

Note on the chair

The chair of the board of directors has a key individual lead role within the system of governance. He or she is pivotal in ensuring that the board carries out its responsibilities and functions efficiently and effectively, and that management is held to account through the effective oversight and scrutiny of the board as a whole.

As both leader and representative of the board, the chair embodies one of the two major poles of influence in the credit union. The other is that of the CEO. The chair's role is to ensure effective board control, oversight and accountability to the members, whereas the CEO is tasked to lead on executive management. These two roles are specific and distinct, and should never be undertaken by one single person in a credit union¹.

It is both a requirement of good governance and an expectation of the regulator² that the board of directors appoints a chair to lead and direct its operations. As is the CEO, the chair is accountable to the board of directors and has no individual or particular authority apart from that which is delegated to him or her by the board. The chair can only reflect the collective view of the board, as determined in properly constituted board meetings, and it is only this collective voice that has ultimate authority in the credit union.

The chair is elected each year by the board after the annual general meeting. However, if possible, a chair should be prepared to hold office for three years, to provide a period of stability and consistency for the board and the CEO.

In some credit unions, the chair was referred to as the president of the credit union, a designation that could sometimes be used to claim an authority over and above the collective authority of the board. In the system of governance, the use of the term president is not advised. The role chair is firmly seen within the context of the board of directors.

¹ In credit unions where the CEO is a member of the board, he or she should never adopt the role of chair. The chair must be an independent non-executive director. All credit unions must also avoid the chair acting as the de facto CEO by assuming authority and responsibilities which properly should be delegated to the CEO. In credit unions lacking the resources to employ a CEO, it can be appropriate for another director to assume responsibility for control of executive management. Traditionally in the past, it was the treasurer who acted as the manager of the credit union.

² Cf PRA Corporate governance: Board responsibilities. May 2015 section 5.3

Example role description for the chair

The chair's role in governance

The chair is tasked by the board to ensure that it maintains an effective governance framework. In particular this means that the chair has responsibility for ensuring:-

- The board operates according to a clear governance structure and systematic process of activities and reporting.
- The development of the culture, ethics and values of the credit union.
- The engagement of the board and CEO in the strategic planning process.
- The effective collective board oversight of executive management.
- The board monitors and evaluates progress against strategic goals and objectives.
- The board understands the nature and extent of the risks it willing to take to achieve its strategic objectives.
- The board attends to and oversees legal and regulatory compliance and the control and mitigation of risk.
- The policies and procedures that apply to the board are in place (e.g. succession policies, declaration of interest policies etc.).
- Board accountability to the membership for credit union performance.
- Transparency and reporting to member-owners and other stakeholders.

The chair's role in board meetings

It is the role of the chair to ensure effective and productive board meetings by:

- Liaising with the CEO to plan the annual cycle and agendas for board meetings.
- Ensuring that the board agenda focuses on strategy and the oversight of risk, on the monitoring of performance, on accountability to the membership and on major issues facing the credit union particularly those that are reserved for board decision.
- Ensuring that board members receive accurate, timely and clear management information on the performance of the credit union.
- Enabling and facilitating open and genuine discussion in meetings, ensuring that everyone has a chance to speak and take part.
- Listening to and understanding the contributions of directors, presenting and summarising information and arguments clearly and concisely and thus enabling the board to make effective and collective decisions.
- Ensuring that board members do not simply delegate responsibility for major decisions to individuals among them who are considered specialist in the area but rather accept collective decision making responsibility.

SAMPLE ROLE DESCRIPTION

- Ensuring that board decisions are made within the remit of the board's agreed policies.
- Accepting that the chair does not have individual authority to take decisions except as consistent with board agreement or where explicitly delegated to do so by the board.

The chair's role in sub-committees and other meetings of the board

In the system of governance it is recognised that sub-committees can play a significant supporting role to the proceedings of any board. However, boards need to approach the establishment of sub-committees with some caution. They can sometimes blur of the distinct functions of governance and management, and can result in a reduced engagement of the entire board in issues that are properly its collective responsibility.

The chair ensures the effective use of sub-committees of the board by:

- Ensuring the board clearly defines the remit and purpose of sub-committees, sets their terms of reference and levels of delegated authority as committees of the board, keeps their number to a minimum and ensures effective processes of reporting and accountability to the board within its properly constituted meetings.
- Ensuring that committees of the board are chaired by other directors or independent persons. It is not good practice for the chair of the board to be the chair also of sub-committees.
- Avoiding, if at all possible, the establishment of a small group of directors as an "executive committee". Such committees run the risk of usurping the function of the board. The chair should ensure that if such a committee is established, its remit is limited to those rare instances where emergency board action needs to be taken and time does not permit convening a full board meeting.
- Clarifying the distinct nature of sub-committees of the board and management working groups.

