

**Introduction** The Board of Directors is legally responsible for the management of Vancity's business and its affairs. It has the statutory authority and obligation to protect the assets of Vancity in the interest of all members. It is accountable for the stewardship of the credit union, and must take all reasonable steps to ensure the safety, stability, and sustainability of Vancity.

The Board may discharge its responsibilities by delegating certain duties to committees of the Board and to management. The specific duties delegated to each committee of the Board are outlined in the Terms of Reference for those committees.

**Accountability** The Board is responsible to the credit union and to members without discrimination among groups of members. Furthermore, the Board may be accountable to third parties such as government agencies, creditors, and employees, and must act in good faith toward the credit union and Vancity members. In performing its functions, the Board considers the interest of members, employees, other stakeholders and the public.

**Membership and Quorum** The Board may fill a vacancy that occurs<sup>1</sup>. Except when a vacancy occurs or appointments to the Board are made as set out in Vancity Rule 5.2, the number of Directors will be nine.

A quorum for any meeting will be a majority of members. (FIA s. 103). In the event of a tie vote, the Chair will cast the deciding vote.

**Reliance on Management and Advisors** In carrying out its roles and responsibilities, the Board relies on Management to provide it with accurate and fulsome information, and is entitled to engage independent advisors per the Engaging Independent Advisors Policy.

**The Role of the Board<sup>2</sup>** The Board's responsibilities include:

- supervising the Management of the business and affairs of Vancity;
- defining and approving the Credit Union's risk appetite;
- setting, approving, and monitoring the Credit Union's strategy and performance, and overseeing its planning process; and
- ensuring the Credit Union has the capability and culture to support its risk appetite and achieve its strategy, including;
  - oversight of the credit union and executive leadership team;
  - choosing and evaluating the CEO; and
  - recruitment and renewal of the board.

To fulfill these responsibilities, the Board:

- approves and implements a risk governance framework that effectively monitors activities and progress related to these responsibilities and initiates prompt corrective action when necessary; and

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<sup>1</sup> Vancity Rule 4.3

<sup>2</sup> Condensed from BCFSAs's Governance Guideline September 2013 version

- implements a framework for accountability and disclosure that effectively informs the credit union's members and other stakeholders of its risks and progress toward achieving its objectives.

The Board plays the key role of ensuring the Credit Union effectively manages and mitigates risk through policies and procedures at three levels:

- Operational staff who understand and correctly fulfill their roles and responsibilities;
- Independent oversight functions, including Internal Audit, who monitor policies and procedures with regard to risk and compliance amongst operational staff and test the design and effectiveness of internal controls to mitigate risks; and
- The Board who regularly reviews business operations and the resourcing and independence of oversight functions to confirm they are performing at appropriate levels for risk tolerance and regulatory compliance.

**Independent Advisors**

The Board may, and should, engage such internal and external resources as it deems necessary to fulfill its duties and, in particular, the Board may engage, under its sole authority, independent and qualified, expert advisors, consultants, counsel as needed to offer an opinion when required, in order to assist with informed decision making. The use of expert opinion does not relieve directors from the obligation of exercising their own judgement.

**Structure and Governance**

The Board is comprised of nine elected directors, and is responsible for electing a Board Chair and Board Vice Chair from its number. Each of these roles has distinct accountabilities outlined in their own terms of reference.

The Board operates by delegating some of its authorities, including spending authorizations, to Management, others to committees, and by reserving some powers to itself. Subject to other legislative restrictions<sup>3</sup>, the Board retains the responsibility for:

- selecting its Chair and Vice Chair, with consideration of Chair and Vice Chair succession sitting with the Governance Committee with support from the Governance department;
- establishing standards for ethical and sound business conduct for the Board as well as employees;
- to have in place policies and procedures to address its own orientation, performance, development, and succession;
- constituting committees of the Board and delegating powers, duties and responsibilities to committees within the framework of the Vancity Rules and the laws by which Vancity is governed; and
- appointing an independent member committee (Director Remuneration Committee) to bring forward recommendations for Director compensation.

Each of the Board Committees is led by a Committee Chair and supported by a Committee Vice Chair, all of whom are governed by their own terms of reference.

The Board is responsible for taking such steps necessary to ensure the Board can operate independently from Management.

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<sup>3</sup> The FIA Section 111 (2) lists a number of powers a board cannot delegate to a committee..

