Ontario

Deposit Insurance
Corporation of Ontario

Société ontarienne
d'assurance-dépôts

Self Assessment Workbook

Corporate Governance - Board of Directors

March 2015

Ce document est aussi disponible en français.

Applicability

The Self Assessment Workbook: Corporate Governance - Board of Directors (the "Workbook") is for use by all credit unions.

This Workbook complements the information provided in, and should be read in conjunction with the Guidance Note: Corporate Governance – Board of Directors and other relevant DICO publications.

These publications include:

- DICO Bylaws
- Guidance Notes
- Application Guides
- Handbooks
- Checklists
- Manuals
- Webinars
- Advisories
- Other additional tools

These publications are available on DICO's website.

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Corporate Governance - Board of Directors

1. Introduction

DICO's By-Law No. 5: Standards of Sound Business and Financial Practices ("By-law No. 5") sets out the following:

Corporate Governance: Board of Directors

The Board of Directors is ultimately responsible for ensuring the credit union is operated in a safe and prudent manner and for ensuring adherence to standards of prudent and sound business and financial practices. In fulfilling its responsibilities, the Board of Directors should ensure the credit union is consistently operating in accordance with co-operative principles.

The care, diligence, skill and prudence exhibited by a credit union's directors has a critical influence on the credit union's viability, safety and soundness and also its ability to execute its business strategy, achieve its business objectives and promote confidence on the part of members and depositors. The fundamental elements of good corporate governance for the Board of Directors have been grouped into four main areas: Practices and Expertise, Human Resources, Risk Management, and Business Strategy and Business Plans.

All credit unions must comply with By-Law No. 5 Standards in By-law No. 5 have been designed in such a way that they are applicable to every credit union, regardless of its size or complexity. All Boards are required to attest to their adherence to By-Law No. 5 annually. DICO has developed three "Assessment Workbooks": one for the Board, the Audit Committee, and Management to assist in understanding DICO's expectations and confirming compliance with these Standards.

There is no requirement to complete or file these workbooks with DICO. However, credit unions are required to demonstrate that they have appropriate processes and record keeping in place to support their board's assessment of corporate governance and annual Attestation to DICO of their Compliance with By-Law No. 5. Institutions may develop their own assessment tools or modify the workbooks to suit their particular requirements.

This workbook for the board of directors is in three parts.

Part I Under By-law No. 5, each credit union is required to attest annually that:

- management has provided a representation letter to the board of directors regarding its assessment of adherence to management's responsibilities under the standards of sound business and financial practices
- the Board of Directors is familiar with, and is acting in compliance with, the standards of sound business and financial practices

In order to complete the management representation letter, senior management is required to review internal assessments by the individuals who manage the credit union's day-to-day operations as to whether the significant risks under their responsibility have been identified and addressed. Senior management should also review periodic third party validations to ensure that the assessments have been conducted competently, with integrity and that significant risks are being resolved.

The board will determine when the letter should be provided by management and what additional evidence or documentation is required. The representation letter should:

- confirm that management is familiar with the contents of By-law No.5 and that they are fulfilling their responsibilities under the Standards of Sound Business and Financial Practices (the Standards);
- identify any outstanding deficiencies or exceptions; and
- include an action plan to address identified deficiencies or exceptions.

In coming to a conclusion on whether the credit union is following the Standards, a Board needs to assess its own governance effectiveness as well as understand and assess how management determines that significant deficiencies at different levels in the organization are identified and addressed. In turn, a Board assessment of management's assertions should include some confirmation against periodic observations received from external sources.

A sample management representation letter and copy of a **Board resolution** is included. The **Board resolution** sets out DICO's minimum requirements although boards are free to expand on these if they wish.

Part II is an assessment tool for the board to help evaluate the credit union's adherence with the standards and identify any material deficiencies that may need to be addressed.

Part III provides a sample action plan tracking matrix for use in identifying and resolving material deficiencies. The action plan should include a description of any significant or material deficiency being addressed, the manner of addressing it, designated responsibility for corrective action and appropriate timelines for completion.

