



DIRECTOR CANDIDATE INFORMATION PACKAGE 2019-2020

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Table of Contents

TABLE OF CONTENTS.....2

MISSION STATEMENT3

MAINSTREET’S VALUES.....3

INTRODUCTION TO CANDIDATE.....4

NOMINATION/ELECTION PROCESS AND KEY DATES5

IMPORTANT INFORMATION FOR BOARD CANDIDATES6

BASIC RESPONSIBILITY OF CREDIT UNION BOARDS7

INDIVIDUAL BOARD DIRECTOR CRITERIA8

INDIVIDUAL BOARD MEMBER RESPONSIBILITIES9

REASONS FOR DISQUALIFICATION 10

CODE OF CONDUCT..... 11

COMMITTEE INFORMATION 14

DIRECTOR TRAINING AND COMPETENCIES 16

DECLARATION OF NOMINEE FOR THE BOARD OF DIRECTORS 17

BRANCH LOCATIONS 21

DICO/FSRA DIRECTOR CORE COMPETENCIES..... 22-35

Mission Statement

We are a member-owned financial services partner, committed to providing financial guidance and solutions that fulfil our members' aspirations, ensure profitable growth and strengthen our community roots

Mainstreet's Values

In everything we do, we will:

- Treat everyone with **respect** and **fairness**
- **Protect** our members' financial interests
- **Embrace** open and honest communication
- **Empower** and **encourage** employees to realize their potential
- Actively support and provide **leadership** within our communities
- **Support** and **embrace** the Co-operative movement values and principles

INTRODUCTION TO CANDIDATE

Dear Prospective Board Candidate:

At Mainstreet Credit Union we value the dedication and commitment of our members who choose to participate in our nomination and election process as a Board candidate. We thank you for your interest in seeking nomination for our Board of Directors. Inside this package you will find:

- information that will clarify the qualification criteria for candidates
- expectations of Board members in their role of governing the Credit Union
- everything that you need to complete the nomination process

To assist those members who are interested in considering candidacy, the Board appoints a Nomination Committee each year. Their role is to ensure members are fully informed of the nomination process and the election process, as well as to consider the qualifications of candidates in order to ensure the highest quality Board composition, and to meet any gaps as identified by the Board in their analysis of the Board's skills, knowledge and experience. The Nomination Committee will advise nominees that their names have, or have not been placed into candidacy. If not placed into candidacy, the Committee will provide the reason why.

If you decide to proceed with submitting an application for nomination as a candidate, please complete and submit the appropriate information as directed by this information package along with all the required documents, as outlined in checklist on page 17.

If you have questions about the enclosed information you may contact the Directors on the Nomination Committee or the Corporate Secretary:

April Williams (Corporate Secretary)
corporatesecretary@mainstreetcu.ca
519-464-5500

Paul Harris (Board Member)	Jen Denys (Board Member)
pharris@mainstreetcu.ca	jdenys@mainstreetcu.ca

Please note that applications must be received no later than Monday, February 17, 2020 by 5:00 pm.

Candidates are asked to refrain from paper, in-branch and electronic (eg. e-mail, social media) campaigning.

Nomination/Election Process and Key Dates

Key Activity	Dates
Nomination period opens	Friday December 20 th 2019
Deadline to submit nomination candidate packages	Monday February 17 th 2020 at 5.p.m
Electronic voting period opens	Friday March 27 th 2020
Electronic voting period closes	Monday April 13 th 2020
Notice of successful candidates	
Annual General Meeting to be held: <ul style="list-style-type: none">• Strathroy & Area Senior Centre 137 Frank Street Strathroy, ON N7G 2R8	Tuesday April 21 st 2020

Elections are conducted electronically, therefore all results will be final.

Important Information for Board Candidates

Positions Available

This year, members will be electing candidates to fill 3 positions for 3-year terms. Seats are allocated based on the number of votes in favour of each candidate during the election period.

Remuneration/Time Commitment

Listed below is the remuneration for the Directors of the Board for Mainstreet Credit Union:

Payment Type	Position	Amount
Retainer	Board Chair	\$9,000/year
	Audit and Risk Committee Chair	\$7,500/year
	Governance and Human Resources Committee Chair	\$7,500/year
	Directors	\$6,000/year
Per Meeting	All Board and Committee Meeting Attendees:	
	<ul style="list-style-type: none">• In person attendance*• Conference call/electronic attendance (when in person meeting has been called)	\$175/meeting ** \$100/meeting **

* You must physically be in attendance at 75% of the regularly scheduled meetings per year

** A minimum of 75% of the meeting must be attended in order to receive the Per Meeting fee.

These amounts will be reviewed annually.

