

3.4 Terms of Reference of the Board

I. INTRODUCTION

- A. The Board of Directors is responsible under law for the credit union's business and its affairs. It has the statutory authority and obligation to protect the assets of the credit union in the interest of all members. While Directors are elected in accordance with the rules, they are not to represent a particular constituency; the best interests of the credit union must be paramount at all times.
- B. The Board also acts in a fiduciary relationship to the credit union, and it must act with the utmost good faith toward the credit union and all members.
- C. The Board is responsible to the credit union and to members without discrimination between groups or members. Furthermore, the Board is accountable to certain government agencies and to other parties, such as creditors and employees.
- D. While the Board is called upon to manage or supervise the management of the business and affairs of the credit union, this is done by delegation to the Chief Executive Officer (CEO), who is charged with the day-to-day leadership and management of the credit union.
- E. Although the Board of Directors delegates to management a distinct role in the overall conduct of business affairs, the Board cannot give full powers to the CEO to conduct the business free from any control and supervision. Also, the Board cannot delegate its decision-making responsibility to a committee, although there is an important role for Board Committees.
- F. The Board is not required to rely entirely on its own expertise or that of management for all decisions. The Board should call upon expert advice to offer an opinion when required, in order to assist with informed decision-making. It is the responsibility of the Board to be reasonably assured that all such experts are independent and qualified to offer the advice being sought. However, the use of expert opinion does not relieve directors from the obligation of exercising their own judgment.
- G. The Board holds an in-camera session at each Board meeting without management present. Board may request CEO to attend a portion of the in-camera session as required.

II. DUTIES AND RESPONSIBILITIES

A. Duties of the Board

The Board operates by delegating certain of its responsibilities to Management and reserving certain power to itself. The Board's principal duties fall into the following main categories:

- I. adopting and monitoring of strategic planning;
- II. having competent CEO in place;
- III. managing enterprise risk;
- IV. communicating with stakeholders;
- V. keeping the integrity of corporate internal control and management information systems;
- VI. enacting effective governance practices.

Each of these duties creates the specific oversight responsibilities, described below.

B. Strategic and Business Planning

- I. The Board has the responsibility to develop and approve the vision, mission, and values of the credit union.
- II. The Board will develop, in conjunction with management, its goals of the credit union and the strategies by which it proposes to reach those goals. The Board's responsibility is to review and approve the business plan and budgets developed by Management. Further, it is responsible for considering any major modifications to these plans as proposed by Management.
- III. The Board has the responsibility to monitor the credit union's progress towards its goals, revising and altering the direction in light of changing circumstances, and taking action when performance falls short of its goals, or special circumstances warrant such action.
- IV. The Board has the responsibility to approve any major business investments (such as branch and office locations), divestments, mergers, initiation or cancellation of products, and capital items.

C. Competent Chief Executive Officer

- I. The Board must ensure that a CEO of high caliber is appointed, trained, and supervised.
- II. The Board will assess the CEO's performance against objectives established by the Board in cooperation with the CEO and will assess his or her contribution to the achievement of the corporate strategy. This assessment will be the basis for the CEO remuneration.
- III. The Board will ensure that a compensation philosophy is in place that provides for fair compensation to the employees.
- IV. The Board will ensure that the credit union has in place programs to train and develop management.
- V. The Board will ensure that the credit union has in place a policy to provide for the orderly succession of management.
- VI. While it is the CEO's responsibility to appoint other senior management, the CEO is expected to consult with the Board prior to any appointments that are direct reports to the CEO.

D. Managing Risk

- I. The Board must understand the principal risks of all aspects of the business in which the credit union is engaged and ensure there is a proper balance between risks incurred and rewards.
- II. The Board must ensure there are policies and systems in place, which effectively establish the risk framework and monitor and manage the risks with a view to the long-term viability of the credit union.

E. Communications

- I. The Board will ensure that the credit union has a process in place to require and enable it to communicate effectively with its stakeholders.
- II. The Board has the responsibility for ensuring that the financial performance of the credit union is available to members on a timely, regular and accurate basis, in accordance with generally accepted accounting principles and/or with international financial reporting standards.

- III. The Board has the responsibility for timely reporting of any developments that have a significant and material impact on the value of members' assets.
- IV. The Board has responsibility for reporting annually to the members on its stewardship for the preceding year.
- V. The Board has responsibility for maintaining Integrity of Corporate Internal Control and ensuring efficient and effective Management Information Systems.
- VI. The Board has the responsibility for approving and monitoring compliance with all significant policies by which the credit union is operated.
- VII. The Board has a particular responsibility for ensuring that the credit union operates at all times within applicable laws, regulations, and rules, and to the highest ethical and moral standards.
- VIII. The Board is responsible for ensuring control and information systems are in place to ensure the effective discharge of all of the Board's responsibilities.

F. Governance Practices

- I. The Board is responsible for ensuring its own effectiveness. This includes ensuring proper understanding of duties, responsibilities of individual directors, the Board as a whole; establishment of Board committee and terms of reference for each committee.
- II. The Board will ensure that independent judgment is exercised in decisions at the Board.
- III. The Board will ensure that annually it will evaluate the effectiveness of the Board, the Board Chair, Directors, and Committees.
- IV. The Board is responsible for ensuring its own succession including the establishment of criteria for selection of Directors and assisting in the appointment process.
- V. The Board is responsible for ensuring its own training and development of the Board as a whole and for individual Directors, including access to orientation programs and ongoing training and development initiatives.

III. Specific Functions

The following are specific duties of the Board and will not be delegated to Management:

- I. Recommend the External Auditor to the members and fix the Auditor's remuneration.
- II. Ensure the External Auditor is provided full information and full cooperation.
- III. Oversee and monitor management of the business and affairs of the credit union.
- IV. Approve significant corporate decisions including rule changes.

IV. Independent of Management

The following are the specific duties of the Board that will be carried on independently without management's intervention or input.

- I. Receive and approve the reports of the External Auditors.
- II. Approve the financial statements of the credit union and present them annually to members.
- III. Elect all Board Officers of the credit union, and appoint the other Officers.
- IV. Receive regular reports from the CEO on operations and strategies and financial results.
- V. Authorize Officers of the credit union to sign documents and take financial action on behalf of the credit union, and make "banking" arrangements.
- VI. Authorize the CEO to appoint employees to various positions including administrative officers, and to fix their salaries.
- VII. Review compliance by the CEO of his/her actions within the requirements of Board policies.
- VIII. Make bylaws and transact any other business.

- IX. Declare dividends.

V. Reliance of Management

The Board can expect:

- I. Management will report all material information about the credit union to the Directors.
- II. Management will not act outside of their authority.
- III. Management will provide timely, complete and accurate information to permit the Board to make effective decisions and to enable it to properly monitor the operations and compliance to policies and legislation.