

## Corporate Governance Policy

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**Revised:**

**Date for next revision:**

### 1 Introduction

Corporate Governance is concerned with the practices and procedures that the organisation follows in order to achieve its specific goals. The ABCUL Board recognises that ABCUL as a member owned trade association should uphold the highest standards of corporate governance. They have therefore developed this policy to guide the Board, its Sub-Committees, individual board members, chapter officers and staff in their work.

### 2 Principles for ABCUL Board and Staff

The Committee on Standards in Public Life (the Nolan Committee) has set out *seven principles of public life* which it believes should apply to all in public service. The ABCUL Board believes these principles represent the standards of behaviour that they would expect from individual board members, chapter officers and staff and therefore expect them to be followed in all Association activities. These are set out below;

#### ❖ **Selflessness**

ABCUL directors and staff should take decisions solely in terms of the Association's interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

#### ❖ **Integrity**

ABCUL directors and staff should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

#### ❖ **Objectivity**

In carrying out ABCUL business, including electing officers, recruiting staff, awarding contracts, or recommending individuals for rewards and benefits, ABCUL directors and staff should make choices on merit.

#### ❖ **Accountability**

ABCUL directors and staff are accountable for their decisions and actions to the Association and its members. They must submit themselves to whatever scrutiny is appropriate to their office.

#### ❖ **Openness**

ABCUL directors and staff should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider Association's interest clearly demands.

## ❖ **Honesty**

ABCUL directors and staff have a duty to declare any private interests relating to their Association duties and to take steps to resolve any conflicts arising in a way that protects the Association's interest.

## ❖ **Leadership**

ABCUL directors and staff should promote and support these principles by leadership and example.

## **3 Corporate Governance Policy Objectives**

The objective of this policy is to help ABCUL demonstrate to its members and others that it is a quality organisation committed to developing best practice in corporate governance. The six underlying principles which guide the development of this policy are;

- ❖ The ABCUL Board should be representative of its membership.
- ❖ The Board should be accountable to its members.
- ❖ The governance arrangements for the Association should be transparent.
- ❖ There should be a clear distinction between governance and management in the Association.
- ❖ Governance arrangements should be sufficiently flexible to cope with a fast changing environment.
- ❖ ABCUL should be seen to be open and accountable to its external stakeholders.

## **4 Communication of Policy**

This policy will be distributed to members of the Association on adoption and on entry of new members into the Association. It will then be available to members and other stakeholders on the ABCUL website. The Annual Report of the Association will contain a section on compliance with this policy and if necessary explain why any elements have not been complied with.

## **5 Review**

It will be reviewed at least every two years on behalf of the ABCUL Board by the Policy and Resources Committee.

## **6 Governance Checklist**

This policy recognises ten aspects of corporate governance in which the ABCUL Board wants to demonstrate good performance to members and other stakeholders.

- a) ABCUL Board composition
- b) Board structure
- c) Board accountability
- d) Role of the Board
- e) Good practice in managing the Board
- f) ABCUL President
- g) President/Chief Executive relationship
- h) Employment of the Chief Executive

- i) Role of the Chief Executive
- j) Compliance with the Credit Union Corporate Governance Code

For each area the policy distinguishes between output measures ie in practice do these governance arrangements work, and input measures ie do governance arrangements meet theoretical tests of good governance.

The output measures are of course the more important but are harder to measure. There are 53 input measures to help ensure that output results are satisfactory and will remain so in the future.

## a) ABCUL Board Composition

There are three output measures;

- ❖ Does the ABCUL Board include a significant number of recognised credit union industry leaders?
- ❖ Is the ABCUL Board recognised inside and outside the credit union sector as being representative of the sector?
- ❖ Is the ABCUL Board recognised as being capable of bringing the necessary leadership to the Association and the sector?

The input measures are;

1. The Board will maintain at least 90% of the full complement of directors in post at all times.
2. The Board will reflect the nature, diversity and scale of the enterprise and the complexity of the risks faced by ABCUL when encouraging potential new board members to stand.
3. In the event that any ABCUL director fails to maintain a full and harmonious working relationship with their credit union(s) and/or chapter(s), they are required to discuss the advisability of continuing their ABCUL board and committee appointments with the President (or Executive) of ABCUL.
4. Although there is no cap on total length of term served by directors in the Association Rules, the Board will review on an annual basis the average length in post of all ABCUL board members and seek to ensure it is less than five years.
5. According to the Association Rules, the Board will ensure all co-opted board members must stand for election at the next election.
6. The Policy and Resources Committee is tasked with seeking to ensure that the Board remains representative and effective.

## b) Board Structure

The output measure is that the Board conducts its business efficiently with each credit union being satisfied with its involvement in the policy making process.

The input measures are;

7. Every sub-committee of the ABCUL Board and time limited project/working group will have a standard reference sheet giving its membership, terms of reference and reporting relationship.
8. The terms of reference for any sub-committee will be agreed by the Board.
9. The Board will review annually the need for each committee and its composition.
10. The terms of reference for each sub-committee will set out the role of the sub-committee and management.
11. There is a clear stated remit for the Executive Committee understood by all board members.
12. Policy and Resources Committee is specifically charged with handling
  - a) the terms of engagement and conditions of service of the Chief Executive, and
  - b) the composition of the Board and the Officers.

