



**Principles of Good Governance**

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**Principles of Good Governance**

1. External governance
2. Internal Governance
3. Individual governance

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**Good Governance**

| External  | Internal   | Individual  |
|---|--|---|
| <ul style="list-style-type: none"> <li>• Transparency</li> <li>• Compliance</li> <li>• Public Accountability</li> </ul> | <ul style="list-style-type: none"> <li>• Structure</li> <li>• Continuity</li> <li>• Balance</li> <li>• Accountability</li> </ul> | <ul style="list-style-type: none"> <li>• Integrity</li> <li>• Competence</li> <li>• Commitment</li> </ul> |

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## 1. External Governance

### A. Transparency

- Commit to regular, honest communication of its activities with members, regulators & general public (full disclosure)
- Financial statements, comply with generally accepted accounting principles, should be made available to members and public.

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## 1. External Governance

### B. Compliance

- Ensure that CU meets or exceeds the International CU Standards for safety and soundness as well as industry standards
- Annual external audit – 90 days of the end of each fiscal year

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## 1. External Governance

### C. Compliance

- The audit relationship examined frequently
- Auditor changed at least every 3-5 years in a competitive bidding process
- The Board expected to comply with letter and regulation and to cooperate fully with its country regulator body.

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## 1. External Governance

### C. Public Accountability

- must be constantly aware of the responsibilities to government structures including regulators and legal bodies
- Board of directors and management must be sensitive to how credit unions is portrayed to the media and within the community at large – assessment of reputation risk

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## 2. Internal Governance

- A. Structure
- B. Continuity
- C. Balance
- D. Accountability

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## 2. Internal Governance

### A. Structure

- Annual General Meeting of the membership adequately promoted to ensure sufficient membership participation
- Board composed of odd members, not less than 5 and no greater than 9
- All Board members are limited to maximum of 2 consecutive terms, each term lasting between 2-5 years.

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## 2. Internal Governance

### A. Structure

- Interested general members who comply with the standards of individual governance should be allowed to stand for nomination
- The board should encourage dialogue with general members at the Annual General Meeting

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## 2. Internal Governance

### B. Continuity

Board must:

- Create strategies to maintain the competitiveness of the credit union
- Create succession plans
- Approve a disaster management and recovery plan

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## 2. Internal Governance

### C. Balance

- composition of the Board reflect the demographic makeup of its members and their financial needs
- Strike a balance between the policies that benefit savers and borrowers

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## 2. Internal Governance

### D. Accountability

- Board must be held accountable for the actions and consequences
- Management should be held accountable for actions and consequences
- Board has duty to management to establish policies and monitor its implementation
- A must to record the accountability through bylaws and policies

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## 3. Individual Governance

**A. Integrity**  
**B. Competence**  
**C. Commitment**

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## 3. Individual Governance

**A. Integrity**

- Standardize code of conduct
- Directors & managers, no criminal or bankruptcies record
- Loans to directors-approved by board with no vote by the receiving party
- Immediate family members or close relations should not serve on the board or management
- Directors with delinquent loans will be removed

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### 3. Individual Governance

#### B. Competence

- Individual members should have specialized financial & business skills and/or a member-focused viewpoint
- All members of the board should have:
  - basic financial literacy
  - ability to interpret financial statements

*or commit to acquiring these skills*

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### 3. Individual Governance

#### C. Commitment

- Willing and able to commit the necessary time. Failure to attend the board meetings may result in dismissal
- Directors must respect decisions of the board, actively promoting the policies, regardless of personal opinion\

*“Board speak with one voice”*

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