BC Financial Services Authority

# Guideline

## Corporate Governance

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### INTRODUCTION

The Corporate Governance Guideline (Guideline) sets out B.C. Financial Services Authority's (BCFSA) expectations for corporate governance in B.C. credit unions. The Guideline complements statutory requirements under the *Credit Union Incorporation Act* (CUIA), the *Financial Institutions Act* (FIA), and other applicable legislation. The Guideline does not supersede and is not exhaustive of all requirements under the applicable laws. A reference to credit union in this Guideline means a credit union incorporated as a credit union under the CUIA.

Sound corporate governance is essential to the safety, integrity, and public confidence of B.C.'s credit union segment. It is the foundation on which Boards of Directors (Boards) of credit unions safeguard members' interests, guide strategy, oversee risk, and uphold the values of a cooperative financial institution.

Effective governance depends on how well a Board fulfils this stewardship role. It requires clear purpose and accountability, informed and grounded judgment, independence and constructive challenge, a strong


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ethical culture, transparency to members, and a commitment to learning and renewal. These elements together create the conditions for good governance and long-term resilience.

BCFSA's expectations are principles-based and applied proportionately to each credit union's size, complexity, and risk profile. BCFSA recognises the diversity of the B.C. credit-union segment and applies these principles in a fair, scalable, and context-sensitive way.

Collectively, sound governance across credit unions contributes to the stability and credibility of provincially regulated financial institutions and strengthens public trust in cooperative finance.

## PRINCIPLES OF CORPORATE GOVERNANCE

### Principle 1: Purpose and Accountability

The Board should establish and oversee a clear purpose, business strategy, and risk appetite that aligns with the credit union's cooperative values, its members' interests, and its financial soundness. The Board ultimately accountable for the safety, stability, and integrity of the credit union and should ensure that strategic objectives are prudent, consistent with risk appetite, and supported by sound financial and operational plans.

The Board is responsible for designing and implementing sustainable business strategies that generate long-term value and returns and for overseeing their implementation. Its oversight should extend not only to what decisions are made, but how they are made, ensuring that process reflects the credit union's purpose, values, and risk appetite.

Senior Management is responsible for executing the strategy approved by the Board and for ensuring that day-to-day operations remain aligned with the credit union's purpose, values, and risk appetite.

Governance is strengthened when learning flows both ways: the Board should learn from management's experience, execution and judgment, while management should benefit from the Board's strategic oversight, challenge, and perspective.

### Principle 2: Judgment, Expertise, and Grounded Understanding

The Board should exercise sound and grounded judgment in all deliberations and decisions, demonstrating independence of thought, critical analysis, and awareness of the broader consequences of its actions. Effective governance depends not only on the presence of professional expertise, but on its thoughtful integration with contextual judgment. Boards should ensure that both are actively applied, working together to support well-informed, balanced, and accountable decision-making.

BCFSA expects Boards to ensure that directors possess the relevant expertise to oversee the strategy and risk management, and that both expertise and judgment are actively applied in decision-making. This includes questioning the basis of management recommendations, identifying gaps or inconsistencies in the information presented, and uncovering underlying assumptions. Directors should connect technical insight with contextual understanding, consider alternative courses of action, and weigh decisions against the credit union's purpose, member interests, and long-term resilience.

Where directors identify areas where their understanding is limited, they should seek targeted input or clarification to ensure decisions are well-informed. While the Board should be composed to meet core oversight responsibilities, it may also engage expert advice where necessary. Such advice should be considered critically. Boards should examine the assumptions and limitations of technical analysis, and assess how it aligns with member interests, cooperative values, and the credit union's specific context. External expertise should inform, not substitute, the Board's judgment.

Records of decisions should show how advice and analysis were weighed against contextual understanding and explain why the chosen course of action best serves the credit union's purpose, member interests, and long-term resilience.

