purchasing land but does not yet want competitors or the public to know about this strategy) or other sensitive issues related to the credit union.

The following items may be considered in-camera upon an approved motion of the Board:

1. Personal matters about an identifiable individual (i.e. Board and CEO)
2. Acquisition or sale of land
3. Labor relations or employee negotiations
4. Litigation or potential litigation
5. Matters of personal conflict between members of the Board as outlined in this governance policy
6. Any other matters which, the public discussion thereof, the Board, by a two-thirds (2/3) majority vote, determines would be prejudicial to the interests of the credit union or its members.

30. BOARD RESPONSIBILITIES

30.1 Planning

One of the most important responsibilities of a Board of Directors is to provide general guidance and direction for an organization. A comprehensive framework for planning, setting priorities, management and budgeting is essential to effective and responsible organizational stewardship. Good planning results in better communication and a better understanding of how various parts of an organization work together to produce desired results.

a) Strategic Plan

The Board of Directors, with the assistance of management and in consultation with key stakeholders, establishes the credit union's overall direction through the development and approval of a Strategic Plan.

Strategic plan is the product of the credit union's examination of SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) PEST analysis (Political, Economic, Social, and Technological) or STEER analysis involving Socio-cultural, Technological, Economic, Ecological, and Regulatory factors and EPISTEL (Environment, Political, Informatics, Social, Technological, Economic and Legal).

The Board defines the credit union's strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Strategic planning is the formal consideration of an organization's future course. All strategic planning deals with at least one of three key questions:

1. "What do we do?"
2. "For whom do we do it?"
3. "How do we excel?"

Sample Strategic Planning Format

1. INTRODUCTION

1.1 Background and organizational profile

2. ORGANIZATION STATEMENTS

2.1 Vision

2.2 Mission

2.3 Core Values

3. ASSESSING THE SITUATION

3.1 Introduction

3.2 Review of Past Performance

3.3 Strengths, Weaknesses, Opportunities and Threats Analysis

3.4 Critical Issues

4. STRATEGIES, GOALS AND OBJECTIVES

4.1 Approaches to be taken (Strategies)

4.2 General and specific results (Goals and Objectives)

5. IMPLEMENTATION STRATEGY

5.1 Implementation of the strategies

5.2 Action Planning (activities, budget & financing etc.)

b) Annual Operating Plan

An operational plan is derived from the strategic plan, and is a detailed action plan to accomplish the objectives of the credit union. The operational plan describes:

- Short-term business strategies
- How a strategic plan will be put into operation
- The basis for, and justification of, an annual operating budget

The plan becomes the focus of work throughout the organization over the next twelve-month period. The credit union's annual operating plan will be the basis of its yearly budget containing revenues and expenditure forecasts related to plan volumes of service.

This plan will contain more specific objectives than contained in the Strategic Plan; expected results for each objective; the time period during which those results will be sought; and, criteria for measuring the achievement of those results. The annual operating plan, together with service statistics and budget forecasts are presented to the Board for review, amendment and approval.

Sample Contents of the Annual Operational Plan

| AREAS | DETAILS |
|-------------------------------|--|
| Major Goal | As per the strategic plan |
| Key Results Areas | As per the strategic plan |
| Strategy | As per the strategic plan |
| Actions | With a time frame of one year |
| Key Results Indicators (KRIs) | Each KRA will have one or more KRI(s) that will provide a clear measure of performance. The KRI will provide both motivation and accountability to the activity that result from the plan. |
| Responsibility | Who is going to do it? |
| Timeline | By when must it be completed? |
| Resources | What do you need to achieve the task? |
| Budget | What will it cost? |
| Outcome | What is the measure of successful completion? |

c) Planning Cycle

The development and approval of the Strategic Plan takes place in a three to five-year cycle with progress monitored regularly against targets set in the annual Operating Plan and Budget. Performance against interim targets is monitored each quarter of the fiscal year. The third quarter review begins a thorough analysis of performance and produces projections of the expected year-end results. Preliminary planning for the coming year's operating goals takes place at the end of the third quarter and is completed late in the fourth quarter with refinements based on actual prior year results concluding in the first quarter. Service targets and forecasts of financial resources and constraints enter into the final preparation of the coming year's budget.

30.2 Financial Stewardship

The Board of Directors is responsible for maintaining the integrity and accountability of the organization, the Board has a primary role in ensuring the financial health of the organization. In its role as the representative of the public's interests, the Board must ensure that the credit union is using its funds efficiently, in compliance with prudential standards, and towards the pursuit of the credit union's goals.

The Board is responsible to review and approve the annual operating and capital budgets; secure adequate financial resources; ensure development of financial management and inventory control systems adequate to properly record financial transactions and control of assets; monitor efficient use of resources; and, ensure the establishment of proper financial controls and policies.

All members of the Board should review periodic financial statements. These statements can be made available as frequently as monthly as but not less than quarterly. Board Members should receive these statements in advance of Board meetings and should be offered the opportunity to ask questions and have them answered at each meeting. The Board Treasurer may work with the Staff to develop the format for these reports in accordance with the International Financial Reporting Standards (IFRS) or accounting standards of the country. At a minimum, the reports should compare year-to-date expenditures with the annual budget in order to show the Board its current financial standing relative to its annual estimates. Financial reports may also include copies of bank statements to give more information about the status of specific accounts.

As the credit union grows, new financial policies may be necessary to protect the increasing assets of the organization. Boards and Staff may discover that the current financial policies no longer make sense for the credit union or that better practices can be instituted. For these reasons, financial policies and procedures should be assessed periodically and revised as needed. The entire Board does not need to be involved in the tediousness of these revisions; rather, the finance committee and relevant Staff can propose changes that the entire Board may discuss and amend as needed. The entire Board (or majority necessary to pass policies) must approve the policies for them to be officially changed.

The following areas should be covered by the finance policy:

- Segregation of financial duties
- Receiving cash
- Cash deposits
- Bank reconciliations

- Authorization of cash disbursements
- Check signing
- Personnel authorization (hiring, changes in employment, time sheets)
- Payroll preparation
- Collection and recording members accounts and receivables
- Petty cash fund
- Recording of payables
- Purchase and disposal of assets

30.3 Human Resources Stewardship

The Board is responsible for ensuring the establishment of personnel policies to govern the management of staff and volunteer resources; recruiting, supporting and evaluating the performance of the Chief Executive Officer; providing for staff compensation structure; succession planning to ensure smooth transition in both board and senior staff positions; and, monitoring compliance with legislative and regulatory requirements.

30.4 Performance Monitoring and Accountability

The Board is responsible for ensuring that adequate systems are in place for monitoring organizational performance; monitoring the general performance of the organization against legislative and regulatory requirements and approved objectives of the organization; and reporting to members and other key stakeholders.

30.5 Risk Management

The Board is responsible to ensure that by-laws are current; that governance practices are consistent with the by-laws; adequate insurance provisions are in place to protect the organization and board from potential liabilities; resources are sufficient to minimize risk to employees and volunteers; compliance with statutory and regulatory requirements; that policies are respected in actual practice; and, adequate contingency plans are in place to protect against reasonably anticipated crises.

