Erasmus+ Programme – Strategic Partnership
Project Nr: 2017-1-RO01-KA204-037134

The Credit Union Governance Toolkit

1 Introduction

This toolkit of credit union governance emerges out a series of discussions, interviews and seminars engaging board members and executive staff in credit unions in the North West of England and in case de ajutor reciproc (CAR) in towns throughout Romania.

The toolkit is based on the Governance Manual, which sets out in more detail the principles and practice of effective governance as applicable to the credit union and CAR sectors. It presents a logical, consistent and integrated system of governance that reflects the culture and style of co-operatives, but which is robust and fit for the purpose of assisting boards of directors and CEOs to deliver a sound and well-run business. The manual can be downloaded here.

This toolkit is intended to provide practical materials for credit union directors and senior managers to undertake training and to develop a robust set of governance practices, policies and other documents as necessary. The toolkit comprises:

- A set of training materials for credit union board directors and senior managers, section 2
- A set of templates and example governance materials, such as role descriptions, section 3.

A note on terminology

Throughout this text the term "credit union" has been used for both British credit unions and Romanian CAR. The justification for this is that the World Council of Credit Unions in Madison, USA, recognises CAR as credit unions according to its own set criteria.

The term CEO is used for both Chief Executive Officers and Executive Directors. Most, but not all, lead staff members in credit unions are CEOs and not directors of the board. In Romania, as in some credit unions in Britain, all lead staff members are Executive directors of the board.

2 Training slides

These slides are aimed at directors and senior managers of credit unions.

They should be adapted to meet specific needs as required.

There are exercises that utilise the templates and other sample documents.

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Training materials for credit union directors: The governance of credit unions

Section 2 of *The Credit Union Governance Toolkit*

Agenda

1. **Objectives**
2. Roles and responsibilities
3. Strategy and planning
4. Risk and compliance
5. Reporting and monitoring
6. Co-operative values and conduct
7. Accountability to the members
8. Board performance and development
9. Final Q&A

Objectives

1. Introduce the principles of board-level governance in credit unions / CARs

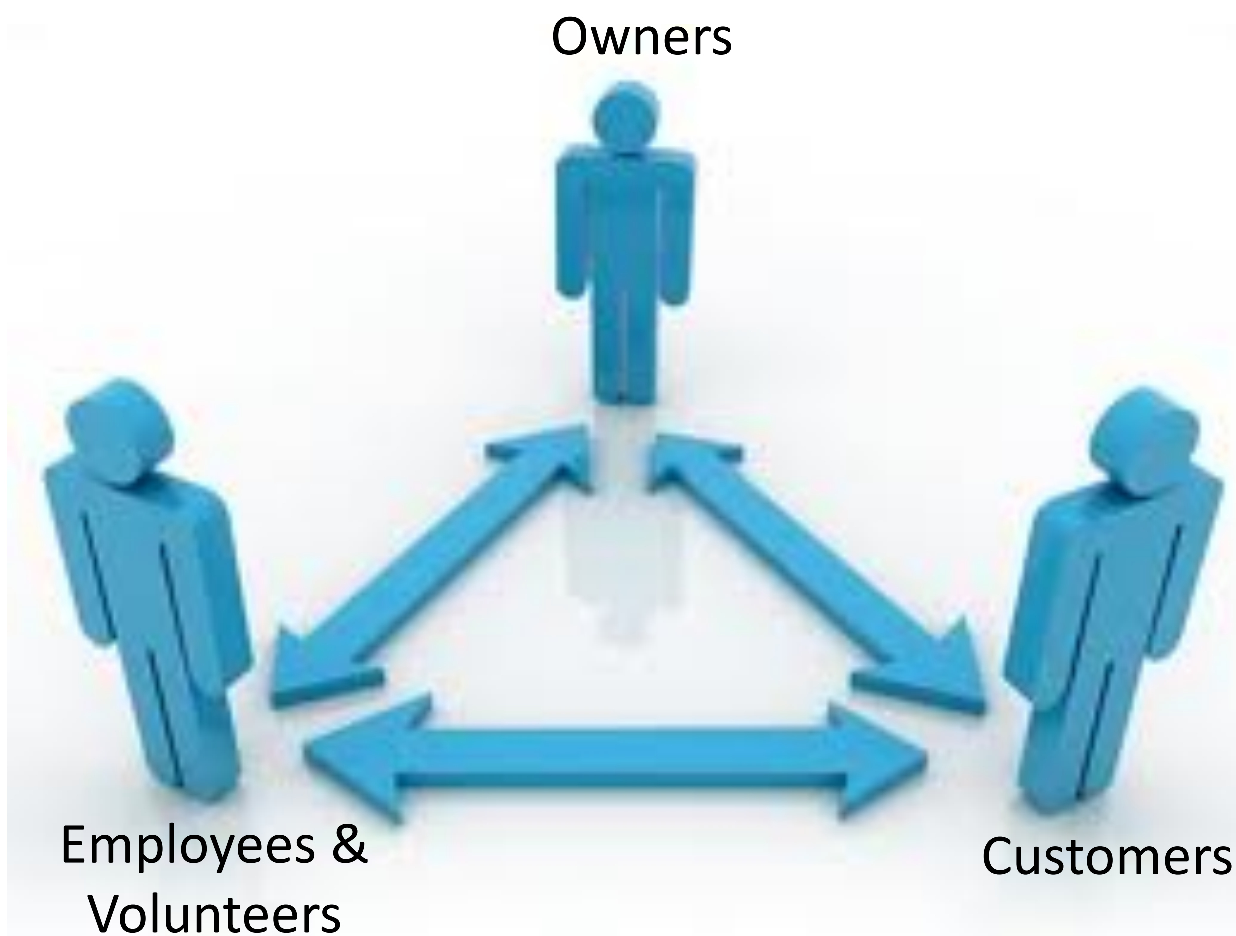
2. Explain the specific responsibilities of directors

Why are we involved in credit unions?

- Because as members of the credit union, people of the community help each other to solve financial problems
- Because the members are able to participate in making important decisions regarding the credit union
- Because the credit union takes care of the savings accumulated by members in their social funds and provides an annual bonus
- Because the credit union is available to members and responds promptly to members' requests

How we govern the credit union is set out in this document: *Strategia Privind Funcționarea şi Dezvoltarea Sistemului C.A.R. 2016 – 2020, Principiile de Guvernanță la Casele de Ajutor Reciproc*

The members own the credit union, are customers of the credit union and some even work for the credit union



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What is governance?

- Governance describes the **system** by which an organisation is **directed and controlled** and through which its **vision and mission** is articulated and sustained

- Governance determines **who has power** (authority), **who makes decisions** and where accountability lies

The board is elected by and accountable to the member-owners, and tasked to:

- Ensure that CAR achieves its purpose, within the framework of legislation and regulation and consistent with its ethics and values
- Exercise stewardship, leadership and authority over all aspects of CAR organisation
- Direct, oversee and control - but not manage - the CAR and its operations
- Determine the level of authority given to the manager / staff
- Carry authority and responsibility for governance
- Appoint the senior manager, and monitor the performance of the CAR and the manager

It is only the voice of the board, as determined in properly constituted meetings, that has authority in the credit union

Fundamental distinctions

Function

- The function of **governance** (primarily the role of the **board** of directors)
- The function of **management** (the role of the **manager and team***)

Ends and means

- **Ends** - what the credit union wants to achieve, for whom and at what cost
- **Means** - management and operational activities

* Or ‘doers’

Clarity on the distinction of roles is vital

Board must

- Focus on what it wants the credit union to achieve for its members, set a plan, monitor performance and risk, but
- Delegate all appropriate authority to the manager to deliver

Or risk

- Directors micro-manage

  And / or
- The chair acts in practice as the real manager

  Or
- Directors just 'rubber stamp' management decisions, meaning a lack of control and a lost opportunity for constructive challenge

The board must decide which authorities to delegate, and which to retain

- Board to manager – initial, single point of executive delegation
- Board keeps out of management; management empowered to lead
- Manager constrained by policies, business and financial plans, regulation / legislation
- All set out consistently in job description, statements of roles and responsibilities, schedule of delegated authorities
- Where the lines are drawn is a board decision
- Grey areas for initial discussion between manager and chair, then board

The board cannot delegate its overall ACCOUNTABILITY

Discussion: Where should authority sit between board and management?

- Who should recruit new staff?
- Who should set pricing?
- Who should approve the annual budget?
- Who should approve the photocopier contract?
- Who decides the credit union's core software package?

Recommended authorities to be delegated and retained

Delegated

- Develop plans for consideration by board
- Manage day-to-day operations
- Identify, document, manage risk
- Manage control, monitoring and reporting systems
- Manage finances
- Determine terms and conditions for products, including pricing
- Ensure that the board is provided with relevant management information
- Enter into contracts

Retained (Limitations)

- Board policies
- Strategic and business plans
- Financial plans and budgets
- Regulation and legislation
- Any specific executive limitation policies set by the board, e.g. expenditure above a certain level; contract term above certain period
- Job description

Document it!

Relationship between the board and manager

- This is a vital relationship, based on trust and a shared vision for the credit union
- Only decisions of the board acting as a body are binding on the manager
- Strategic plan is the critical point of engagement between directors and manager
- Manager's performance fundamentally assessed against the strategic plan
- The chair is the primary liaison function between the board and manager between meetings

Discussion

- Look at the example statement of responsibilities for the board of directors
- Do you agree with the responsibilities listed?
- Do you think there are any responsibilities missing?

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The board sets the mission, vision and values specific to its credit union

- Are you aware of your credit union's purpose?
- Is it distinctive? (And does that matter?)
- Do you agree with it?
- How often does it get reviewed or discussed?
- Does it get referred to in debating and planning?

Exercise - Focus on the future

- **It is 2025**
- Your credit union has been selected to present to the United Nations
- The UN press officer wants five bullet points about the credit union to include in her press pack

- In your credit unions, agree what these bullet points will be
- 10 mins then whole group discussion

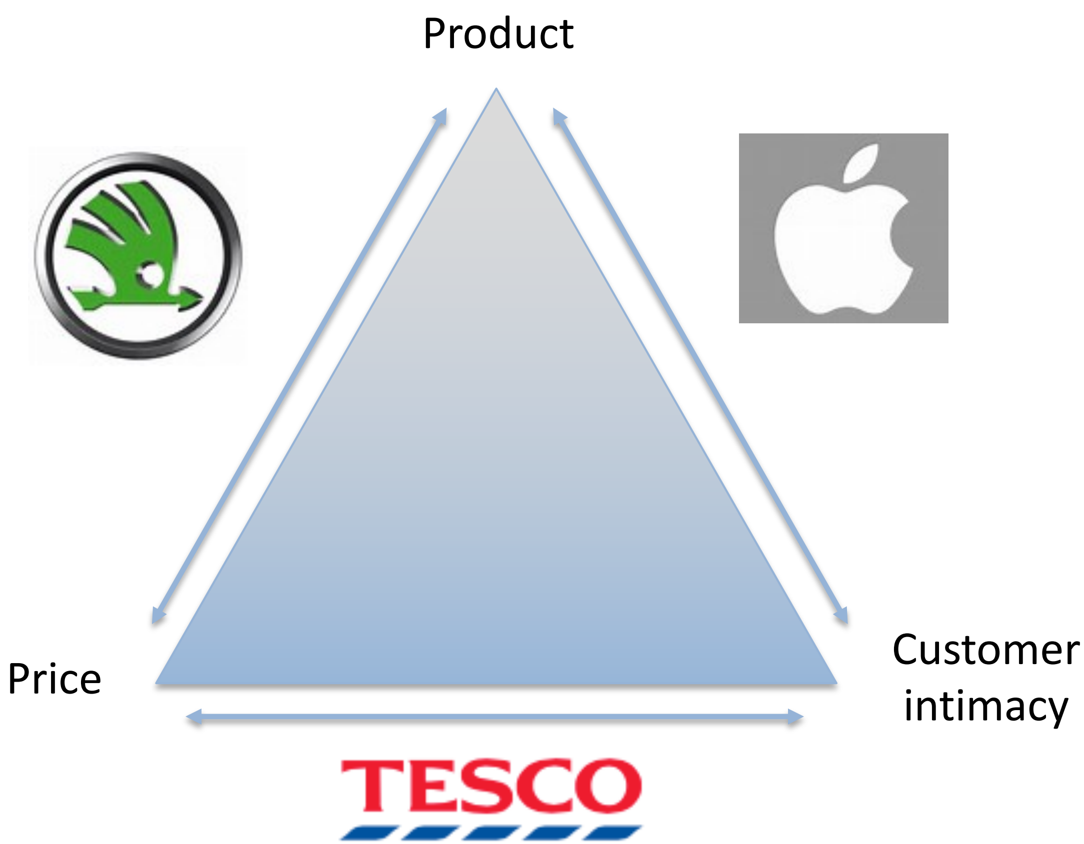
The strategy and direction is captured in a Plan