### Principle 3: Composition, Capability, and Renewal

The Board should maintain a composition that collectively provides the skills, experience, and diversity of perspectives needed to oversee the credit union's business, risk, and cooperative obligations. At a minimum, the Board should include core competencies in financial and business acumen, risk management, audit and compliance, and technology, as these are essential to the safe and sound operation of a financial institution. Individual directors will contribute their own expertise and perspectives, but collectively, the Board is expected to understand and be able to challenge decisions in these critical areas.

BCFSA expects these competencies to be present at a level that enables Boards to provide informed oversight, and to be able to challenge the positions of Senior Management when needed. Boards should assess not only whether these skills exist among directors, but whether they are sufficiently deep, current, and relevant to the credit union's business model and risk profile. The depth and breadth of skills on the Board should reflect the proficiency required to engage meaningfully in strategic and risk-related deliberations.

While the Board is not expected to hold all technical expertise internally, it should deliberately assess how it will meet its oversight responsibilities. This assessment should be grounded in the credit union's risk profile and should guide decisions about recruitment, director development, and the use of external expertise. Boards should clearly and objectively identify gaps and determine whether those gaps require targeted training, or external advice, and document how their composition and capability remain fit for purpose.

A capable Board combines professional expertise with a deep understanding of and connection to the credit union's membership and community context. Both the gaps in expertise that have been identified, and a credit union's own context and membership should be considered where a director participates in a Nomination Committee for any election of directors, and in communications to members around desired competencies in new directors. Boards should be able to explain how the desired mix of skills and perspectives supports the credit union's strategy, risk appetite, and cooperative obligations.

The Board should have regular, objective, and meaningful skills and competency evaluation processes that are integrated with the overall Board succession planning process. The skills and competency evaluations should be integrated into the directors' training plans.

The Board should consider tenure limits and term caps for directors to encourage regular renewal of the Board and to allow for fresh perspectives, while balancing the need for continuity. The Board should also have in place a robust renewal plan and should ensure that Board members are effectively onboarded and provided with orientation and education opportunities.

### Principle 4: Independence and Constructive Challenge

The Board should operate independently from Senior Management and demonstrate its ability to provide objective oversight, advice, and, when needed, challenge.

A majority of directors should be independent of management or unaffiliated. Directors must disclose and manage (potential) conflicts of interest. The roles of Board Chair (Chair) and Chief Executive Officer should be separate. The Chair should model open discussion and ensure that challenge is encouraged and valued.

In smaller or closely connected credit unions where formal independence or affiliation may be constrained by structure or scale, the credit union is expected to demonstrate how it ensures objectivity in decision-making; for example, through the use of external perspectives, rotating Chairs, peer reviews, or enhanced documentation.

To preserve clear separation between oversight and execution, executive officers or employees of a credit union should not also serve as a director of that same institution. This ensures that management remains accountable to the Board and that the Board can exercise its oversight role without constraint or divided loyalties.

### Principle 5: Culture, Conduct, and Integrity

The Board and Senior Management should promote a culture that reflects integrity, accountability, and respect for cooperative principles.

Culture influences behaviour as strongly as policy does. The Board should set clear expectations for ethical conduct, risk awareness, and open communication. It should ensure that Senior Management leads by example and that internal controls, codes of conduct, and performance systems reinforce desired behaviours.

The Board should monitor indicators of culture and conduct—including employee feedback, member complaints, and audit findings—and act where signals of misalignment appear.

### Principle 6: Risk Governance

The Board should oversee risk on an enterprise-wide basis and approve a Risk Appetite Framework (RAF) that defines the nature and degree of risk the credit union is willing to accept in pursuit of its strategy.

The RAF should set basic goals, benchmarks, parameters, and limits (e.g., level of losses) as to the amount of risk the credit union is willing to accept, considering various financial, operational, and macroeconomic factors. It should consider the material risks to the credit union, as well as the credit union's reputation amongst its members.