2. Part I: Reporting Requirements

Sample Management Representation Letter

To: Board of Directors

This representation letter in respect of <name of credit union> concerns adherence to the Deposit Insurance Corporation of Ontario ("DICO") Standards of Sound Business and Financial Practices (the "Standards") as outlined in DICO By-law No.5.

Management is familiar with the contents of the DICO By-law No. 5 as it applies to the credit union and acknowledges their responsibilities under the Standards, which include:

- implementing appropriate and prudent risk management policies, procedures and controls for each of the Standards;
- monitor the effectiveness of risk management practices and controls for the credit union's significant risks;
- developing and implementing an appropriate and prudent business strategy and business plans and monitoring the achievement of the plan; and
- providing the board of directors with timely, relevant and accurate status reports on the implementation of the institution's business strategy, business and financial plans and any material risks that may affect business objectives and financial stability of the credit union.

Management confirms that they are fulfilling their responsibilities under the Standards [*if applicable, add*: "except as indicated below"].

After careful consideration, management has concluded that to the best of their knowledge [*if applicable, add*: "except as indicated below"] the operations of the credit union are being managed in accordance with the Act and Regulations, other legislation, DICO By-laws and Guidelines, DICO guidance, Standards of Sound Business and Financial Practices and the credit union's by-laws and policies.

[*If applicable, add:* "The following deficiency(ies) or exception(s) are outstanding: <provide description or reference an appended document to the same effect>"]

[*If applicable, add:* "The action plan(s) have not been met to date in that: <provide description or reference appended document to the same effect>."]

In arriving at our conclusions we have exercised prudent judgment and have ensured the appropriate amount of testing and/or review (through various methods such as ERM, internal audit, external audit, risk and controls self assessment, consultants, internal management assessments and internal reporting) has taken place.

Dated at <insert place> <month> <day>, <year>.

____

Management Signature (s)

Sample Resolution of the Board of Directors

It is resolved that:

This resolution is made in respect of <name of credit union> and concerns its adherence to the Deposit Insurance Corporation of Ontario ("DICO") Standards of Sound Business and Financial Practices (the "Standards") as outlined in DICO By-law No.5.

The Board of Directors (the “Board “) of the credit union is familiar with the contents of the Standards By-law and acknowledges its responsibilities under the Standards, which include:

The Board of Directors of the credit union is, to the best of its knowledge and abilities, fulfilling its responsibilities under the Standards [*if applicable, add:* "except as indicated below"].

- understanding and fulfilling its responsibilities;
- exercising independent judgment;
- establishing the training requirements and qualifications for directors and members of the audit committee;
- establishing appropriate and prudent risk management policies;
- overseeing risk management policies and obtaining reasonable assurance that the credit union is adhering to its risk management policies for significant risks;
- establishing the responsibilities, accountability and authority of the CEO, the Audit Committee and other Board committees;
- establishing standards of business conduct and ethical behavior;
- selecting and evaluating the effectiveness of the CEO;
- ensuring that management is appropriately skilled and experienced to implement the Board’s objectives;
- establishing the business objectives of the credit union consistent with co-operative principles and approving the credit union’s business strategy and business plans;
- evaluating the credit union’s actual operating and financial results against business plans and address any material variances;
- evaluating the effectiveness of the Board and oversee the responsibilities of the Audit Committee;
- ensuring that employee compensation plans are consistent with prudential incentives; and
- affirming a control environment and ensuring that the credit union is in control.

The Board has carefully considered the management representation letter dated <month> <day>, <year> addressed to the board concerning adherence to the Standards. The Board has also carefully considered other information, and made such inquiries as it deems appropriate, relevant to the forming of its opinion on whether the credit union is following the Standards.

It is the opinion of the board that to the best of its knowledge, it has obtained reasonable assurance that the credit union is following the Standards [*add, if applicable:* "except as indicated in the representation letter and/or below"].