However, none of the above prevents the chair from arranging where appropriate informal meetings involving directors and the CEO to ensure that sufficient time and consideration is given to complex, contentious or sensitive issues. But such discussions cannot make decisions and remain fully accountable to the board in a properly constituted meeting.

The chair's role in board performance and sustainability

The chair also has the responsibility of considering the performance of individual directors and of the board as a whole, and take steps to improvement where possible. This responsibility includes attending to the mid to long term sustainable development of the board. He or she does this by ensuring that:

- Board members are clear about the purpose and direction of the credit union and about their individual and collective roles and responsibilities.
- Board members have the required skills, knowledge, capability and experience to understand and oversee a co-operative financial business.

SAMPLE ROLE DESCRIPTION

- Board members work as a coherent and cohesive team to analyse, critique and make decisions upon board performance. Board members should have the confidence and the knowledge to challenge executive management and hold it to account effectively.
- A regular evaluation and assessment of individual director and collective board performance takes place (this would include monitoring the calibre, level of commitment and attendance of all directors).
- Ensuring that the board reviews its own work and how effectively it operates; making sure to take any corrective action required.
- Board members are offered education, training and professional development in governance and in issues concerning the board.
- Any conflict among board members or between board members and the CEO and other staff is addressed and resolved.
- A system of recruitment, selection, election and induction of new board members is in place (including the establishment of a Nomination Committee where appropriate).
- Succession plans are in place for all key director roles and for the overall size and balance of the board.
- Decisions taken at meetings are being implemented.

The chair's role in relating to the CEO

The chair is the director with prime responsibility for liaison with the CEO outside board meetings. Central to board-management relations is the quality of the relationship between the chair and the CEO which should be based on a sense of equality, rather than on any idea of hierarchy. The CEO is not accountable to the chair per se as some kind of line manager. Both the chair and the CEO are accountable to the board.

This relationship is better understood in terms of mutual support in which ideas, plans and decisions can be explored and critiqued. It enables the CEO to ensure the board is not presented with surprises and it gives a forum to the CEO to check out what is best brought to the board for discussion and debate.

The chair fulfils the role of board liaison with the CEO by:

- Acting as the voice of the board when providing counsel to the CEO.
- Being available to support the CEO through encouragement, advice and discussion at mutually agreed times between board meetings, including at least one substantive meeting each month (whether face-to-face or by phone).
- Serving as the CEO's primary internal 'coach' and advisor and as a 'sounding board' with whom the CEO can share ideas and insights.
- Ensuring the CEO is fully aware of the extent and the scope of his or her delegated authority.

SAMPLE ROLE DESCRIPTION

- Making a record of discussion and action points agreed by the chair and CEO following meetings, and circulating to other directors for transparency.
- Not assuming authority to take decisions on matters raised by the CEO except as consistent with board agreement or where delegated to do so by the board.
- Ensuring that another suitably informed board member is able to step in temporarily if the chair is unable to discharge the responsibility to support the CEO. If the chair is unable to perform this role on an enduring basis, the board will consider and implement alternative, sustainable arrangements.
- Taking responsibility for the annual personal development and performance review of the CEO. It does not follow that the chair is the de facto “manager” or “supervisor” of the CEO. The CEO reports to the board as a whole, and is held to account by the directors acting collectively. The CEO’s performance is measured ultimately by the performance of the credit union against its strategic plan.

The chair’s role in ensuring accountability to the membership

The chair is responsible for making sure that the board remains fully accountable to the members of the credit union. He or she does this by ensuring that:

- The board has considered and implemented a system of accountability to the members, in particular focusing on widening participation in attendance and voting at the AGM.
- The board provides members with sufficient information to be able to hold the board to account.
- The meaning of membership is explained early to new members.
- The board considers mechanisms, outside of the AGM, to create greater engagement and a sense of ownership within the membership.

The chair’s role in general meetings of the credit union

It is the chair’s responsibility to ensure that the board, in liaison with the CEO, arranges the Annual General Meeting or any other special general meeting of the membership by the appropriate time. At the AGM, it is the chair’s task to:

- Give a report on the progress and performance of the credit union.
- Answer any questions that might be posed by the members.
- Arrange for any other directors to report or answer questions as appropriate.
- Ensure that all directors and the CEO attend the AGM if possible.

The chair’s role as representative of the credit union

The chair may be required to represent the credit union in relationships or at events with partners or external agencies.

SAMPLE ROLE DESCRIPTION