



# **DIRECTOR TRAINING AND QUALIFICATIONS: POLICY DEVELOPMENT GUIDE**

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# **DIRECTOR TRAINING AND QUALIFICATIONS: POLICY DEVELOPMENT GUIDE**

## **INTRODUCTION:**

This Guide has been created to assist institutions in developing a Board policy on director training and qualifications.

The Guide is structured along a “typical” policy format, with the following sections:

- Regulatory and Related References
- Objectives
- Policy Rationale
- Minimum Director Competency Requirements and Time Frames
- Assessment Criteria and Requirements
- Training and Personal Development Requirements
- Board Competency Requirements
- Board Competency and Skills Matrix
- Conditions Where an Individual may be Disqualified from Acting as a Director
- DICO’s Role in Monitoring Adherence to this Policy
- Summary of Responsibilities
- Review and Approval

Each section is followed by a text box containing an example of the type of content that may be considered. It is important to note that institutions can use their discretion in adopting all or part of this Guide in developing their individual policies, which should be designed to meet their needs.

The policy may contain appendices (as indicated in the Guide) including detailed descriptions of required director competencies – the nine core competencies for directors identified in DICO’s Director Training and Qualifications Guidance Note are provided in the sample appendix. Institutions may wish to insert additional competencies.

There are three appendices provided as examples:

- Director Competency Descriptions;
- Assessment Criteria; and
- Sample Board Competencies and Skills Matrix.

## **Acknowledgement**

This Policy Development Guide was developed in conjunction with the Director Training and Qualifications Working Group. We would like to take this opportunity to thank the Working Group for its valuable input which helped to refine this document.

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# **Director Training & Qualifications: Policy Development Guide**

## **POLICY STATEMENT**

Summarize the key requirements of the policy

### ***Example***

*< Name of Credit Union> credit union shall establish and maintain effective guidelines and processes to ensure that directors understand, meet and maintain appropriate competency requirements. Each director shall perform an annual self-assessment, prepare a development plan, and undertake any required training/development requirements in order to achieve these competencies within the timeframes established herein. Directors that fail to meet these requirements will be subject to disqualification. Each Board candidate shall be informed of the requirements set out in this policy.*

## **REGULATORY AND RELATED REFERENCES (Optional)**

Identify regulatory references and/or summarize requirements either in the policy or appendices.

### ***Example***

*This policy conforms to the following legislative requirements*

*Subsection 92 (1) (13) of the Act; Directors: Disqualified Individuals*

*Subsection 125 (4) of the Act; Audit Committee: Training*

*DICO By-law No. 5: Sound Business and Financial Practices: Board Governance*

*DICO Guidance Note: Director Training and Qualifications*

## **OBJECTIVES**

Outline specific policy objectives. Each of the objectives listed should be addressed in the policy. The objectives should cover all of the requirements and expectations outlined in DICO's Guidance Note: Director Training and include any other optional objectives of the credit union

### ***Example***

*The objectives of this policy are to:*

- *Define minimum director competency requirements*
- *Establish time frames to attain competency levels*
- *Outline assessment criteria and requirements*
- *Outline training and personal development requirements*
- *Set out Board competencies requirements*

### ***Optional***

- *Set out the conditions where an individual may be disqualified from acting as a director*
- *Outline DICO's role in monitoring adherence to this policy.*

## POLICY RATIONALE (Optional)

Describe the rationale for the policy.

**Example**

*The knowledge, experience and skill of each director and the Board as a whole are important elements in the success and viability of the credit union. It is important that directors have appropriate competencies to effectively fulfill their responsibilities to the credit union and its members and shareholders and, thereby, contribute to the safety and soundness of the credit union system.*

## MINIMUM DIRECTOR COMPETENCY REQUIREMENTS AND TIME FRAMES

Outline required competencies, competency levels and time frames for directors, audit committee members, the Audit Committee Chair and Board Chair. Competencies must include the core competencies outlined in the Guidance Note and time frames must satisfy DICO's minimum expectations. Competency descriptions should be included, or in an appendix. Sample competency descriptions of each of the core competencies are provided in the DICO's Application Guide: Director Training and Qualifications. These may be modified as appropriate to reflect the size and complexity of the credit union as long as the competency level requirements adequately reflect the competency expectations outline in the Guidance Note.