[*If applicable, add:* "With respect to the deficiency(ies) or exception(s) not indicated in the representation letter, the board of directors confirms that an action plan (plans) addressing their correction has (have) been prepared and is (are) being implemented. A copy of the action plan(s) is being (has been) submitted to DICO]

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The foregoing is certified as a true copy of a resolution of the Board of Directors of <name of credit union> passed at a meeting of the board held on the <day> of <month>, <year>.
Dated at <insert place> this <day>of<month>, <year>.

____

Corporate Secretary

Copy to: Deposit Insurance Corporation of Ontario

3. Part II: Assessment Tool

1. Practices and Expertise

Element	Assessment Criteria	Yes	Reference or Evidence
1. Understanding and fulfilling responsibilities	*The Board has developed, approved and periodically reviewed its mandates, to ensure directors continue to operate according to sound governance practices.*	☐	
	• *Board Charter is sufficiently comprehensive*	☐	
	• *Terms of reference are reviewed, understood and acknowledged by each director*	☐	
	A policy has been established that fully sets out the expectations for directors including required qualifications, experience, competencies and any training requirements. At a minimum, the policy addresses and outlines the following:	☐	
	• *The required competencies for directors, audit committee members, Chair of the Board and Chair of the Audit Committee*	☐	
	• *A description of competency levels outlining the degree of knowledge, experience, skills, education and any required director training*	☐	
	• *Assessment criteria and required supporting documentation*	☐	
	• *Time frames to complete required training*	☐	
	• *Board competencies matrix*	☐	
	A documented process has been established and implemented for periodically updating directors on their responsibilities	☐	
	• *The process and frequency is appropriate and all key responsibilities are sufficiently addressed*	☐	
	A documented process has been established and implemented for periodically updating directors on the credit union's business	☐	
	• *The credit union's business is fully detailed and*		

	adequately explained A documented process has been established and implemented for periodically updating directors on related risks. • The credit union's related risks are identified and adequately explained The Board has established agendas and priorities, arranged and conducted meetings, and recorded its deliberations and decisions in the Board or other meeting minutes. • All required and key areas as requested by the Board are covered • All material and outstanding issues are included • Supporting documents (meeting minutes, reports, etc.) are sufficiently comprehensive • Board documents are provided to directors in advance of meetings • Evidence of sufficient deliberations on material issues in meeting minutes • Board maintains confidentiality, especially as it relates to the possession and storage of Board materials Directors have attained required competency levels and if not, plans are in place to ensure that any identified gaps are being addressed.	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	
Date Last Reviewed	***Material Deficiencies*** *(N/A if not applicable)*		***Target Completion Date*** *(if applicable)*

2. Exercising independent judgment	*The Board promotes independent, effective, and timely decision making.* • *Management views are questioned and tested* • *Dissenting views are appropriately identified, considered and documented in meeting minutes or similar documentation* • *Board decisions are appropriately supported and documented in meeting minutes or similar documentation* *There is broad participation by directors in Board deliberations and the discussions are recorded in meeting minutes or similar documentation.* *The Board seeks additional information or clarification of material deficiencies and ensures full understanding of management recommendations and responses.* *The Board seeks third party expertise where appropriate.* *The Board conducts in camera sessions on a regular basis both by itself and with the CEO, CRO, Internal and External Audit, as necessary.*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	______________________
Date Last Reviewed ______________________	***Material Deficiencies** (N/A if not applicable)* ______________________ ______________________ ______________________		***Target Completion Date** (if applicable)* ______________________
3. Training requirements and qualifications for directors and members of the Audit Committee	*The credit union's policy and practices on director training and qualifications is appropriate for its size, complexity and risk profile.* • *Policy requirements are sufficiently comprehensive* • *Supporting processes are appropriately documented* • *Responsibilities are fully outlined* • *Competency levels and time frames are*	☐ ☐ ☐ ☐ ☐	______________________