Specific Responsibilities of the Board:

1. To annually decide the extent of risk that the credit union is willing to accept and to communicate that to the Senior Management Team. To re-assess the appropriateness of that decision every quarter.
2. To advise on and approve the Risk Management strategy
3. To consider internal and external reports on risk management performance against established risk assessments and internal controls
4. To review, discuss and endorse the 'Top 10 investment risks' list every quarter. It could be in loans and investments in the financial market.
5. To mandate an annual review by the internal auditors on the effectiveness of the risk management procedures.
6. To understand the strategic risks the credit union faces and be aware of how these risks are being managed:
 - Governance
 - Employees

- Strategic Direction
- Physical – properties and equipment
- Financial (Balance Sheet)
- Operations
- Environment

30.6 Community Representation and Advocacy

The function of public relations is to assist the credit union in achieving its goals and objectives through the development and execution of programs designed to earn public understanding and support. The Board is responsible to represent the organization positively to the community; to fairly represent community perspectives to the credit union; to ensure community input to its planning; and, to advocate for adequate resources to fulfill the credit union mandate.

Authority to speak on behalf of the credit union shall rest with the Chair and/or the Chief Executive Officer. This authority may be delegated by either of them to others in the credit union within their special fields of competence or knowledge.

In general, the Chair will represent the credit union on matters of Board policy and the Chief Executive Officer will represent the credit union on operational issues. Either may represent the credit union on issues related to advocacy on behalf of the mission of the credit union. Any major statements of an advocacy nature must be consistent with the general parameters of Board approved policies or positions. This is not intended to inhibit expression of personal or professional opinions but care should be taken by individual directors to distinguish these from positions of the credit union.

30.7 Legal Compliance and Legal

The board should ensure that a compliance program in the credit union is playing a significant role in both strategic plans and product development. Compliance should not be something that is retro-fitted to products, reorganization, and similar decisions. It should be a part of the design and decision-making process. The board should review and adjust the compliance program at least annually. The compliance program should also be flexible enough to adapt quickly to changes as they occur. This flexibility includes the ability to reallocate resources throughout the year as needs change.

Sample - Legal Survival Kit

| Statutes | Yes | No |
|--|------------|-----------|
| Know the extent of director's duties & responsibilities under: | | |
| 1. Common Law | | |
| a. Truth in Lending | | |
| b. Customer Protection Law | | |
| c. Income Taxation-Withholding Taxes on Employees and Services Contracted | | |
| d. Trade Practices Act (Permit) | | |
| e. Environmental Protection Act (Permit) | | |
| f. Workplace Health and Safety Acts (Permits) | | |
| g. Labor Law: Minimum wage and required staff benefits and "Equal Employment Opportunity" | | |
| h. Banking Laws | | |
| 2. Accounting Standards | | |
| a. Management Assertions on the Financial Statements (Existence or Occurrence, Completeness, Valuation or allocation, rights & obligation and Presentation & Disclosure) | | |
| b. Sufficient and appropriate internal controls adopted within the organization | | |
| c. Annual Financial Audit | | |
| d. Declaration of Interests or conflict of interests to the Board | | |
| Rules | | |
| Have knowledge and understanding of the Credit Union's rules and ensure where possible that they are modernized and written. | | |
| Systems | | |
| 1. Obtain the Financial Statements of the Credit Union on a regular basis. You should understand these financial report, even if this involves the seeking of professional assistance. | | |
| 2. Obtain key financial data including: | | |
| a. Cash Flow | | |
| b. Quality and Aging of Receivables | | |
| c. Cash on Hand | | |
| d. Inventory | | |
| e. Receivables | | |
| f. Creditors | | |
| g. dates for repayment of substantial borrowings | | |
| Accounts | | |
| Ensuring that the monthly and annual accounts are accompanied by a written statement from management covering all matters to the accounts including: | | |
| a. Adequacy of provisions for loans delinquent | | |
| b. Notes to some material Balance Sheet items | | |
| c. Material uncertainties that would mean losses for the organization | | |
| d. Accounts in Litigation | | |

| | | |
|-------------------|--|--|
| e. Labor disputes | | |
|-------------------|--|--|

| Statutes | Yes | No |
|--|------------|-----------|
| Ensure that from time to time the Credit Union's property and plan are valued and properly insured. | | |
| Meetings | | |
| 1. Ensure that the Board meets regularly, is properly informed and has time for consideration before major decisions are taken. | | |
| 2. If decisions have to be made on the run (as commercial realities will sometimes dictate) ensure that the surrounding circumstances are properly recorded. Telephone meetings have their place but must be treated cautiously. | | |
| Relationships with Auditors | | |
| Ensure that the Board has free and regular communication with external auditors and be mindful of the relationship between management and auditor. | | |
| Audit Committee | | |
| 1. Under the Cooperative Act, it is mandatory that all credit unions establish an Audit/Supervisory Committee and to develop clear guidelines for its operation, including its role, terms of reference, responsibilities and method of operation. | | |
| 2. The committee has an oversight function in the financial reporting and auditing process and formulation and periodic review of the disaster recovery plan. | | |
| 3. The main objectives of an appropriately established and effective Audit/Supervisory Committee include enhancing the credibility and objectivity of financial reporting and assisting the Board to discharge its responsibilities. | | |
| 4. The committee report regularly to the Board on developments and findings and make recommendations on specific courses of action deemed necessary. | | |
| Lawyers | | |
| When in doubt seek proper and sensible advice from competent lawyers who have an understanding of the business environment. It will be much easier that a Director was engaged in honest informed risk taking if it was based on sound legal advice. | | |
| Be conscious that advice given by Credit Union lawyers may have implications for members of the Board as individuals. The Board may need to receive their own advice from an independent firm. | | |
| Personal Records | | |
| Ensure that you retain in your personal records: | | |
| 1. All information that may be relevant to an action against you if a board decision goes wrong. | | |
| 2. diary notes of discussions with management | | |
| 3. review notes and any private research carried out | | |
| Commonsense | | |
| Have a commonsense to evaluate business decisions in a rational way with the emphasis on a risk/benefit analysis. To have this ability, as a rule, need | | |

| | | |
|---|--|--|
| to have practiced losing their own money first before embarking on a course of investment supervision for others. | | |
|---|--|--|

Some Legal Considerations for Board Members

When considering legal protection for directors and the organization, the following should be considered:

1. Directors cannot hand over their responsibility to be in charge and to direct.
2. Directors must make certain the credit union is operating within a legal framework.
3. Directors have a legal responsibility for the protection of all assets.
4. Directors must validate all major contracts by giving and recording formal approval.
5. Directors must attend most board meetings, not just on occasion. Absence from a board meeting does not release the director from responsibility for decisions made. A pattern of absence may indeed be presumed to *increase* an individual's liability because she/he cannot demonstrate a serious dedication to the obligations of the position.
6. There is no absolute protection against someone bringing suit against the Board. Conscientious performance is the standard. The best defense is a good offense: strive hard to do everything right and be able to show that you tried hard, and then you are much more likely to be OK.
7. **Remember:** The assumption in the law is not necessarily that the Board must make the correct decision, but that the Board must make the decision correctly. (It helps greatly to be able to show that the board made serious consideration of an action before the action was taken. Board minutes should reflect this concern taken.) It is not a crime to be wrong, but ask the right questions and respond as another reasonable individual would in that situation? - Board members are more at risk for taking no action than for taking the wrong action for the right reasons.
8. While the Board have the right to rely on information supplied to you in due form, and on the accuracy and integrity of others (particularly in areas of special competence) you must use reasonable judgment in this area, too.
9. If it smells fishy, find out where it has been swimming -- and how long it has been dead.

30.8 Management of Critical Transitional Phases

The Board is responsible for management of critical transitional phases and events. These include turnover in key positions in the board and senior management; rapid growth or decline in resources; labor relations disputes; and, issues of significant public controversy.