Item	Minimum Estimated Time (not incl. travel)
Quarterly Committee and Board Meetings	Regularly scheduled meetings are normally held on Wednesdays at 5:30 in person in Sarnia. Board Meetings <ul style="list-style-type: none">• 1 per quarter Committee Meetings <ul style="list-style-type: none">• 1 per quarter Possible additional meetings may occur depending on business needs may include but are not limited to: <ul style="list-style-type: none">• Strategic Planning Meetings• Nominating Committee Meetings
Committee/Board Packages	Preparation before meetings will take approximately 2-4 hours per meeting
Training and Development	There is a comprehensive set of training modules that a Board member is required to complete within their first year (a schedule will be provided). All Board members are also expected to attend the Director's Forum conference (usually held in the GTA) at a minimum of once per term (3 years). See more about the training and competencies on page 16

Basic Responsibility of Credit Union Boards

The Board of Directors is accountable to the general membership of the Credit Union for directing the affairs of the Credit Union such as:

1. Establishing the Credit Union's mission and purpose (values and vision)
2. Reviewing the business objectives of the institution consistent with *Co-operative Principles* and approve the institutions business strategy and business plans as developed by management. Evaluate the institutions actual operating and financial results against business plans
3. Setting and monitoring the Credit Union's overall business objectives, by-laws and policies that provide for the needs of members, safeguard the assets of the Credit Union and meet regulatory requirements
4. Appointing and defining the duties and responsibilities of the CEO
5. Encouraging an effective Board/management planning process which will promote the long term viability of the Credit Union
6. Selecting the Chief Executive Officer when position is vacant
7. Supporting the Chief Executive Officer and assess his or her performance
8. Ensuring effective organizational planning
9. Ensuring adequate resources
10. Exercising effective fiduciary oversight
11. Determining, monitoring, and strengthening the Credit Union's programs and owner-member services
12. Enhancing the Credit Union's public standing
13. Ensuring legal and ethical integrity and maintaining accountability
14. Recruiting and orienting new Board members and assess Board performance
15. Directing the democratic process within the Credit Union, including the election of Directors and the matter of Board succession
16. Delegating, as considered appropriate, to committees of the Board and receive reports from those committees
17. Responding or causing responses, as appropriate, to inquiries, requests or demands from regulatory agencies, auditors, members or other stakeholders
18. Ensuring efficient and regular communication with members
19. Maintain the minimum education requirements as required by our Regulators

Individual Board Director Criteria

A Director must:

1. Understand the principles behind and share the vision of the Credit Union and have the ability to reflect the values and commitments of the Credit Union as well as acting in the Credit Union's best interest at all times.
2. Demonstrate the ability to bring a perspective of external business, finance, and social issues to Board deliberations.
3. Understand corporate governance and the fiduciary duties, roles and responsibilities of the Board as a whole and an individual Director of a credit union including willingness to ask probing questions and challenge management within the governance framework.
4. Commit to regular attendance at Board/Committee meetings and to full preparedness and willingness to contribute to meeting content.
5. Understand the importance of credit unions in their communities.
6. Must be bondable as per the Credit Union and Caisse Populaires Act (to be bondable, you must have a strong credit score and you must not have a criminal record that involves a crime related to fraud, theft or any other crime that would pose a risk to the Credit Union's operations).
7. Demonstrate the ability to provide leadership and be an effective communicator.
8. Uphold the values of teamwork demonstrating the ability to operate as "a team" at Board level and "speak with one voice" once full discussion has been undertaken and a decision made by the Board.
9. Demonstrate personal integrity, financial stability and high ethical standards.
10. Have never declared personal or business bankruptcy.
11. Be willing to commit to continuous learning and undertake appropriate Director training and development initiatives.
12. Have the ability to understand and assess implications of financial statements and auditors reports.
13. Agree to fulfill the time commitment, for training, including travel time and work load associated with being a Director of the Credit Union.
14. Have the capability to access electronic information via the Internet.
15. Have a high school diploma or equivalent.
16. Has a vested interest in the communities which the Credit Union serves.

Individual Board Member Responsibilities

General expectations:

1. Know the Credit Union's mission, purposes, goals, policies, programs, services, strengths/needs.
2. Suggest nominees for the Board.
3. Serve in leadership positions or undertake special assignments willingly when asked.
4. Follow trends in the credit union's field of interest.
5. Participate in any Director education, training and mentorship as prescribed by the Board.

Meetings:

1. Prepare for and fully participate in Board and committee meetings, and other organizational activities (Elections to Board positions and appointments to committees will take place at the first meeting of the new Board. *If elected, please be acquainted with all positions prior to your first meeting in order to submit your name for the positions/committees you would like to stand for.* (Board and committee packages are sent to directors approximately 1 week in advance of the meeting with the expectation that they are reviewed prior to the meeting, so directors can come to the meeting fully prepared to discuss the contents. Packages will vary depending on the number of reports, policies, etc., that are being reviewed, but can range from 50 to a few hundred pages in length. When large policies are included, the "track changes" feature is used to direct attention to changes being recommended.)
2. Ask timely and substantive questions while supporting the majority decision.
3. Maintain confidentiality of the Board's sessions.
4. Speak on behalf of the Board when asked to do so by authorized persons.
5. Suggest agenda items for Board and committee meetings, to ensure that significant policy related matters are addressed.
6. Physically attend a minimum of 75% of regularly scheduled meetings per calendar year.