	addressed • *Competency descriptions are outlined*	☐	
	The competency assessment criteria and processes are documented and followed.	☐	
	• *Competency assessment criteria have been established*	☐	
	• *Assessment processes and timeframes have been established*	☐	
	• *Assessment is performed and documented*	☐	
	• *All directors have completed periodic assessments as required by credit union's policy*	☐	
	An adequate competency validation process has been established and implemented.	☐	
	• *Validation process in place which uses objective criteria to compare actual behaviour to experience and education and testing for reasonableness with other directors*	☐	
	Director development plans are in place to address competency gaps.	☐	
	• *Competency gaps have been identified and communicated*	☐	
	• *Development plans adequately address all identified competency gaps*	☐	
	• *Monitoring of progress towards improvement and closing the gaps is in place and is fully documented*	☐	
	• *Successful completion of work needed to eliminate gaps is documented*	☐	
	The extent of continuing education and development plans is appropriate.	☐	

Date Last Reviewed	**Material Deficiencies** *(N/A if not applicable)*		**Target Completion Date** *(if applicable)*
____________________	____ ____ ____		____________________
4. Establishing the responsibilities, accountability and authority of the CEO, the Audit Committee and other Board committees as applicable	*The Board has set out and communicated the responsibilities, accountability and authority of the CEO.* • *Align with policy* • *Acknowledged by the CEO* • *Regularly reviewed and updated as necessary* • *Aligned with performance evaluation criteria* *The Board has set out and communicated the following to the Audit Committee:* • *Responsibilities,* • *Accountability, and* • *Authority,* *which meet the requirements of the Act (Section 125 to 128) and have been created to help in the governance of the credit union, where appropriate, including its:* • *Purpose,* • *Objectives, and* • *Reporting requirements* *The Board has set out and communicated the following for the __(Names of all other committees)___ Committee:* • *Responsibilities,* • *Accountability, and* • *Authority,* *which have been created to help in the governance of the credit union, where appropriate, including its:* • *Purpose,* • *Objectives, and* • *Reporting requirement* *The Board has ensured it has not delegated any responsibility outlined in s.109 of the Act.*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	

Date Last Reviewed	**Material Deficiencies** (N/A if not applicable)		**Target Completion Date** (if applicable)
________________	________________ ________________ ________________		________________
5. Establishing standards of business conduct and ethical behaviour	*A code of conduct and ethical behavior has been established for directors, committee members and employees, which addresses, at a minimum:* • *The duty to comply with applicable legislation* • *The duty of confidentiality of institutional and member information* • *Conflict of interest* • *Restricted party transactions* *The Board has reviewed and approved annually the institution's code of conduct and ethical behaviour.* *The Board has obtained regular assurances of application of the code of conduct and ethical behavior.* • *All directors acknowledged compliance to the code of conduct upon election and on an annual basis* • *The Board obtained written confirmation all officers and staff complete the code of conduct upon employment and at least annually*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	________________
Date Last Reviewed	**Material Deficiencies** (N/A if not applicable)		**Target Completion Date** (if applicable)
________________	________________ ________________ ________________		________________

6. Evaluating the effectiveness of the Board and overseeing the responsibilities of the Audit Committee	*The Board has established a set of key performance indicators to measure and evaluate its effectiveness.*	☐	______
	Indicators include (not exclusively):		______
	• *Performance of major Board responsibilities as identified in By-Law No. 5*	☐	______
	• *Achievement of the goals and objectives set out in the annual business plan*	☐	______
	• *Management relations and communications*	☐	______
	• *Effectiveness of the Board's structure and process*	☐	______
	The evaluation process is comprehensive and fully documented.	☐	______
	Evaluation process includes:		______
	• *External expertise where appropriate*	☐	______
	• *Review of the Board's performance based on previously defined objective criteria*	☐	______
	• *Review of the Board's performance as a whole*	☐	______
	• *Review of the performance of individual directors*	☐	______
	• *Results of the review are used to effect change and improve performance*	☐	______
	• *Documented results for future reference*	☐	______
	Gaps and deficiencies are documented and appropriately addressed.	☐	______
	The Board has established a sufficiently comprehensive process for overseeing the responsibilities of the Audit Committee by reviewing the Audit Committee Chair's report which details that the Audit Committee has performed the following duties:	☐	______
	• *Work plans, committee agendas and minutes have been tabled and reviewed by the committee*	☐	______
	• *Audit Committee has considered the adequacy of the reports received from the Audit Committee to the Board*	☐	______
	• *Audit Committee has considered the adequacy of the reports received from Senior Management*	☐	______
	• *Audit Committee completes tracking and status reports of key responsibilities and activities*	☐	______

