

## DIRECTOR TRAINING AND QUALIFICATIONS

### FEEDBACK AND RESPONSE TO THE DRAFT GUIDANCE NOTE ISSUED AUGUST 2011

<b>Competency Time frames</b>	
<b>Comments</b>	<b>Response</b>
<ul style="list-style-type: none"> <li>➤ Time frames are too short</li> <li>➤ Sudden increased training time will cause high turnover.</li> <li>➤ Impossible to achieve strong competency in one year</li> <li>➤ Completion within 24 months would be more reasonable</li> <li>➤ Recommend time be extended to 18 months for directors and 12 months for Chairs.</li> <li>➤ Recommend extending to 15-18 months</li> <li>➤ Suggest 36 months, although board as a whole should have the competencies within 12 months</li> <li>➤ Should not use a firm timeframe</li> <li>➤ Unrealistic. Minimum timeframe should be within first term.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Adjustments to the proposed time frames have been made and extended up to 24 months.</li> <li>➤ Extending the time frame to 24 months provides sufficient time to achieve the required competency level and ensures that the Board as a whole has a reasonable level of the core competencies.</li> <li>➤ Extending the time frame to 36 months or the end of the first term may lead to lower board competencies and delays in addressing critical competency gaps. Also, this could result in a director not achieving full competency until the end of their term.</li> <li>➤ Revised minimum expectations include 24 months for directors, 12 months for audit committee members and 6 months for the Audit Committee Chair and Board Chair.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Will discourage people from volunteering</li> <li>➤ Proposals do not provide sufficient scheduling flexibility</li> </ul>	<ul style="list-style-type: none"> <li>➤ Extending the timeframes as proposed should increase flexibility in scheduling any necessary training and provide more time for directors to attain competency requirements.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Look at time frames on a case by case basis</li> </ul>	<ul style="list-style-type: none"> <li>➤ Implementing one standard for all institutions ensures that all institutions adopt a common framework.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Support the requirement that the Audit Committee Chair and Board Chair should be at the required level before appointment.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The requirement for the Audit Committee Chair and Board Chair to attain minimum competency levels before appointment has been removed although institutions can set higher requirements.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Democratic rules prohibit us from excluding any candidate</li> </ul>	<ul style="list-style-type: none"> <li>➤ A director is disqualified under the Act for failing to meet the training and qualifications requirement established by the credit union. DICO By-law #5 requires credit unions to address this issue. This guidance note sets out minimum expectations. Directors should be aware of these requirements and consequences of not meeting the requirements.</li> </ul>
<ul style="list-style-type: none"> <li>➤ What happens if a director is unable to meet the required time frames</li> </ul>	<ul style="list-style-type: none"> <li>➤ Time frames may be extended in special circumstances where appropriate. This may be the result of health issues or other events such as deferral of any scheduled training etc.</li> </ul>

## Core Competencies

Comments	Response
<ul style="list-style-type: none"> <li>➤ What is being required is not required for DICO, the City of Toronto or Government of Ontario</li> <li>➤ Other competencies should be considered including passion for the credit union cause</li> <li>➤ Add Human Resources and IT</li> <li>➤ Consider adding behavioural competencies</li> <li>➤ Add community involvement, knowledge of the cooperative system and principles, independence toward the CEO and each other</li> <li>➤ It is not practical for the Chairs to have legal and economic skills</li> </ul>	<ul style="list-style-type: none"> <li>➤ The core competencies were developed based on By-law #5 requirements. Competencies in current training and orientation programs in Ontario and other jurisdictions were also reviewed as part of the research. These are considered typical competencies for a credit union.</li> <li>➤ The number of competencies were limited to those that generally apply (although at different levels) to all credit unions. Additional competencies may be optionally added and included as requirements as appropriate.</li> <li>➤ Other competencies (e.g. legal and economic) were provided as examples and were not part of the core competency requirements</li> </ul>
<ul style="list-style-type: none"> <li>➤ Not all directors should be at the same competency level</li> <li>➤ Minimum number of directors should be at the competency level rather than all directors</li> <li>➤ Board as a whole should have the required competencies</li> <li>➤ Apply to a “majority” of the Board rather than individual directors</li> </ul>	<ul style="list-style-type: none"> <li>➤ Setting out core competencies for ALL institutions ensures a consistent minimum approach</li> <li>➤ Under the proposed revised time frames, directors could have up to 24 months to attain the required competencies. This will often mean that the Board as a whole will not always be at 100% of the competency requirements due to possible training requirements and director turnover. Setting requirements for the Board rather than individual directors is considered more complicated and could result in some directors having few if any of the required competencies, resulting in a lower quality of director participation.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Not all competencies require strong or expert levels of understanding. Should be matched to complexity of the credit union.</li> <li>➤ Will be a significant barrier to attracting new directors</li> <li>➤ Does not recognize the competencies of senior staff. Only CEO needs to have competencies across all disciplines</li> </ul>	<ul style="list-style-type: none"> <li>➤ The competency levels have been developed for director oversight responsibilities.</li> <li>➤ Directors are expected to be sufficiently knowledgeable of the competency so that they understand the information presented in the context of the credit unions size and complexity, participate effectively in Board deliberations and know when to ask questions and seek additional clarification on substantive issues</li> </ul>
<ul style="list-style-type: none"> <li>➤ Competency descriptions need modification.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Some modifications in the descriptions have been made. Expert level has been removed.</li> </ul>