30.9 Complaint Review

Board members do not generally have direct contact with members. Where a member makes direct contact with a Board member for assistance in the resolution of specific service issues, the Board member should refer the member to the Chief Executive Officer.

A Board member may not interfere in the handling of a specific case by approaching individual staff members. Concerns about the management of a case should be conveyed to the Chief Executive Officer. The CEO may inform the concerned Board member about the action taken in the case or authorize a manager to communicate the information directly to the Board member.

The identity of member is otherwise confidential to the staff involved in the provision of services. Member names and identifying personal information will be withheld when case information is presented to the Board or a committee for orientation or illustrative purposes.

The Board responsibility for hearing member complaints on appeal from a decision of the CEO is an exception to these general principles. Service providers and supervisory staff shall initially respond to members complaints about the nature or quality of services provided by the credit union. The member shall be provided with an opportunity to appeal their decisions to the Chief Executive Officer. The member shall also be provided with an opportunity to appeal a decision of the CEO.

Section 5:
Evaluation of Board Performance

31. BOARD PERFORMANCE EVALUATION

Board evaluations are an essential process used to appraise the valuable contributions by the board of directors to the credit union's success. By assessing the operations of a board, it is provided it with a job performance evaluation. Assessments can focus on the work of the board, the contributions of the individual directors, or the board's processes.

Similar to job performance evaluations used to assess the performance of the staff, evaluations of the work of the board consider both the means and the outcomes of its work. They are a review of the results of the board's set of goals and the processes used to reach them.

Board evaluations lead to motivation of the board. Both the process and the results of the evaluation recognize the board's achievements. Regular evaluation of the board can also reinforce the importance of the board's role within the credit union. Many boards can encounter trying periods and can be led off the path to their goals. Regular evaluation keeps the board on track.

Additionally, board performance evaluations can highlight opportunities for improvement within the board's processes and assist with establishing new goals. If a board is unaware of some areas of concern, it cannot have the opportunity to address them.

Therefore, conducting these evaluations on a regular basis will foster a forward-momentum in the board's work. Areas identified for development can also assist the nominating committee with its recruitment strategy. These assessments can also reinforce to the organization the board's accountability to its vision, commitment to the stakeholders, and responsibility for its resources.

The following table can be used by all board members and the chief executive to get an impression of how well the board is doing. The table is a rather basic form for board evaluation. But, if the evaluation is conducted wholeheartedly, the form should indicate how the board is generally doing in conducting its role.

Each member of the Board should complete the form about four weeks before a board retreat. Members attach suggestions about how the board could get higher ratings for any or all of the following 14 considerations.

Board Development and Performance Evaluation

Directors Self-Evaluation Form

| 1-Poor | 2-Needs Improvement | 3-Average | 4-Very Good | 5-Excellent |
|---|--|---|--|---|
| <i>I consistently do not meet the desired levels of performance in this area.</i> | <i>I regularly do not meet the desired levels of performance in this area.</i> | <i>I generally meet the desired levels of performance, occasionally do not meet them, but occasionally exceed them.</i> | <i>I meet the desired levels of performance, seldom do not meet them and frequently exceed them.</i> | <i>I consistently exceed the desired levels of performance.</i> |

| | Circle One | | | | |
|---|------------|---|---|---|---|
| A. Decision Making | | | | | |
| 1. I have a good understanding of the aims and objectives of the Credit Union. | 1 | 2 | 3 | 4 | 5 |
| 2. I contribute toward the development and refinement of the aims and objectives of the Credit Union. | 1 | 2 | 3 | 4 | 5 |
| 3. I understand that the Board of Directors is the final authority in the Credit Union, and respect management's right to act without interference within guidelines set by the Board. | 1 | 2 | 3 | 4 | 5 |
| 4. While I do not infringe on management rights, I am also aware of the rights of the board and do not allow management to infringe on the board's areas of responsibility. | 1 | 2 | 3 | 4 | 5 |
| 5. I realize that, except when I am functioning as part of the board or a committee at a duly called meeting, I have no more authority than any other member. | 1 | 2 | 3 | 4 | 5 |
| 6. I ask discerning questions during the meetings relative to the reports being tabled. | 1 | 2 | 3 | 4 | 5 |
| 7. I am aware of the key issues facing the Credit Union today and am trying to search for and anticipate the key issues for the future. | 1 | 2 | 3 | 4 | 5 |
| 8. I understand my individual and joint responsibilities as a director and the legal consequences of being the ultimate authority in the Credit Union. | 1 | 2 | 3 | 4 | 5 |
| 9. I appreciate the future implications of current decisions and the implications on the organization of a lack of proper decisions. I have an anticipatory attitude towards decision-making. | 1 | 2 | 3 | 4 | 5 |
| B. Advisory Function | | | | | |
| 10. I understand the difference between board and management responsibilities. | 1 | 2 | 3 | 4 | 5 |
| 11. In the performance of the board's advisory function, I understand that it is management's prerogative to accept or modify the advice it receives from the board. | 1 | 2 | 3 | 4 | 5 |
| 12. I maintain contact with members in order to give representation to | 1 | 2 | 3 | 4 | 5 |

their concerns and needs.

| C. Trustee Functions | | | | | |
|--|---|---|---|---|---|
| 13. I have a good understanding of the regulations and bylaws governing the operation of the credit union so that I can determine if the business is operating within these guidelines. | 1 | 2 | 3 | 4 | 5 |
| 14. I have a good understanding (interpret & analyze) of the regular financial reports (Balance Sheet and Statement of Operations). | 1 | 2 | 3 | 4 | 5 |
| 15. I have good understanding of our Credit Union's position in respect to the key financial indicators of liquidity, profitability, and equity and risk exposure. | 1 | 2 | 3 | 4 | 5 |
| 16. I actively participate in the evaluation of past performance of the board and the general manager based on predetermined standards in the key areas and in planning future goals. | 1 | 2 | 3 | 4 | 5 |
| 17. I allocate sufficient time to my role as director. I am well prepared for meetings. Materials provided to me in advance of a meeting are reviewed by me and questions noted in advance. | 1 | 2 | 3 | 4 | 5 |
| 18. I understand the majority of the reports received for Credit Union evaluation, and know how to analyze them. | 1 | 2 | 3 | 4 | 5 |
| 19. I clearly separate my personal interests from my responsibilities as a director. | 1 | 2 | 3 | 4 | 5 |
| 20. I try to influence decisions for the benefit of the members, as opposed to my own benefit. | 1 | 2 | 3 | 4 | 5 |
| 21. I am willing to contribute my personal time to achieve the competence required of an active director. | 1 | 2 | 3 | 4 | 5 |
| D. Participation Function | | | | | |
| 22. I participate openly at meetings by asking appropriate questions and offering constructive comments. | 1 | 2 | 3 | 4 | 5 |
| 23. I recognize the different talents of fellow board members, and try to develop spirit of unity on the board. I appreciate the benefit of diverse opinions. | 1 | 2 | 3 | 4 | 5 |
| 24. My attendance is regular and punctual | 1 | 2 | 3 | 4 | 5 |
| 25. I am prepared to stand alone if necessary in order to bring issues to the attention of fellow board members. | 1 | 2 | 3 | 4 | 5 |
| 26. I participate in the perpetuation of a sound, effective board of directors. I contact prospective nominees, discuss this with members on ongoing basis, and help identify the needs of the organization. | 1 | 2 | 3 | 4 | 5 |
| 27. I maintain board solidarity. I do not disclose aggravate board differences. I support board decisions even if I was opposed at the board discussion level. I do not actively oppose board decisions or undermine board activities. | 1 | 2 | 3 | 4 | 5 |
| 28. As a director, I realize that I am part of a team and willing to forego my personal goals to support team goals, which have been established through full participation of the board. | 1 | 2 | 3 | 4 | 5 |
| 29. I communicate well with other directors and members of management. | 1 | 2 | 3 | 4 | 5 |

