

**BOARD GOVERNANCE POLICY # 4 – “DUTIES OF DIRECTORS”**

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**1.0 General**

This written description of duties applies to all members of the Board of Directors (the “**Board**”) of Meridian Credit Union (“**MCU**”). Members of the Board are accountable to the members of MCU (“**Members**”) for the fulfillment of their duties as outlined in this policy.

Directors are the stewards of MCU. Stewardship means that the directors exercise leadership visibly and are assertive when necessary. Stewardship also requires vision and forward thinking, particularly in areas such as strategic planning and identifying areas of risk. This policy focuses on the duties of directors as “fiduciaries” of MCU and how these duties are fulfilled.

**2.0 Fiduciary Duties**

Directors are required to act honestly and in good faith with a view to the best interests of MCU and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**2.1 Acting in the Best Interests of MCU**

Directors are elected by the Members. Once elected, their primary fiduciary duty is to act in good faith and with a view to the best interests of MCU in both its current environment and for its long-term growth and sustainability, not in the interests of any particular Member or group of Members. This means:

- (a) putting the best interests of MCU first – directors must give the highest priority to the interests of MCU and disclose any conflict of interest in accordance with the Director Code of Ethics & Conflicts of Interest Policy;
- (b) acting for MCU as a whole – directors act for the totality of MCU’s Members; directors are not elected to represent a certain segment of the Member population, or to put any segment’s interests ahead of any other;
- (c) acting as one Board – directors exercise power collectively through resolutions of the Board under the authority of MCU’s articles of incorporation and by-laws; unless given specifically delegated authority, a director has no individual authority to act on behalf of MCU; and
- (d) speaking with one voice – after the Board has reached a recorded decision, directors speak to the CEO, staff, Members and the public with a “single voice” and refrain from any criticism of the Board’s decision.

## **2.2 Acting with Care, Diligence and Skill**

A director has the duty to exercise the level of care, scrutiny and supervision that a reasonably prudent person (taking into account such person’s level of skill, knowledge and education) would exercise in comparable circumstances.

As fiduciaries, directors must devote sufficient time and attention to the business and affairs of MCU, so that they are in a position to exercise informed business judgment. Directors must use all of their skills and experience in carrying out their duties.

Consistent with the requirements of due diligence, directors must ensure that:

- sufficient information is available to them;
- agendas and background documents are provided prior to meetings;
- they attend meetings and ask questions with independent minds; and
- where appropriate, they delegate matters to Board Committees to ensure that such matters receive an in-depth and expert examination that would be difficult for an entire Board to conduct.

Directors must adhere to the highest standards of ethical and responsible behaviour in carrying out their roles as directors and conduct themselves in a manner that does not bring MCU into disrepute or that does not raise a reputational risk issue for the directors, the Board or MCU.

## **3.0 Duty of Confidentiality**

Every director, unless otherwise specifically granted permission to disclose the information in question, must keep confidential all information respecting MCU’s business and Members’ transactions. All items discussed at Board meetings are to be treated as confidential and are not to be made available to persons other than those persons at MCU who need to know, unless the Board Chair has specifically designated such items as not being confidential.

The duty of directors to maintain confidentiality includes a commitment to comply with the *Personal Information Protection and Electronic Documentation Act* (PIPEDA) and the specific requirements arising out of that law and MCU’s Privacy Code. This includes the requirement to complete privacy training and refresher training as provided by the MCU. Where any confidential information of any kind is disclosed under any circumstance, a director has a duty to advise the Board Chair and CEO forthwith.

## **4.0 Duty to Comply with the Law**

In addition to fulfilling the duties required of a director under this policy and complying with MCU’s By-Law No. 1 (the “**By-Laws**”) and the Director Code of Ethics & Conflicts of Interest Policy, directors are required to comply with:

- (a) the Credit Unions and Caisses Populaires Act, 1994 as amended from time to time (the “**Act**”);
- (b) associated laws and regulations, including guidelines imposed by the Financial Services Regulatory Authority of Ontario (“**FSRA**”) and FSRA’s By-law No 5 – Standards of Sound Business and Financial Practices; and
- (c) other applicable laws, including without limitation privacy legislation.