- The Plan sets out direction, long term goals and measurable objectives - not operational detail
- A credible Plan is demanded by the regulators
- The Plan objectives are basis of expectations of CEO
- Monitoring progress at every board meeting

Building a strategy requires …

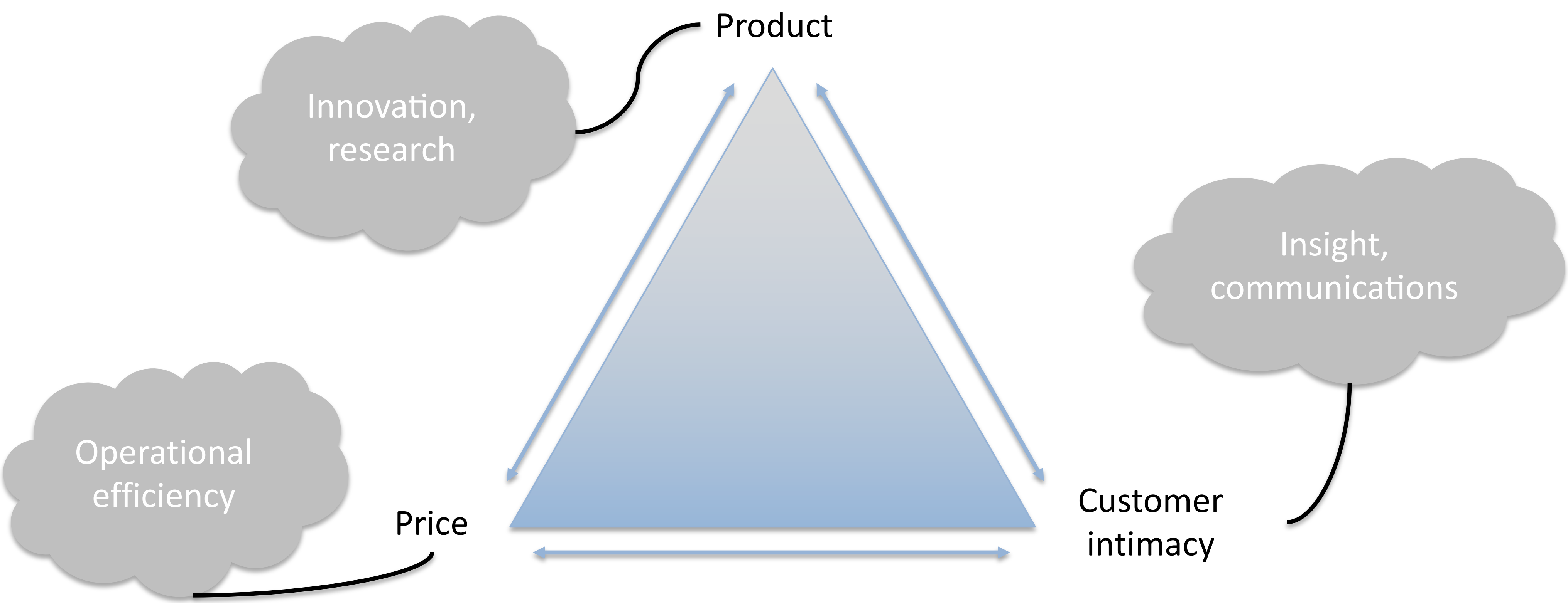
- Research inputs (facts not anecdote)
- Collective, focused board discussion
  - The needs of existing and future members
  - The external environment (including other credit unions)
  - The starting point and other important underlying assumptions
  - The advantages and disadvantages of possible alternative scenarios
  - Risks
- Time to develop (and external facilitation?)
- Time to implement
- Monitoring and intervention

One model of strategy



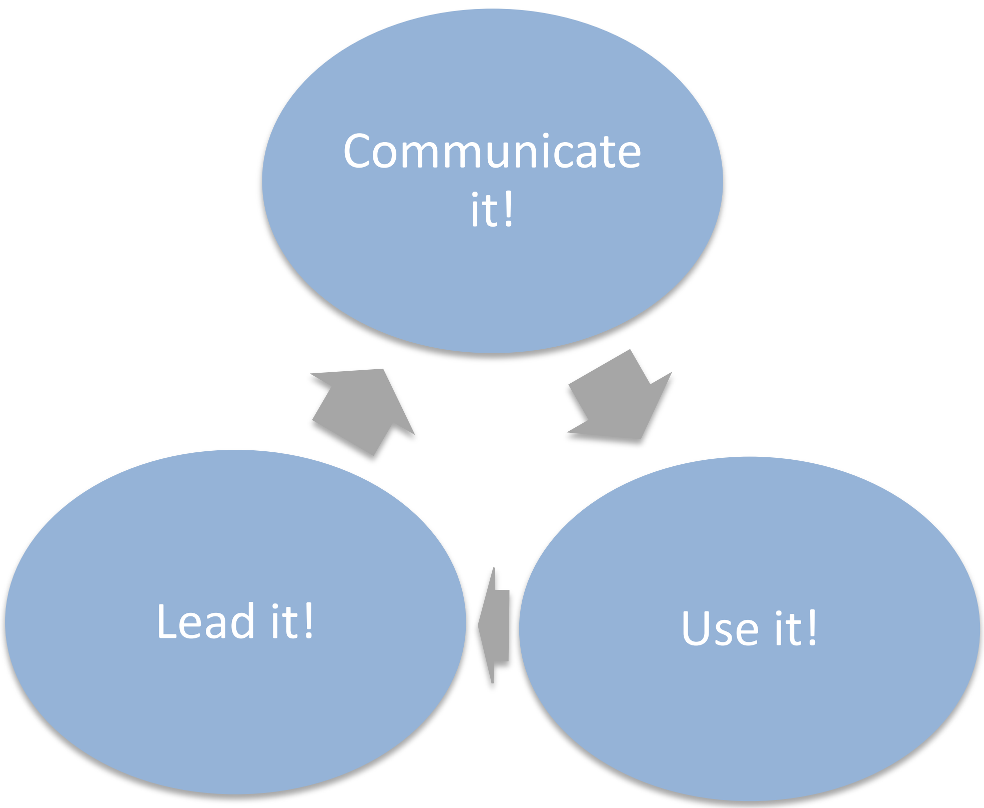
Michael Treacy and Fred Wiersema, 1995

Keeping strategy simple



Michael Treacy and Fred Wiersema, 1995

Now you have a plan, what next?



- **Reporting** on progress – keeping the destination in mind
- **Prioritising** – what will we have to take out to add something new in?
- **Reviewing** from time-to-time – whilst not going round in circles
- **Intervening** - stop and change track if necessary – whilst not ‘knee-jerk’ reaction
- **Member-focused always** - not the needs of the board

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About risk

- "A **probability or threat** of damage, injury, liability, loss, or any other negative occurrence that is **caused by external or internal vulnerabilities**, and that **may be avoided through pre-emptive action**."
- Uncertainty is a potential, unpredictable, and uncontrollable outcome
- **Risk is a consequence of action taken in spite of uncertainty**

Risk is inherent in a credit union's business model

Categories of risk for credit unions (I of II)

• Governance	– gaps or deviations
• Credit	– borrowers failing to meet obligations
• Strategic	– threat to strategy or its implementation
• Operational	– failure of processes or procedures
• Market	– changes to interest rates in the market
• Insurance	– lack of cover for activities
• Regulatory	– non-conformance
• Capital requirements	– insufficient for regulatory or business

Categories of risk for credit unions (II of II)

- Liquidity – insufficient to continue business
- Financial – variance in income or costs affecting the business
- Reputational – perceived change in character or quality
- Environmental – change in external factors
- Conduct – cultural (requirement of regulator)
- Members – not distinguished from customers
- Employee – not treated fairly or appropriately

Risk management is a critical element of governance and responsibility of the board

«Cerințele sistemului de guvernanță aplicat sunt: - administrarea corespunzătoare a riscurilor/managementului riscurilor;- adecvarea politicilor și a mecanismelor de control intern Consiliul Director monitorizează situația riscurilor și a conformității pe baza informărilor primite de la comisia de cenzori, de la directorul economic/executiv/contabilul șef și a rapoartelor de inspecție sau de control prezentate de uniunea teritorială județeană, stabilește măsurile de corecție care se impun și raportează situația riscurilor și a conformității adunării generale sau conferinței membrilor C.A.R.

Consiliul Director al C.A.R. are un rol important în crearea unei culturi și a unui limbaj comun privind guvernanța și gestiunea riscurilor. Aprobă planul și politicile de control a riscurilor elaborate de managementul și personalul executiv, respectiv obiectivele de referință, condițiile și limitele de prudențialitate între care se va desfășura activitatea C.A.R., precum și termenele de raportare a situației riscurilor și a conformității »

Strategia Privind Funcționarea și Dezvoltarea Sistemului C.A.R. 2016 – 2020. Principiile de Guvernanță la casele de ajutor reciproc

Components of a risk governance framework

1. The definition of risk appetite and risk tolerances
2. Risk identification
3. Risk assessment
4. Risk response
5. Risk ownership
6. Recording, monitoring and reporting
7. Internal audit and risk committees (supervisory committee)
8. Accountability and disclosure
9. Regulatory compliance

What does risk appetite and risk tolerance mean?

Risk appetite

- **The amount of risk that a board is willing to accept in the pursuit of a credit union's strategic and operational objectives**
- The board, with advice from senior manager / staff, uses its judgement to determine own level of risk appetite
- A **risk appetite statement** enables consistent communication throughout the organisation

Risk tolerance

- **The application of risk appetite to specific objectives**
- The greater the risk, the lower the tolerance level for variation from the objective
- Risk tolerances support management control; give space for entrepreneurial activity
- But - also set thresholds. If breached have to trigger a response, e.g. escalation of an issue directly to board

A risk register is the standard reporting and control tool

Risk		Mitigation	Owner & Deadline	Update and Date Reviewed	L'Hood	Impact	Score	DoT
1					3	4	12	↔
2					4	4	16	↑
3					2	5	10	↔

Compliance and controls

Control framework

- Finance
- Governance
- Operations, including key suppliers
- Member Services
- People

Assurance

- Comprehensive, documented, reviewed policies and procedures
- Regular reporting
- Compliance Officer
- Money Laundering Officer
- Internal audit and / or Supervisory Committee

Agenda

Evaluating performance relies critically on good information and reports

- Without access to accurate and up-to-date data, directors are making decisions in a vacuum
- Data and information must be filtered and analysed, otherwise directors can be overwhelmed
- A balanced range of metrics should be in place for performance, measuring board, credit union and manager performance against the strategic objectives

Example reports: strategic goals and balanced scorecard

Strategic Goals

- Relates directly to strategic objectives in Plan
- Monitors short-to-medium term objectives; ensures Plan a working document
- Distinguishes between board and management objectives

Balanced scorecard

- Measuring overall organisational performance against objectives
- Primarily quantitative and statistical
- Balanced: non-financial and financial indicators or metrics

ABC CREDIT UNION LTD.

2011-2015 OBJECTIVES PROGRESS REPORT As of End of Month: January 2015

Objective Completed — Behind Schedule to Complete by Deadline
On-Schedule to Complete by Deadline — Objective Incomplete and Past Deadline

	BOARD GOALS	TIMEFRAMES	PERSONS RESPONSIBLE	STATUS THIS MONTH	
1	Complete Governance Strengthening Project to satisfaction of Board	Complete by 31 March 2015	Chair	**On schedule.** Objectives Report and Statements of Responsibility adopted at December Board meeting. Draft of Scorecard tried out at January Board meeting and will be finalised at February or March Board meeting.	
2	Develop and Implement Board Self-Appraisal Process.	Complete by 30 April 2015	Chair	**On schedule**. Trial run of process completed at January Board meeting. First regular self-appraisal scheduled for April Board meeting.	
	MANAGEMENT GOALS	**TIMEFRAMES**	**PERSONS RESPONSIBLE**	**STATUS THIS MONTH**	
1	Complete Staffing Improvement Project, including recruitment of a Credit Control Officer.	Complete by 31 January 2015	CEO	**COMPLETED.** Accounting Assistant started on 3 January, and Credit Control Officer started 20 January.	OBJECTIVE COMPLETED
2	Install and implement improved data archiving and retrieval system within approved budget.	Complete by 1 March 2015	CEO, Head of Operations	**On Schedule.** System installed, testing plan is underway, and formal acceptance from vendor is on track for 25 February.	
3	Identify and implement (within approved budget) a new Credit Control system with automatic links to core IT system.	Complete by 1 April 2015	CEO, Head of Operations	**Behind Schedule.** Preferred supplier identified in December and cost of 3 year contract is within budget. However, [IT Provider] has not met 31 January deadline for building required interface. If not resolved, CEO will present fall-back plan at March Board meeting.	