**Example**

*All directors elected or appointed on or after July 1, 2012 are required to achieve the minimum competency requirements within the specified timeframes set out in the Table 1 below. A description of each of the competencies and competency levels is set out in Appendix 1.*

**Table 1: Required Competencies, Competency Levels and Time Frames**

Competency	All Directors	Audit Committee	Audit Committee Chair	Board Chair	Governance Committee
<b>Competency Level</b>					
1. Audit and Compliance Oversight	S	S	E	S	S
2. Board and CEO Performance	S	S	S	S	S
3. Credit union operations	S	S	S	S	S
4. Financial Literacy	S	S	S	S	S
5. Governance and Ethics	S	S	S	S	S
6. Leadership	S	S	E	E	S
7. Regulatory Environment	S	S	S	S	S
8. Risk Management Oversight	S	S	S	S	S
9. Strategic Planning	S	S	S	E	S
<b>Time Frames to Achieve Competency Level Within date of Election or Appointment</b>					
	24 months	12 months	6 months	6 months	6 months

## **ASSESSMENT CRITERIA AND REQUIREMENTS**

Provide an outline of director assessment criteria and process. This should include how competencies are assessed including the criteria to be used. This may also include a requirement for supporting documentation outlining completion of formal director training courses and programs and evaluation questionnaires or self-assessments.

### ***Example***

*All directors shall complete a standard self-assessment in order to confirm their level of knowledge, skill and experience in each of the required competencies. The objectives of this self-assessment are to:*

- *to identify training or development needs for each director in order to ensure that the appropriate competency level is attained in accordance with the credit union's requirements; and*
- *determine the degree to which the Board, on an overall basis, satisfies the competency requirements;*

*Self-assessment criteria for each of the required competencies are set out in Appendix 2. An initial self-assessment should be conducted by each director within 6 months of election. Results of the self-assessment will be reviewed with the Governance Committee to confirm results and identify potential gaps and any training requirements. The Corporate Secretary will schedule and administer director self-assessment and training requirements, and maintain appropriate records. Supporting documentation will be required to confirm completion of formal director training courses undertaken as a director of the credit union.*

## **TRAINING AND PERSONAL DEVELOPMENT REQUIREMENTS**

Outline the requirements of any identified training needs, personal development plans and continuing education expectations. This may include information on training budgets and approval and reimbursement of expenses. Credit unions should require directors to undertake or participate in at least one director development course, seminar, work shop or program each year. Larger, more complex institutions should establish a minimum number of hours of continuing education.

### ***Example***

*As part of the self-assessment process, each director shall prepare a development plan, and undertake any required training/development in order to achieve these competencies within the timeframes established herein. All Directors are expected to avail themselves of appropriate training courses, where necessary, at the earliest opportunity in order to fulfill competency requirements. Once minimum competency levels are attained, directors are required to attend at least one director development course, seminar, work shop or program each year. Directors may also choose to pursue a director certification program. A budget for director training will be set for each fiscal year based on development plans and training requirements, including continuing education opportunities. Expenses for all planned training and development courses must be pre-approved by the Governance Committee. Expenses will be reimbursed in accordance with established policy limits and criteria.*

## **BOARD COMPETENCY REQUIREMENTS**

Describe the process for monitoring and tracking director competencies and skills. Monitoring director competencies ensures that competency levels are attained within the established time frames. It also helps ensure that the board continues to have a broad range of understanding and skills among its directors as their terms expire and potential directors are being considered. Directors should ensure that any changes in competency levels are fully identified and reflect additional knowledge, experience and training. Changes in competency levels should be documented and supported by appropriate evidence as required.

## **BOARD COMPETENCY AND SKILLS MATRIX (Optional for Class 1 institutions)**

A matrix of Board competency requirements and actual levels should be maintained together with a summary of additional skills.

### ***Example***

*Competency assessments will be conducted on an annual basis in order to confirm and update the competency levels attained by each director and to record any changes in additional skills. These assessments will also help identify additional training or self development programs to help directors maximize their overall knowledge and skill levels to meet competency requirements, and to attain additional skills as may be appropriate.*

*Training courses, education programs or personal development initiatives undertaken by directors will be tracked by Corporate Secretary and reported to the Governance Committee. A record of each director's educational achievements will be maintained accordingly.*

*A matrix of competency levels required and attained for each director will be maintained together with a summary of director skills as set out in Appendix 3.*

## **CONDITIONS WHERE AN INDIVIDUAL MAY BE DISQUALIFIED FROM ACTING AS A DIRECTOR (Optional)**

It is important that directors fully understand the conditions and process for disqualification where they fail to meet the training and qualification requirements established by the credit union.

### ***Example***

*Where a director has not met the competency and training requirements within the time frames set out in this policy, the Board may pass a resolution declaring the director's position vacant in the absence of a reasonable explanation or extenuating circumstances.*

## DICO'S ROLE IN MONITORING (Optional)

DICO's assessment criteria are outlined in the Guidance Note. Credit unions may wish to include a summary of these requirements and/or reference the Guidance Note: Director Training and Qualifications to ensure that the Board and directors remain aware of the requirements.

