

Appendix 2 – Directors Terms of Reference

Introduction

The Board of Directors (“Board”) will hold Directors accountable for fulfilling the expectations outlined in this role description. A Director must operate at a level demonstrating ability, judgment and integrity consistent with the needs of Northern Savings Credit Union (“Northern”). A Director’s duty, as part of the Board, is to protect and enhance the assets of Northern Savings.

Standard of Duty

Although Directors may be elected by members to bring special expertise or points of view, they are not chosen to represent a particular constituency. In their capacity as a Director, the Directors are solely accountable to the Board, and in turn the Board to the Credit Union.

Every Director, in discharging his or her duties, must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The following is a non-exhaustive list of actions to be taken by a Director in discharging his/her duties.

- a) Demonstrate a solid understanding of the role, responsibilities, and legal duties of a Director and the governance structure and protocols for the Credit Union (this may require the Director taking action to educate themselves on their governance duties and sound governance practices);
- b) Not act to delegate decisions or powers to management that should remain with the Board;
- c) Attend Board and applicable Board Committee meetings¹ (Directors who do not attend meetings are deemed to have consented to the resolutions passed at those meetings). Where a Director is not able to attend a meeting, the Director must show diligence by reviewing the material for the meeting, advising a fellow Director of any concerns or comments on the material, and otherwise be sufficiently familiar with the information so that his/her performance and contribution to the Board does not suffer as a result of non-attendance. The Director is expected to organize him/herself to be able to attend the entire Board or Board Committee meeting, and not just parts of meetings.
- d) Prepare adequately for each Board/Committee meeting - this includes reading the material, analyzing the information, and conducting prudent independent research, if necessary, to better understand the material;
- e) Participate in a meaningful way in Board and Board Committee meetings. This includes making reasonable enquiries about information provided by management and/or Board Committees to gain assurance that the information provided is complete and accurate and to perform due diligence prior to making motions and voting on such motions;
- f) Interact with fellow Directors and management in a respectful way and with conduct that honours the credit union values;
- g) Stay informed of the business and regulatory environment in general and in particular, the events occurring in the financial services sector and the local economic factors;
- h) Demonstrate an understanding of Northern’s strategic direction and demonstrate an understanding of the broader credit union system and of the financial services sector;
- i) Contribute and add value to discussions regarding the Credit Union’s strategic direction;
- j) Participate effectively in the annual performance evaluation process of the CEO;
- k) Read critical documents issued by the Credit Union to members and shareholders;
- l) Utilize the Credit Union’s products and services;
- m) Participate on and contribute to at least one Board Committee;
- n) Understand the difference between governing and managing, and not encroach on management’s area of responsibility.

¹Directors are expected to attend 100% of Board and applicable Board Committee meetings. Attendance of less than 80% will be a concern to the Board and can be a basis for a Director to be asked to withdraw from service.

Fiduciary Responsibilities

The Director, in discharging his or her duties, must act:

Honestly and in good faith

Every Director is to act honestly and in good faith with a view towards the best interests of the Credit Union. The key elements of this standard of behaviour are:

- A Director must act in the best interests of the Credit Union and not in the best interest of a special interest group or constituency;
- A Director cannot take personal advantage of opportunities that come before him/her in the course of performing his/her Director duties;
- A Director must disclose to the Board any personal interests that he/she holds that may conflict with the interests of the Credit Union;
- A Director must respect Northern's Codes of Conduct as well as the ethical standards of the Credit Union;
- A Director must conduct him/herself in a manner becoming the reputation of the Credit Union and in a manner that honours the values of the Credit Union.

With care, diligence, and skill

- A Director must respect the confidentiality of information learned in the performance of their duty as a Director; this confidentiality remains after the person is no longer a Director of Northern;
- A Director shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. It is recognized that the standard of behaviour expected of a Director will depend upon the particular qualities or characteristics that the Director brings to the discussion;
- A Director shall demonstrate good judgement, interact appropriately with the leadership and management of the Credit Union, be a positive and constructive force within the Board, demonstrate an openness to other's opinions and be willing to listen, have the confidence and willingness to make tough decisions including the strength to challenge the majority view; while maintaining collaborative and congenial relationships with colleagues on the Board;
- Advise the Board Chair in advance when introducing significant and/or previously unknown information or material at a Board meeting.

Without self-interest

- The Director has a fiduciary duty to Northern. This duty recognizes that Directors are in a position of trust over the actions of Northern and can engage in activities that can harm the organization. The Director is responsible to act for Northern's benefit, rather than for himself/herself. Directors will be prohibited from:
 - Engaging in activities that put their personal interests in conflict with the best interests of Northern;
 - Engaging in activities that would provide the Director, or others, with a direct benefit that should have been earned by the Credit Union;
 - Failing to act in a situation where action would be in the best interests of the Credit Union;
 - Taking an opportunity for personal profit that the Credit Union either could have obtained for itself or that it was actively seeking.

With compliance

- A Director must comply with requirements of Directors as stipulated in applicable acts and regulations;
- Identify conflict of interest or unacceptable behaviours or actions conducted by fellow Directors or Executive to the Board Chair and/or Governance (GEHR) Committee for decision.

Authority

The Board of Directors acts collectively and exercises its powers and responsibilities as a group. Individual Directors have no power to act on their own. A Director cannot unilaterally operate, give direction to management, or authorize transactions unless specific authority has been delegated by the Board through proper processes.

When a motion has been decided by proper decision-making protocol of the Board, and even if one or more Directors dissented, every Director is expected to support the decision. If a Director is strongly opposed to the decision of the Board and cannot agree to support the decision, the individual can pursue options through legal means or resign from the Board (this requires process pursuant to FIA section 108).

Ongoing Learning

Every Director is required to invest time to pursue ongoing learning to better equip themselves in conducting their duties and making effective decisions. This includes:

- Attending industry conferences and other forums subject to approval by the Board or Board Committee;
- Participating in director orientation and development programs developed and/or provided by Northern;
- Attending courses with the purpose of achieving Credit Union Director Achievement status;
- Maintain an understanding of the regulatory, legislative, and economic environments within which the Credit Union operates.

Ceasing to be a Director

A person ceases to be a Director when the term of election is completed and when the Director is not elected or re-elected; and/or when events occur to remove the Director, when the Director is no longer qualified, when the Director resigns, and/or when other requirements disallow the person from being a Director.

Director Evaluation

Each Director agrees to being evaluated annually on their performance as a Director. Results of the evaluation will generally be communicated by the Chair of the Board. Where the evaluation results identify that the Board member is not operating at a satisfactory level, a development program will be initiated, or the Director may be terminated from the Board.

I have read, understand, and agree to fulfill the duties and expectations for a Director as outlined:

_____ Signature of Director	_____ Date
--------------------------------	---------------