## **5.0 Key Skills and Attributes**

Each director should have:

- (a) a high standard of personal values and ethics, including integrity, accountability, commitment and courage;
- (b) excellent business and professional judgment;
- (c) the ability to think strategically and problem solve;
- (d) demonstrated mature and collaborative leadership;

- (e) a strong understanding of fiduciary duty;
- (f) strong communication skills, including the ability to listen and speak his/her mind independently and respectfully;
- (g) willingness and ability to commit the required time to the role and actively participate in meetings;
- (h) commitment to ongoing training and education for Board skills and duties; and
- (i) financial competency/literacy.

**6.0 Expectations of Directors**

More specifically, directors are expected to:

- (a) commit the time and energy necessary to properly carry out their duties, including being sufficiently familiar with the business of MCU, including its financial statements and the risks it faces, to facilitate active and effective participation in deliberations of the Board;
- (b) attend all regularly scheduled Board and Board Committee meetings, as applicable, and in any event, maintain a minimum attendance level of 75%;
- (c) review, in advance, all meeting materials as appropriate in order to adequately prepare for all regularly scheduled Board and Board Committee meetings, as applicable, and to be prepared to discuss the issues presented;
- (d) comply with this policy and other applicable written description(s) of duties (e.g.: Duties of Board Chair; Duties of Board Committee Chairs); and
- (e) identify continuous learning and education opportunities in their respective individual development plans and to discuss same with the Board Chair and Governance Committee Chair, as appropriate.

**7.0 Standards for Effective Contribution**

Directors should endeavour to:

- (a) be knowledgeable about the Mandate & Terms of Reference of the Board and any Board Committees of which the director is a member;
- (b) contribute meaningfully and knowledgeably to Board and Board Committee discussions by:
  - (i) asking relevant questions regarding data and information presented to the Board and Board Committees for deliberation;
  - (ii) communicating persuasively and logically, voicing concerns and raising challenging questions in a manner that encourages open discussion;
  - (iii) listening effectively to others' ideas and viewpoints;
  - (iv) asking value-added and appropriately timed questions;
  - (v) supporting the effective functioning of the Board and Committee;
  - (vi) managing conflict constructively and being willing to change their point of view; and
  - (vii) making constructive suggestions in a respectful manner during deliberations;
- (c) exercise independent judgment, think strategically in evaluating MCU's direction and operations, and effectively apply their knowledge, experience and expertise to issues confronting and opportunities available to MCU;
- (d) be a team player and work effectively with fellow directors and be willing to be accountable for and bound by Board and Board Committee decisions;
- (e) be acquainted and familiar with Management and be available when needed and accessible and approachable as a resource to Management; and

- (f) overall, make a valuable contribution to the functioning of the Board and its Board Committees.

**8.0 Internal Communications Protocol**

Communication between directors and Management is carried out in a respectful and timely manner, with recognition of the distinct reporting relationship between the Board and the CEO as its sole employee. The CEO serves as the primary contact to the Board through the Board Chair, while Management’s Executive Sponsors for the Committees are the principal contact for their respective Committee Chairs. The Corporate Secretary has an indirect reporting relationship to the Board and acts as the key governance advisor to the Board, its Committees and the individual directors.

To ensure that appropriate and clear communication is provided to the Board, directors are encouraged to raise any questions relating to the clarification of meeting materials, to the extent possible in advance of meetings, to the Corporate Secretary, who will respond or ensure a response from others on a timely basis. To ensure that requests are appropriately aligned to fulfilling the duties as directors, the Committee Chairs interact with Management’s Executive Sponsors and/or the Corporate Secretary in respect of matters and materials before the Committee meetings.

**9.0 Indemnification and D&O Insurance**

Directors are entitled to the full protection against personal liability that is permitted under the Act. MCU provides directors with:

- (a) personal indemnification on the bases permitted by the Act and the By-laws and as authorized by the Board from time to time; and
- (b) directors’ and officers’ liability insurance under policies and pursuant to coverages that are consistent with best practices in the financial services industry.

**10.0 Review of this Policy**

This Policy will be reviewed by the Governance Committee, and thereafter approved by the Board of Directors, every three (3) years or more frequently in the event that substantive revisions are required or appropriate.