	Sufficient evidence of effective oversight. • *Minutes confirm the adequacy of the board's oversight of the Audit Committee responsibilities* • *Board minutes and evaluation processes confirm the adequacy of the effectiveness of the Board*	◻ ◻	______ ______ ______
Date Last Reviewed ______	***Material Deficiencies** (N/A if not applicable)* ______ ______ ______		***Target Completion Date** (if applicable)* ______
7. Affirming a control environment and ensuring the credit union is in control	*The Board has obtained assurances on a regular basis the institution's risk management, control environment and management information systems are appropriate and operating effectively through reports and other methods provided by:* ***Senior Management*** • *Assurances address all compliance deficiencies and By-Law No.5 standards* • *Assurances are fully supported by comprehensive assessments and related documentation* • *The Board understands the nature and extent of the self-assessment work conducted by senior management* ***Internal audit*** • *Assurances address all compliance deficiencies and By-Law No.5 standards* • *Assurances are supported by thorough assessments and related documentation* • *Assurances address all compliance deficiencies and By-Law No.5 standards* • *Assurances are fully supported by comprehensive assessments and related documentation* ***External audit*** • *Assurances address all compliance deficiencies and By-Law No.5 standards* • *Assurances are fully supported by comprehensive assessments and related*	◻ ◻ ◻ ◻ ◻ ◻ ◻ ◻ ◻ ◻	______ ______

	documentation ***Other***_______________________ • *Assurances address all compliance deficiencies and By-Law No.5 standards* • *Assurances are fully supported by comprehensive assessments and related documentation* • *The Board understands the nature and extent of the self-assessment work conducted by* ____________________ *There are no material exposures where assurances may not be fully supported.* • *The Board requires comprehensive explanations and understanding of material exposures* • *Assurances on material exposures are fully supported by related evidence* • *The Board seeks advice of third parties, as required, to independently confirm senior management's assessment of the institution's controls* *The Board actively monitors resolution to material deficiencies.* • *Information provided about any significant deficiencies or breakdowns is timely, relevant, accurate and complete* • *Action plans have been reviewed and approved to address any identified deficiencies* • *Resolution strategies are monitored and tracked* • *Deficiencies are appropriately addressed in a timely manner*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	______________________________ (×26)
Date Last Reviewed ____________________	***Material Deficiencies*** *(N/A if not applicable)* ____ ____ ____		***Target Completion Date*** *(if applicable)* __________________________

Comments and/or exceptions:

2. Human Resources

Element	Assessment Criteria	Yes	Reference or Evidence
8. Selecting and evaluating the effectiveness of the CEO	*A process and appropriate criteria have been established for the selection and appointment of the CEO* *The CEO evaluation criteria are objective and have been fully documented.* • *The job description has been fully documented* • *The performance evaluation criteria has been developed, documented and communicated* • *Incentives promote appropriate prudent behaviours* *The nature and frequency of the CEO evaluation process is appropriate.* • *The CEO is evaluated against established criteria which are supported by documented results* • *The evaluation measured the achievement of objective targets and/or against key performance indicators* • *The process includes regular reports and/or reviews throughout the year* • *A formal evaluation is conducted at least annually*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	
<u>Date Last Reviewed</u>	***<u>Material Deficiencies</u>*** *<u>(N/A if not applicable)</u>*		***<u>Target Completion Date</u>*** *<u>(if applicable)</u>*
9. Ensuring Management is appropriately skilled and experienced to implement the Board's objectives	*The discussion and review of senior management performance evaluations is robust.* • *Board has approved an Assessment Policy that outlines the assessment criteria for Senior Management* • *Performance evaluations for Senior Management are conducted at least annually*	☐ ☐ ☐	