### *Example*

*As part of DICO's ongoing risk assessment and examination process, DICO will review this policy and the adequacy of the processes and practices of the credit union relating to director training and qualifications. This includes an assessment of director competency levels within the context of the credit union's size, complexity and risk profile. Full details of the assessment criteria are outlined in DICO's Guidance Note: Director Training and Qualifications. The annual attestation under DICO's By-Law No. 5 will specifically incorporate the Credit Union's concurrence with achieving the requirements set out in this policy.*

## SUMMARY OF RESPONSIBILITIES

### Outline key responsibilities:

#### *Example*

*The Board is responsible for:*

- Approving director competency requirements and competency levels
- Confirming director competency requirements are met
- Approving policy changes

*The Governance Committee is responsible for:*

- Recommending self-assessment criteria
- Reviewing and confirming self-assessment results
- Approving training and development plans
- Monitoring director and Board competency requirements

*The Corporate Secretary is responsible for:*

- Scheduling director self-assessment requirements
- Scheduling and monitoring training and development requirements
- Monitoring director competency levels
- Maintaining the Board competencies/skills matrix
- Maintaining appropriate records

## REVIEW AND APPROVAL

This policy is subject to annual review and approval by the Board.

## **APPENDIX 1: DIRECTOR COMPETENCY DESCRIPTIONS**

The required competencies are outlined below:

### **1. AUDIT AND COMPLIANCE**

Directors must have an understanding of the risks facing the institution, the ways in which management addresses and mitigates those risks and ensure that the financial statements accurately reflect the activities of the credit union. These functions are assessed through the activities which are carried out by a combination of internal and external auditors which involves systematically reviewing key risks and ensuring that any identified weaknesses or deviations from policy and legislative requirements are rectified by management

To achieve this competency, directors should demonstrate an appropriate level of knowledge and understanding of monitoring and auditing processes required to ensure compliance with the credit union's policies, standards of sound business practices and regulatory requirements.

### **2. BOARD AND CEO PERFORMANCE**

The Board is required to conduct an assessment of its performance and that of the CEO. The Board is ultimately responsible for the success and viability of the credit union through the skills and capabilities of its directors. It supervises the affairs of the credit union through its oversight responsibilities and appoints a CEO to manage the day to day operations. An objective evaluation and assessment of the Board and the CEO are important requirements to ensure that responsibilities are effectively undertaken and that any deficiencies are appropriately and quickly identified and addressed. Directors contribute as board members in ensuring that the compensation package of the CEO rewards only prudent risk taking behaviour that promotes the on-going viability of the credit union.

To achieve this competency, directors should demonstrate an appropriate level of knowledge and understanding of the tools and methodologies for assessing the Board's performance and also for monitoring the performance and development of the CEO to determine strengths, deficiencies and areas for improvement.

### **3. CREDIT UNION OPERATIONS**

It is important that directors have a good understanding of the nature of the co-operative business model and that of the credit union and sector, the way the credit union functions and the financial, human and technological resources the credit union uses in delivering its services.

To achieve this competency, directors should demonstrate an appropriate level of knowledge and understanding of how the credit union's infrastructures inter-relate and how they enable the effective and efficient delivery of services while managing risk and regulatory requirements.

#### **4. FINANCIAL LITERACY**

Financial literacy involves understanding financial reports and statements, accounting standards and assumptions and legislative requirements in order to effectively oversee the financial performance and condition of the credit union. A critical element of the success and viability of the credit union is the development of an annual business plan and budget which are approved by the Board. Directors are required to understand how these are developed and the types of analysis required to effectively monitor results and variances.

To achieve this competency, directors should demonstrate an appropriate level of financial knowledge and understanding and can interpret financial reports and statements, and monitor corrective action to ensure financial goals and regulatory requirements are met.

#### **5. GOVERNANCE AND ETHICS**

Governance includes understanding and contributing to the development and articulation of strategic plans, goals, policies and processes which govern and guide the way the credit union is directed and managed. Directors are expected to provide prudent, independent and objective oversight to effectively guide and monitor the implementation of strategic initiatives, oversee risk management activities and to participate with the Board as a whole in communicating a cohesive approach and position. Effective corporate governance is an essential element in the safe and sound functioning of a credit union. Structures, policies and processes only work in practice where there are knowledgeable and competent individuals, with a clear understanding and strong commitment to their roles. Ethical actions are those that are made in accordance with established laws, rules, and organizational values that are supported by reasoned and objective evidence without any bias of self-interest. Directors are expected to perform their responsibilities in a prudent and objective manner with due regard to the best interests of the credit union.

To achieve this competency, directors should demonstrate an appropriate level of knowledge and understanding of the critical elements of good governance and ethics.

#### **6. LEADERSHIP**

Leadership encompasses the ability to influence discussions while building consensual solutions. Effective leaders recognize the importance of all participants in deliberations and the importance of constructive discussion and debate. Leaders are effective communicators. Leadership involves approaching initiatives from a strategic perspective, championing new initiatives and working towards their achievement to deliver quality services to the members and improve the longer term viability of the credit union.