| | | | | | |
|---|---|---|---|---|---|
| 30. As a director I stay attuned to activities and changes within the organization including those at the central level. | 1 | 2 | 3 | 4 | 5 |
| 31. I am prepared to participate in district regional level and provincial meetings. | 1 | 2 | 3 | 4 | 5 |
| 32. I have a good understanding of the democratic control structure of the credit union system and allocate time for participation in this structure. | 1 | 2 | 3 | 4 | 5 |
| E. Symbolic Function | | | | | |
| 33. I contribute towards people's confidence in the Credit Union by keeping my financial affairs in order (e.g. I am not in arrears or in breach of any loan agreement; I am a member in good standing; I have not had any problems with overdrafts). | 1 | 2 | 3 | 4 | 5 |
| 34. I personally support the business of the Credit Union | 1 | 2 | 3 | 4 | 5 |
| 35. I treat the confidential business of the Credit Union in strict confidence. | 1 | 2 | 3 | 4 | 5 |
| F. Professional and Ethical Conducts | | | | | |
| 36. I faithfully abide the Bylaws and policies of the credit union | 1 | 2 | 3 | 4 | 5 |
| 37. I exercise reasonable care, good faith and due diligence in the credit union affairs. | | | | | |
| 38. I fully disclose, at the earliest opportunity, information that may result in a perceived for or actual conflict of interest. | 1 | 2 | 3 | 4 | 5 |
| 39. I fully disclose, at the earliest opportunity, information of fact that would have significance for prudent decision-making. | 1 | 2 | 3 | 4 | 5 |
| 40. I remain accountable for prudent fiscal management to members, the board, and public, government and stakeholders. | 1 | 2 | 3 | 4 | 5 |
| 41. I maintain a professional level of courtesy, respect and objectivity in all the credit union activities. | 1 | 2 | 3 | 4 | 5 |
| 42. I strive to uphold those practices and assist other members of the board in upholding the highest standards of conduct. | 1 | 2 | 3 | 4 | 5 |
| 43. I exercise the powers vested for the good of all members of the credit union rather than for personal benefit. | 1 | 2 | 3 | 4 | 5 |
| 44. I ensure the right of all members to appropriate and effective services without discrimination based on geography, political, religious, or socio-economical characteristics of the region represented. | 1 | 2 | 3 | 4 | 5 |
| 45. I ensure the right of all members to appropriate and effective services without discrimination based on staff make-up in respect to gender, sexual orientation, national origin, race, religion, age, political affiliation or disability, in accordance with all applicable legal and regulatory requirements. | 1 | 2 | 3 | 4 | 5 |
| 46. I respect the confidentiality of sensitive information known due to board service. | 1 | 2 | 3 | 4 | 5 |
| 47. I respect the diversity of opinions as expressed or acted upon by the credit union board, committees and membership, and formally register dissent as appropriate. | 1 | 2 | 3 | 4 | 5 |
| 48. I promote collaboration, cooperation and partnership among the | 1 | 2 | 3 | 4 | 5 |

credit union members.

Development Plan for Scores Lower than 3:

Area Identified: _____

Development Plan: _____

Area Identified: _____

Development Plan: _____

Area Identified: _____

Development Plan: _____

Board Performance Evaluation Form

The performance-rating key, which appears below, is fairly self-explanatory. Please choose the response, which you feel most appropriately, describes the performance of the board.

| 1-Poor | 2-Needs Improvement | 3-Average | 4-Very Good | 5-Excellent | | | |
|--|--|---|--|---|---|---|---|
| <i>Consistently do not meet the desired levels of performance.</i> | <i>Regularly does not meet the desired levels of performance.</i> | <i>Meets the desired levels of performance, occasionally does not meet them, but occasionally exceeds them.</i> | <i>Meets the desired levels of performance, seldom does not meet them and frequently exceeds them.</i> | <i>Consistently exceed the desired levels of performance.</i> | | | |
| | | | Circle one | | | | |
| 1. | Meeting agendas reflect the interest and inputs of board and management. | | 1 | 2 | 3 | 4 | 5 |
| 2. | The management reports, proposals and presentations received by the board are timely and provide the information required to make sound decisions. | | 1 | 2 | 3 | 4 | 5 |
| 3. | Reports, proposals, and presentations of committees or representatives of the board are timely and provide the information required to make sound decisions. | | 1 | 2 | 3 | 4 | 5 |
| 4. | Adequate reference materials are available to the board to assist in board orientation, training and decision-making. | | 1 | 2 | 3 | 4 | 5 |
| 5. | An attendance record indicates high level of participation by the board and committees. | | 1 | 2 | 3 | 4 | 5 |
| 6. | The board acts as a cohesive group. It is not dominated by a small group of directors. | | 1 | 2 | 3 | 4 | 5 |
| 7. | Board members use parliamentary procedure to facilitate discussion and decision-making. | | 1 | 2 | 3 | 4 | 5 |
| 8. | The Chairman | | | | | | |
| | a) keeps order and enforces rules of procedures adequately; | | 1 | 2 | 3 | 4 | 5 |
| | b) ensures the participation of all directors; | | 1 | 2 | 3 | 4 | 5 |
| | c) is aware of the items coming up on the agenda and their implications and communicates this to the other directors adequately; and | | 1 | 2 | 3 | 4 | 5 |
| | d) maintains a healthy level of communication/counseling with General Manager | | 1 | 2 | 3 | 4 | 5 |

| | | Circle one | | | | |
|-----|---|------------|---|---|---|---|
| 9. | The board maintains a climate of freedom of expression. | 1 | 2 | 3 | 4 | 5 |
| 10. | The board operates in an atmosphere of trust and caring, which encourages freedom of expression and harmonizing differences. | 1 | 2 | 3 | 4 | 5 |
| 11. | The board has an anticipatory attitude. It shows leadership by bringing issues to light. It plays an active versus passive role. | 1 | 2 | 3 | 4 | 5 |
| 12. | The board is aware of the distinction between the board's roles and responsibilities and those of management and plays an active role in board-management team building. | 1 | 2 | 3 | 4 | 5 |
| 13. | The board is well enough informed to understand the reports presented. | 1 | 2 | 3 | 4 | 5 |
| 14. | The board projects an image of competence and responsibility, contributing towards people's confidence in credit union. | 1 | 2 | 3 | 4 | 5 |
| 15. | The board does not avoid its responsibility to make decisions in a timely manner. | 1 | 2 | 3 | 4 | 5 |
| 16. | The board follows the principle of self-governance. Its actions are not unduly influenced by the personal feelings or interests of individual directors. | 1 | 2 | 3 | 4 | 5 |
| 17. | There is a healthy level of communication/counseling with the General Manager. | 1 | 2 | 3 | 4 | 5 |
| 18. | The board participates in the operation and control of the national federation/league and other related organizations. | 1 | 2 | 3 | 4 | 5 |
| 19. | The board is active in the establishment of plans, policies and objectives for the credit union. | 1 | 2 | 3 | 4 | 5 |
| 20. | The board is an instrument of strength, growth and change. | 1 | 2 | 3 | 4 | 5 |
| 21. | The board evaluates performance in relation to the plans, policies and objectives of the credit union on a timely basis, and initiates corrective action if necessary. | 1 | 2 | 3 | 4 | 5 |
| 22. | The board provides for the continuity of the credit union by seeing capable executives are continually available. A management succession plan is in place. | 1 | 2 | 3 | 4 | 5 |
| 23. | The board provides for the continuity of the credit union by ensuring that a capable and effective Board of Directors always exists. A succession plan is in place for all executive and committee positions. | 1 | 2 | 3 | 4 | 5 |
| 24. | The board maintains a healthy level of communication with the membership. | 1 | 2 | 3 | 4 | 5 |
| 25. | The board continually reviews the services provided by the credit union to its members. | 1 | 2 | 3 | 4 | 5 |
| 26. | A director training and orientation program is in place and current and new directors are provided with, and take advantage, of director development activities. | 1 | 2 | 3 | 4 | 5 |

