

# Governance for Boards and Audit Committees

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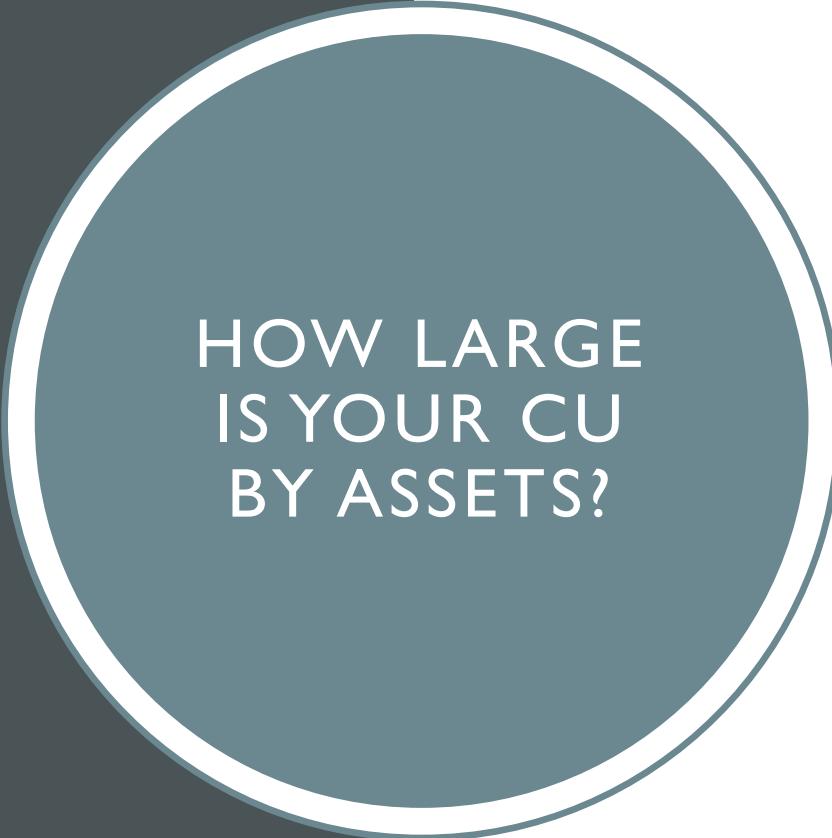


# GOVERNANCE FOR BOARDS & AUDIT COMMITTEES

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## BOARDS SELF-GOVERN THEMSELVES

- 2024 Survey of Credit Union governance practices
- Conducted amongst Filene's membership
- 85 unique credit unions
- Comparing governance best practices to current
- 89% of Respondents CEO/President



HOW LARGE  
IS YOUR CU  
BY ASSETS?

Less than \$100M	11%
\$100M-499M	16%
\$500M-999M	19%
\$1B-9.9B	48%
More than \$10B	6%

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	Less than \$1B	More than \$1B	All Respondents
<b>Federal</b>	55%	33%	44%
<b>State</b>	45%	67%	56%

WHAT TYPE OF CHARTER DOES YOUR CU HAVE?

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>Average</b>	7.8	8.9	8.4
<b>Minimum</b>	5	5	5
<b>Maximum</b>	13	13	13

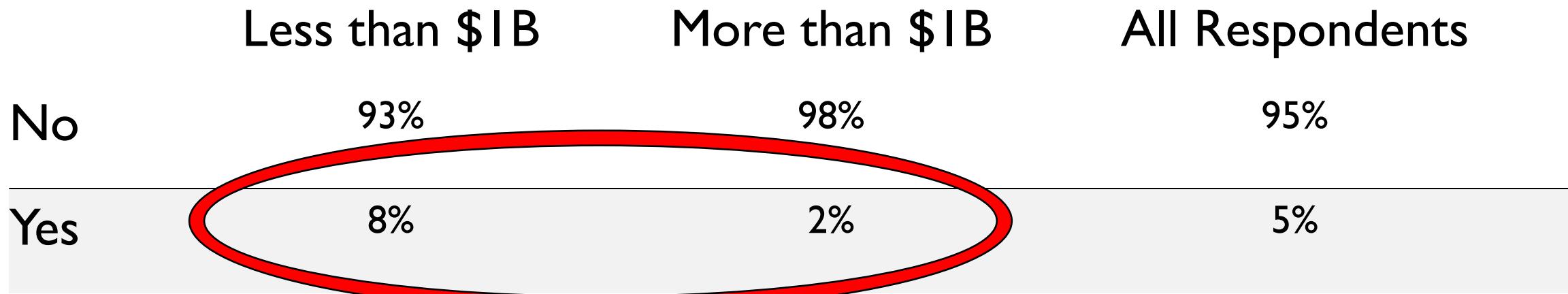
HOW MANY DIRECTORS ARE ON YOUR  
BOARD EXCLUDING THE CEO/PRESIDENT?

	Less than \$1B	More than \$1B	All Respondents
<b>Women</b>	35%	36%	35%
<b>Underrepresented</b>	27%	31%	29%
<b>LGBTQ</b>	3%	3%	3%

HOW MANY DIRECTORS EXCLUDING THE  
CEO/PRESIDENT ARE  
WOMEN/UNDERREPRESENTED/LGBTQ?

	Less than \$1B	More than \$1B	All Respondents
29 or younger	0%	1%	1%
30-49	23%	20%	20%
50-69	55%	58%	58%
70 or older	22%	22%	22%

HOW MANY DIRECTORS (OTHER THAN  
CEO/PRESIDENT) ARE IN EACH AGE  
BRACKET?



DO YOU HAVE ANY DIRECTORS OTHER THAN THE  
CEO/PRESIDENT WHO ARE CURRENT OR RETIRED  
CU EXECUTIVES?