The Board is responsible for ensuring that risk-management systems are effective, independent, and proportionate to the credit union's complexity. It should ensure that the Chief Risk Officer (or equivalent) has adequate authority and resources, and that material risks are identified, measured, monitored, and controlled.

While the management of risk rests with the first, second, and third lines of defence (or management and staff; the compliance functions; and internal and external auditors), the Board remains accountable for ensuring that those lines operate as a coherent and effective system. The Board's role is not to perform risk management itself, but to confirm that the credit union's risk management functions as it should. This includes confirming that frameworks, escalation paths, and the culture of challenge are sound, and that failures are met with learning and corrective action. In this sense, the Board acts as the integrator and guarantor of the credit union's overall defences, providing assurance that the credit union can anticipate, absorb, and adapt to risk events.

Guided by the credit union's RAF, the Board should understand the types of risks to which the credit union may be exposed, and the techniques and systems used to identify, measure, monitor, report on, and mitigate those risks.

### Principle 7: Transparency and Member Accountability

Meaningful transparency and disclosure build trust and supports informed member participation in governance.

The Board should ensure that members receive clear, accurate, and timely information to understand the performance, governance, and direction of their credit union. The Board should also ensure that disclosures to members and regulators fairly present the credit union's financial condition, governance practices, and risk profile. The Board should foster regular engagement with members, including opportunities for questions and dialogue with directors and Senior Management.

### Principle 8: Evaluation and Continuous Improvement

The Board should regularly evaluate its effectiveness and that of its committees, Senior Management, and oversight functions, and take action to strengthen governance capability.

Evaluation should consider outcomes (how well governance objectives are achieved) and processes (how decisions are made and/or challenged). Findings should inform director education, succession planning, and adjustments to Board structures or practices.

The Board should view governance as a discipline of continuous improvement, learning from decisions, feedback, supervisory observations, and moments of stress.

## APPLICABILITY AND SUPERVISION

These principles apply to all B.C. credit unions on a proportionate basis. The formality and complexity of governance structures should reflect each credit union's size, nature, and risk profile.

BCFSA will assess governance effectiveness through discussions with directors and Senior Management, review of Board materials, and evaluation of how well governance practices demonstrate judgment, independence, expertise, and grounded understanding.

Supervisory assessments will consider qualitative evidence of judgment quality, including brief, documented decision rationales showing how advice and analysis were considered, translated, and integrated with member context.

Where weaknesses are identified, BCFSA expects credit unions to develop timely and credible plans to address them.

BCFSA encourages Boards to consult the accompanying Practice Handbook for illustrative guidance on implementing these principles and for insights into building long-term governance capability.

## APPENDIX: PRACTICE HANDBOOK

### Purpose

This Practice Handbook (Handbook) provides illustrative examples of how the principles in the Corporate Governance Guideline (Guideline) may be applied in practice across B.C. credit unions.

The Handbook is not binding and does not replace any legislative or regulatory requirement. Its purpose is to help Boards and Senior Management interpret and operationalize the principles proportionately according to each credit union's size, complexity, and risk profile.

Effective governance reflects both institutional context and Board maturity. The practices described below are not checklists; they are examples of how good governance can be demonstrated, tested, and strengthened over time.

### Applying the Principles in Practice

Strong governance depends on a combination of clear expectations, informed decision-making, and disciplined execution. Credit unions should view the Guideline as setting out BCFSA's expectations, while treating this Handbook as a resource for ways to meet those expectations.

Boards are encouraged to:

- Assess their current practices against each principle;
- Identify where proportionate adjustments could strengthen oversight and decision quality; and
- Use these examples to inform Board education, evaluation, and planning cycles.

#### Principle 1 – Purpose and Accountability

*Expectation*

The Board defines and oversees the credit union's purpose, strategic direction, and risk appetite in alignment with cooperative values and member interests.