13. The Board will review annually the balance between standing sub-committees and time limited project groups.

## **c) Board Accountability**

The output measure is that ABCUL member credit unions are satisfied with governance arrangements generally, the way the Board is selected and the information provided about the Board's deliberations.

The input measures are;

14. The process for election for the ABCUL Board is transparent, documented in the Rules of the Association and known to members.

15. The ABCUL Annual Report explains the Association's aims, objectives and priorities and how they have been pursued.

16. A short report of key decisions from ABCUL board meetings is distributed to members via the monthly member mailings.

17. The governance arrangements for the Association are documented in this Corporate Governance Policy and are published for ABCUL members to inspect.

18. The Association will seek to ensure its workings are transparent to the outside world.

## **d) Role of the Board**

The output measure is that the Board deals with the major strategic and policy issues and does not attempt to micro-manage. The Board employs a chief executive responsible to them for the management of the Association.

The input measures are;

19. The ABCUL Board has agreed a mission and vision statement which is reviewed annually.

20. The Board conducts an annual review of the market position of the Association

21. The Board agrees and monitors an over-riding set of objectives and a statement of how the Association operates which form the basis of the Business Plan.

22. The Board agrees an annual operational plan and budget contained within the Business Plan.

23. The Board publishes a summary of its business plan for members and informs them of key decisions made by the Board.

24. The Board has agreed terms of reference and structure for each of its sub-committees.

25. The Board conducts an annual review of the governance of the Association; including its own role and performance.

26. The Board reviews annually the performance of the Chief Executive.

27. The Board has an annual training and development plan.

## **e) Good Practice in Managing the Board**

The output measure is that each member of the Board should be satisfied that the Board operates efficiently.

The input measures are;

28. A comprehensive information pack is given to board members on induction and updated annually. This includes job descriptions, terms of reference for sub-committees, policies etc.

29. Every new member of the Board has a documented induction process involving the President and/or the Chief Executive.

30. The Board has a set of standing orders covering in particular the responsibilities of officers, committees reporting to the Board, the role of the Chief Executive and financial authorisations.

31. The standard for distributing agendas and papers is that they should be circulated at least a week before the meeting and minutes are produced within ten working days of meetings.
32. The agenda and the board papers deal with major strategic and policy issues rather than management issues.
33. Board papers are produced to a standard format, are self contained documents and usually less than three sides of A4. Longer papers will have an executive summary.
34. The Board and Sub-Committee minutes record only decisions and key points of discussion.
35. The minutes of all meetings are stand-alone documents which always clearly record decisions.
36. The Board conducts an annual review of its own operation.

## **f) ABCUL President**

The output measure is that the President is a recognised credit union industry leader, gives confidence to the Board and the member credit unions and concentrates on the big issues without interfering in the management of the Association.

The input measures are;

37. The President shall be elected by the Board for a maximum of two terms of two years each.
38. The President is not expected to commit more than three days per month to the Association's business.
39. The President shall conduct board meetings in an efficient manner.
40. The President will speak privately to board members about their conduct where necessary.
41. The President will check key presentations with the Board and Chief Executive as necessary to ensure she/he is speaking to agreed association policy.
42. The President will not promote his or her own credit union.

## **g) President/Chief Executive Relationship**

The output measure is that the President and the Chief Executive work together well as a team.

The input measures are;

43. The Board has a specific document setting out the respective roles of the President and the Chief Executive.
44. The President will keep clear of management issues.
45. The President and the Chief Executive will communicate regularly and at least half yearly they will review the Chief Executive's annual performance management plan.
46. The Chief Executive is encouraged to use the President as a sounding board.
47. The President and the Chief Executive have a "no surprises" rule.

## **h) Employment of the Chief Executive**

The output measure is that the employer/employee relationship is conducted to the mutual satisfaction of both parties.

The input measures are;

48. The Board all have a copy of the Chief Executive's job description and terms and conditions of employment.
49. The President shall ensure that there is an annual performance and salary review of the Chief Executive and that this is properly documented.
50. The President shall report to the Board on the outcomes of this review.
51. Any changes to the Chief Executive's salary or job description are agreed by the Board.

## **i) Role of the Chief Executive**

The output measure, in respect of governance only, is that the Association complies with the law, the Association Rules and its policies and other legal requirements.

The input measures are;

52. The Chief Executive is specifically charged with ensuring that the Association complies with its rules and other legal requirements. She/he is required to confirm annually that this has been done.

53. The ABCUL Grievance Policy contains arrangements to handle grievances from and against the Chief Executive.

54. The Board recognises that the Chief Executive should play a major role in reviewing governance arrangements with the Board.

## **j) Compliance with the Credit Union Corporate Governance Code**

ABCUL is not a credit union and therefore is not regulated by the Financial Services Authority for taking deposits. However the ABCUL Board is keen to demonstrate to members that it complies with the relevant areas of the Credit Union Corporate Governance Code.

The output measure is that the Association complies with relevant areas of this Code.

The input measure is;

55. Policy and Resources Committee will review annually ABCUL's compliance with the Credit Union Corporate Governance Code.