	There are robust CEO and Senior Management development and succession plans in place. • *There are established processes in place to address performance gaps* • *Development plans have been created to identify performance or skills gaps* • *Succession plan is in place for all Senior Management*	☐ ☐ ☐ ☐	
Date Last Reviewed	***Material Deficiencies** (N/A if not applicable)*		***Target Completion Date** (if applicable)*
10. Ensuring employee compensation policy and programs are consistent with prudential incentives	*Compensation plans are prudent and not designed to encourage undue risk.* • *Employee compensation plans are prudent and based on acceptable industry standards and best practices* • *Compensation plans have been benchmarked against peer institutions* • *Performance-based compensation rewards are appropriately rewarding superior achievement against a suitable peer group* • *Compensation package of the CEO and Senior Management is based on a wide range of factors and performance metrics to discourage undue risk taking.* • *Performance incentives provide proper direction to pursue objectives that are in the interest of the credit union and its members.*	☐ ☐ ☐ ☐ ☐ ☐	
Date Last Reviewed	***Material Deficiencies** (N/A if not applicable)*		***Target Completion Date** (if applicable)*

Comments and/or exceptions:

3. Risk Management

Element	Assessment Criteria	Yes	Reference or Evidence
11. Establishing appropriate and prudent risk management policies	*The risk management policies been reviewed and approved by the Board.* *The risk management policies address the significant risk to which the credit union is exposed.* *Material changes to risk management policies are fully supported, discussed and assessed.* • *The Board understands the effect of material changes to policy to the level of risk exposure for the institution* • *Recommended changes are adequately supported by a comprehensive assessment of risk* • *Evidence of adequate Board review* *The risk management policies establish the frequency, form and content of reports that enable the board to determine that:* • *The credit union is adhering to its risk management policies* • *The credit union is in compliance with legislation and bylaws* • *Material deficiencies have been reported and are being addressed*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	

Date Last Reviewed	***Material Deficiencies** (N/A if not applicable)*	***Target Completion Date** (if applicable)*

12. Overseeing risk management policies and obtaining reasonable assurance the credit union is adhering to its risk management policies for significant risks	*The Board receives and reviews risk management reports on key areas of operation, including:* • *Capital Management* • *Credit Risk* • *Operational Risk* • *Market Risk* • *Structural Risk* • *Liquidity Risk* *Reports to the Board are sufficiently comprehensive to enable the Board to determine that:* • *The credit union is adhering to its risk management policies* • *The credit union is in compliance with legislation and bylaws* • *Material deficiencies have been reported and are being addressed* *The Board responds to and follows up on deficiencies identified by Senior Management, the external auditor, other oversight functions, DICO or any other regulators (in case of subsidiaries), to satisfy itself appropriate actions have been taken or resolutions have been achieved.*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________ ______________________________
Enterprise Risk Management ("ERM") – Class 2 Credit Unions Only ***Please see the "Guidance Note: Enterprise Risk Management (ERM)" for additional information about the requirements for the ERM program including: policy, processes, monitoring and reporting.***			
13. Establishing appropriate and prudent enterprise risk management policy(ies) that sets out the risk appetite and risk tolerance for all significant risk areas	*The ERM policy been reviewed and approved by the Board.* *The ERM framework has been established.* *At a minimum, the ERM policy addresses:* • *Identification of significant strategic, business and process risk exposures* • *Measurement of significant strategic, business and process risk exposures* • *Evaluation of significant strategic, business and process risk exposures* • *Mitigation of risk exposures through appropriate risk responses* • *Monitoring the application of risk responses and*	☐ ☐ ☐ ☐ ☐ ☐	