End of Report

ABC CREDIT UNION LTD.

BALANCED SCORECARD
As of End of Month: **January 2015**

Color Code for Monthly Results:
★ Achieved Exceed or Better
At or Better than Target
Below Target
Below Minimum

		Minimum	Target	Exceed	January 2015		December 2014		Year to Date	
1. Governance										
A.	Board objectives on track to complete on time	4	5	N/A	**5**		**5**		**5**	
B.	Directors who have completed required training to date	6	8	N/A	**7**		**6**		**7**	
C.	Management objectives on track to complete on time	8	10	N/A	**9**		**10**		**9**	
2. Member Service										
A.	New members per month	80	100	150	**96**		**79**		**432**	
B.	Closed accounts per month	10	5	2	**4**		**3**		**18**	
C.	Complaints logged by members	1	0	0	**0**		**0**		**1**	
D.	Monthly member survey results	93%	96%	98%	**96%**		**97%**		**97%**	
3. Financial Performance										
A.	Net income/total assets	1.05%	1.20%	1.35%	**1.22%**		**1.28%**		**1.29%**	
B.	Capital/assets ratio	14%	16%	18%	**17.1%**		**17.9%**		**17.5%**	
C.	Regulatory reserve ratio	11.0%	14.0%	16.0%	**14.2%**		**15.1%**		**15.4%**	
D.	Delinquent loans/total loans	12%	10%	8%	**10.1%**		**8.9%**		**8.8%**	
E.	Loans/assets	72.0%	75.0%	80.0%	**75.2%**		**74.1%**		**78.8%**	
F.	Income from loan portfolio	16.0%	20.0%	22.0%	16.0%		**20.0%**		**19.0%**	
G	Expenditure/income	45%	42%	39%	**42.1%**		**40.3%**		**39.7%**	
4. Employee Satisfaction										
A.	Latest quarterly survey	95%	98%	100%	**100%**	★	**100%**	★	**100%**	★
B.	Employee left for a "better job"	3	2	N/A	**0**		**0**		**1**	
5. Effectiveness and Efficiency										
A.	Amount of new loans during month	750,000	850,000	950,000	**911,345**		**831,541**		**3,396,578**	
B.	% of members who borrow	34%	35%	36%	**35.4%**		**34.8%**		**35.6%**	
C.	% non-teller member transactions	40.0%	45.0%	50.0%	**47.2%**		**47.1%**		**46.8%**	
D.	% of members on payroll deduction	35.0%	40.0%	45.0%	**42.4%**		**41.1%**		**41.2%**	

What further regular information / reports do directors need?

- Finance (income and expenditure, balance sheet, capital, ratios)
- Shares, savings and liquidity
- Lending (volumes, margins, delinquency)
- Membership (satisfaction, complaints, demographics)
- Risk management
- Compliance

- Anything else?

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Oversight of credit union culture, values and principles is a core board responsibility

"It is a central function of the board of directors to ensure that its credit union does not lose its particularity and distinctiveness as a member-owned co-operative, and that it promotes and enshrines co-operative principles and values throughout its organisation and operation."

Credit Union Strategic Governance, Paul A Jones, Nick Money and Ralph Swoboda, May 2016

The seven co-operative principles, shared by co-operatives and credit unions world-wide

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation between co-operatives
7. Concern for community

The international co-operative values

- Self-help
- Self-responsibility
- Democracy
- Equality
- Equity
- Solidarity
- Honesty
- Openness
- Social responsibility
- Caring for others

International Co-operative Alliance

Exercise: Co-operative trade-offs

- In groups, consider the challenges of trying to meet everyone's interests at the same time

- Principle 3, Member economic participation
  - How does your credit union balance the benefits to borrowers compared with savers?
  - How do you balance the needs of today's members with those of new members? For example, do you invest in digital technology or give more surplus back to savers?

- Principle 5, Education, training and information
  - How much money advice and guidance can you afford to offer to members? Some members may not need this, so should their money be spent on this?
  - Should you offer education on subjects other than money?

- 10 mins in groups, then whole group

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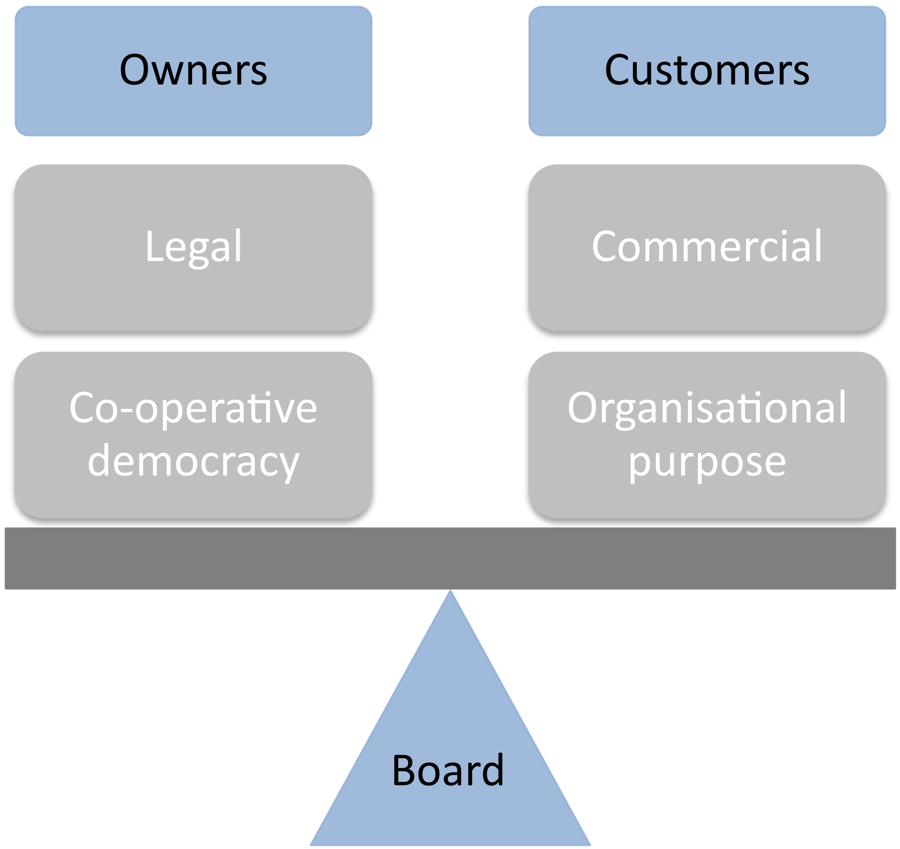
The board's accountability is in part a balancing act



"The board is accountable to the members for the safety, soundness and long term stable development of the credit union as a co-operative financial institution."

Jones, Money, Swoboda, 2016

Accountability is also manifested through democracy and control

- Members as owners elect the board and have democratic authority over the rules and the purpose of the credit union

- The root of the credit union (co-operative) advantage is that the customers are also the owners: <u>in co-ops there is no inherent conflict of interest between owners and members because they are the same</u>

- Conversely, there are risks if member-owners are not effectively engaged
  - Focus on staff and volunteers to the detriment of member interests
  - Treating members 'equally', e.g. savers vs. borrowers vs. transactors
  - Board mis-management

Meaningful democracy

- The AGM
  - Legal minimum
  - Additional governance and consultation

- Beyond the AGM
  - Disclosure / sharing
  - Consultation and engagement
  - Participation

Do changing times require a changing approach?

What gets in the way of accountability to members?

- Treating members solely as customers dilutes awareness and reality of ownership for staff and membership
- Members’ understanding of their status and rights as owners of the credit union is very weak
- Relevant information to members is reduced to annual AGM reports, so members have no sense of ongoing performance
- Weakened value or authority of the AGM
- Accountability reduced to tokenism, or basic compliance with legal or regulatory requirements

A member engagement strategy is a part of the solution

Effective introduction to membership

Meaningful democracy – the role of the AGM, and action outside the AGM

Communication and participation – different from the 'member as customer' communications

Information, transparency and disclosure – sufficient volume and relevance to ensure members are informed, engaged and stimulated

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The importance of how a board of directors works together

- Enron had many highly-qualified non-executives, including a professor of accounting

- The Co-operative's board was entirely member-controlled

Boards being 'a team' can be a challenge

- Directors meet together monthly at most, for a couple of hours
- Directors have limited time outside meetings for credit union issues
- Information is necessarily limited
- Directors do not get to choose each other!
- There is a range of different relationships

"… an effective board … where there is a cohesive and organised group with complementary experiences, whose members are mutually accountable for achieving a common purpose and outcomes through collaborative behaviours and debate." Telos Partners

What makes for effective board working?

In meetings

- Quorate meetings
- Clear roles clear
- An agenda that reflects the needs of the moment
- Papers circulated in advance
- Enough / the right information
- Enough time to discuss and agree
- Each director contributes effectively, including sharing airtime?

Outside meetings

- People read what they are sent
- There is communication between chair and manager
- There is communication in advance between directors on major issues ('no surprises')
- There is training

The board can influence its composition to support its effectiveness

- How many directors?
- What level of diversity? (gender, ethnicity, common bond)
- What skills and experience?

A recruitment and succession plan …

Characteristics of an effective director (I of II)

- **Strategic thinking**: the ability to visualise future conditions and develop plans to meet them.
- **Leadership**: the ability to take responsibility for accomplishing the desired objectives
- **Business skills**: the ability to effectively perform the function of a credit union director
- **Personal impact**: having sensitivity to the impact behaviour has on others and the ability to develop an understanding of other people’s feelings, needs and concerns
- **Member focus**: constant relation to the needs of existing and potential members

Characteristics of an effective director (II of II)

- **Team work**: the ability to be a good team player, developing effective supporting relationships with fellow team members
- **Flexibility**: a willingness to adapt thinking and behaviour to suit different situations
- **Developing others**: recognising the capability of others within the credit union; being able to create an open environment in which to learn and develop
- **Integrity and commitment to credit union values**: a willingness to ensure that your behaviour and that of the board reflects the culture and values of the credit union

Boards can gain considerable value from performance review

- To assure and evidence effective governance
- It reveals the strengths and weaknesses of the board
- It identifies gaps in skills, knowledge and expertise
- It can help with the recruitment of new directors
- The process helps set shared expectations and build team cohesion
- It is the foundation of the board and director development plan
- It can be the basis for individual chair / director discussion

Board performance is not the same as organisational performance

Statements of responsibility and role descriptions are critical foundations

- Clarify the roles of officers of the board, directors and the manager
- Lay out what the board expects from each person
- Establish exact duties and lines of accountability
- Can be used to evaluate performance over time

Document it!

Board and director performance monitoring

1. Identify and agree expectations and performance criteria

2. Measure and evaluate performance

3. Agree Board and Director Development Plan

4. Monitor – and repeat!

And with the Chair keeping a constant eye …

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Final Q&A

3 Templates and other example governance documents

This is the third section of *The Credit Union Governance Toolkit*, comprising templates and example governance materials, such as role descriptions. Each credit union should discuss the suitability of each of these templates for their own needs, and make any adaptations required.

This is the full list:

- Role and responsibilities of the board of directors
- Example role description for the chair
- Example role description for the vice chair
- Example role description of the board secretary
- Role and responsibilities of the CEO or Executive Director
- Example job description for the CEO or Executive Director
- Example job description for a board director
- Statement of how the functions of the Board, Chair and CEO or Executive Director relate to each other
- Sample statement of authorities
- Recruitment and succession checklist
- Board objectives report
- The balanced scorecard
- Risk register (example one, unpopulated)
- Assessing the severity of risk
- Risk rating criteria
- Risk register (example two, unpopulated)
- Risk glossary
- Board of directors self-evaluation template
- Individual director evaluation template
- Board training needs analysis template

The documents follow below.