### Competency Descriptions and Training

Comments	Response
<ul style="list-style-type: none"> <li>➤ There should be a consistent standard as opposed to a “sample”</li> </ul>	<ul style="list-style-type: none"> <li>➤ Table B outlining competency level descriptions has been modified and should be used for determining competency levels</li> </ul>
<ul style="list-style-type: none"> <li>➤ Consideration should be given to previous training and education</li> </ul>	<ul style="list-style-type: none"> <li>➤ Competency levels are based on a combination of education, working knowledge, previous board experience and completion of director training for each of the competencies</li> </ul>
<ul style="list-style-type: none"> <li>➤ Consideration should be given to long service directors to comply only with continuing education requirements.</li> </ul>	<ul style="list-style-type: none"> <li>➤ When assessing whether directors have attained the required level of competency, previous board experience is an important factor. Long serving board members with appropriate experience already have the required competencies. These would need to be confirmed to determine whether additional training is needed.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Is training required?</li> <li>➤ Training should be required for all directors of credit unions.</li> <li>➤ Will previous training be recognized?</li> <li>➤ We believe that the level of training for our board should be less than that for more complex institutions</li> <li>➤ Requirements for a \$100 million credit union should not be as high compared to a \$1 billion credit union</li> </ul>	<ul style="list-style-type: none"> <li>➤ Training is not mandated but will be required where appropriate to reach the established competency level. This would generally be needed for all new directors with limited knowledge or experience in one or more of the competencies.</li> <li>➤ Training, including previous training, is a key element in determining competency levels. Some additional training may be required for Class 2 institutions as a result of additional components of the competency as a result of these changes.</li> <li>➤ Training requirements are tied to competencies. Larger more complex institutions will likely establish higher training requirements or provide more advanced training opportunities.</li> </ul>
<ul style="list-style-type: none"> <li>➤ With the exception of the Audit Committee Chair, we suggest that the requirement that any director be at the expert level is unrealistic.</li> </ul>	<ul style="list-style-type: none"> <li>➤ There is no minimum requirement for “expert” level competencies. This level was described to provide a comparison with other competencies. This competency level was included in the “sample” board matrix, to show that this is quite possible for one or more competencies. Very large credit unions may require this level for the Audit Committee Chair or Board Chair. .</li> </ul>
<ul style="list-style-type: none"> <li>➤ Provide GAP analysis that compares the proposed competencies to the existing CUDA or other training programs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Training suppliers advise they will be developing a summary of the changes from existing programs when this guidance is finalized</li> </ul>
<ul style="list-style-type: none"> <li>➤ Training is expensive, especially for smaller institutions</li> <li>➤ Training should be available during the year on weekend</li> <li>➤ Need to ensure availability of training courses</li> </ul>	<ul style="list-style-type: none"> <li>➤ Training suppliers advise they are looking at various options to increase availability and reduce costs of programs</li> </ul>
<ul style="list-style-type: none"> <li>➤ Clarify definition of formal director training</li> </ul>	<ul style="list-style-type: none"> <li>➤ Formal training includes organized director training provided by leagues, recognized industry suppliers and accredited training organizations etc.</li> </ul>

<b>OTHER</b>	
<b>Comments</b>	<b>Response</b>
<p><b>Director Competency Assessment</b></p> <ul style="list-style-type: none"> <li>➤ Compliance requires a substantial amount of subjectivity</li> <li>➤ What calculation method will be used to determine competency levels</li> <li>➤ What documentation is required</li> <li>➤ How is evaluation done</li> <li>➤ Who decides? A director may think they have a strong competency whereas DICO may not</li> <li>➤ Need more clarity on how directors competencies will be assessed</li> <li>➤ How will education an experience be measured</li> </ul>	<ul style="list-style-type: none"> <li>➤ Competency evaluations should be based on objective evidence which may include employment history, educational qualifications, previous board experience and assessments, and any training.</li> <li>➤ Training should be supported by a course evaluation or certificate, etc.</li> <li>➤ Previous board experience should include an evaluation of an individual's skills and performance.</li> <li>➤ Work is currently under development with industry suppliers to develop self-assessment tools that can be used to evaluate competencies of potential or new directors and on an on-going basis.</li> </ul>
<p><b>Transitional Arrangements</b></p> <ul style="list-style-type: none"> <li>➤ The time line is too short. Delay implementation to January 1, 2013</li> <li>➤ Existing directors should be excluded from these requirements</li> </ul>	<ul style="list-style-type: none"> <li>➤ These requirements now become effective for new directors elected on or after July 1, 2012.</li> <li>➤ Also, the time frames for directors to attain the required competencies have been extended up to 24 months</li> <li>➤ Existing directors are not covered by these requirements until they are re-elected at which time they are treated as a new director. At that time, competencies should be assessed to determine any gaps in any of the competencies and ensure that required competency levels are attained based on the new requirements</li> </ul>
<p><b>Director Disqualification</b></p> <ul style="list-style-type: none"> <li>➤ Is it DICO's intention to strengthen the section of the Act to avoid lengthy litigation</li> </ul>	<ul style="list-style-type: none"> <li>➤ The Act is quite specific in requiring that directors meet the training and qualification requirements established by the credit union. Having a clear policy, documented procedures and communicating these requirements to potential directors and have them acknowledge their responsibilities should help in this matter.</li> </ul>