*Practices (Illustrative)*

- Develop and regularly review a statement of purpose that articulates member and community values alongside financial goals;
- Approve a risk appetite statement linked directly to strategic priorities;
- Require management to demonstrate how strategic proposals align with purpose and risk appetite before approval;
- Review management performance against agreed strategic and risk objectives, including non-financial measures; and
- Document key Board decisions with clear rationale and accountability for follow-up actions.

*Proportional Application (Illustrative)*

Smaller credit unions may integrate purpose and risk discussions into strategic planning workshops or joint Board–management retreats.

Larger credit unions may maintain formal strategic dashboards and periodic risk-appetite reviews supported by analytics.

**Principle 2 – Judgment, Expertise, and Grounded Understanding**

*Expectation*

Boards exercise independent, informed, and grounded judgment—balancing professional expertise with contextual understanding of the credit union's members, markets, and risks.

*Practices (Illustrative)*

- Establish an annual Board education plan covering emerging risks, regulatory developments, and sounds governance practices;
- Ensure Board materials highlight assumptions, limitations, and sources behind key recommendations;
- Encourage directors to question the basis of management recommendations, identify gaps or inconsistencies in presented information, and uncover underlying assumptions;
- Where technical matters exceed collective expertise, ensure directors seek targeted input or clarification to ensure decisions are well-informed;
- Record in minutes how different views and information were considered before major decisions;
- Use structured questioning and decision frameworks to connect technical insight with contextual understanding; and
- Conduct post-decision reviews to identify lessons learned and strengthen collective judgment.

*Proportional Application (Illustrative)*

Smaller credit unions may use system-wide training or peer exchanges to build collective understanding. Larger credit unions should implement structured professional development and periodic independent reviews of decision processes.

**Principle 3 – Composition, Capability, and Renewal**

*Expectation*

The Board maintains the mix of skills, experience, and perspectives needed to oversee strategy, risk, and performance effectively.

*Practices (Illustrative)*

- Maintain a Board skills matrix that identifies the full range of competencies required for effective oversight, maps current director capabilities, and highlights any gaps;
- Ensure the matrix meaningfully captures the range of strategic and risk-related capabilities required, while also emphasizing the depth of expertise necessary to foster rigorous, well-informed dialogue and decision-making;
- Ensure the matrix reflects—at a minimum—core competencies that must be present on the Board:
    - Financial and business acumen;
    - Risk management;
    - Audit and compliance; and
    - Technology;
- Link director recruitment, nomination, and training to identified gaps;
- Establish term limits (e.g., 3×3-year or 2×4-year terms), with exceptional extensions requiring a supermajority and a documented rationale;
- Set a maximum continuous Chair tenure (e.g., 6 years) and a cooling-off period (e.g., 3 years) before a former Chair can resume the role;
- Use staggered elections to balance continuity and renewal;
- Publish a tenure profile annually, showing the median and range of director tenure, and target a healthy mix of new, mid, and seasoned directors;

- Define cooling-off rules for independence (e.g., a 3-year period for former executives or material service providers before qualifying as independent);
- Create trigger points for renewal, such as repeated adverse evaluation findings, persistent skill gaps, or major strategy shifts;
- Conduct annual Board and committee evaluations to assess effectiveness and identify development priorities;
- Align succession planning with the credit union's strategic and risk outlook.

*Proportional Application (Illustrative)*

Smaller or closely connected credit unions may emphasize staggered terms, transparent succession planning, and external peer review when extending beyond term limits. Larger credit unions should maintain external facilitation of evaluations, and published tenure and skills dashboards.

**Principle 4 – Independence and Constructive Challenge**

*Expectation*

The Board operates independently of management and fosters open, objective dialogue.

*Practices (Illustrative)*

- Define independence criteria in Board policies, extending beyond employment status to include personal, financial, or business relationships;
- Ensure meeting agendas separate oversight discussions from management presentations;
- Use in-camera sessions to support open dialogue among directors;
- Rotate committee chairs periodically to refresh perspective;
- Engage external advisors or peer reviewers for complex or high-risk decisions; and
- Maintain records of how differing views were reconciled before decisions.