The Board is responsible for ensuring that regular evaluation of the effectiveness of the directors, Board Committees, Committee Chairs, Board Chair, and Board as a whole takes place.

**Meetings**

The Board will meet as needed and at least once each quarter. The Chair may call a Board meeting at any time.

The Chair must call a Board meeting within 14 days of receipt of a written request to do so by at least three directors.

By email or phone, directors will receive at least one day’s notice of a Board meeting, but such notice may be waived by a director.

**Duties and responsibilities**

The following duties and responsibilities are performed by the Board, with the understanding that additional functions may be carried out in response to changing business, legislative, or regulatory conditions.

Management Oversight	<p>The Board is responsible for ensuring that Vancity has effective management that acts in the interests of the members.</p> <p>The Board has the responsibility for:</p> <ul style="list-style-type: none"> <li>• The appointment and replacement of the CEO, monitoring and evaluating the CEO’s performance, determining the CEO’s compensation, and providing advice and counsel in the execution of the CEO’s duties.</li> <li>• Delegating sufficient authority to the CEO to effectively manage day-to-day operations, implement strategic plans, and ensure compliance with all applicable legal and regulatory requirements.</li> <li>• Providing advice to the CEO</li> <li>• In conjunction with the CEO, appointing and removing other senior staff with oversight functions (i.e. the Chief Financial Officer, Chief Risk Officer, and Internal Auditor). The Board may delegate this role to one or more committees.</li> <li>• Jointly with the CEO, approving the appointment and/or dismissal of the Head of Internal Audit</li> <li>• Ensuring that Internal Audit operates effectively and independently from Management.</li> <li>• Ensuring that adequate succession plans have been developed for the executive leadership team, oversight functions and, in particular, the CEO.</li> <li>• Approving the Annual STI and Profit Share Key Performance indicators (previously the Corporate Scorecard)</li> <li>• Ensuring plans have been made for Management succession and development.</li> <li>• understanding and approving incentive based compensation plans, while ensuring there is an alignment of risk and reward; and the incentive programs do not reward undue risk taking.</li> <li>• With respect to Compensation/Total Rewards Philosophy, reviewing and approving the philosophy statement.</li> </ul>
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<p>Risk Appetite</p>	<ul style="list-style-type: none"> <li>• When defining and approving the Credit Union’s risk appetite, the Board should consider: <ul style="list-style-type: none"> <li>– members' values and expectations;</li> <li>– its own capability to understand and oversee the Credit Union’s risks;</li> <li>– internal constraints such as financial and operational capability; and</li> <li>– external constraints such as competitive and economic conditions.</li> </ul> </li> <li>• The Board approved risk appetite forms the basis for a credit union’s risk governance framework including its strategic, capital and liquidity plans.</li> <li>• The Board ensures: <ul style="list-style-type: none"> <li>– the credit union has the systems, processes and capabilities to evaluate its overall risk profile;</li> <li>– the interrelationships among the individual risks are understood; and</li> <li>– that key risks are annually reviewed.</li> </ul> </li> <li>• The Board ensures the credit union uses qualitative and quantitative analysis (such as stress testing) to determine how robust or vulnerable the credit union is to a variety of internal and external factors.</li> <li>• The Board ensures the credit union has a disaster management and recovery plan that is updated regularly.</li> </ul>
<p>Strategy, Planning, and Performance</p>	<p>The Board has the responsibility:</p> <ul style="list-style-type: none"> <li>• directly or through its committees, to develop the Vision and, with participation from Management, approve organizational objectives and goals and ensure they reflect the needs and interests of the members, affinity groups, the community at large, and address emerging issues or areas of concern;</li> <li>• to approve the strategies and annual business plans by which Vancity allocates its resources to reach those goals;</li> <li>• to set organizational-wide performance measures and, with Management input, review progress with respect to the achievement of the goals established in the strategic and business plans on a regular basis; recognizing Management is responsible for implementing the plans; and</li> <li>• to approve major financial decisions, including new financings, mergers, acquisitions, and divestitures.</li> </ul> <p>The Board will engage with Management to review, probe, question and offer opinions on strategy, ultimately approving Vancity’s strategy which includes consideration of the impacts on key stakeholders and the credit union/cooperative sector.</p>