To achieve this competency, directors should demonstrate an appropriate level of knowledge and understanding of the attributes of leadership to motivate, influence and support others to accomplish organizational goals and encouraging on-going education to further develop competencies.

## **7. REGULATORY ENVIRONMENT**

Credit unions operate in a regulated environment and are governed by the *Act* (including Regulations), DICO By-laws, other legislation and its by-laws. The *Act* sets out how credit unions are structured and the special nature of the credit union governance structure, business powers and lending and investment restrictions and limitations. Further clarification and guidance is provided in DICO By-laws including By-law #5 covering sound business and financial practices.

To achieve this competency, directors should demonstrate an appropriate level of knowledge and understanding of the regulatory environment, policy development and the policies required to meet legal, regulatory and governance requirements.

## **8. RISK MANAGEMENT OVERSIGHT**

The Board is responsible for the oversight of the credit union's risk management practices, including Enterprise Risk Management. Risk management involves identifying, measuring and managing significant risks and events that may impact an organization's objectives. It encompasses policies, procedures and controls and how risks are managed.

To achieve this competency, directors should demonstrate an appropriate level of knowledge and understanding of the risk management framework for identifying, measuring and managing significant risks and events that may impact the credit union's objectives.

## **9. STRATEGIC PLANNING**

Strategic planning is part of a regular process that helps determine or confirm the credit union's overall longer term direction or vision. It includes an analysis of results, existing plans and strategies and an assessment of the current business and operating environment. Strategic planning initiates the annual business planning process. Directors are expected to contribute to strategic planning by understanding the strategic planning process and strategy formulation. This includes having a good knowledge of the credit union's business and operating environment, and being prepared for planning deliberations. It also requires collaboration and teamwork in developing an appropriate and effective strategic plan, and monitoring implementation of the plan.

To achieve this competency, directors should demonstrate an appropriate level of knowledge and understanding of the strategic planning process and contribute to the development of the strategic direction, core values and the strategic goals and objectives for the credit union.

## CORE COMPETENCY LEVEL DESCRIPTIONS

A description of typical competency levels that the credit union will consider when determining the competency of directors in each of the required competencies is outlined below.

Competency Level	Description (Experience/Qualifications)
Basic (B)	<ul style="list-style-type: none"><li>• Some knowledge of the competency</li><li>• Understands terminology and can identify skills and attributes associated with the competency</li></ul>
Good (G)	<ul style="list-style-type: none"><li>• Good understanding of the fundamentals of the competency gained through an appropriate combination of education, working knowledge, previous board experience and completion of introductory director training.</li><li>• Sufficient knowledge and experience to apply concepts to less complex issues</li></ul>
Strong (S)	<ul style="list-style-type: none"><li>• Significant understanding and expertise of the competency gained through an appropriate combination of education, practical work experience, previous board experience and completion of advanced director training</li><li>• Participates fully in board analysis, discussion and debate on more complex issues.</li><li>• Ensures sufficient information is provided to support analysis and recommendations</li><li>• Uses knowledge to mentor new directors and provide greater understanding of competency</li><li>• Challenges management's assumptions when needed and speaks out appropriately at board meetings;</li><li>• Makes significant contributions to long-range planning;</li></ul>
Expert (E)	<ul style="list-style-type: none"><li>• Expert understanding of the competency gained through an appropriate combination of direct practical working experience in a senior position or function, previous board experience, professional designation, qualification or degree in the subject matter and completion and accreditation of a director training program</li><li>• Participates fully in board analysis, discussion and debate on more complex issues.</li><li>• Ensures sufficient information is provided to support analysis and recommendations</li><li>• Uses knowledge to mentor new directors and provide greater understanding of competency</li><li>• Interprets complex data to contribute new knowledge in the competency areas</li><li>• Provides expert analysis and advice on complex issues</li><li>• Challenges management's assumptions when needed and speaks out appropriately at board meetings;</li><li>• Makes significant contributions to long-range planning;</li></ul>

## APPENDIX 2: ASSESSMENT CRITERIA

This should be based on the criteria outlined in DICO's Application Guide, modified as appropriate. Alternatively, details of the “self-assessment” criteria should be provided or referenced.