Relationship with staff:

1. Counsel the CEO as appropriate and offer support.
2. Avoid asking for exceptions of the staff, without prior consultation with the CEO, Board Chair or Committee Chairperson.
3. Avoid prejudiced judgments on the basis of information received from individuals, and urge those with grievances to follow established policies and procedures through their supervisors.

Avoiding conflict:

1. Serve the Credit Union as a whole, rather than special interest groups.
2. Avoid even the appearance of a conflict of interest, and disclose any possible conflicts to the Board Chair in a timely fashion.
3. Maintain independence and objectivity, and do what a sense of fairness, ethics and personal integrity dictate.
4. Never accept or offer favours or gifts from or to anyone who does business with the Credit Union.

Fiduciary responsibility:

1. Exercise prudence with the Board in the control and transfer of funds.
2. Faithfully read and understand the organization's financial statements and otherwise help the Board fulfill its fiduciary responsibility.

Reasons for Disqualification

1. He or she has not been a member in good standing of the Credit Union for a minimum of 2 years as of the date on which nominations close for the election
2. He or she is not 18 years of age
3. He or she is not a Canadian citizen or a person lawfully admitted to Canada for permanent residency
4. He or she does not agree, if elected, to comply with the By-laws
5. He or she does not agree, if elected, to participate in training programs as may be required by the Board from time to time
6. He or she has served 4 consecutive terms (12 years)
7. He or she is an employee, director, officer or agent of another Ontario credit union, or of a business which, in the reasonable opinion of the Board, competes with the Credit Union, or the Spouse, Child or Sibling of such employee, director, officer or agent
8. He or she has been, in the five year period prior to the date on which the election will be held, an employee of the Credit Union, or the Spouse, Parent, Child or Sibling of such an employee or former employee
9. He or she is the Spouse, Parent, Child or Sibling of an incumbent director, or another candidate for election as a director in the same election in which the person is seeking to be a candidate for election
10. He or she has asserted a claim against the Credit Union, in the five year period prior to the date on which the election will be held, which has not been finally resolved
11. He or she is disqualified under the Act
12. He or she has not disclosed to the Board, in a timely fashion before the election is held, everything he or she is required by the Act to disclose as a candidate for director of a credit union

Code of Conduct

Purpose

The purpose of this Code of Conduct is to establish the rules governing the business and ethical conduct of the Directors, officers, employees and volunteers of the Credit Union. It is important that ethical and lawful conduct be evidenced in all business practices, in order to protect the reputation of the organization and preserve community trust. The Board has adopted this policy and the Board shall review this policy annually.

The Code of Conduct will be communicated within the organization. Every Director, officer, employee and volunteer, part time or full time, will be provided with a copy of the Code of Conduct. They will be required annually to report in writing that they have read it, have understood it and will endeavour to comply with it.

General Duties of Care

Each Director, officer, employee or volunteer of the Credit Union shall exercise the power and discharge the duties of his/her office honestly, in good faith, and in the best interests of the Credit Union, and shall comply with the applicable by-laws, guidelines, policies and procedures of the Credit Union.

Directors, committee members and officers shall also comply with the Credit Unions and Caisses Populaires Act, 1994 (the Act), Regulation 76/95 prescribed therein and the by-laws of the Deposit Insurance Corporation of Ontario.

Confidentiality

Each Director, officer, employee or volunteer must use utmost care and discretion in the handling of confidential information and other information not normally available to the public generally coming to them by reason of their Directorship, office or employment, and such information shall, subject to certain limited circumstances, not be disclosed to third parties and shall not be used for personal benefit or for the benefit of family, friends, or associates. . Examples of confidential information include, but are not limited to:

- Company private, corporate strategies
- Competitor sensitive information
- Member lists and personal information
- Employee lists and personal information

Maintaining confidentiality includes, but is not limited to, not revealing/disclosing the information by way of:

- Discussions between staff/Board members (unless business requires it)
- Discussing with any outside party (unless required, as outlined below), including blogging/social networking

In respect of information respecting members' transactions with the Credit Union, a Director, officer, employee or volunteer may disclose such information in the following circumstances, pursuant to Section 143 of the Act:

- a) To a person acting in a confidential or professional relationship to the Credit Union including an employee of an association in which MCU is a member
- b) To a financial institution with which the Credit Union has transactions that may involve confidential matters;
- c) To a credit grantor or to a reporting agency, if the disclosure is for the purpose of determining the credit-worthiness of the member;
- d) To the Director, deposit insurer and the stabilization authority for the Credit Union; and
- e) To any other person entitled to the information by law.