	mitigation strategies • *The frequency, form and content of reporting requirements including: ERM processes and findings, level and direction of risk exposures, and extent of risk management activities* *Material changes to risk management policies are fully supported, discussed and assessed.* • *The Board understands the effect of material changes to policy to the level of risk exposure for the institution* • *Recommended changes are adequately supported by an assessment of risk* • *Evidence of adequate Board review* *The risk management policies establish the frequency, form and content of reports that enable the board to determine that:* • *The credit union is adhering to its risk management policies* • *The credit union is in compliance with legislation and bylaws* • *Material deficiencies have been reported and are being addressed*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	
14. Reviewing and confirming the credit union's risk exposure is aligned with its risk appetite and risk tolerances	*The risk appetite and risk tolerances are appropriate in relation to actual and projected earnings and capital* *Reports to the Board are sufficiently comprehensive to enable the Board to determine that:* • *The credit union is adhering to its ERM policy* • *The credit union is in compliance with legislation and bylaws* • *Material deficiencies have been reported* • *Mitigation of risk exposures through appropriate risk responses* • *The level of resources allocated to ERM is in alignment with established risk appetite targets for assessing and managing risk* *The Board, as appropriate, responds to and follows up on deficiencies identified by Senior Management, the internal*	☐ ☐ ☐ ☐ ☐ ☐ ☐	

	auditor, the external auditor, other oversight functions, DICO or any other regulators (in case of subsidiaries), to satisfy itself that appropriate actions have been taken or resolutions have been achieved.		

Date Last Reviewed	***Material Deficiencies** if not applicable)*	***Target Completion Date** (if applicable)*
______________	______________ ______________ ______________	______________

Comments and/or exceptions:

4. Business Strategy and Business Plans			
Element	**Assessment Criteria**	**Yes**	**Reference or Evidence**
15. Establishing the business objectives of the credit union consistent with co-operative principles and approving the credit union's business strategy and business plans	*The Board has effectively overseen the strategic management process for the institution.* • *Contributed to the establishment of credit union objectives* • *Ensured the objectives are consistent with the business strategy, any business plans, financial budgets and targets* *The business plans support the business objectives and strategy of the institution.* *The Board has evaluated and approved the business objectives of the credit union including the:* • *Business strategy* • *Annual business plan* • *Financial targets and supportive action plans* *The business objectives are consistent with cooperative principles.*	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐	________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________
Date Last Reviewed ________________	***Material Deficiencies** (N/A if not applicable)* ________________ ________________ ________________		***Target Completion Date** (if applicable)* ________________
16. Evaluating the credit union's actual operating and financial results against business plans and addressing any material variances	*The Board:* • *Reviews internal and external factors that may require changes in the business strategy and plans* • *Ensures criteria have been established to evaluate performance in achieving the business objectives, strategy and plans* • *Reviews and evaluates material operating and financial variances against business plans* • *Ensures plans have been developed to address material*	☐ ☐ ☐	________________ ________________ ________________ ________________ ________________ ________________ ________________

	variances • *Reviews and confirms the appropriateness of initiatives and plans to address material variances* • *monitors the effectiveness of resolution plans for material variances*	☐ ☐ ☐	
Date Last Reviewed	***Material Deficiencies** (N/A if not applicable)*		***Target Completion Date** (if applicable)*

Comments and/or exceptions:

4. Part III: Sample Action Plan to address material deficiencies in Business and Financial Practices

SUMMARY ACTION PLANS TO ADDRESS IDENTIFIED MATERIAL DEFICIENCIES IN BUSINESS AND FINANCIAL PRACTICES

Corporate Governance Area	Material Deficiencies	Summary Action Plan	Target Resolution Date	Assigned Responsibility	Status Update/Date Completed
1. Practices and Expertise					
2. Human Resources					
3. Risk Management					
4. Business Strategy and Business Plans					