### 1. AUDIT AND COMPLIANCE OVERSIGHT

Competency Level	Audit and Compliance Oversight: Competency Attributes
<b>Basic</b>	<ul style="list-style-type: none"> <li>• Defines compares and explains: <ul style="list-style-type: none"> <li>➢ The role of the audit committee</li> <li>➢ The external audit process and the role of the external auditor</li> <li>➢ The role and nature of the internal audit function</li> <li>➢ DICO's Examination process</li> <li>➢ The role of the compliance officer</li> </ul> </li> </ul>
<b>Good</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Understands and incorporates in their actions the processes to monitor Board and individual directors to ensure compliance with internal controls, standards of sound business and financial practices and other regulatory requirements.</li> <li>• Reads and interprets reports of the compliance officer, external auditor, internal auditor and the regulators.</li> <li>• Distinguishes between the responsibilities of the Audit Committee, the Board and other committees.</li> <li>• Interprets and draws conclusions from the reports of the compliance officer, external auditor, internal auditor and regulators.</li> <li>• Asks appropriate questions about credit union policies, practices and reports.</li> <li>• Demonstrates, through actions, a knowledge of resolution strategies to address any material weaknesses and deficiencies.</li> <li>• Contributes to the development of policies to improve controls and compliance.</li> <li>• Ensures that key decisions made by the Board align with established policies, standards of sound business practices and other regulatory and legislative requirements.</li> <li>• Follows up with management to ensure corrective action is taken to rectify deficiencies noted in reports.</li> </ul>
<b>Strong</b>	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>• Analyzes results and reports and contributes to board discussion and debate on complex issues and any material variances or weakness relating to audit and compliance.</li> <li>• Interprets and confirms that corrective action taken by management to address material non-compliance situations is identified in internal, external and regulatory audit reports is appropriate.</li> <li>• Identifies when it is necessary to challenge management for additional information to support conclusions or recommendations.</li> <li>• Identifies when a professional, independent opinion is required.</li> <li>• Calls upon internal and/or external audit resources to investigate complex variances and</li> </ul>

<b>Competency Level</b>	<b>Audit and Compliance Oversight: Competency Attributes</b>
	non-compliance situations.
<b>Expert</b>	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>• Interprets corporate, complex regulations and/or legislation for others, including providing regulatory advice.</li> <li>• Lobbies for legislative change to ensure a level playing field for credit unions</li> <li>• Intervenes with regulators on the contentious and sensitive issues.</li> <li>• Through participation on provincial and/or national system committees, identifies appropriate changes to the legislative environment and audit and compliance standards on behalf of the credit union and the credit union sector.</li> <li>• Contributes to the ongoing development and refinement of Standards of Sound Business Practices.</li> </ul>

## 2. BOARD AND CEO PERFORMANCE

<b>Competency Level</b>	<b>Board and CEO Performance: Competency Attributes</b>
<b>Basic</b>	<ul style="list-style-type: none"> <li>• Explains the reporting relationship between the Board and the CEO.</li> <li>• Explains the appropriate approach regarding performance management, feedback, and communications with the CEO.</li> </ul>
<b>Good</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Contributes to the development of the relationship between the Board and the CEO.</li> <li>• Applies the performance and measurement criteria for the Board and the CEO.</li> <li>• Contributes to the ongoing assessment of the CEO's and the Board's performance.</li> <li>• Ensures the use of objective measurement criteria is adopted.</li> <li>• Identifies opportunities for performance improvement in the CEO and Board.</li> <li>• Describes the processes and timing of Board and CEO performance planning and assessment.</li> </ul>
<b>Strong</b>	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>• Contributes to the development of assessment criteria for individual directors, the Board and CEO.</li> <li>• Ensures that the CEO performance criteria and compensation are aligned with the strategic plan and key objectives.</li> <li>• Demonstrates the ability to develop communications designed to create buy-in to concepts and direction from the Board to the CEO.</li> <li>• Contributes to the development and/or enhancement of the Board's stakeholder communications strategy.</li> <li>• Encourages other Board members to communicate effectively with the CEO.</li> <li>• Proactively manages and effectively communicates the CEO's performance through informal and formal communication.</li> <li>• Develops and initiates the board performance planning and assessment process.</li> <li>• Recognizes when a third party expert is required.</li> </ul>

<b>Competency Level</b>	<b>Board and CEO Performance: Competency Attributes</b>
	<ul style="list-style-type: none"> <li>Identifies and addresses skills/performance gaps on the board and/or CEO.</li> </ul>
<b>Expert</b>	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>Leverages connections to other events, decisions and initiatives when developing and presenting communications to the CEO.</li> <li>Ensures fit between the credit union's culture, values and beliefs and those of the CEO.</li> <li>Uses mediation skills to resolve conflicts or performance gaps on the board and/or with the CEO.</li> <li>Uses influence to create shifts in beliefs and/or values</li> <li>Leads and/or contributes to discussion about the impact of the credit union in the community and/or in the credit union sector both provincially and nationally.</li> </ul>