Conflicts of Interest

Each and every Director, officer, employee or volunteer has an obligation of loyalty to the Credit Union and should subordinate his/her personal interest when they conflict with or threaten to conflict with the best interests of the Credit Union.

Each and every Director, officer, employee or volunteer of the Credit Union shall declare all actual or potential material conflicts that may arise between their duty to (i) the Credit Union and (ii) their personal obligations, other fiduciary duties or financial interests (direct or indirect). In the case of Directors and officers, these conflicts shall be reported to the Board of Directors, and in the case of employees and volunteers, to the person to whom they directly report and this should be communicated to the CEO.

Any Director or member of the management team that is involved with a charitable organization in a management role or as a member of the Board of Directors is required to disclose their involvement yearly in the ethical code of conduct agreement and is obligated to remove themselves when discussions related to business ventures, sponsorships or charitable donations for the organization occur at the Board level.

A Director, officer, employee or volunteer should not engage directly or indirectly, as a Director, officer, employee, consultant, partner, agent or major shareholder in any business or undertaking that competes with, does business with or seeks to do business with the Credit Union except with the express written approval of the CEO, in the case of an employee, or with the express written approval of the Chair of the Board of Directors or the Chair of an appropriate committee of the Board of Directors, in the case of an officer or Director. A major shareholder is defined as a person who owns (directly or indirectly) more than ten percent of the issued and outstanding equity of a company.

With respect to restricted party transactions, full disclosure of material transactions shall be recorded in the Board's minutes and will be transacted in accordance with legislated restrictions.

So as not to give the appearance of impropriety, and undue influence, no sitting Director may apply for any paid position as an employee of the Credit Union, and former Directors must be off the Board, and have severed all relations to the Board, for a minimum of 90 days, before they may apply for a position in the Credit Union.

To avoid conflicts of interest, Directors, officers, employees and volunteers must do more than merely act within the law. They must conduct their affairs in such a manner that their performance will at all time bear public scrutiny. The appearance of conflict of interest as well as the conflict itself must be avoided.

Accepting Gifts

No Director, officer, employee or volunteer shall accept any gift, hospitality or favour offered or tendered by virtue of the official's position with the Credit Union, where the gift, hospitality or favour possesses any one of the following characteristics:

- a) is in the substance or form such that an impartial observer would construe it to be an improper incentive
- b) places the official under an actual or implied obligation
- c) has a value equivalent to or greater than \$100.00
- d) is in the form of cash or cash equivalent

The accepting of small tokens, or playing golf with services suppliers, is not a conflict, since these are usually reciprocal acts that benefit both parties.

When dealing with public officials whose responsibilities include the business of credit unions, acts of hospitality should be of such a scale and nature so as to avoid compromising the integrity or reputation of either the public official or the Credit Union. Such acts of hospitality should be undertaken in the expectation that they could well become a matter of general knowledge and public record.

Committee Information

The information found below identifies and briefly describes the Credit Union committees and a summary of meetings and estimated commitment of time which one might expect when they become a Director. We hope that the information below will assist you in clarifying your obligations should you become a Director.

Full Board

The Board of Directors consists of 9 Directors, each elected by the membership for a term of three years, subject to a term-limit of 4 terms in office. The Board is responsible for establishing corporate objectives, policies and performance standards in adherence with regulatory requirements. They are also responsible for measuring their achievements and hiring and delegating authority to the CEO. The Board meets once per quarter.

Committees

- a) In accordance with the Credit Union's by-laws, the Board of Directors will ensure the establishment of an audit committee (in accordance with section 125 of the Act) and Nominating Committee. Other committees, as appropriate, may be formed as either standing committees or ad hoc committees. Standing committees are perpetual. The CEO has the authority to appoint and remove any staff required to participate as part of a committee.
- b) For each committee so established a Terms of Reference will be developed for approval by the Board of Directors.
- c) Standing committee members will be established at a Board meeting as soon as practical after the Annual General Meeting and election of Directors. Membership of committees may be a minimum of three Directors. Employees may be required to assist the committee and will be added as advisor's that have no voting privileges.
- d) All committees must meet at least every three months. A timely report to the Board of Directors will be made after each committee meeting concerning the committee's deliberations, decisions and/or actions.

The Board has established 2 standing Committees which are assigned responsibilities to assist the Board to carry out its mandate.

The current Committees are:

a) *Audit and Risk Committee:* This committee consists of a minimum of 4 Directors. The Chair of the Audit Committee will be elected by the Board of Directors.

The responsibilities of this Committee are:

To assist the Board in monitoring the integrity of:

- the financial statements of the Credit Union;
- the auditors qualifications and performance;
- the credit union's compliance with legal and regulatory requirements;
- compliance with the Credit Union's and asset liability management.
- ensure compliance with the Credit Union's internal controls.

b) *Governance and Human Resources Committee:* This committee consists of a minimum of 4 Directors. The Vice Chair of the Board will be the Chair of the Governance Committee.