Development Plan for Scores Lower than 3:

Area Identified: _____

Development Plan: _____

Area Identified: _____

Development Plan: _____

Area Identified: _____

Development Plan: _____

Area Identified: _____

Development Plan: _____

Section 6: **Board and Staff Relations**

32. DELEGATION TO THE CHIEF EXECUTIVE OFFICER

The Board's job is generally confined to establishing broad policies for achievement of the credit union objectives. It delegates responsibility for execution of those policies to the Chief Executive Officer. All Board authority delegated to staff is delegated through the Chief Executive Officer, so that the authority and accountability of staff derived from the authority and accountability of the Chief Executive Officer. The Board is responsible for hiring a qualified Chief Executive Officer that can fulfill the credit union mission and goals. The CEO is the only staff of the Board in the credit union. All staff under the CEO is his/her staff. Thus, the Board is expected to get the job done through the CEO.

The relationship between a Board and the CEO is unique. The Board hires the CEO to manage the credit union. As the employer, the Board is charged with the responsibility of ensuring the achievements of the CEO are consistent with the credit union's mission and strategic plan.

The CEO performance appraisal is an integral part of the Board's ongoing accountability. It helps ensure that the Board's expectations of credit union service are being met, so that the Board, in turn, can assure members that the credit union operations are effective and efficient.

32.1 The Chief Executive Officer

The "chief executive officer" is the singular organizational position that is primarily responsible to carry out the strategic plans and policies as established by the board of directors. In this case, the Chief Executive Officer reports to the board of directors.

24.1 General Responsibilities of a Chief Executive Officer

1. Leader

- Advises the Board
- Advocates / promotes organization and stakeholder change related to organization mission
- Supports motivation of employees in organization products/programs and operations

2. Visionary and Information Bearer

- Ensures staff and Board have sufficient and up-to-date information
- Looks to the future for change opportunities
- Interfaces between Board and employees
- Interfaces between organization and community

3. Decision Maker

- Formulates policies and planning recommendations to the Board
- Decides or guides courses of action in operations by staff

4. Manager

- Oversees operations of organization
- Implements plans
- Manages human resources of organization
- Manages financial and physical resources

5. Board Developer

- Assists in the selection and evaluation of board members
- Makes recommendations, supports Board during orientation and self-evaluation
- Supports Board's evaluation of Chief Executive Officer

32.2 Qualifications of the CEO

The following qualifications serve as guide for the Board in recruiting the Chief Executive Officer:

1. Possess an established track record of successful management experience in a financial services or credit union setting; previous credit union experience and a four year degree are preferred, with a minimum of eight to ten years experience in financial industry with experience in supervising multiple employees at multiple levels.
2. Possess a commitment to and understanding of the credit union movement, and will have visionary leadership skills that can guide the credit union into the future.
3. Possess solid interpersonal skills necessary to gain the trust and respect of members, volunteers, staff, peers, and external business contacts.
4. An effective communicator on multiple levels, written and verbal, with excellent listening skills. The candidate must be analytical, self-motivated, and possess the ability to work in high-pressure situations while maintaining a positive attitude.
5. Exhibit excellent member service skills, maintain the friendliest atmosphere possible in the credit union, and be highly visible within the membership and community.
6. Ability to work effectively with people in a diverse environment that encompasses regular deadlines, where change is always possible, and flexibility is essential.
7. Ability to motivate or influence others is a material part of the job, requiring a significant level of diplomacy and trust. Obtaining cooperation and consensus (internally and/or externally) is an important part of the position, as are negotiation skills.
8. An in-depth understanding of/the ability to interpret regulatory and compliance matters affecting credit unions.
9. Strong management, computer technology awareness, leadership, communication, situation assessment skills, and a marketing aptitude are required.

Sample Job Description for Position of Chief Executive Officer

(The following job description should be reviewed and customized by an organization to meet the needs and nature of the organization.)

Job Title: Chief Executive Officer

Function: Reporting to the Board, the CEO is a key leadership position responsible for planning and directing all credit union activities in accordance with credit union policies as established by the Board, as well as setting business related goals for strategic direction.

The CEO is also responsible for ensuring financial stability commensurate with the best interest of the members, the employees, the credit union, and the community.

The CEO is crucial in meeting or exceeding business goals and fostering a satisfying work atmosphere. The CEO is expected to continue to sustain a steady growth for the credit union. Additional CEO responsibilities include leading, guiding, and coaching the staff and volunteers to provide the highest quality of member service.

Reports to: Board of Directors

Major Functions/ Finance and Operations Management

- Accountabilities:**
- Manages security and safety for the credit union, with responsibility to analyze policies and procedures, and to alert staff of any changes.
 - Individually and/or through senior staff, provides strategic and/or administrative direction/management in all credit union functions to include: accounting, ALM, business development, compliance, facility management, finance, human resources, investments, lending, marketing, operations, retail services, risk management, and security.
 - Directs all credit union operations, including strategic planning, recommending and implementing programs, and policies and providing general administrative direction, once approved by the Board of Directors.
 - Develops, recommends, and implements financial and lending policies/procedures to enable the credit union to meet its obligations to membership in terms of low cost loans and fair returns in dividends; supervises a budget for the credit union which is consistent with the overall strategic plan.
 - Manages the day-to-day operation of the credit union and establishes office procedures to use staff and facilities most efficiently, promote products and services, provide outstanding member service, and achieve the goals of the credit union.

Products and Services

- Develops, recommends, and implements quality financial services, education, counseling, and procedures to best serve members.
- Manages the development of best practices in commercial lending activities, metrics for measuring success, and development of the skills of the sales and service teams.
- Conducts new business development activities as a way to promote growth and development of the credit union; builds positive relationships with the field of membership, within the community, and with the appropriate trade associations and organizations.
- Innovative, proactive leader who can analyze trends and develop (or engage staff in developing) ideas for all areas of the credit union – marketing, income generation, member relations, process improvement.
- Improving product per member penetration through sales efforts, particularly in a highly competitive market; has developed lending programs that offer higher-yield loans with minimal exposure to delinquency or default.

Human Resources

- Recruits, selects, and maintains a highly motivated, well-trained, member service-oriented staff and maintains effective employee relations. Talent in hiring and retaining quality staff members will be apparent.
- Instills in the staff a passion and understanding of the credit union movement and credit union philosophies as they relate to serving members.
- Leads by example in fostering and maintaining an open and cooperative atmosphere; provides leadership related to communication, training, general information sharing, and support of the success of all departments.