### **3. CREDIT UNION OPERATIONS**

<b>Competency Level</b>	<b>Credit Union Operations: Competency Attributes</b>
<b>Basic</b>	<ul style="list-style-type: none"> <li>Defines the nature and extent of the credit union's operations and service areas.</li> <li>Distinguishes between the Board's and CEO's responsibilities related to operations.</li> <li>Outlines the impact of operational weaknesses on member satisfaction and financial performance.</li> </ul>
<b>Good</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>Understands the credit union's operational infrastructure and how its components interrelate.</li> <li>Understands the credit union's business powers, major lines of business, services and delivery channels.</li> <li>Understands the membership profile and the nature and profile of major business segments.</li> <li>Effectively compares operational efficiency against industry standards and best practices.</li> <li>Recognizes the impact of strategic plans and objectives on operational effectiveness and operational efficiency.</li> <li>Asks questions and evaluates information and management recommendations on costs, benefits and risks involved in major operational decisions.</li> <li>Recognizes and seeks third party expertise when required.</li> <li>•</li> </ul>
<b>Strong</b>	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>Understands the nature and extent of non-core business activities including any subsidiaries.</li> <li>Applies policy related to human resources practices, including competency requirements to senior management personnel.</li> <li>Analyzes the strategies, data and/or recommendations to improve operational effectiveness or resolve operational weaknesses.</li> <li>Discusses and evaluates policy recommendations with respect to their impact on operations.</li> </ul>

<b>Expert</b>	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>• Fosters an environment of innovation in service delivery and strategies related to such innovations.</li> <li>• Identifies best practices related to operational efficiencies, such as outsourcing or collaborative strategies.</li> </ul>
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#### 4. FINANCIAL LITERACY

<b>Competency Level</b>	<b>Financial Literacy: Competency Attributes</b>
<b>Basic</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Reviews financial reports, financial statements and operational plans &amp; budgets prepared by management.</li> <li>• Seeks clarification of those areas that are not understood.</li> <li>• Understands basic budgeting process and financial objectives and budgets.</li> <li>• Understands basic financial statements, e.g. balance sheet and income statement.</li> <li>• Reviews financial reports presented by management and asks appropriate questions.</li> <li>• Knows statutory requirements.</li> </ul>
<b>Good</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Understands basic financial analysis concepts and tools.</li> <li>• Can explain the nature and purpose of all financial reports prepared by management, and the purpose and uses of key financial ratios, financial trends, performance benchmarks and system/group comparison reports.</li> <li>• Identifies variances between actual financial performance and established financial budget and targets and understands the nature and extent of recommendations to address material variances.</li> <li>• Understands the concept of materiality with respect to financial statement information and variances.</li> <li>• Ensures additional explanations and information is provided for any material variances including action plans.</li> </ul>
<b>Strong</b>	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>• Has understanding of the national, provincial and local micro and macro economic factors that can affect the credit union's operations.</li> <li>• Explains and interprets the interrelationship of financial ratios and how they impact other areas.</li> <li>• Interprets financial results and reports and ensures the board conducts sufficient oversight and discussion on recommended strategies to address and material variances.</li> <li>• Recommends the use of external resources to investigate any significant issues or "red flags" that may arise or to validate the credit union's financial policies, plans, controls and procedures where material weaknesses persist.</li> </ul>
<b>Expert</b>	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>• Understands the concepts of global financial markets and the forces that shape them.</li> <li>• Categorizes complexities of various financial instruments and their use.</li> <li>• Contributes to the pursuit of change in legislated financial requirements through participation on provincial and national system committees.</li> </ul>

## 5. GOVERNANCE AND ETHICS

Competency Level	Governance and Ethics: Competency Attributes
<b>Basic</b>	<ul style="list-style-type: none"> <li>• Understands the governance structure of the credit union and the responsibilities of directors and the Board.</li> <li>• Understands what corporate governance is and how it is applied to the credit union environment.</li> <li>• Explains the importance, necessity and meaning of “independent”, “accountable”, “transparency”, “prudent” and “fiduciary”.</li> <li>• Recognizes the role of ethics (code of conduct) and personal integrity in acting in the best interests of the credit union and safeguards confidential and sensitive information.</li> <li>• Explains the roles of and interrelationships between the Board; Board and regulators; Board and senior management.</li> <li>• Explains the credit union’s strategic direction and corporate values.</li> <li>• Complies with the credit union’s policies.</li> <li>• Acts in accordance with Co-operative Principles.</li> <li>• Acts with integrity and ethics in making decisions.</li> <li>• Exercises due care and diligence.</li> </ul>
<b>Good</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Uses existing governance framework to evaluate, create and implement policies to enhance value.</li> <li>• Contributes fully to the board and governance structures by: <ul style="list-style-type: none"> <li>➢ asking appropriate questions,</li> <li>➢ identifying material variances or deficiencies,</li> <li>➢ being prepared for meetings,</li> <li>➢ seeking independent advice or expertise,</li> <li>➢ supporting board decisions.</li> </ul> </li> <li>• Provides sound input into the credit union’s strategic direction and plans.</li> <li>• Assesses goals, objectives, risks and opportunities relative to strategic direction.</li> <li>• Oversees the credit union’s performance relative to strategic direction and implementation.</li> </ul>
<b>Strong</b>	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>• Mentors board members to enhance their competence in democratic governance.</li> <li>• Oversees the ongoing evaluation of the Board’s governance structures.</li> <li>• Assesses adequacy of governance policies, processes and procedures and code of conduct and makes recommendations for change.</li> <li>• Identifies interrelationships and evaluates inherent risks and opportunities in the financial services environment and recommends appropriate action.</li> <li>• Independently assesses impacts of decisions related to risks and opportunities.</li> <li>• Describes how changes in regulatory environment impact best practices in credit union governance.</li> <li>• Analyzes past experiences and applies the concepts and learning to new situations.</li> <li>• Champions continuous learning within the board regarding the innovations in governance structures and how they can be incorporated into their credit union’s</li> </ul>