The responsibilities of this Committee are to ensure effective corporate governance of the Credit Union with specific attention to the following areas of responsibility:

- Ensure that the Credit Union has the appropriate governance structure, committee mandates, committee membership and Chairs and to ensure that governance practices evolve with the needs of the Credit Union.
- Assist in protecting the reputation of the Credit Union. The Committee oversees the development and monitoring of corporate governance policies which provides for the desired ethical conduct by Directors and employees and to prevent the exercise of undue influence by related parties.
- Director's recruitment, selection, orientation and compensation.
- The Committee will also assume responsibility of the Board to approve all loans granted to restricted parties prior to the release of the funds (restricted parties are defined as all directors and officers of the Credit Union, as well as their related parties, corporations, business and other entities; related parties meaning the board members' immediate family members/anyone who is financially dependent on them, or with whom they share a joint account).
- Oversee CEO performance management and remuneration as well as to assist the Board in fulfilling responsibilities to the employee stakeholder group as a whole.

Director Training and Competencies

Mainstreet Credit Union considers training and development programs for our Directors extremely important to assist them in understanding the roles and responsibilities of being a Director of a credit union. In 2012 the Deposit Insurance Corporation of Ontario (DICO/FSRA) set out minimum expectations for individual Director competencies which will require various programs be completed within certain time frames. The 9 competency areas are as follows:

- Audit and Compliance
- Board and CEO Performance
- Credit Union Operations
- Financial Literacy
- Governance and Ethics
- Leadership
- Regulatory Environment
- Risk Management
- Strategic Planning

If you are elected to the Board, you will be expected to complete a comprehensive assessment of specific competencies. This assessment is used to help determine your training and self-development needs in order to fulfill the Director training and qualifications requirements as established by the Credit Union. The Credit Union also has a mentorship program structured to assist new Directors in attaining the skills and competencies required to fulfil their responsibilities.

All Directors are also expected to attend the Director's Forum conference at a minimum of once per term (3 years).

Declaration of Nominee for the Board of Directors

Nominator Information

Nominator Name	Signature of Nominator	Member #

Nominator must be a member of Mainstreet Credit Union Limited. Please avoid asking a Credit Union employee to be a Nominator.

Nominee Information

Candidate Name:	
Email Address:	
Telephone:	
Member #:	

I, _____, a nominee for election to the Board of Mainstreet Credit Union Limited:

- 1) Will qualify under the Act or Regulations.
- 2) Will comply with risk management policies of the Credit Union.
- 3) Will comply with the current bylaws of the Credit Union.
- 4) Will participate in training programs to fulfill the Director training and qualification requirements as established by the Credit Union.

I authorize that Mainstreet Credit Union Limited may obtain a Credit Bureau report on me personally. I also authorize that Mainstreet Credit Union Limited may if required, contact any creditor listed on the Credit Bureau report for a credit reference.

Provide any details of any known potential conflict of interest circumstances:

Refer to this checklist to ensure you have completed this package to its entirety:

- Review the Candidate Package in full
- Complete the declaration on this page
- Complete the Areas of Expertise (page 19-20)
- Attach your most up to date resume
- Return the completed sheets to your local branch **before 5:00 pm on Monday, February 17, 2020.**
- Must be in attendance at the Annual General Meeting held on Tuesday, April 21, 2020, unless an exception is granted by the Election Committee.

Nominee's Signature

Date

Areas of Expertise

Please assess yourself against our Board Skills Matrix. This includes the DICO/FSRA-required board competencies. (please refer to the DICO/FSRA Director Training and Qualifications Application Guide in for specific definitions of each competency level on pages 22-36) and our own list of complimentary Areas of Expertise. For each of the areas, please use the following DICO/FSRA ratingscale:

- **Expert:** Expert understanding and provides expert analysis and advice on complex issues
- **Strong:** Significant understanding and expertise of the competency and participates fully in board analysis discussion and debate on more complex issues
- **Good:** Good understanding of the fundamentals and sufficient knowledge and experience to apply concepts to less complex issues
- **Basic:** Some knowledge; understands terminology and can identify the skills / attributes associated with the competency

For each competency, please provide a brief description of your rationale for the rating you have given yourself. Your assessment in these areas will assist in the creation of your potential development plan.