Labour relations	With respect to labour relations, to review and approve management's recommendations as to the mandate for any collective bargaining agreements.
Governance and Board Operations	<p>The Board (either directly or delegated through committees) is responsible:</p> <ul style="list-style-type: none"> <li>• for managing its own affairs, including electing a Board Chair and Vice Chair from its number, and approving board related policies;</li> <li>• identifying desired skills, experience, and personal attributes necessary for the Board that are regularly evaluated relative to the strategy and risk appetite of the Credit Union;</li> <li>• actively recruiting board candidates with the desired skills, attributes and experience;</li> <li>• establishing a transparent and independent evaluation process to compare Board candidates, communicate the process to members along with the desired attributes and experience, and recommend candidates to the members that best demonstrate those attributes and experience;</li> <li>• determining a professional development/education plan the Board.</li> </ul>
Risk Governance Framework	<p>The Board's role is not to minimize risk, but rather to fully understand the credit union's risk exposure and to ensure the processes and systems that are in place to control risk are appropriate given the credit union's strategic plan and operating environment. As such the Board has a responsibility to:</p> <ul style="list-style-type: none"> <li>• ensure the risk governance framework remains dynamic and that tools, policies, and processes are reviewed by the Board at least annually;</li> <li>• ensure the risk governance framework articulates risk tolerance boundaries, internal controls, and monitoring and reporting requirements;</li> <li>• discuss, in-camera, the quality of the reporting and address any gaps with the CEO;</li> <li>• ensure sufficient oversight is in place and manage the relevant risks associated with any outsourced function that is either strategically or operationally significant or otherwise material to a subsidiary or a third party; and</li> <li>• periodically commission independent reviews to assess the effectiveness of oversight functions.</li> </ul>
Accountability and Disclosure	<p>Credit unions are unique among financial institutions in the cooperative principles that underpin their formation and inform their decision-making, as such the Board has the responsibility to:</p> <ul style="list-style-type: none"> <li>• ensure the social and financial performance of Vancity is adequately reported to members, other security holders, and regulators on a timely and regular basis;</li> </ul>

	<ul style="list-style-type: none"> <li>• ensure the financial results are reported fairly and in accordance with international financial reporting standards;</li> <li>• ensure the timely reporting of any other developments that have a significant and material impact on the value of Vancity;</li> <li>• report annually to members on the Board’s stewardship for the preceding year (the Annual Report and Annual General Meeting (“AGM”));</li> <li>• ensure Vancity has in place a policy to enable it to communicate effectively with its members, stakeholders, and the public generally.</li> <li>• respond to the examination of Vancity by any regulator, External Auditor, and other legitimate bodies conducting examinations of Vancity and ensure that Management addresses any items of concern that have been identified;</li> <li>• recommend the External Auditors to the members for approval at the AGM; and</li> </ul> <p>recommend director compensation to members for approval</p>
<p>Policies and Procedures</p>	<p>The Board has the responsibility to:</p> <ul style="list-style-type: none"> <li>• approve and monitor, directly or through its committees, compliance with all significant policies by which Vancity is operated;</li> <li>• direct Management to implement systems which are designed to ensure Vancity operates within applicable laws and regulations, and to the highest ethical and moral standards; and</li> <li>• approve, and from time to time, initiate, policy statements reflecting social and ethical consideration for use in situations of major change, for example; merger, divestiture, new product development, expansion and retrenchment.</li> </ul>
<p>General Legal and Regulatory Obligations of the Board of Directors</p>	<p>The Board has the responsibility to act in accordance with its obligations contained in:</p> <ul style="list-style-type: none"> <li>• the Business Corporations Act (of British Columbia);</li> <li>• the Financial Institutions Act</li> <li>• the Credit Union Incorporation Act</li> <li>• the Vancity Rules; and</li> <li>• any other relevant legislation and regulations.</li> </ul> <p>The Board has the responsibility for directing Management to ensure legal requirements have been met, and documents and records have been properly prepared, approved, and maintained.</p> <p>The Board have responsibility to communicate with BCFSA, including:</p> <ul style="list-style-type: none"> <li>• notifying BCFSA of the names and relevant information of members of the Board and senior</li> </ul>

	<p>management (Executive Leadership Team), including any changes;</p> <ul style="list-style-type: none"><li>• notifying BCFSa of any material issues not otherwise reported by Management or a Committee of the Board; and</li><li>• meeting with BCFSa as needed.</li></ul>
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