Facilities

- Provides staff with a working environment where open communication, personal and professional growth opportunities, compassion for staff needs, empowerment to perform job duties, fairness, dignity, and mutual respect are priorities.

Planning and Governance

- Provides Board of Directors with industry trends and forecasts; works closely with others in developing and executing the strategic and business plans necessary for success, and is directly responsible for the development and execution of commercial lending strategies, plans and supporting and developing budgets.
- Maintains an open, honest, and positive relationship with the Board by: attending Board meetings, reporting on credit union activities, and making periodic progress reports concerning strategic plan/budget status.

- Has developed or participated in developing a vision for change and growth, and built a clear plan of execution; has a track record of action that is appropriately aggressive without sacrificing responsible financial management.
- Keeps the focus of the credit union philosophy about helping members and evaluates the performance of the credit union to ensure quality of work and service to members.
- Ensures that the credit union is in compliance with the laws and regulations set forth by the national federation and other regulatory agencies.

Job description last revised and authorized by Board: [insert date]

32.3 Evaluation of the Chief Executive Officer

The CEO performance appraisal provides the Board with a formal mechanism to assess the performance of its Chief Executive Officer. It is a critical step in the planning process, and also serves to provide a fair method of linking CEO compensation to performance.

When conducted in a sensitive and constructive manner, the appraisal is a “winwin” process that takes the Board and the CEO one step closer to implementing the Mission of the credit union. By determining the extent to which objectives have been achieved, the CEO and the Board can work together to suggest strategies to address any problems that may exist, and to plan for the future.

Every credit union Board should evaluate the performance of their CEO on an annual basis. Ensuring that such an evaluation occurs is a key Board responsibility.

a) Performance Review Procedures of the Chief Executive Officer

The following performance review procedures can help the Board in the CEO evaluation:

1. The performance review of the Chief Executive Officer shall be reviewed regularly, at least on an annual basis. The review is to be undertaken by the Board or a Performance Review Committee consisting of the Chairman of the Board and Chairman of the Personnel Subcommittee. The Chief Executive Officer is responsible for his own performance and is entitled to know:
 - the performance expected of him/her;
 - how he/her is performing; and
 - the resources available to him/her to attain the expected performance
2. Performance review reports are:
 - treated as confidential; and
 - made available only to the individual and the Board

3. A verbal summary shall be presented to the Chief Executive Officer with a recommendation for ratification. This is accomplished by a written copy of the CEO's objectives for the coming year.
4. Copies of the performance review shall be kept on file by the Board.
5. When the Chief Executive Officer's performance falls below the expected level, the Chief Executive Officer must be so informed with details of the way in which performance is judged to be unsatisfactory. An unsatisfactory performance review shall be followed by another performance review in three months time. If no improvement is shown at the second performance review, a third performance review shall be undertaken after another three month period. If the Chief Executive Officer still has not improved his/her performance to meet the requirements of the position, the Board will need to consider action to effect demotion or dismissal.
6. Should the Board or Performance Review Committee be unable to reach a consensus on the Chief Executive Officer's performance or the Board is unable to accept the Committee's report or the Chief Executive Officer wants to appeal the Committee's findings, the matter shall be referred to the Chairman.
7. The procedure for completing the evaluation is as follows:
 - Each member of the evaluation committee and the CEO completes the evaluation form.
 - The committee will meet before the interview with the CEO to compile the responses on the forms and to prepare a final evaluation.
 - The committee will then meet with the CEO to discuss the evaluation.
 - The committee will review the performance objectives and goals, and developmental and career objectives of the Chief Executive Officer for then next year.
8. Performance is to be assessed with reference to the following:
 - previous year's objectives and expectations;
 - current job description; and
 - results achieved
9. Following the evaluation, the CEO is informed of the performance rating. Salary increases are not discussed, however, until after Executive Committee approval.

b) Timing of the Evaluation

The suggested schedule of Board evaluation and their evaluation of the Chief Executive Officer:

| Activity: | Approx. # of months before start of next fiscal year |
|--|--|
| Evaluate the Chief Executive Officer, by referring his or her progress towards last fiscal year's organizational goals and responsibilities on their job description (two months after the end of the fiscal year) | 10 |
| Board self-evaluation | 9 |
| Board retreat to address results of Board self-evaluation, conduct any team building and begin strategic planning | 7 |
| Strategic planning to produce organizational goals and identify resources needed to accomplish the goals | 7 |
| Establish Chief Executive Officer's goals for the next fiscal year, by referencing goals produced from strategic planning | 6 |
| Establish next year's financial goals and budget by referring resources needed to reach strategic goals | 6 |
| Fiscal year begins | 0 |

c) Sample Form for Board's Evaluation of the Chief Executive Officer

The following is one sample form that might be used by the Board to evaluate the Chief Executive Officer. This sample should be customized to the particular culture and purpose of the organization by modifying the performance criteria (in the following table) as appropriate, inserting those criteria in the table below, and conducting the evaluation using the updated table.

Directions:

1. The Board establishes a policy for evaluating the Chief Executive Officer and/or establishes a Performance Review Committee to carry out the evaluation.
2. Board, working with the Chief Executive Officer, establishes performance criteria and inserts them in the table below. References are the organizational goals and the Chief Executive Officer's job description.
3. The Board assigns specific weighing factors for each of the major categories below. Factors depend on what the Board believes should be priorities for the Chief Executive Officer during the evaluation period. The factors should total 100%.

Example weightings might be:

- Finance and Operations management 30%
 - human resources 20 %
 - products/programs 20%
 - facilities 10%
 - Planning and governance 20%.
4. Each Board member and the Chief Executive Officer complete the table below about the Chief Executive Officer's performance during the evaluation period. Each criteria is ranked from 1-5, with:
- 1=unsatisfactory
 - 2 = partially within expectations
 - 3=meets expectations
 - 4=exceeds expectations
 - 5= far exceeds expectations.

This numerical ranking system tends to give perspective more than commentary. A ranking with commentary is ideal.

5. Multiply each ranking by the category's weighting factor. Put the answer in the score column.
6. On a separate sheet of paper, provide any commentary that addresses rankings below 3. Consider adding commentary for high ratings as well.
7. Provide evaluation sheet and commentary to the Board member who is assigned to collate the sheets (usually the Board Chair).
8. The Board may decide to provide the Chief Executive Officer an average ranking for each category. Similarly, commentary can be summarized or each comment provided to the Chief Executive Officer.
9. The evaluation committee provides the evaluation report to the Chief Executive Officer and schedules a meeting with him or her shortly thereafter.
10. Ensure the meeting is update and ends on a positive note.
11. Ensure plans are made to address ratings below 3, including specific actions by specific dates.