DICO/FSRA's Required Competencies: (please refer to the attached DICO/FSRA guide and check the box that best describes your experience level)				
	EXPERT	STRONG	GOOD	BASIC
1. Audit and Compliance Rationale for my self-rating:				
2. Board and CEO Performance Rationale for my self-rating:				
3. Credit Union Operations Rationale for my self-rating:				
4. Financial Literacy Rationale for my self-rating:				
5. Governance and Ethics Rationale for my self-rating:				
6. Leadership Rationale for my self-rating:				

7. Regulatory Environment Rationale for my self-rating:				
8. Risk Management Oversight Rationale for my self-rating:				
9. Strategic Planning Rationale for my self-rating:				
Mainstreet Credit Union Limited's Additional Complimentary Competencies: (please check the box that best describes your experience level)				
	EXPERT	STRONG	GOOD	BASIC
1. Accounting expertise/Financial sector experience Rationale for my self-rating:				
2. Information technology strategies Rationale for my self-rating:				
3. Legal knowledge attributable to the Credit Union Rationale for my self-rating:				
4. Human Resources Rationale for my self-rating:				
5. Business Management Rationale for my self-rating:				
6. Leadership Experience Rationale for my self-rating:				
7. Securitization Rationale for my self-rating:				

Required Competencies, Competency Levels and Time Frames

The chart below outlines timeframes where achievement of a Strong “S” competency level is required.

Competency		All Directors	Audit Committee	Audit Committee Chair	Board Chair
1.	Audit/Compliance Oversight	S	S	S	S
2.	Board and CEO Performance	S	S	S	S
3.	Credit Union operations	S	S	S	S
4.	Financial Literacy	S	S	S	S
5.	Governance and Ethics	S	S	S	S
6.	Leadership	S	S	S	S
7.	Regulatory Environment	S	S	S	S
8.	Risk Management Oversight	S	S	S	S
9.	Strategic Planning	S	S	S	S
		24 months	12 months	6 months	6 months

BRANCH LOCATIONS

Sarnia - London Rd

1295 London Road,
Sarnia, ON N7S 1P6
(T) 519.542.9059
(F) 519.542.3778

Sarnia – Exmouth Street

412 Exmouth Street
Sarnia ON N7T 5N9
(T) 519.464.5460
(F) 519.344.7933

Brigden

2394 Jane Street
Brigden, ON N0N 1B0
(T) 519.864.1026
(F) 519.864.4360

Corunna

201 Hill Street Unit #4
Corunna, ON N0N 1G0
(T) 519.862.5225
(F) 519.862.4224

Port Lambton

4348 St. Clair Parkway
Port Lambton, ON N0P 2B0
(T) 519.677.5652
(F) 519.677.4061

Chatham – Keil Drive

40 Keil Drive South
Chatham, ON N7M 3G8
(T) 519.436.4590
(F) 519.436.5451

Strathroy

214 Caradoc Street South
Strathroy, ON N6G 2P1
(T) 519.245.2530
(F) 519.245.6728

Chatham – Enbridge Branch

50 Keil Drive North
Chatham, ON N7M 5M1
(T) 519.436.4590
(F) 519.358.4009

Mt. Brydges

22478 Adelaide Road
Mt. Brydges, ON N0P 1W0
(T) 519.264.9708
(F) 519.264.9181

Ailsa Craig

135 Ailsa Craig Main Street
Ailsa Craig, ON N0M 1A0
(T) 519.293.3947
(F) 519.293.3454

Goderich

39 St. David Street
Goderich, ON N7A 3Y5
(T) 519.524.8366
(F) 519.524.1329

Parkhill

260 Main Street
Parkhill, ON N0M 2K0
(T) 519.294.6277
(F) 519.294.0521

January 2018

Application Guide: Director Training and Qualifications - Director Core Competencies for Complex Credit Unions

This application guide is for use by complex credit unions. DICO considers a complex credit union to have the following characteristics:

1. The total assets of the credit union as set out in the audited financial statements of the credit union that were placed before its members at the most recent annual meeting are greater than or equal to \$50 million; or
2. The credit union participates in commercial lending.

If either of the above two conditions exists, DICO will consider the credit union to be a complex credit union and subject to the guidance expectations for a complex credit union.

It should be reviewed in conjunction with DICO's Guidance Note: Director Training and Qualifications. This document describes director core competencies and attributes for different levels of understanding. Competencies are built through a combination of education, practical work experience previous board experience and director training. At a minimum, directors of "complex" credit unions are expected to attain a **STRONG** understanding of each of the core competencies and attributes as indicated within the time frames established by the credit union subject to DICO minimum expectations outlined in the Guidance Note: Director Training and Qualifications. Credit unions may wish to set a requirement for a higher competency level (e.g. Expert) in one or more competencies or for Chair of the Board and Audit committee to more appropriately reflect their size and complexity. Descriptions of the EXPERT level are provided for purposes of reference and comparison.

Please Note: Descriptions of competencies and competency levels are intended to reflect the oversight responsibilities of directors, and are not intended to require much higher technical and skills required by senior management of the day to day operations of the credit union.