<b>Competency Level</b>	<b>Governance and Ethics: Competency Attributes</b>
	governance regime.
<b>Expert</b>	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>• Collaborates with other experts to recognize and articulate best practices in democratic governance.</li> <li>• Demonstrates breakthrough thinking in the field of democratic governance.</li> </ul>

## 6. LEADERSHIP

<b>Competency Level</b>	<b>Leadership: Competency Attributes</b>
<b>Basic</b>	<ul style="list-style-type: none"> <li>• Communicates ideas and opinions clearly.</li> <li>• Understands effective leadership characteristics.</li> <li>• Identifies personal leadership characteristics.</li> <li>• Builds trust through honest and open communication and mutual respect.</li> </ul>
<b>Good</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Identifies board dynamics including different approaches and styles.</li> <li>• Constructively influences board dynamics.</li> <li>• Utilizes communication/facilitation techniques to encourage debate, dialogue, discussion.</li> <li>• Collaborates with fellow directors to build consensus.</li> <li>• Contributes to a constructive and open environment for the expression of diverse ideas and opinions.</li> <li>• Considers resource and support requirements of strategic initiatives.</li> </ul>
<b>Strong</b>	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>• Champions continuous learning and renewal within boards, including the successful recruitment of new board members, director training and continuing education.</li> <li>• Acts as an ambassador for the credit union within the community.</li> <li>• Fosters innovation, creativity and shared understanding.</li> <li>• Encourages debate and diverse opinions and mediates to reach consensus.</li> <li>• Determines when more information or outside advice is required.</li> <li>• Clearly communicates rationale for decisions to key stakeholders.</li> </ul>
<b>Expert</b>	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>• Networks strategically in order to stay on the leading edge of new developments and partnership opportunities.</li> <li>• Leads the conceptualization of large scale changes in industry direction through participation on provincial legislative and regulatory revisions and national system committees.</li> <li>• Leverages networks with key stakeholders to influence the resolution of regulatory and other issues.</li> </ul>

## 7. REGULATORY ENVIRONMENT

Competency Level	Regulatory Environment: Competency Attributes
<b>Basic</b>	<ul style="list-style-type: none"> <li>• Explains and describes the:           <ul style="list-style-type: none"> <li>➢ Role of the Ministry of Finance,</li> <li>➢ Financial Services Commission of Ontario,</li> <li>➢ Deposit Insurance Corporation of Ontario,</li> <li>➢ Responsibilities of directors relative to policy creation and monitoring,</li> <li>➢ Responsibilities of the Board policy creation and monitoring.</li> </ul> </li> <li>• Identifies the regulatory environment including the Act, regulations, DICO by-laws and sound business practices as well as the credit union's by-laws, policies and processes.</li> </ul>
<b>Good</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Demonstrates knowledge of the Credit Union and Caisses Populaires Act, Regulations and other relevant legislation.</li> <li>• Understands the credit union's by-laws and related policies.</li> <li>• Promotes regulatory compliance.</li> <li>• Identifies gaps in the credit union's policies and compliance with regulatory requirements.</li> <li>• Initiates policy enhancements to deal with gaps.</li> <li>• Determines the policy framework i.e., the areas in which policies are required and why.</li> </ul>
<b>Strong</b>	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>• Explains the application of relevant policies and the principles upon which they are built.</li> <li>• Can interpret the Credit Union and Caisses Populaires Act and Regulations as well as other applicable legislation.</li> <li>• Explains the rationale for policy changes and the impact of such changes to the credit union's compliance to policies and sound business standards and practices.</li> <li>• Contributes to strength of credit union sector through strong leadership related to compliance, improved communication and shared understanding by credit unions and the regulator on these issues.</li> </ul>
<b>Expert</b>	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>• Participates in the drafting of new legislation and regulations through the provincial and/or national organizations.</li> <li>• Understands the fine points of legislation and regulations relevant to own position as a director, interpreting them, providing comments to policy makers and supporting others in ensuring compliance.</li> </ul>