Role and responsibilities of the board of directors

1. The board of directors is accountable to the members for the achievement of the purpose of the credit union. The role of the board is to lead, to direct and to control the credit union so that it achieves its objectives.
2. The board of directors is endowed by the members with all authority for the credit union, and bears ultimate accountability for credit union functioning and performance.
3. It is only the voice of the board, as determined in constituted meetings that has authority in the credit union. Board members do not possess any individual authority apart from that derived from contributing to the collective voice of the credit union.
4. The board of directors is responsible for the setting of policies that concern the vision, ethics, values, culture, purpose, direction, and the goals of the credit union. The board determines what the credit union is to achieve, for whom and at what cost.
5. The board is responsible for recruiting and retaining a CEO or Executive Director (the lead person who is accountable for the management of the credit union) who can inform and implement its strategic plan.
6. The board has the central responsibility of setting, approving and monitoring the credit union's strategic planning process.
7. The board of directors delegates maximum authority to the CEO or Executive Director to manage the credit union and ensures that any limitations to this authority are made as clear as possible within board policy. The CEO or Executive Director is accountable to the board for managing the credit union in accordance with the strategy and policies the board has adopted.
8. The focus of the board needs always to be on the big picture; and that of the CEO or Executive Director on making sure that the credit union works in practice and succeeds. Precisely where the line is drawn between the work of the board and that of the CEO or Executive Director, however, depends on each individual credit union situation and is ultimately a decision of the board.
9. The board defines and establishes the credit union's risk appetite and its risk governance framework within board policy.
10. As part of the risk governance framework, the board is directly responsible for establishing and overseeing the external and internal audit process.
11. The board is accountable for oversight and scrutiny of legislative and regulatory compliance.
12. The board of directors takes a proactive role in establishing its relationship with the CEO or Executive Director and in monitoring his or her performance.
13. The board has oversight of the setting of clear, specific and measurable objectives within the strategic plan. The regular monitoring and evaluation of progress against these objectives is fundamental to the oversight function of the board. It is against these objectives that the performance of the credit union as well of the CEO or Executive Director is measured.
14. The board of directors is responsible for the governance framework of the credit union, which includes the board's composition, structure, activities and reporting; the recruitment, retention and development of directors, and board education, training and performance assessment.
15. The chair of the board is a key individual within the model of governance. It is uniquely the chair who has the responsibility for ensuring that the board carries out its responsibilities and functions efficiently and effectively, and that management is held to account through the effective oversight and scrutiny of the board as a whole.
16. The chair has a particular role in acting as the primary liaison between the board and the CEO or Executive Director. The chair-CEO or Executive Director relationship is central to credit union success. However, the CEO or Executive Director remains accountable to the board not to the chair.

Example role description for the chair

The chair of the board of directors has a key individual lead role within the system of governance. He or she is pivotal in ensuring that the board carries out its responsibilities and functions efficiently and effectively, and that management is held to account through the effective oversight and scrutiny of the board as a whole.

As both leader and representative of the board, the chair embodies one of the two major poles of influence in the credit union. The other is that of the CEO or Executive Director. The chair's role is to ensure effective board control, oversight and accountability to the members, whereas the CEO or Executive Director is tasked to lead on executive management. These two roles are specific and distinct and should never be undertaken by one single person in a credit union[1].

It is both a requirement of good governance and an expectation of the regulator in Britain and Romania[2] that the board of directors appoints a chair to lead and direct its operations. As is the CEO or Executive Director, the chair is accountable to the board of directors and has no individual or particular authority apart from that which is delegated to him or her by the board. The chair can only reflect the collective view of the board, as determined in properly constituted board meetings, and it is only this collective voice that has ultimate authority in the credit union.

The chair is elected each year by the board after the annual general meeting. However, if possible, a chair should be prepared to hold office for three years, to provide a period of stability and consistency for the board and the CEO or Executive Director.

In some credit unions, the chair was referred to as the president of the credit union, a designation that could sometimes be used to claim an authority over and above the collective authority of the board. In the system of governance, the use of the term president is not advised. The role chair is firmly seen within the context of the board of directors.

The chair's role in governance

The chair is tasked by the board to ensure that it maintains an effective governance framework. In particular this means that the chair has responsibility for ensuring:-

- The board operates according to a clear governance structure and systematic process of activities and reporting.
- The development of the culture, ethics and values of the credit union.
- The engagement of the board and CEO or Executive Director in the strategic planning process.
- The effective collective board oversight of executive management.

[1] In credit unions where the CEO or Executive Director is a member of the board, he or she should never adopt the role of chair. The chair must be an independent non-executive director. All credit unions must also avoid the chair acting as the de facto CEO or Executive Director by assuming authority and responsibilities which properly should be delegated to the CEO or Executive Director

[2] Cf in Britain - PRA Corporate governance: Board responsibilities. May 2015 section 5.3

- The board monitors and evaluates progress against strategic goals and objectives.
- The board understands the nature and extent of the risks it is willing to take to achieve its strategic objectives.
- The board attends to and oversees legal and regulatory compliance and the control and mitigation of risk.
- The policies and procedures that apply to the board are in place (e.g. succession policies, declaration of interest policies etc.).
- Board accountability to the membership for credit union performance.
- Transparency and reporting to member-owners and other stakeholders.

The chair's role in board meetings

It is the role of the chair to ensure effective and productive board meetings by:

- Liaising with the CEO or Executive Director to plan the annual cycle and agendas for board meetings.
- Ensuring that the board agenda focuses on strategy and the oversight of risk, on the monitoring of performance, on accountability to the membership and on major issues facing the credit union particularly those that are reserved for board decision.
- Ensuring that board members receive accurate, timely and clear management information on the performance of the credit union.
- Enabling and facilitating open and genuine discussion in meetings, ensuring that everyone has a chance to speak and take part.
- Listening to and understanding the contributions of directors, presenting and summarising information and arguments clearly and concisely and thus enabling the board to make effective and collective decisions.
- Ensuring that board members do not simply delegate responsibility for major decisions to individuals among them who are considered specialist in the area but rather accept collective decision making responsibility.
- Ensuring that board decisions are made within the remit of the board's agreed policies.
- Accepting that the chair does not have individual authority to take decisions except as consistent with board agreement or where explicitly delegated to do so by the board.

The chair's role in sub-committees and other meetings of the board

It is recognised that sub-committees can play a significant supporting role to the proceedings of any board. However, boards need to approach the establishment of sub-committees with some caution. They can sometimes blur the distinct functions of governance and management, and can result in a reduced engagement of the entire board in issues that are properly its collective responsibility.

The chair ensures the effective use of sub-committees of the board by:

- Ensuring the board clearly defines the remit and purpose of sub-committees, sets their terms of reference and levels of delegated authority as committees of the board, keeps their number to a minimum and ensures effective processes of reporting and accountability to the board within its properly constituted meetings.
- Ensuring that committees of the board are chaired by other directors or independent persons. It is not good practice for the chair of the board to be the chair also of sub-committees.
- Avoiding, if at all possible, the establishment of a small group of directors as an "executive committee". Such committees run the risk of usurping the function of the board. The chair should ensure that if such a committee is established, its remit is limited to those rare instances where emergency board action needs to be taken and time does not permit convening a full board meeting.
- Clarifying the distinct nature of sub-committees of the board and management working groups.

However, none of the above prevents the chair from arranging where appropriate informal meetings involving directors and the CEO or Executive Director to ensure that sufficient time and consideration is given to complex, contentious or sensitive issues. But such discussions cannot make decisions and remain fully accountable to the board in a properly constituted meeting.

The chair's role in board performance and sustainability

The chair also has the responsibility of considering the performance of individual directors and of the board as a whole, and take steps to improvement where possible. This responsibility includes attending to the mid to long term sustainable development of the board. He or she does this by ensuring that:

- Board members are clear about the purpose and direction of the credit union and about their individual and collective roles and responsibilities.
- Board members have the required skills, knowledge, capability and experience to understand and oversee a co-operative financial business.
- Board members work as a coherent and cohesive team to analyse, critique and make decisions upon board performance. Board members should have the confidence and the knowledge to challenge executive management and hold it to account effectively.
- A regular evaluation and assessment of individual director and collective board performance takes place (this would include monitoring the calibre, level of commitment and attendance of all directors).
- Ensuring that the board reviews its own work and how effectively it operates; making sure to take any corrective action required.
- Board members are offered education, training and professional development in governance and in issues concerning the board.

- Any conflict among board members or between board members and the CEO or Executive Director and other staff is addressed and resolved.
- A system of recruitment, selection, election and induction of new board members is in place (including the establishment of a Nomination Committee where appropriate).
- Succession plans are in place for all key director roles and for the overall size and balance of the board.
- Decisions taken at meetings are being implemented.

The chair’s role in relating to the CEO or Executive Director

The chair is the director with prime responsibility for liaison with the CEO or Executive Director outside board meetings. Central to board-management relations is the quality of the relationship between the chair and the CEO or Executive Director which should be based on a sense of equality, rather than on any idea of hierarchy. The CEO or Executive Director is not accountable to the chair per se as some kind of line manager. Both the chair and the CEO or Executive Director are accountable to the board.

This relationship is better understood in terms of mutual support in which ideas, plans and decisions can be explored and critiqued. It enables the CEO or Executive Director to ensure the board is not presented with surprises and it gives a forum to the CEO or Executive Director to check out what is best brought to the board for discussion and debate.

The chair fulfils the role of board liaison with the CEO or Executive Director by:

- Acting as the voice of the board when providing counsel to the CEO or Executive Director.
- Being available to support the CEO or Executive Director through encouragement, advice and discussion at mutually agreed times between board meetings, including at least one substantive meeting each month (whether face-to-face or by phone).
- Serving as the CEO or Executive Director’s primary internal ‘coach’ and advisor and as a ‘sounding board’ with whom the CEO or Executive Director can share ideas and insights.
- Ensuring the CEO or Executive Director is fully aware of the extent and the scope of his or her delegated authority.
- Making a record of discussion and action points agreed by the chair and CEO or Executive Director following meetings, and circulating to other directors for transparency.
- Not assuming authority to take decisions on matters raised by the CEO or Executive Director except as consistent with board agreement or where delegated to do so by the board.
- Ensuring that another suitably informed board member is able to step in temporarily if the chair is unable to discharge the responsibility to support the CEO or Executive Director. If the chair is unable to perform this role on an

enduring basis, the board will consider and implement alternative, sustainable arrangements.

- Taking responsibility for the annual personal development and performance review of the CEO or Executive Director. It does not follow that the chair is the de facto “manager” or “supervisor” of the CEO or Executive Director. The CEO or Executive Director reports to the board as a whole, and is held to account by the directors acting collectively. The CEO or Executive Director’s performance is measured ultimately by the performance of the credit union against its strategic plan.

The chair’s role in ensuring accountability to the membership

The chair is responsible for making sure that the board remains fully accountable to the members of the credit union. He or she does this by ensuring that:

- The board has considered and implemented a system of accountability to the members, in particular focusing on widening participation in attendance and voting at the AGM.
- The board provides members with sufficient information to be able to hold the board to account.
- The meaning of membership is explained early to new members.
- The board considers mechanisms, outside of the AGM, to create greater engagement and a sense of ownership within the membership.

The chair’s role in general meetings of the credit union

It is the chair’s responsibility to ensure that the board, in liaison with the CEO or Executive Director, arranges the Annual General Meeting or any other special general meeting of the membership by the appropriate time. At the AGM, it is the chair’s task to:

- Give a report on the progress and performance of the credit union.
- Answer any questions that might be posed by the members.
- Arrange for any other directors to report or answer questions as appropriate.
- Ensure that all directors and the CEO or Executive Director attend the AGM if possible.

The chair’s role as representative of the credit union

The chair may be required to represent the credit union in relationships or at events with partners or external agencies.

Example role description for the vice chair

Title: Vice chair of the board of directors

Responsible to: Credit union board

Responsible for: Acting as the voice of the board outside meetings; facilitation of meetings; supporting board performance

Term: Three years

Time commitment: X hours per month (board, general and other meetings, preparation) [depending on board meeting frequency]

Role Summary:

To deputise for the chair in the event of absence or conflict of interest

See chair role description

The vice-chair can be given an additional specific responsibility if appropriate – such as member engagement and participation.

Example role description of the board secretary

The traditional role of the secretary on credit union boards has been important to governance. Secretaries have been expected to be the director most expert in board policies and procedures, in particular in relation to the proper running of meetings and the delegation of authorities within and beyond the board.

The chair carries the lead responsibility among directors for governance arrangements.. There remains, however, a range of responsibilities and activities that the board needs to undertake, which might usefully be allocated to the role of secretary. These are:

- Support and guidance to the chair and board on the detail of policy and procedure
- The board lead for administration of general meetings
- Supporting meetings and record-keeping
- Management of board correspondence, in particular complaints and whistle-blowing communications.