A strong understanding of these core competencies helps directors to:

- Participate fully in board analysis, discussion and debate on more complex issues;
- Ensure sufficient information is provided to support analysis and recommendations;
- Mentor new directors and provide greater understanding of competency;
- Challenge management's assumptions when needed and speak out appropriately at board meetings; and
- Make significant contributions to long-range planning.

Contents

Audit and Compliance Oversight.....	4
Board and CEO Performance.....	5
Credit Union Operations.....	6
Financial Literacy.....	7
Governance and Ethics	9
Leadership.....	11
Regulatory Environment.....	12
Risk Management Oversight	13
Strategic Planning.....	14

Audit and Compliance Oversight

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.

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

	<ul style="list-style-type: none"> • Calls upon internal and/or external audit resources to investigate complex variances and non-compliance situations.
Competency Level	Audit and Compliance Oversight: Competency Attributes
Expert	Strong PLUS: <ul style="list-style-type: none"> • Interprets corporate, complex regulations and/or legislation for others, including providing regulatory advice. • Lobbies for legislative change to ensure a level playing field for credit unions • Intervenes with regulators on the contentious and sensitive issues. • 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. • Contributes to the ongoing development and refinement of Standards of Sound Business Practices.

Board and CEO Performance

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

Competency Level	Board and CEO Performance: Competency Attributes
Basic	<ul style="list-style-type: none"> • Explains the reporting relationship between the Board and the CEO. • Explains the appropriate approach regarding performance management, feedback, and communications with the CEO.
Good	Basic PLUS: <ul style="list-style-type: none"> • Contributes to the development of the relationship between the Board and the CEO. • Applies the performance and measurement criteria for the Board and the CEO. • Contributes to the ongoing assessment of the CEO's and the Board's performance. • Ensures the use of objective measurement criteria is adopted. • Identifies opportunities for performance improvement in the CEO and Board. • Describes the processes and timing of Board and CEO performance planning and assessment.
Strong	Good PLUS: <ul style="list-style-type: none"> • Contributes to the development of assessment criteria for individual directors, the Board and CEO. • Ensures that the CEO performance criteria and compensation are aligned with the strategic plan and key objectives. • Demonstrates the ability to develop communications designed to create buy-in to concepts and direction from the Board to the CEO.

	<ul style="list-style-type: none"> • Contributes to the development and/or enhancement of the Board's stakeholder communications strategy. • Encourages other Board members to communicate effectively with the CEO. • Proactively manages and effectively communicates the CEO's performance through informal and formal communication. • Develops and initiates the board performance planning and assessment process. • Recognizes when a third-party expert is required. • Identifies and addresses skills/performance gaps on the board and/or CEO.
Expert	Strong PLUS: <ul style="list-style-type: none"> • Leverages connections to other events, decisions and initiatives when developing and presenting communications to the CEO. • Ensures fit between the credit union's culture, values and beliefs and those of the CEO. • Uses mediation skills to resolve conflicts or performance gaps on the board and/or with the CEO. • Uses influence to create shifts in beliefs and/or values • 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.

Credit Union Operations

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.

Competency Level	Credit Union Operations: Competency Attributes
Basic	<ul style="list-style-type: none"> • Defines the nature and extent of the credit union's operations and service areas. • Distinguishes between the Board's and CEO's responsibilities related to operations. • Outlines the impact of operational weaknesses on depositor satisfaction and financial performance.
Good	Basic PLUS: <ul style="list-style-type: none"> • Understands the credit union's operational infrastructure and how its components interrelate. • Understands the credit union's business powers, major lines of business, services and delivery channels. • Understands the membership profile and the nature and profile of major business segments. • Effectively compares operational efficiency against industry standards and best practices. • Recognizes the impact of strategic plans and objectives on operational effectiveness and operational efficiency.

	<ul style="list-style-type: none"> • Asks questions and evaluates information and management recommendations on costs, benefits and risks involved in major operational decisions. • Recognizes and seeks third party expertise when required.
Strong	Good PLUS: <ul style="list-style-type: none"> • Understands the nature and extent of non-core business activities including any subsidiaries. • Applies policy related to human resources practices, including competency requirements to senior management personnel. • Analyzes the strategies, data and/or recommendations to improve operational effectiveness or resolve operational weaknesses. • Fosters an environment of innovation in service delivery and strategies related to such innovations. • Discusses and evaluates policy recommendations with respect to their impact on operations. • Identifies and understands best practices related to operational efficiencies, such as outsourcing or collaborative strategies.
Expert	Strong PLUS: <ul style="list-style-type: none"> • Fosters an environment of innovation in service delivery and strategies related to such innovations. • Identifies best practices related to operational efficiencies, such as outsourcing or collaborative strategies.

Financial Literacy

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.

Competency Level	Financial Literacy: Competency Attributes
Basic	<ul style="list-style-type: none"> • Reviews financial reports, financial statements and operational plans & budgets prepared by management. • Seeks clarification of those areas that are not understood. • Understands basic budgeting process and financial objectives and budgets. • Understands basic financial statements, e.g. balance sheet and income statement. • Reviews financial reports presented by management and asks appropriate questions. • Knows statutory requirements.