## 8. RISK MANAGEMENT OVERSIGHT

Competency Level	Risk Management Oversight: Competency Attributes
Basic	<ul style="list-style-type: none"> <li>• Understands the areas of risk to which the credit union may be exposed.</li> <li>• Understands the risk management framework and policies of the credit union.</li> <li>• Understands the purpose and requirements DICO By-law #5.</li> <li>• Understands DICO's examination process.</li> <li>• <u>Explains the role of the Board in risk management oversight.</u></li> </ul>
Good	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Explains and describes the nature of risks and risk management activities related to:           <ul style="list-style-type: none"> <li>➢ Governance</li> <li>➢ Capital management</li> <li>➢ Credit risk management</li> <li>➢ Operational risk management</li> <li>➢ Market risk management</li> <li>➢ Structural risk management</li> <li>➢ Liquidity risk management</li> </ul> </li> <li>• Understands the significant risks to the credit union.</li> <li>• Understands criteria for measuring risk.</li> <li>• Understands the nature and extent of any material outsourcing, subsidiaries and securitization transactions.</li> <li>• Describes the extent of any material non-core business activities and subsidiaries.</li> <li>• Understands the Board's risk assessment tools and risk management reports.</li> <li>• Monitors risk management activities.</li> <li>• Identifies areas of significant risk exposure in management reports.</li> <li>• Interprets the results of the DICO examination and internal/external auditors and makes decisions to manage and address identified risks.</li> </ul>
Strong	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>• Understands what an Enterprise Risk Management framework is.</li> <li>• Assesses the credit union's risk appetite and tolerances.</li> <li>• Provides direction to management on implementation of an enterprise risk management system.</li> <li>• Integrates all elements of enterprise risk management into the strategic risk management process.</li> <li>• Confirms the capacity of the credit union to withstand risk exposure levels.</li> <li>• Interprets risk management policies and recommends changes to mitigate excessive exposure.</li> <li>• Ensures strategic objectives are integrated into the ERM.</li> </ul>
Expert	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>• Identifies potential long term risks and opportunities in the Canadian financial services environment and credit union sector.</li> </ul>

## 9. STRATEGIC PLANNING

Competency Level	Strategic Planning: Competency Attributes
<b>Basic</b>	<ul style="list-style-type: none"> <li>• Understands the vision, mission and core values of the credit union.</li> <li>• Is aware of the organization's strategies and plans through ongoing review, monitoring and discussion and is aware of their role in the process.</li> <li>• Describes the strategic planning process and tools.</li> <li>• Seeks information about the strategic management process and related management reporting.</li> </ul>
<b>Good</b>	<p><b>Basic PLUS:</b></p> <ul style="list-style-type: none"> <li>• Applies knowledge of corporate goals, strategies and objectives to evaluate reports and recommendations presented by management.</li> <li>• Uses independent and objective oversight when evaluating the reports and recommendations presented by management.</li> <li>• Collaborates with fellow directors to build a consensus on strategic plans and initiatives.</li> <li>• Participates in the development and communication of the credit union's vision, mission, and corporate values.</li> </ul>
<b>Strong</b>	<p><b>Good PLUS:</b></p> <ul style="list-style-type: none"> <li>• Seeks information in areas such as the credit union's concerns, the competitive environment and industry trends and standards.</li> <li>• Explains the measures of success.</li> <li>• Recognizes and promotes potential strategic opportunities.</li> <li>• Weighs the risk/benefit of the credit union's strategic initiatives in identifying their impact and establishing priorities.</li> <li>• Identifies and communicates the indicators and measures for success for the credit union.</li> <li>• Analyzes capacity and competencies in staffing and financial resources for strategic initiatives.</li> </ul>
<b>Expert</b>	<p><b>Strong PLUS:</b></p> <ul style="list-style-type: none"> <li>• Collaborates with experts to develop a framework and policies for strategic plans and initiatives at a credit union system level.</li> <li>• Leads the conceptualization of and planning for large scale changes in industry direction and key federal statutes through participation on provincial legislative and regulatory revisions and national system committees.</li> </ul>

### APPENDIX 3: BOARD COMPETENCIES AND SKILLS MATRIX

Director competency levels and skills will be tracked using the following format.

	Director Name				Director Name				Director Name	
Core Competencies	Actual Level	Required Level	Actual Level	Actual Level	Required Level	Required Level	Actual Level	Required Level	Actual Level	Required Level
Audit and Compliance										
Board and CEO Performance										
Credit Union Operations										
Financial Literacy										
Governance and Ethics										
Leadership										
Regulatory Environment										
Risk Management										
Strategic Planning										
<i>Date Elected</i>										
<i>Date Appointed</i>										
<i>Date Competency Level Must be Attained</i>										
<b><i>Other competencies/Skills</i></b>										
Information Technology										
Marketing										
Legal										
Entrepreneurship										
Economics										
Human Resources										