Role of the secretary

Support and guidance on policy and procedure

The chair's lead role in ensuring good governance in the credit union requires him or her to be familiar with the credit union's policies and approach, and it is incumbent on all directors and the CEO or Executive Director to be aware of the governance framework. It is helpful, however, if at least one board attendee has an in-depth knowledge of the credit union's rules, and the board's policies and procedures, and is able to advise colleagues where necessary. Given the other requirements on the chair, the secretary could take lead responsibility for monitoring governance developments, and ensuring the board is fully briefed on these.

Administration of general meetings

Boards supported by professional staff tend to delegate the organisation of annual and other general meetings to employees, and this is logical for time-pressed volunteers. The board retains accountability, however, so the following activities require board input, and might sensibly be allocated to the secretary to lead on behalf of other directors:

- Establishing, with the board's agreement, the items to be considered at the meeting
- Ensuring it is held in accordance with applicable legal requirements and the credit union's rules
- Preparing and issuing documentation, including notices and proxy forms (if applicable)
- Acting as Returning Officer and being responsible for the conduct of elections and referenda in line with the rules. This could include agreeing the form of notices, resolutions, proposals, voting cards and voting papers, with a view to ensuring that the results of votes are clear and conclusive.

Annual general meetings usually require presentation of the report and accounts. Some credit unions use these reports as a valuable communications tool with members, including in it a comprehensive review of activities and plans. The secretary could take a lead role for the board in the preparation of this report, working with the CEO or Executive Director, and ensuring that the report meets legislative requirements.

Supporting meetings

Traditionally secretaries take the minutes at meetings of the board. The quality of minutes is very important to ensure that there is a proper record of discussion and clarity of decisions and actions. Sometimes it can be difficult to keep an effective record of proceedings whilst also participating in discussion. Some organisations address this by using a staff member (not the CEO or Executive Director) to take the meeting notes, and the secretary taking responsibility for subsequently reviewing the initial drafts of the minutes to ensure they properly reflect both discussion and decisions. Papers and minutes need to be properly archived in case directors (or regulators) need access – the secretary can work with the CEO or Executive Director to ensure this is effected, and that contingencies are in place.

Boards should have a register of interests for all of the directors (and potentially the CEO or Executive Director). The secretary can take the lead responsibility for ensuring this register is up-to-date.

Management of board correspondence

Credit unions may receive correspondence addressed generically to the board, although this will be declining in the era of email and social media. The secretary might be the first point of contact for this correspondence. The chair would be another appropriate solution.

The credit union should have in place policies for handling complaints from members and for the management of whistle-blowing claims from staff, volunteers and members. Where these policies require escalation to the board, the secretary would be the appropriate first point of contact.

Role and responsibilities of the CEO or Executive Director

1. The term Chief Executive Officer is used to define the lead senior staff member who is accountable to the board for the overall strategic and operational management of the credit union, for the setting of management policies and procedures, for the hiring and supervision of staff, for the implementation of the strategic plan and for the achievement of its objectives as set by the board. In some British credit unions and in all CAR in Romania, the CEO is an Executive Director of the Board. The CEO or Executive Director is also accountable to the board for the legislative and regulatory compliance of the credit union.
2. The CEO or Executive Director forms a core constituent element of the model of governance and as such, is appointed directly by the board to which he or she is accountable.
3. The role of the CEO or Executive Director is to bring dynamism, strategic leadership and drive to a credit union, to develop its vision and strategy and to create and to build upon opportunities that enable the credit union to achieve its purpose.
4. The CEO or Executive Director is in the position of being the board's single point of delegation. It is only by having a single point of delegation that the CEO or Executive Director can be held accountable for all aspects of the management and performance of the business.
5. The CEO or Executive Director is given as much delegated authority as possible in decision making in order to encourage creativity and innovation in taking the business forward.
6. The governance model can work in the absence of a CEO or Executive Director but it is more difficult in practice, as it still requires a single person to be accountable to the board for the operation of the credit union.
7. The CEO or Executive Director and other senior managers in the credit union have a responsibility to be actively engaged in and contribute to the strategic planning process, including the financial plan and budget, over which the board has ultimate oversight and control.
8. The CEO or Executive Director and other senior managers provide to the board information, data and analysis of the environment within which the credit union operates to ensure that strategic objectives are specific, measurable, attainable, relevant and time-bound.
9. The CEO or Executive Director ensures that the financial and non-financial objectives, as defined in the strategic plan, are converted to a series of metrics by which credit union performance can be readily and easily measured in board meetings. The board scrutinises and oversees the acceptance of these metrics as appropriate to measuring the performance of the credit union and the CEO or Executive Director.
10. The CEO or Executive Director is responsible for the importance of ensuring that management information is presented to the board in an accessible and easily understood form to enable directors exercise sound judgement and take effective decisions.
11. Central to board-management relations is the relationship between the chair of the board and the CEO or Executive Director. There is a distinct division of responsibility between the chair and the CEO or Executive Director, both of whom in their own way head up and lead the credit union. The chair and the CEO or Executive Director

perform two distinct functions within the credit union and, as such, have a relationship based on a sense of equality, rather than any idea of hierarchy.

12. The CEO or Executive Director is directly accountable only to the board and only those decisions of the board of directors acting as a body are binding upon the CEO or Executive Director. Decisions or instructions of the chair or of individual directors are not binding, except in those cases where the board in a properly constituted meeting has specifically given its delegated authority for particular and defined matters.

Example job description for the CEO or Executive Director

Title: Chief Executive Officer or Executive Director

Responsible to: Credit union board

Responsible for: Credit union strategic and operational leadership

Location: [ ]

Role Summary:

The CEO or Executive Director is the lead senior staff member of the credit union and is accountable to the board for strategic and operational leadership and for implementation of the strategic plan. The CEO or Executive Director will set the tone for organisational culture, reflecting the values of the credit union.

Key responsibilities:

- To provide strategic leadership of the credit union and inform and deliver the strategic plan agreed with the board.
- To be responsible for the successful operation and development of the credit union and to ensure that all performance targets are met.
- To be overall responsible for compliance with all the regulatory and financial controls reporting to the board of directors.
- To promote, develop and deliver the credit union's business plans, products and services to ensure ongoing improvements to member services.
- To provide strategic, operational and financial management of the business focussing on business development, financial accounting, credit control and people management.
- To be responsible for the management and development of the people working for the credit union.
- To maintain effective working relationships with the board directors, and provide support to enable them to fulfil their duties.

The post holder will have a strong commitment to co-operative values and principles.

Core competencies, knowledge and experience:

Competencies		
Strategy and planning	Communication	Member focus
Leadership	Managing change	Relationship management
Co-operative working	Commercial awareness and entrepreneurialism	Influencing

Knowledge and experience		
5+ years in senior leadership	Stakeholder management	Knowledge of credit union movement
P&L, budget and balance sheet management	Development of commercial partnerships	Awareness of financial service market
Performance management, team development	Risk management	Understanding of regulatory requirements
Contract and supplier management	Degree or equivalent	Relevant professional qualification

Accountabilities

Strategic leadership

- Maintaining awareness of relevant economic and competitor developments
- Representation of the credit union to external stakeholders
- Co-ordination of and informing strategic planning process
- Implementation of strategic plan
- Delivery of strategic objectives.

Business leadership

- Effective performance reporting
- Internal and external communications
- Setting the tone and performance management
- Development of products and services; achieving service levels
- Overall operational efficiency.

Risk management

- Maintenance of financial, business and operational risk registers
- Risk management procedures and controls
- Maintenance of full regulatory compliance
- Interface with regulatory bodies.

Contribution to governance

- Board reporting and administration
- Participation in board discussion
- Development of member relations and services.

Example job description for a board director

Title: Director

Accountable to: Other directors; credit union members

Responsible for: Credit union governance and stewardship

Location: [ ]

Role Summary:

Members of the board of directors carry individual and collective responsibility for the good governance of the credit union, including its safety and soundness as a financial institution. A director must maintain the relevant skills, knowledge and understanding to perform the role, together with the commitment of necessary time. A director must always be focused on the interests of the members, and have a commitment to co-operative values and principles.

A director has no individual authority except where formally and explicitly delegated by the board of directors in a properly convened meeting.

Term of office

Directors are elected by the general membership of the credit union and serve a three-year term. Directors may not serve more than [*xxx – to be decided by each individual board*] consecutive terms. Directors who have served the maximum number of terms may apply for re-election to the board after at least a 12-month interval (as decided by the board) In cases of necessity, and in individual cases, the board can waive the maximum term period requirement but must report the reasons to the membership in the AGM.

Generic director responsibilities

A director carries these key responsibilities in collaboration with board colleagues:

- Setting the mission, strategic aims and values for the credit union, and ensuring a plan is in place to deliver these
- Showing strategic leadership in pursuit of the values and strategic aims
- Appointing the CEO or Executive Director to manage the organisation and implement the plan
- Supervising the performance of the credit union
- Identifying risk to the credit union and its objectives, and ensuring a risk management framework is in place
- Approving board policies for the credit union in accordance with its mission, values and objectives, and within legal and regulatory constraints
- Ensuring that mechanisms are in place to keep the credit union compliant with legal and regulatory obligations
- Ensuring processes are in place to sustain the board of directors and improve performance where possible
- Participate in electing a chair of the board to coordinate the activities of the board and ensure its effective performance in the interests of the members
- Attending board and committee meetings, participating regularly and constructively in discussion, challenging appropriately where necessary
- Serving on at least one sub-committee or project group when / if required and as appropriate

- Accepting collective responsibility for board decisions and collective accountability to the members, the regulator and other stakeholders
- Sustaining an effective democracy and a co-operative culture and values
- Representing the credit union to external parties as required
- Treating all credit union information confidentially and sensitively.

Additional director responsibilities

Some directors may carry additional responsibilities in the following areas, which are set out in more detail in relevant documents:

- Officer of the board, e.g. chair, secretary, treasurer
- Senior Manager Function(s) under the Senior Managers Regime
- Membership of sub-committee(s).

Core competencies[3], knowledge and experience:

Competencies (Essential = E, Desirable = D)		
Strategy and planning (D)	Communication (D)	Member focus (E)
Leadership (D)	Co-operative working (D)	Critical thinking (E)
Knowledge and experience		
An ability to engage with the credit union's financial performance and reports (E)	Working on boards or in groups (D)	Knowledge of the credit union and of the credit union movement (D)
Knowledge of the common bond area and the needs of its communities (E)	Understanding of the regulatory and legal environment for the credit union (E)	Understanding of the financial service market and of competitors to the credit union (D)
Understanding of the processes and value of lending money to members (E)	Understanding of the principles of risk management in organisations (D)	

Accountabilities

Governance

- Attending, contributing to and supporting effective board meetings and records.
- Providing critical oversight and participating in board discussion.
- Ensuring succession and recruitment plans are in place to sustain the board.
- Ensuring effective reporting to members.
- Ensuring effective democratic processes are in place in accordance with the credit union rules.

[3] Competencies as noted here do not imply professional training, but an appropriate level of expertise in a given area.

Strategic leadership

- Maintaining understanding of relevant economic and competitor developments, and community issues relevant to members and the credit union.
- Representation of the credit union to external stakeholders.
- Setting strategic objectives, contributing to the strategic planning process and approval of the plan.
- Oversight of implementation of the strategic plan..

Business oversight

- Ensuring effective performance reporting and evaluation.
- Ensuring a risk management and controls framework is in place and that regulatory compliance is under management.
- Ensuring that there is effective internal and external audit of the governance and operations of the credit union.
- Ensuring that there is effective management of health and safety obligations.

Personal development and conduct

- Participating in board and individual director evaluation processes as determined by the board.
- Obtaining personal training and development as required to maintain or improve contribution.
- Maintaining a positive financial relationship with the credit union during the term of office.
- At all times acting with integrity and in line with the credit union's expectations of good conduct.

Expected time commitment

Total minimum commitment of 76 hours a year (1.5 hours per week average), based on:

- Five hours per month x 10 board meetings per year (two hours' preparation, three hours' attendance).
- Eight hours x one full planning day per year.
- Two hours x four sub-committee or project meetings per year.
- 12 hours a year for promoting the credit union as required, e.g. attending conferences.

Plus training and development as identified through development planning.

This time may be required on weekdays, evenings and weekends, subject to advance notice and based on discussion in relation to individual director circumstances.