Sample Basic Form for Evaluating Chief Executive Officer

1=unsatisfactory, 2 = partially within expectations, 3=meets expectations, 4=exceeds expectations, and 5= far exceeds expectations.

| Name of Preparer | Ratings | Weight Factor | = Score |
|--|---------|---------------|---------|
| Finance and Operations Management, consider <ul style="list-style-type: none"> Adherence to prescribed prudential norms (PEARLS or country standards such as COOP-PESOS) ACCESS Rating No loss of operating funds; Raises enough revenue to accomplish significant program goals and maintains or builds a financial balance keeping with organizational policy no prolonged legal difficulties Develops realistic budgets and stays within them Receives a "clean" financial audit <i>Comments:</i> | | | |
| Human Resources, consider: <ul style="list-style-type: none"> Maintains or increases productivity of staff (ratio of staff to members 1:400) Maintains sufficient and effective volunteer corps No undue staff turnover; no ongoing personnel complaints <i>Comments:</i> | | | |
| Products and Services, consider: <ul style="list-style-type: none"> Develops, recommends, and implements quality financial services, education, counseling, and procedures to best serve members. Manages the development of best practices in commercial lending activities, metrics for measuring success, and development of the skills of the sales and service teams. Builds positive relationships with the field of membership, within the community, and with the appropriate trade associations and organizations (satisfaction survey). Improves product per member penetration Develops lending programs that offer higher-yield loans with minimal exposure to delinquency or default (delinquency ratio low) <i>Comments:</i> | | | |

| Name of Preparer | Ratings | Weight Factor | = Score |
|--|---------|---------------|---------|
| Facilities, consider: <ul style="list-style-type: none"> Maintains professional surroundings and safe working environment <i>Comments:</i> | | | |
| Planning and Governance, consider: <ul style="list-style-type: none"> Has in place a clear mission statement and strategic plan Maintains an active Board that provide good governance to the organization <i>Comments:</i> | | | |

33. BOARD AND STAFF RELATIONS

One of the most important ingredients to a successful credit union is a high-quality relationship between the Board Chair and the Chief Executive Officer. However, this relationship has several inherent struggles to overcome. The Chief Executive Officer is usually in the organization before the Chair is appointed and will be around after the Chair is gone. In addition, the Chief Executive Officer is also much closer to the day-to-day activities in the credit union. Lastly, the Chief Executive Officer usually knows far more about the credit union's members. Consequently, the Chief Executive Officer may feel that he or she knows far much more about the credit union than the Board Chair. Yet, the Board Chair is responsible to provide leadership to the board to whom the Chief Executive Officer is accountable. The Board Chair leads the board which evaluates the performance of the Chief Executive Officer. Maintaining a high-quality relationship between the two roles requires a high level of maturity and understanding from both people filling those roles.

33.1 Formal Practices and Procedures on Board and Staff Relations

One of the most effective means to minimize conflict between both roles is to set up formal practices or procedures that help both people in the roles discern between an organizational issue and a personal issue. The following suggestions are provided to help ensure a high-quality relationship between the Board Chair and Chief Executive Officer by establishing formal practices and procedures.

1. Have clearly written and approved procedures for evaluating the Chief Executive Officer and in an approach that ensures strong input from the Chief Executive Officer.
2. Have regular board training sessions that include overviews of the roles of Board Chair and Chief Executive Officer.
3. When a new Board Chair or Chief Executive Officer is brought into the organization, the two of them should meet to discuss how they can work together as a team.
4. Agendas for board meetings should be mutually developed by the Board Chair and Chief Executive Officer.
5. The Board Chair can consult with the Chief Executive Officer when appointing (or suggesting to the board) chairs for various committees.

6. Have clear written guidelines about the roles of staff when they provide ongoing support to board committees.
7. Develop Board Chairs by having vice chairs who later become Board Chairs.
8. Have a board-wide discussion about the frequency and nature of meetings to be held between the Chief Executive Officer and Board Chair. Avoid frequent, one-on-one meetings that only include these two people. While it might intuitively seem that meeting with only these two to cultivate a strong relationship, the risk is too high that the relationship could become highly personalized and confusing to other board members. Always write down the highlights of meetings between the Chief Executive Officer and Board Chair and share these highlights with the entire board.
9. Ensure all board members are trained about the role of the board, its current committees and their charters and membership, and that the Board Chair has basic skills in meeting management.
10. The Chief Executive Officer and Board Chair should never conceal information from the rest of the board. Board members prefer to keep certain information confidential among board members and not tell the Chief Executive Officer, but these occasions should be very rare. The Chief Executive Officer should never conceal information from the board -- all board members have a right to any information about the organization.
11. Celebrate accomplishments by naming the key people involved in bringing about the successes. Often these people include the Board Chair and Chief Executive Officer.

33.2 Personal Practices to Minimize Interpersonal Conflicts

In addition to formal practices to minimize conflicts, the two people in these two roles can follow certain practices themselves. The following are some practices that can be considered:

1. Practice at least the basic skills in interpersonal communications, e.g., particularly in listening and giving feedback.
2. Whenever conflict is felt, identify what you are actually *seeing* or *hearing* might be causing the conflict. This attempt helps to differentiate whether the source of the conflict is the other person's behavior or, e.g., some remnant of a relationship or situation in the past. (Note that whether the conflict is from the other person or not, it's still appropriate to work with the other person to address at least your perception of a conflict with them.)
3. If anyone is feeling uneasy, then say the feeling out loud. If anyone feels the conflict or tension, name it out loud. This does not mean one is "weaker" or out of control -- quite the contrary. It displays a great deal of maturity and knowledge about interpersonal dynamics to recognize and surface conflict in order to mutually resolve it
4. Recognize that conflict is inherent in any successful relationship, particularly in a board if all members are actively meeting their responsibilities. The important thing is to name it if it is becoming an ongoing problem.
5. Keep perspective that no one should have to continue to experience continued conflicts with someone in their lives, including the workplace. Know when to say enough is enough.
6. Continue to try sense if the conflict is around an organizational issue or is a matter of interpersonal "chemistry", that is, people have such differing natures that would probably need some outside intervention to work together. (Note that if this is the case, it will be a tremendous learning curve -- but a precious one -- for the Board and CEO to learn to work with such natures that are so different for every individual. That is one hallmark of diversity.)

33.3 Conflict Resolution between Board Chair and Chief Executive Officer

In addition to personal practices to minimize conflicts, the guide below can be referred to in case the relationship between the Board Chair and CEO get worse. The course of action for a situation such as this depends to a great extent on the credit union and the two people involved.

If the Board Chair or Chief Executive Officer, who continues to feel conflict in working with the other person, then the Vice-Chair can intervene. The following can be considered by the mediator:

1. Approach the other person and ask for five minutes of their uninterrupted time. Explain the concern, what you *see* and *hear* that leads you to believe there's continued conflicts between both of you, what you would like to *see* or *hear* between both of you in the future, and why continued conflict can be so destructive to the credit union.
2. If the other person says there is no conflict that they are aware of (whether there really is or not), then assert to them that you would appreciate it if they changed certain behaviors when working with you and specifically describe what behaviors you would like to see from them. They either will change their behaviors, in which case things should improve, or they would not. In which case, you would need to escalate the issue up the organization, if appropriate, or seek additional assistance about how you plan to handle the problem, for example, avoid it, confront it further, negotiate further, etc.
3. If the problem persists, ask to have time with the Executive Committee to share your concerns. If this is not appropriate, consider approaching two to three board members one-on-one. (At this point, it's critical to remember that any "badmouthing" or "conspiring" against the other person will only end up hurting the entire board and credit union. Therefore, talk with a friend or take careful time to reflect about what you want to say and how to say it to the other board members.) Explain the situation in terms of the behaviors in the issue, not the personality or character of the other person. Explain what you've done so far to address the issue. Describe your perception of the results of your efforts with the other person -- note that it's your perception. Ask for specific advice to address the issue. At the end of the meeting, echo back to them what you hear them suggesting. Attempt to follow their advice. Commit to follow up with them about the results of your following their advice.
4. If the problems persist, you might consider getting outside help. Note that this may be more constructive than posing the problem to the entire board where it may cause great confusion and unease with little or not clear course of action to resolve the issue.