*Proportional Application (Illustrative)*

Smaller or closely connected credit unions can strengthen independence through external peer review or enhanced minute-taking, while larger credit unions may formalize independence reviews.

**Principle 5 – Culture, Conduct, and Integrity**

*Expectation*

The Board and management shape and reinforce a culture of integrity, accountability, and respect consistent with cooperative values.

*Practices (Illustrative)*

- Articulate clear behavioural expectations in a code of conduct approved by the Board;
- Include culture indicators—such as employee engagement, member satisfaction, or complaint trends—in regular Board reports;
- Encourage upward communication, including anonymous or safe reporting channels;
- Review how incentive systems align with desired behaviours and member outcomes; and
- Use Board discussions of ethics or values to connect culture with decision-making.

*Proportional Application (Illustrative)*

Smaller credit unions may assess culture informally through staff engagement and member feedback. Larger credit unions often use independent surveys and link cultural insights to performance evaluations.

**Principle 6 – Risk Governance**

*Expectation*

The Board oversees an integrated approach to identifying, managing, and learning from risk.

*Practices (Illustrative)*

- Approve and periodically review a risk-appetite statement consistent with strategy;
- Ensure risk and audit functions have authority and direct access to the Board or relevant committees;
- Require regular reporting on material risks, emerging threats, and incidents of control failure;
- Use scenario testing or stress exercises to challenge assumptions and preparedness; and
- Following risk events, review lessons learned and changes implemented.

*Proportional Application (Illustrative):*

Smaller credit unions may assign oversight responsibilities to a combined risk-investments and loans committee. Larger credit unions typically maintain dedicated Board committees and structured assurance reporting.

**Principle 7 – Transparency and Member Accountability**

*Expectation*

The Board promotes transparency and open communication to maintain member confidence.

*Practices (Illustrative)*

- Publish accessible summaries of governance arrangements and Board composition;
- Communicate key decisions and rationale in annual and member reports;
- Offer forums for dialogue with members and community stakeholders;
- Provide clear channels for feedback or concerns to reach the Board; and
- Review disclosures annually for clarity, fairness, and completeness.

*Proportional Application (Illustrative)*

Smaller credit unions may use direct member meetings or newsletters. Larger credit unions may integrate member engagement into investor-style reporting frameworks.

**Principle 8 – Evaluation and Continuous Improvement**

*Expectation*

The Board continually assesses and enhances its own effectiveness and that of its governance framework.

*Practices (Illustrative)*

- Conduct annual Board and committee performance evaluations, including peer feedback;
- Use evaluation results to update education plans and governance processes;
- Track progress on prior evaluation findings through an annual improvement plan;
- Encourage open reflection after key decisions to capture learning and strengthen collective judgment; and
- Benchmark governance practices periodically against segment or regulatory expectations.

*Proportional Application (Illustrative)*

Smaller credit unions may conduct informal peer discussions or self-assessments. Larger credit unions often use structured evaluations supported by external reviewers.

### Continuous Improvement and Review

Governance capabilities develop through repetition, reflection, and feedback. Boards should treat these practices as living tools and adapt them to context, document what works, and share insights with peers.

Strong governance cultures demonstrate curiosity: they ask why decisions succeeded or failed, and they translate those lessons into better processes, better oversight, and better service to members.

### Alignment with Supervision

BCFSA assesses governance outcomes rather than adherence to any specific governance strategy or format. Supervisory dialogue will focus on how effectively Boards demonstrate the qualities described in the Guideline—clarity of purpose, independence, sound judgment, and learning orientation—through their own documented decisions and practices. Boards should be prepared to demonstrate how advice and analysis were weighed against contextual understanding, and how their composition and capability reflect a deliberate, risk-informed assessment of oversight needs.

Boards may use this Handbook as a reference for self-assessment or preparation for supervisory engagement with BCFSA.