Statement of how the functions of the Board, Chair and CEO or Executive Director relate to each other and the boundaries between their respective roles and responsibilities

1. The responsibilities and functions of the board of directors and the CEO or Executive Director respectively are set out in separate statements agreed by this credit union. These include reference to the boundaries of each role, but not explicitly how they operate together, which is the purpose of this statement.
2. **The strategic plan** ("the plan") is the critical point of engagement between the directors and the CEO or Executive Director. Director communication with the CEO or Executive Director will be directly or indirectly related to the achievement of the plan.
    a. The activities of the CEO or Executive Director are all directly or indirectly related to the delivery of the plan, including mitigation of risk.
    b. The CEO or Executive Director has direct responsibility for implementation of the plan and all resources deployed to that end, within the budgetary and non-financial frameworks provided by the plan and board policy (e.g. delegated authorities).
    c. Directors will not be involved in personnel matters unless relating to CEO or Executive Director performance management or succession. Alternatively, there may be a requirement for a director to hear a complaint, grievance or appeal that has gone beyond the CEO or Executive Director's remit to address, in accordance with internal procedures (this reinforces the need for directors to maintain a distance from operational staffing matters).
    d. Directors will restrict their oversight of credit union performance in relation to the plan through the CEO or Executive Director, unless the board and CEO or Executive Director have agreed alternatives in specific instances, e.g. through an Audit Committee. The CEO or Executive Director may subsequently advise or request that other members of staff respond to directors, but all contact regarding performance starts with the CEO or Executive Director. Similarly, directors will share first of all with the CEO or Executive Director, and not with other staff or volunteers, any ideas or decisions that are appropriate to board discussion.
3. Directors may develop and maintain working relationships and friendships with staff and volunteers in the credit union other than the CEO or Executive Director, but business conversations will respect the role of the CEO or Executive Director as the prime point of responsibility and board contact for performance among the staff and volunteers.
4. **The chair** is the director with prime responsibility for liaison with the CEO or Executive Director outside board meetings.
    a. The chair will always act as the voice of the board when providing counsel to the CEO or Executive Director outside board meetings.
    b. The chair does not have authority to take decisions except insofar as consistent with board agreement or where explicitly directed.
    c. The chair will be available to support and guide the CEO or Executive Director through advice and discussion at mutually agreed times between board

meetings, including at least one substantive meeting opportunity each month (whether face-to-face or by phone).

d. A short record of discussion and action points will be agreed by the chair and CEO or Executive Director following these meetings, and circulated to other directors for transparency.

e. If the chair is not able to discharge the responsibility to support the CEO or Executive Director, she will ensure that an alternative, nominated and suitably informed board member is able to step in temporarily. If the chair is unable to perform this role on an enduring basis, the board will consider and implement alternative, sustainable arrangements. This could include the replacement of the chair, as the board recognises the need for the CEO or Executive Director to have access to the board in this way between meetings.

5. **The board meeting** is the forum where board, director and CEO or Executive Director roles and responsibilities intersect, where changes to the strategic plan and board policy can be made and decisions taken. There is no other authority than the board meeting for these actions, unless authorised by the board.

    a. Only decisions of the board acting as a body are binding on the CEO or Executive Director. Decisions or instructions from individual directors or committees are not binding, except in those cases where the board has given its specific delegation.

6. The directors of the board and the CEO or Executive Director, acting collaboratively and in the interests of the members, will **aim for excellence** in the application of this statement.

    a. The board will allow no individual director or the CEO or Executive Director to hinder the fulfilment of the requirements of this statement.

    b. The board and CEO or Executive Director will review this statement and its effectiveness on a regular basis as defined by its governance policies.

This statement may be amended or rescinded at any time by action of the board at its sole discretion.

Sample statement of authorities

1 Introduction

The board of directors of [the credit union or CAR] holds ultimate authority on behalf of the members. The board delegates certain specific authorities to sub-committees of the board, and executive authority to the CEO or Executive Director or Executive Director to manage the achievement of the strategic objectives of [the credit union] and its day-to-day organisation and operations.

This policy schedule sets out the limitations of any sub-committee (committee) and of CEO or Executive Director executive authority, identifying those matters reserved for the board or the membership. The schedule is consistent with [the credit union's] rules, and is reviewed annually at the beginning of each financial year.

2 Matters reserved to the membership

The following activities and decisions are reserved for the membership. They are resolved in accordance with the rules, generally through a general meeting:

- Receipt of the annual report and accounts, prepared and agreed by the board and presented at the annual general meeting.
- Appointment of an auditor, recommended by the board at the annual general meeting.
- The election of directors, proposed by the Nomination Committee or through other valid nomination routes in accordance with the rules.
- The distribution (or otherwise) of the surplus based on a recommendation from the board at the annual general meeting.
- Changes to the rulebook proposed at a general meeting

3 Matters reserved to the board

The following activities and decisions set out in [the credit union's] rules are reserved for the board:

- Election of a chair, vice-chairs, treasurer (if applicable) and secretary.
- Co-option of directors for casual vacancies between annual general meetings, on recommendations from the Nomination Committee.
- Suspension of a director.
- Proposal of appointment of the external auditor to the annual general meeting.
- Recommendation to the annual general meeting of a dividend or loan interest rebate.

The board has also retained the following activities and decisions, which are not referenced in [the credit union's] rules:

- The overall system of governance in [the credit union].
- Determination of the vision, mission and values of [the credit union].
- Determination of the common bond of [the credit union].

- Determination of the operations of the board and its committees.
- Determination of matters and documents of board policy.
- The job description, appointment and termination of employment of the CEO or Executive Director
- The remuneration and terms and conditions of service of the CEO or Executive Director.
- The appointment of an internal auditor, on recommendation of the Internal Audit or Supervisory Committee.
- Decisions on the attendance of directors at events outside the business of the board, e.g. at conferences or with commercial partners.
- Approval of the rolling strategic plan and annual budget.
- Approval of expenditure outside the limitations described in the financial management and procurement policies.

The board may also delegate authorities to committees of the board. These authorities are specific and limited, and do not enable committees to bind the board's decision-taking. The delegated authorities are set out in the terms of reference for each committee, which are themselves approved by the board.

From time-to-time, the board may delegate authority for one-off decisions to individual directors such as the chair.

The board has the authority to reserve other decisions and activities which will be detailed in this policy schedule. These may include, for example,

- *Consultation on dismissal of staff members who directly report to the CEO or Executive Director*
- *Notification of any staffing restructure*

The Board of Directors will operate within its statement of defined roles and responsibilities statement as approved in a properly constituted board meeting.

4 Matters reserved to the CEO or Executive Director

All matters not reserved to the membership (section 2) or the board (section 3) are de facto delegated to the executive in the person of the CEO or Executive Director. It is recognised that effective governance calls for extensive delegation of authority to the CEO or Executive Director.

However, as well as by the reserved matters above, CEO or Executive Director delegated authority is limited or constrained by:

- Legislation
- Regulation
- Board-approved policy and plans
- The strategy, objectives and values of [the credit union].

The above limit the authority of the CEO or Executive Director in the strategic and operational management of the credit union.

The CEO or Executive Director may delegate authority and responsibility for delivery of some of these matters to other executives (staff) in a clear, specific and documented manner. The CEO or Executive Director remains solely, directly and ultimately accountable to the board for the management of [the credit union] in accordance with the strategies and policies agreed and adopted by the board.

The CEO or Executive Director's authorities are set out in

- The CEO or Executive Director job description
- The CEO or Executive Director defined roles and responsibilities statement
- The items identified in this policy schedule.

The following items are specifically delegated, consistent with the policies and procedures of the credit union:

- Compliance with all relevant legislation and regulation, and the credit union's rules
- Items required for the delivery of the strategic plan and budget, once approved, including recruitment and employment, product, pricing, fees and service level decisions
- New product, pricing, fee and services changes that are consistent with the strategic plan and/or product policy
- Expenditure, including recruitment, as outlined in the budget and consistent with the financial management and procurement policies of the credit union
- The management of the health and safety of staff, volunteers and members when on credit union premises or business
- Expenditure, including recruitment
    - as outlined in the budget and consistent with the financial management policies of [the credit union]
    - to a maximum one-off commitment of £
    - all commitments above a value of £ [lower than above but regarded as significant] reported to the board

The CEO or Executive Director has authority to commit the credit union to contracts to a maximum value of £ in any one year, and a maximum possible £ over the minimum life of the contract. The CEO or Executive Director may commit the credit union to a contract with a maximum term of n years. [These authorities are also shown in the Procurement Policy.]

Where there is any doubt with regard to the authority required for a decision, the CEO or Executive Director will take advice from the chair or the full board.

Recruitment and succession checklist

Checklist	Comments
1. Purpose of the board of directors	
Have we agreed a statement of the roles and responsibilities of a director (or job description)?	
2. Size and composition of the board	
Are we happy with the size of our board? Are there more than 11 directors? If so, why?	
Have we agreed the percentage of possible corporate member directors?	
Do we include directors as representatives of particular areas or sections of the membership?	
Do we have president OR a chair of the board? (what is the designation?)	
Do we need a treasurer or secretary?	
What is our sub-committee structure and is it justified?	
Do we want to appoint the CEO or Executive Director as an executive director? (for British Credit Unions)	
3. Skills and competences required of directors	
Have we identified and agreed the essential and desirable skills and competencies required of directors?	
Are these written down in director person specifications?	
Do we need to recruit some directors to fill gaps in the skill and experience of the staff team?	

Checklist	Comments
4. Specific competencies required to fulfil particular roles	
Are we clear of the specific competencies required of the chair? And of the treasurer and secretary if retained? Are these written down?	
Are there specific competencies required of the chairs of the sub-committees?	
5. A system of director and board evaluation	
Do we evaluate our contribution to the board as directors?	
Do we evaluate the performance of the board as a whole?	
How do we identify skills gaps on the board?	
6. The nominations committee	
Do we have a nominations committee?	
Does our nominations committee assess the skills and competencies of candidates before recommendation for election?	
Would we still accept nominations from the floor of the AGM? Should we? Or should all people proposed for election have been vetted by the nominations committee?	
Should we introduce the system of nomination by petition?	
8. Co-options and board observer participation in board meetings	
Are people co-opted to the board assessed first by the nominations committee against agreed criteria?	
Should the board invite nominated candidates to be board observers before being presented for election?	
Do we need any independent advisors on any of the subcommittees?	

Checklist	Comments
9. Recruitment and succession action planning	
Do we have a recruitment and succession action plan?	
Is this the responsibility of the nominations committee?	
Do we address issues around equality in our action plan?	
Do we set term limits for directors? If not, why not?	
10. Transparent and clear nomination and election procedures	
Do we set out, agree and publish the processes and procedures for nomination and election?	
Does our website have a page on the board of directors' nomination and election process)?	
Do election candidates offer a biography and statement of why they wish to be a director to the members?	
11. Induction of board observers, co-optees and elected board members	
Do we have a system of induction for all board observers, co-optees and elected board members?	

Board Objectives Report

ABC CREDIT UNION LTD.

2016-2017 OBJECTIVES PROGRESS REPORT

As of End of Month: January 2017

Goal Completed	C	Behind Schedule to Complete by Deadline	(yellow)
On-Schedule to Complete by Deadline	(green)	Goal Incomplete and Past Deadline	(red)

	BOARD OBJECTIVES	TIMEFRAMES	PERSONS RESPONSIBLE	STATUS THIS MONTH	
1	Complete Governance Improvement Project to satisfaction of Board and Supervisory Committee.	Complete by 31 March 2017	Chair	**On schedule.** Objectives Report form and Statements of Responsibility adopted at December Board meeting. Draft of Scorecard tried out at January Board meeting and will be finalised at February or March Board meeting.	(green)
2	Develop and Implement Board Self-Appraisal Process.	Complete by 30 April 2017	Chair	**On schedule**. Trial run of process completed at January Board meeting. First regular self-appraisal scheduled for April Board meeting.	(green)
3	Develop and Implement Quarterly and Annual CEO Performance Appraisal Process.	Complete by 30 April 2017	Executive Committee	**On schedule**. CEO annual performance review conducted by Executive Committee and reported in closed session at January Board meeting. First quarterly review to be competed by Chair in early April.	(green)
	MANAGEMENT OBJECTIVES	**TIMEFRAMES**	**PERSONS RESPONSIBLE**	**STATUS THIS MONTH**	
1	Complete Staffing Enhancement Project, including recruitment of a Risk Management Officer.	Complete by 31 January 2017	CEO	**COMPLETED.** Accounting Assistant started on 3 January, and Risk Management Officer started 20 January.	C
2	Install and implement improved data archiving and retrieval system within approved budget.	Complete by 1 March 2017	CEO, Head of Operations	**On Schedule.** System installed, testing plan is underway, and formal acceptance from vendor is on track for 25 February.	(green)
3	Identify and implement (within approved budget) a new Credit Control system with automatic links to core IT system.	Complete by 1 April 2017	CEO, Head of Operations	**Behind Schedule.** Preferred supplier identified in December and cost of 3 year contract is within budget. However, [IT Provider] has not met 31 January deadline for building required interface. If not resolved, CEO will present fall-back plan at March Board meeting.	(yellow)

End of Report

The balanced scorecard

An example of a balanced scorecard; as with the strategic objectives report, each credit union creates its own scorecard aligned to the plan.