Good	Basic PLUS: <ul style="list-style-type: none"> • Understands basic financial analysis concepts and tools. • 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. • Identifies variances between actual financial performance and established financial budget and targets and understands the nature and extent of recommendations to address material variances. • Understands the concept of materiality with respect to financial statement information and variances. • Ensures additional explanations and information is provided for any material variances including action plans.
Strong	Good PLUS: <ul style="list-style-type: none"> • Understands the national, provincial and local micro and macro economic factors that can affect the credit union's operations. • Explains and interprets the interrelationship of financial ratios and how they impact other areas. • Interprets financial results and reports and ensures the board conducts sufficient oversight and discussion on recommended strategies to address and material variances. • 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.
Expert	Strong PLUS: <ul style="list-style-type: none"> • Understands the concepts of global financial markets and the forces that shape them. • Categorizes complexities of various financial instruments and their use. • Contributes to the pursuit of change in legislated financial requirements through participation on provincial and national system committees.

Governance and Ethics

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

Competency Level	Governance and Ethics: Competency Attributes
Basic	<ul style="list-style-type: none"> • Understands the governance structure of the credit union and the responsibilities of directors and the Board. • Understands what corporate governance is and how it is applied to the credit union environment. • Explains the importance, necessity and meaning of “independent”, “accountable”, “transparency”, “prudent” and “fiduciary”. • 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. • Explains the roles of and interrelationships between the Board; Board and regulators; Board and senior management. • Explains the credit union’s strategic direction and corporate values. • Complies with the credit union’s policies. • Acts in accordance with Co-operative Principles. • Acts with integrity and ethics in making decisions. • Exercises due care and diligence.
Good	<p>Basic PLUS:</p> <ul style="list-style-type: none"> • Uses existing governance framework to evaluate, create and implement policies to enhance value. • Contributes fully to the board and governance structures by: <ul style="list-style-type: none"> ➢ asking appropriate questions, ➢ identifying material variances or deficiencies, ➢ being prepared for meetings, ➢ seeking independent advice or expertise, ➢ supporting board decisions. • Provides sound input into the credit union’s strategic direction and plans. • Assesses goals, objectives, risks and opportunities relative to strategic direction. • Oversees the credit union’s performance relative to strategic direction and implementation.

Strong	Good PLUS: <ul style="list-style-type: none"> • Mentors board members to enhance their competence in democratic governance. • Oversees the ongoing evaluation of the Board's governance structures. • Assesses adequacy of governance policies, processes and procedures and code of conduct and makes recommendations for change. • Identifies interrelationships and evaluates inherent risks and opportunities in the financial services environment and recommends appropriate action. • Independently assesses impacts of decisions related to risks and opportunities. • Describes how changes in regulatory environment impact best practices in credit union governance. • Analyzes past experiences and applies the concepts and learning to new situations. • Champions continuous learning within the board regarding the innovations in governance structures and how they can be incorporated into their credit union's governance regime.
Expert	Strong PLUS: <ul style="list-style-type: none"> • Collaborates with other experts to recognize and articulate best practices in democratic governance. • Demonstrates breakthrough thinking in the field of democratic governance.

Leadership

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.

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

Regulatory Environment

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.

Competency Level	Regulatory Environment: Competency Attributes
Basic	<ul style="list-style-type: none"> Explains and describes the: <ul style="list-style-type: none"> ➤ Role of the Ministry of Finance, ➤ Financial Services Commission of Ontario, ➤ Deposit Insurance Corporation of Ontario, ➤ Responsibilities of directors relative to policy creation and monitoring, ➤ Responsibilities of the Board policy creation and monitoring. 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.
Good	<p>Basic PLUS:</p> <ul style="list-style-type: none"> Demonstrates knowledge of the Credit Union and Caisses Populaires Act, Regulations and other relevant legislation. Understands the credit union's by-laws and related policies. Promotes regulatory compliance. Identifies gaps in the credit union's policies and compliance with regulatory requirements. Initiates policy enhancements to deal with gaps. Determines the policy framework i.e., the areas in which policies are required and why.
Strong	<p>Good PLUS:</p> <ul style="list-style-type: none"> Explains the application of relevant policies and the principles upon which they are built. Can interpret the Credit Union and Caisses Populaires Act and Regulations as well as other applicable legislation. 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. 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.
Expert	<p>Strong PLUS:</p> <ul style="list-style-type: none"> Participates in the drafting of new legislation and regulations through the provincial and/or national organizations. 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.

Risk Management Oversight

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.

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

Expert	Strong PLUS: <ul style="list-style-type: none"> Identifies potential long-term risks and opportunities in the Canadian financial services environment and credit union sector.
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Strategic Planning

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.

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