SAMPLE CODE OF ETHICS FOR CEO

| | | |
|--|--|-------------------------|
| Credit Union Logo | Policy Manual of (Name of Credit Union) | Policy Code No. |
| Subject: Code of Ethics for Chief Executive Officer (CEO) and Senior Officers | | Effective Date: |
| Issued by: Board of Directors | | Revised Date: |
| Approved by: Board of Directors | | Last Board Review Date: |

Policy Statement:

This Code of Ethics applies to the Chief Executive Officer (CEO) and Senior Officers of credit union.

The CEO and senior officers are ultimately responsible for full, fair, accurate, timely and understandable disclosure in the credit union's public communications disclosures and its reports and documents. These officials hold an important and elevated role in corporate governance. They are uniquely capable and empowered to ensure that members' interests are appropriately balanced, protected and preserved. Accordingly, this Code embodies rules regarding individual and peer responsibilities, as well as responsibilities to credit union, members, public and other stakeholders.

The credit union expects all of its employees to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities; to comply with all applicable laws, rules and regulations; and to abide by the Credit Union Code of Ethics and other policies and procedures adopted.

Code of Ethics:

Accordingly, to the best of their knowledge and ability, the CEO and senior officers shall:

1. Maintain loyalty to the credit union and pursue its objectives in ways that are consistent with the public interest;
2. Strive for excellence in all aspects of management of the credit union;
3. Engage in and promote honest and ethical conduct, including handling of actual or apparent conflicts of interest between personal and professional relationships;
4. Serve all members of the credit union impartially, provide no special privilege to any member, and accept no personal compensation from a member, except with full disclosure and with the knowledge and consent of the credit union's board.
5. Refuse to engage in or countenance activities for personal gain at the expense of the credit union or its industry;

6. Refuse to engage in or countenance discrimination based on race, sex, age, religion, national origin, sexual orientation, or disability;
7. Always communicate the credit union internal and external statements in a truthful and accurate manner by assuring that there is integrity in the data and information used by the credit union;
8. Cooperate in every reasonable and proper way with other credit union executives, and work with them in the advancement of the profession of credit union management;
9. Use every opportunity to improve public understanding on the role of credit union;
10. Avoid conflicts of interest and to disclose to the Audit Committee any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
11. Promptly bring to the attention of the Audit Committee information concerning:
 - a. Significant deficiencies in the design or operation of internal controls which could adversely affect the credit union's ability to record, process, summarize and report financial data; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in credit union's financial reporting, disclosures or internal controls.
12. Promptly bring to the attention of the Audit Committee or Chief Compliance Officer or the CEO information concerning:
 - a. Material violations of this Code, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in credit union's financial reporting, disclosures or internal controls; and
 - b. Evidence of a material violation of the securities or other laws, rules or regulations or accounting principles applicable to credit union and the operation of its business.
13. Fully assist the Board of Directors in fulfilling its responsibilities;
14. Fully assist the Audit Committee and Sub-committees appointed by the Board in fulfilling its responsibilities;
15. Respect the confidentiality of information acquired in the course of one's work, except when authorized or otherwise legally obligated to disclose, and not to use such information for personal advantage;
16. Provide colleagues with information that is, complete, accurate, objective, relevant, timely and understandable;
17. Comply with applicable laws, rules and regulations of national, and local governments;

18. Act in good faith, with due care, competence and diligence, without misrepresenting material facts or allowing independent judgment to be compromised;
19. Assure the responsible use and control of all assets, resources, and information in the possession of credit union and any related organizations; and
20. CEO and senior officers acting under the direction of an officer or director are prohibited from taking any action to fraudulently influence, coerce, manipulate or mislead the auditor of the credit union's financial statements for rendering those financial statements materially misleading.

Monitoring Methodology:

The Board of Directors shall designate appropriate persons to determine, appropriate actions to be taken in the event of violations of this Code by the CEO or senior officers. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to these procedures, and may include action ranging from written notices or censure to suspension (with or without cost as determined by the Board or its designee) or termination with or without cause.

In determining what action is appropriate in a particular case, the Board of Directors or its designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

The Board of Directors shall have the discretionary authority to approve any amendment to this Code of Ethics for CEO and Senior Officers.

References:

(This section sets out references to related policies, Board minutes in which policy was developed – resolutions/motions passed, related bylaws, areas of legislation/regulation, etc.)

Section 7: **Board Training**

34. BOARD TRAINING SESSIONS

Board training conveys the knowledge and understanding needed by board members in order to effectively carry out their roles as members of the credit union's board of directors. Selection of the particular training topics and training methods depend on the nature and needs of the credit union. However, the following guidelines and sample agenda may prove useful to develop the credit union approach to board training.

34.1 Guidelines to Prepare Board Training

Timing of the Session

1. Conduct board training once a year, whether new members are elected or not. It is important for the board to know the credit union “basics” to ground and integrate the knowledge and understanding of even highly experienced board members. Recurring training also helps to ensure that board members are all “working from the same script”.
2. Conduct board training shortly after new members are elected to the board. This scheduling helps new members quickly gain understanding of their roles and contributions to the credit union. This understanding often increases their participation and fulfillment regarding their roles as board members.

Who Should Be Involved in Planning the Session?

3. Design of the board training should include at least the Chief Executive Officer and Board Chair. If timing permits, discuss ideas with all board members to collect their feedback and review.

Selecting Topics and Materials for Board Training

4. Results of the board self-evaluation should be carefully considered when selecting training topics. For example, if the evaluation indicated the board members do not understand their roles as board members, and then ensure that training places strong focus on this topic during training.
5. Be sure to include review of the board manual in the training session. The manual is the key resource for members to collect and organize reference resources needed to carry out their roles as board member.
6. Materials:
 - Board manual (for an idea of contents to include in the manual, see Sample Board Manual Index)
 - Advertising and promotions materials about the credit union
 - Copy of the most recent strategic plan

Board Members' Preparation for Training

7. Provide the board training agenda, board manual and promotions materials to members at least two weeks before the meeting. Ask them to review the materials before the meeting.

26.2 Agenda of the Board Training Session

For a full competency course, the Board is advised to enroll at the Credit Union Directors Competency Course offered by the national federation. The training referred below is intended for the regular Board training sessions conducted in-house.

The following agenda should be modified by the credit union to meet its own nature and needs. During review of the topics marked with an "*", provide brief presentation about the topic and then provide time for open discussion and to address questions from participants.

| Topic | Leader of This Section of Meeting | Length of Time (minutes) |
|--|--|---------------------------------|
| Welcome | Board Chair | |
| Review of agenda* | Board Chair | |
| Introduction of participants | Each person introduces themselves | |
| Overview of organization* | Executive director reviews mission, history, programs and introduces key staff | |
| Orientation to board manual* | Board Chair | |
| Roles and responsibilities of governing board* | Board Chair reviews overview of roles, role of chief executive, and comparison of roles of board and staff | |
| Overview of board structure | Review listing of current officers, committees, and committee chairs | |
| Overview of board operations* | Board Chair reviews key points from bylaws and board policies, board operations calendar, sample committee work plans, and sample meeting agenda and minutes | |
| Review of strategic plan* | Board Chair reviews format of plan, highlights from the plan and key points about status of implementation of the plan | |
| Administrative activities | For example, set the schedule for next year's board meetings, refine the board operations calendar, update the list of board members, etc. | |
| Next steps | Board Chair poses reminders of upcoming activities and events | |
| Meeting evaluation | Board Chair | |

Section 8: **Annexes**

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