ABC CREDIT UNION LTD.

BALANCED SCORECARD

As of End of Month: **January 2015**

Color Code for Monthly Results:

- ★ Achieved Exceed or Better
- At or Better than Target
- Below Target
- Below Minimum

	Minimum	Target	Exceed	January 2015		December 2014		Year to Date	
1. Governance									
A. Board objectives on track to complete on time	4	5	N/A	**5**		**5**		**5**	
B. Directors who have completed required training to date	6	8	N/A	**7**		**6**		**7**	
C. Management objectives on track to complete on time	8	10	N/A	**9**		**10**		**9**	
2. Member Service									
A. New members per month	80	100	150	**96**		**79**		**432**	
B. Closed accounts per month	10	5	2	**4**		**3**		**18**	
C. Complaints logged by members	1	0	0	**0**		**0**		**1**	
D. Monthly member survey results	93%	96%	98%	**96%**		**97%**		**97%**	
3. Financial Performance									
A. Net income/total assets	1.05%	1.20%	1.35%	**1.22%**		**1.28%**		**1.29%**	
B. Capital/assets ratio	14%	16%	18%	**17.1%**		**17.9%**		**17.5%**	
C. Regulatory reserve ratio	11.0%	14.0%	16.0%	**14.2%**		**15.1%**		**15.4%**	
D. Delinquent loans/total loans	12%	10%	8%	**10.1%**		**8.9%**		**8.8%**	
E. Loans/assets	72.0%	75.0%	80.0%	**75.2%**		**74.1%**		**78.8%**	
F. Income from loan portfolio	16.0%	20.0%	22.0%	16.0%		**20.0%**		**19.0%**	
G Expenditure/income	45%	42%	39%	**42.1%**		**40.3%**		**39.7%**	
4. Employee Satisfaction									
A. Latest quarterly survey	95%	98%	100%	**100%**	★	**100%**	★	**100%**	★
B. Employee left for a "better job"	3	2	N/A	**0**		**0**		**1**	
5. Effectiveness and Efficiency									
A. Amount of new loans during month	750,000	850,000	950,000	**911,345**		**831,541**		**3,396,578**	
B. % of members who borrow	34%	35%	36%	**35.4%**		**34.8%**		**35.6%**	
C. % non-teller member transactions	40.0%	45.0%	50.0%	**47.2%**		**47.1%**		**46.8%**	
D. % of members on payroll deduction	35.0%	40.0%	45.0%	**42.4%**		**41.1%**		**41.2%**	

A draft simplified balanced scorecard as initially compiled by one credit union in the research study – the fields are unpopulated and the right hand final column is to be colour coded, red green or yellow

Project Credit Union - Balanced scorecard								
		Minimum	Target	Exceed	Sep-14	Month	YTD	
1. Governance								
A	Board goals on track							
B	Management goals on track							
2. Member Services								
A	Net new members per month							
B	New members per month (employed)							
C	New members per month (Payroll Plus)							
3. Financial Performance								
A	Increase in Loan Balance (on Y/E balance)							
B	Rate of Return							
C	Bad Debt Written Off							
D	Bad Debt Recovered							
E	Overall Delinquency							
4. Effetiveness and Efficiency (Ratios)								
A	Cost:Income							
B	Capital:Asset ratio							
C	Staff:Membership (FTE:Active Adult members)							

Risk Register (Example One, unpopulated)

The risk should be split into initial risk and residual risk

The mitigating actions should have dates

The risks should be assigned to specific objectives of the organisation as detailed in the strategic/business plan.

Each risk is measured against an associated risk appetite limit – It is recommended that there is a policy in place to document the appetite for risk.

Note key at bottom of table – DoT = direction of travel

Risk		Mitigation	Monitoring control	Owner & Deadline	Update and Date Reviewed	L'Hood	Impact	Score	DoT
1						3	4	12	↔
2						4	4	16	↑
3						2	5	10	↔

KEY

Direction of Travel	↓ The level of risk is reducing	↑ The level of risk is increasing	↔ No change in the level of risk
Likelihood	1 – Risk very unlikely to occur in the next 12 months	2 – unlikely 3 – may occur 4 – likely to occur	5 – Risk very likely to occur in the next 12 months
Impact	1 – Limited impact. Financial impact <5k, no reputational risk and limited impact on ability to deliver business plan (BP)	2 - <£10k, limited reputational or impact on BP 3 - <£20k, small reputational impact and ability to deliver BP 4 - <£30k, some reputational impact and ability to deliver BP	5 – High impact. Financial impact >50k, significant reputational impact and on ability to deliver business plan
RAG	Green Score 0-10	Amber Score 11-15	Red Score 16-25

This risk register is based on a template as used at Manchester Credit Union

Assessing the severity of risk

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This Figure shows how a risk rating score is gained by measuring likelihood against consequence or impact. How likelihood and consequence are to be understood is determined by each credit union

		Consequence				
		5	4	3	2	1
Likelihood	5	25	20	15	10	5
	4	20	16	12	8	4
	3	15	12	9	6	3
	2	10	8	6	4	2
	1	5	4	3	2	1

Risk Rating Criteria

	Impact over strategic planning cycle			
	Low	**Medium**	**High**	**Very high**
1. Financial: • Capital • Income	• Under 5% • Under 10%	• 5%-10% • 10%-20%	• 10%-15% • 20%-30%	• Over 15% • Over 30%
2. Operational	Minor business disruption	Temporary loss of service	Major business disruption	Failure of critical systems / processes
3. Customer & community	Under 5% of members / customers impacted	5%-10% of members / customers impacted	10% - 30% of members / customers impacted	Over 30% of members / customers impacted
4. Regulatory	Major internal breach of procedures/ regulatory requirements	Written warning by regulator	Serious breach of code	Loss of regulatory approval etc
5. Employees	Low level dissatisfaction	Localised low morale Localised increased staff turnover	Significant spread of low morale Loss of some key staff Increased staff turnover	Organisational wide low morale Low productivity High levels of staff turnover Loss of key staff
6. Reputation	Minor media coverage	Adverse press coverage	Single adverse publicity damaging brand	Prolonged adverse publicity
	Likelihood over strategic planning cycle			
	Low	**Medium**	**High**	**Very high**
Likelihood of risk event	Remote Isolated presented Very unlikely within 3 years	Possible Regular event Likely within 2 years	Very possible Frequent event Likely within 1 year	Probable Common event Very likely

Risk Register (Example Two, unpopulated)

DRAFT RISK REGISTER Example 2								
Business Objective	Sub Risk Description	Risk Consequences	Existing Internal Controls and Evidence	Residual Risk Score - max. 5x5 (Likelihood x Impact)	Details of Actions Required to Improve Controls (to be completed if Existing Controls are NOT Fully Adequate)	Person Responsible	Target risk rating	Target Date
Governance				**3 x 5 = 15**				
Business Planning				**3 x 4= 12**				
Member Engagement				**3 x 5 = 15**				
Operational Management				**5 x 4 = 20**				
Regulatory Compliance				**3 x 3 = 9**				

Note – the business objectives are a sample not an exhaustive list of the objectives that could be covered

The risk score calculation depends on a definition of likelihood and impact to be given

Risk Glossary

- **Risk appetite**

  Risk appetite reflects the Board's attitude to uncertainty (i.e. accept manage or avoid risk) in the pursuit of a credit union's strategy and objectives.

- **Risk tolerances**
  Risk tolerances reflect the boundaries and limits set for operational achievement of the strategy and objectives.

- **Risk identification**

  This refers to the identification and analysis of the principal, critical and inter-connected potential risk exposures in pursuit of the strategy and objectives. Boards need to know the specific, defined in detail, risks not just broad risk categories.

- **Risk assessment**
  The board must have in place a method to be able to make a robust assessment of the potential principal and materially significant risks to which the credit union's strategy and operations are exposed. This should assess, impact, inherent likelihood and control effectiveness.

- **Risk response**

  Risk management involves ensuring that there is a process in place to manage and mitigate risk exposures without compromising the entrepreneurial spirt of the credit union. Typical responses are: Take; Treat; Transfer; and Terminate.

- **Risk ownership**

  The Board is accountable for risk management and the CEO or Executive Director and senior management are responsible for implementing a robust business risk management process. Risk, Audit, Finance and Supervisory Committees may have delegated authority from the Board for aspects of the risk management process as will Internal Audit (i.e. testing the assurance and reporting on the risk and controls). Risk management is everyone's responsibility including staff and members who should have knowledge of and the facility for whistleblowing.

- **Recording, monitoring and reporting**
  Principal risks should be recorded (typically in a risk register) and reported to the board for review on a regular basis as well as annually. Target risk scores should be recorded, in order to facilitate meaningful review by the board of risk mitigation, along with 'incident/loss trends' as well as the direction and velocity of travel.

- **Internal audit**

  The internal audit function performs a key function within risk management. It should be designed to provide assurance on the business risk management process and report to the board on their scope and effectiveness.

- **Regulatory compliance**

The business risk management process should be designed to ensure compliance with legislation and regulatory requirements. Non-compliance may result in a revocation of the licence to operate.

- **Governance risk**

  Governance risk refers to the organisational structure including an effective board, committees, a robust strategy and objectives, and systems and processes to implement the strategy including policy and procedures. The aforementioned elements combine to deliver the credit union's business model. Any gaps or deviations from the basic elements of good governance leave the credit union exposed to strategic, organisational and financial detriment.

- **Credit risk**

  All credit unions face the risk of financial loss from borrowers and guarantors of loans failing to meet their obligations in accordance with agreed terms. Credit risk relates to the marketing and administration of loans, the development of particular loan products and credit control procedures.

- **Strategic risk**

  Strategic risk arises when credit union boards and management struggle to develop and implement effective business models, plans and strategies, make commercial decisions, allocate resources, or adapt to changes in the operating environment. Strategic risk may arise from projections based on unrealistic market, financial or operational assumptions, from the strain of mergers or transfers of engagements and from taking on significant additional business activities beyond the capacity of the organisation. Strategic risk may also arise from ineffective implementation or monitoring of agreed strategies. It concerns a credit union's achievement of goals and objectives, for the target market it wants to serve and at a cost that it can afford.

- **Operational risk**

  The attainment of strategic objectives is central to credit union success, but often the greatest risk to credit union economic and organisational viability is more to do with normal day-to-day operations rather than failures at a strategic level. Credit unions typically collapse or suffer harm or detriment due to inadequate or failed internal systems, processes and controls; human failure, incompetence or error; or an inability to manage or control unanticipated events or natural disasters. Such operational risk includes deficiencies or breakdowns in respect of transaction processing, fraud, legal proceedings, physical security of buildings, information technology hardware or software failures, data entry errors, money laundering, misuse of confidential information, inadequate business continuity plans and the outsourcing of services.

- **Market risk**

  Credit unions are subject to market risk mainly in regard to potential changes in market interest rates on consumer loans and savings and rates of return on bank deposits and other investments. Market risk also refers to fluctuations in charges for overdrafts and other credit union borrowings, to changes in the value of property and in market rent levels. Where credit unions have invested heavily in property, boards need to consider the implications of the value of the investment increasing or decreasing.

- **Insurance risk**

  Insurance risk, as commonly understood, is perhaps less of an issue for credit unions, as they do not have liabilities through the provision of insurance products. One exception may be in the case of those credit unions that are no longer taking out the traditional insurance on member loans and savings but still committing to paying out on the death of a member. These payments are being made from a reserve created from the credit union’s own earnings. The credit union is here exposed to risk resulting from the unexpected death of a higher number of members in any one year. Insurance risk may also be understood as the risk arising from not having the required insurances in place in a credit union.

- **Capital risk**

  Capital risk refers to the possibility of a credit union not achieving or maintaining the regulatory capital requirement or the additional level of capital that is required to absorb losses arising from business operations and to allow a credit union to remain solvent (and meet regulatory requirements) under challenging conditions. In some participating credit unions capital risk arises from declining capital reserves as they fail to make sufficient income on the core business. This can be a particular problem for credit unions that have been capitalised through external subsidies.

- **Liquidity risk**

  Liquidity risk refers to the possibility that a credit union will not have sufficient liquidity to fund its current and future expected and unexpected cash outflows as they fall due. This may occur even where the credit union is solvent. Liquidity risk could arise from the loss of existing external funding, increasing savings withdrawals or an unplanned rise in new loan agreements. It could impact on the ability of a credit union to meet its financial commitments.

- **Financial risk**

  Financial risk is a key risk area for all credit unions, for which credit unions carrying out any additional activity, have to establish, maintain and implement an up-to-date financial risk management policy statement approved by the board of directors (PRA 2016 10.3.1). Financial risk refers to the possibility that a credit union may not generate sufficient income, either from lending or investments, to cover operating and other costs and thus fail to achieve economic viability as a financial institution. It also includes both interest rate and funding risk.

- **Interest rate risk**

  Interest rate risk concerns the possibility that interest rates charged on loans and paid on savings do not result in a sufficient enough spread to build income. It may relate also to the possibility that interest rates are not appealing in the market place and thus fail to attract sufficient savers and borrowers. On the other hand, too high a savings interest rate may result in greater deposits which, if not converted into loans, may result in a decline in the capital adequacy ratio of the credit union.

- **Reputational risk**

Reputational risk refers to the possibility that the credit union could lose potential business because its character or its service quality is perceived to have diminished by the communities or employee groups which it is designed to serve. The reputation of the credit union as an ethical and co-operative financial institution is perhaps the most valuable asset it possesses. Reputational risk is the possible loss of this reputational capital through the credit union being perceived negatively by members, stakeholders, politicians, the media and general public.

- **Environmental risk**

  Environmental risk refers to all risks to the credit union stemming from its external operating environment. This includes risks arising from the macro and local economy. Risks would include changing demographics within the common bond, changes to local wage and welfare benefits levels, changes in the local demand for credit, rising over-indebtedness to other lenders, unemployment and redundancy in the common bond, and the closure of companies served by the credit union.

- **Conduct risk**

  The regulator increasingly requires financial institutions to consider conduct risk. This refers to the possibility that financial institutions including credit unions may develop organisational cultures that fail to deliver good outcomes first for customers (Treating Customer Fairly ('TCF') and secondly for financial markets in general. The FCA has not defined conduct risk in detail and has expressly stated that it is not suggesting that there is a single regular approved model culture that would suit all financial institutions. Rather, each financial institution, including credit unions, must define conduct risk for itself and demonstrate how its organisational culture ensures that its customers (members) are treated fairly and that the products and services developed for them are suitable and meet their needs.

- **Member risk**

  Member risk refers to the possibility that credit unions may just regard members as customers of a financial service rather than also the co-owners of a co-operative business. Attention to member risk focuses board's minds on member engagement and communication issues as well as on the transparency, openness and democratic nature of credit union affairs. Member risk also refers to ensuring that credit unions are not partial in their service to one group of members over another.

- **Employee risk**

  Employee risk refers to the possibility that credit unions, as voluntary organisations, may not treat their employees fairly and according to high standards of employment practice. Focus on employee risk will review issues such as staff remuneration, employment terms and conditions, equal opportunities policies, supervision and support, training and development opportunities and career enhancement.

- **Key person risk**

  This is the risk of dependency on one or two key individuals in the credit union, whether on the board or in management. The risk is that if a key person left the credit union, the organisation would be put into jeopardy. Dependency on the CEO or Executive Director is one obvious example of this risk.

Board of directors self-evaluation template

Board evaluation

A board evaluation requires the commitment of all board members. All members must be willing to undergo the self-evaluation of themselves as directors and as the board as a whole. Unless everyone contributes, the exercise is not a board evaluation. The unwillingness to participate of any board members is a symptom of a quite serious problem to start with. In addition uninvolved board members are unlikely to feel any commitment to the recommendations that come out of the evaluation process. The board evaluation should be undertaken on the basis that the results are to be translated into relevant actions. There is no point in wasting the board's time otherwise.

This performance rating measures how directors feel about the performance of the board as a whole. It focuses on different areas of board roles and responsibilities. It highlights the areas where directors consider that the board has strengths and where there may be room for improvement. The results of the evaluation can inform the board training and development programme.

Performance rating key

Please choose the response, which you feel most appropriately describes the performance of the board.

1. Poor - consistently does not reach desired levels of performance.

2. Needs improvement-regularly does not meet desired levels of performance.

3. Average - meets desired levels of performance, occasionally does not meet them, but occasionally exceeds them.

4. Very good meets desired levels of performance. Only occasionally does not meet the desired level and frequently exceeds it.

5. Excellent - consistently exceeds desired levels of performance.

0. Don't know or not applicable.

A. Governance in general	
1. The board understands the basic principles of credit union governance	
2. The board is clear about the distinction between governance and management and demonstrates this in practice	
3. The board demonstrates overall effective leadership of the credit union	
4. The board ensures that all directors have a training and development plan	
5. The board has an agreed statement of the role and responsibilities of the board of directors	
6. The board is clear about the role and responsibilities of the CEO or Executive Director and this is documented in writing	
7. The CEO or Executive Director demonstrates a clear understanding of his strategic and operational role and responsibilities	
8. The board is clear about the collaborative relationship between the CEO or Executive Director and the board and how this works in practice	
9. The delegation of executive authority to the CEO or Executive Director is clear and effective	
B. Board oversight and control	

10. The board demonstrates clarity of purpose and direction	
11. The board has agreed and documented mission and values statements	
12. The board monitors how credit union values and principles are implemented in practice	
13. The board demonstrates a good understanding of the financial market place in which the credit union operates	
14. The board has an effective strategic planning cycle	
15. The board has an agreed and documented strategic and financial plan	
16. The board regularly monitors credit union progress against the strategic and financial plan	
17. The board has a sound understanding of financial reporting and management information	
18. The board understands the nature of the risks the credit union faces	
19. The board has an effective system for the monitoring of risk and compliance	
20. The board is independent and autonomous from any other organisation	
21. The board has a good understanding of the laws and regulations governing credit unions	
C. Board policy	
22. The board has agreed and written policies as appropriate to the business	
23. There is a regular review of board policies	
D. Board organisation	
24. Directors are generally well informed of the issues related to agenda items	
25. All directors participate in board discussions	
26. Decisions are reached transparently and collaboratively	
27. The board shows leadership by bringing issues to light. It is active and proactive rather than passive	
28. The board acts as a cohesive group and is not dominated by a small group of directors	
29. There are agreed and documented terms of reference for all formal committees	
E. Director recruitment	
30. The board ensures that collectively there are relevant skills amongst the board of directors and ensures that any skills gaps are bridged	
31. The board has a strategic approach to director recruitment and succession planning	
32. The board has transparent and clear nomination and election procedures	
F. Accountability	
33. The board is conscious of its accountability to its members	
34. The board ensures the credit unions communicates effectively with its members	
35. The board ensures that the credit union democratic process is transparent, clear and meaningful	

Individual director evaluation template

Individual evaluation
Performance Rating key
This performance rating measures how directors feel about their own performance. It focuses on different areas of board roles and responsibilities. It highlights the areas where directors consider they have strengths and those in which there may be room for improvement. The results of the evaluation can inform the director training and development programme.

Please choose the response, which you feel most appropriately describes your situation.

SCORE:

1. I feel I certainly lack knowledge/skills/competence in this area

2. I feel there are gaps in my knowledge/skills/competence in this area.

3. I feel unsure about this area - I am not confident I have sufficient knowledge/skills/competence to be effective in this area.

4. I consider myself to be knowledgeable/skilled/competent in this area. My knowledge in this area is okay

5. I feel highly knowledgeable/skilled/competent in this area. It is one of my strengths

0. Don't know or not applicable

A. Credit union purpose	
1. I understand the purpose, aims and objectives of the credit union	
2. I understand co-operative identity, values and principles and their implications for the operation of the credit union	
B. Governance in general	
3. I understand the basic principles of credit union governance	
4. I understand the distinction between governance and management and how this works out in practice	
5. I understand the role and responsibilities of the board of directors	
6. I understand my particular role and responsibilities as a director	
7. I understand the role and responsibilities of the CEO or Executive Director	
8. I am clear about the relationship between the CEO or Executive Director and the board	
9. I understand the nature, scope and limitations of the authority delegated to the CEO or Executive Director	
10. I understand the role and responsibilities of the chair of the credit union board	
11. I understand that, except when functioning as part of the board or a board committee, I have no more authority in the credit union than any other member	
12. I treat the confidential business of the credit union as confidential	
C. Board Oversight and control	
13. I contribute to the development of the credit union's culture and values	
14. I contribute towards formulating the credit union’s strategy and objectives	

15. I contribute to the process of monitoring progress against the strategic plan	
16. If I can spot when we are deviating from our strategic plan, I am able to recommend remedial action.	
17. I am able to identify risks to our strategy and operations	
18. I am able to articulate the risk appetite of the board	
19. I understand the internal audit process and how this is related to the oversight of risk	
20. I contribute to ensuring that the credit union is compliant with its own policies	
21. I am aware of the legal and regulatory framework within which the credit union operates	
22. I contribute to ensuring that the credit union is compliant with legislation and regulation	
D. Financial planning and control	
23. I am able to establish objectives and policies to ensure that the credit union meets its statutory financial obligations and to guide building income and capital reserves, and to inform operational financial decision making	
24. I have an understanding of the financial plan that supports the strategic plan	
25. I am able to understand financial information to assess the financial performance of the credit union	
26. I am able to understand financial reports and compare actual performance to budget	
27. I have a good understanding of the credit union's position in regard to key financial indicators of liquidity, profitability, equity and risk exposure	
E. Participation	
28. I am able to plan, prepare and participate to maximise group participation in board decisions	
29. I am able to participate openly at meetings by asking appropriate questions and offering constructive comments	
30. I recognise the different talents of fellow board members, and try to develop a spirit of unity on the board. I appreciate the benefit of diverse opinions	
31. My attendance is regular and punctual	
32. I maintain board solidarity – I do not disclose or aggravate board differences. I support board decisions even if I was opposed to the decision.	
33. I am prepared to stand alone if necessary in order to bring issues to the attention of fellow board members	
34. I communicate well with other directors and members of the management team	
35. I engage in discussion and dialogue with board colleagues cordially and respectfully	
36. I am disciplined in board discussions and maintain a focus on the agenda items without wandering away from the issues at hand.	
F. Plan and appraise products and services	
37. I am able to suggest methods for obtaining member input and to assess member needs, concerns, ideas and opinions	
38. I am able to help suggest objectives and policies for credit union product and service development	
39. I am able to appraise the adequacy of the products and services of the credit union	
40. I am able to approve long term and annual plans for services and facilities	

41. I am able to assist in authorising feasibility studies for product and service development, and to analyse proposed changes and their implications for long-term profitability	
42. I understand the principles of lending money	
G. Accountability	
43. I understand how and why the board is accountable to the members.	
44. I understand how and why the CEO or Executive Director is accountable to the board.	
45. I have a commitment to and understanding of the communities served by the credit union.	
46. I am able to represent the credit union at public functions if and when asked.	

Board training needs analysis template

Training Needs Analysis

The matrix below can be used to prioritise director and board training

Please rate your own Knowledge or competence in each of the 19 key areas identified. These will be collated to give a Board level priority.

Score 1 to 5

1. Very poor knowledge or skill in this area
2. Satisfactory knowledge or skill in this area
3. More than satisfactory knowledge or skill in this area
4. Good knowledge or skill in this area
5. Excellent knowledge or skill in this area
6. Don't know or not applicable

Competencies: **Knowledge and Understanding of:**	**Score 1 (low)** **to 5 (high)**
1. Credit Union history, values, principles and ethos	
2. The principles of credit union strategic governance	
3. The delegation of authority in a credit union	
4. CU legal & regulatory responsibilities	
5. The low and moderate-income credit market	
6. Credit union lending policy and practice	
7. Strategic planning	
8. Financial planning and analysis	
9. Risk and compliance	
10. The role of the board in the internal audit	
11. The writing of board policies	
12. The senior managers' regime	
13. Monitoring of credit union performance	
14. Monitoring of CEO or Executive Director performance	
15. Director and board evaluation	
16. Accountability to the members	

17. Employment practice and law	
18. Board and director recruitment and development	
19. Marketing	
Any other areas where training is required:	**Priority 1 (low) to5 (high)**