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>No</b>	95%	91%	93%
<b>Yes</b>	5%	9%	7%

IS THE CEO/PRESIDENT A VOTING  
MEMBER OF YOUR BOARD?

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>No</b>	10%	2%	6%
<b>Yes</b>	90%	98%	94%

**DO YOU FEEL THERE IS A CLEAR  
DELINEATION BETWEEN THE CEO'S AND  
THE BOARD'S RESPONSIBILITIES?**

	LESS THAN \$1B	MORE THAN \$1B	ALL RESPONDENTS
<b>Audit committee</b>	43%	60%	52%
<b>Compensation committee</b>	30%	62%	47%
<b>Nomination/governance committee</b>	80%	91%	86%
<b>Executive committee</b>	63%	62%	62%
<b>Finance committee</b>	28%	51%	40%
<b>Risk committee</b>	15%	36%	26%
<b>Human resources committee</b>	18%	11%	14%
<b>Operations committee</b>	3%	4%	4%
<b>Communications and marketing committee</b>	8%	2%	5%
<b>Business development committee</b>	0%	0%	0%

WHAT STANDING COMMITTEES DO YOU HAVE?

	LESS THAN \$1B	MORE THAN \$1B	ALL RESPONDENTS
<b>Compliance</b>	75%	84%	80%
<b>Credit union industry overview/trends</b>	93%	93%	93%
<b>Deep dive into your credit union</b>	63%	78%	71%
<b>Financial acumen</b>	78%	76%	76%
<b>Governance/board best practices</b>	73%	78%	75%
<b>Other (please specify)</b>	13%	16%	14%

WHAT KIND OF EDUCATION IS PROVIDED/REQUIRED FOR YOUR BOARD?

	Less than \$1B	More than \$1B	All Respondents
No	88%	64%	75%
Yes	13%	36%	25%
Average limit (years)	4.8	12.6	10.7

DO YOU HAVE TERM LIMITS FOR DIRECTORS?

	LESS THAN \$1B	MORE THAN \$1B	ALL RESPONDENTS
No	100%	91%	95%
Yes	0%	9%	5%
Average age	NA	73.8	73.8

DO YOU HAVE A REQUIRED RETIREMENT AGE FOR DIRECTORS?

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>No</b>	33%	22%	27%
<b>Supervisory</b>	55%	62%	59%
<b>Advisory</b>	18%	22%	20%
<b>Other (please list all)</b>	5%	18%	12%

**DO YOU HAVE ANY OTHER BOARDS?  
(SELECT ALL)**

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>Face-to- face</b>	10.1	8.6	9.3
<b>Virtually</b>	5.7	4.7	5.1

**ON AVERAGE, HOW MANY TIMES PER  
YEAR DOES YOUR BOARD MEET?**

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>An hour or shorter</b>	20%	2%	11%
<b>1.5-2 hours</b>	68%	69%	68%
<b>2.5-3 hours</b>	8%	20%	14%
<b>3.5-4 hours</b>	3%	9%	6%
<b>Longer than 4 hours</b>	3%	0%	1%

**HOW LONG IS THE TYPICAL BOARD MEETING?**

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>CEO</b>	93%	89%	91%
<b>Board Chair</b>	58%	76%	67%
<b>Directors</b>	0%	4%	2%
<b>Other</b>	20%	16%	18%

**WHO SETS THE MEETING AGENDA?**

	Less than \$1B	More than \$1B	All Respondents
<b>No. Fewer than half my directors come prepared for board meetings.</b>	8%	4%	6%
<b>Somewhat. Most of my directors come prepared for board meetings.</b>	75%	40%	56%
<b>Yes. All my directors are prepared for each meeting.</b>	18%	56%	38%

**OVERALL, DO YOU FEEL YOUR DIRECTORS COME TO MEETINGS PREPARED?**

<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
47%	45%	46%

APPROXIMATELY WHAT PERCENTAGE OF  
BOARD TIME IS DEVOTED TO THE FUTURE?

<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
69%	62%	66%

**WHAT PERCENTAGE OF TIME WOULD  
YOU LIKE TO SPEND ON THE FUTURE?**

	LESS THAN \$1B	MORE THAN \$1B	ALL RESPONDENTS
<b>Every board meeting</b>	13%	20%	16%
<b>Sometimes</b>	60%	73%	67%
<b>Never</b>	28%	7%	16%

HOW OFTEN DOES YOUR BOARD MEET IN  
EXECUTIVE SESSION WITHOUT THE  
CEO/PRESIDENT?

	Less than \$1B	More than \$1B	All Respondents
<b>We don't benchmark our board makeup.</b>	33%	20%	26%
<b>Demographics of current members</b>	33%	24%	28%
<b>Demographics of community population (members and non-members)</b>	18%	38%	28%
<b>Geography of credit union locations</b>	38%	22%	29%
<b>Skills needed for the credit union</b>	50%	71%	61%

**WHAT DO YOU BENCHMARK THE MAKEUP OF YOUR BOARD AGAINST? (SELECT ALL)**

	Less than \$1B	More than \$1B	All Respondents
<b>Mirroring member or population demographics</b>	58%	60%	59%
<b>Mirroring credit union geography</b>	45%	29%	36%
<b>Bringing unique perspectives</b>	83%	73%	78%
<b>Filling gaps in skillsets or knowledge base</b>	93%	93%	93%
<b>Other (please specify)</b>	18%	18%	18%

**WHAT CRITERIA DO YOU CONSIDER WHEN SELECTING A NEW DIRECTOR? (SELECT ALL)**

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>CEO</b>	68%	56%	61%
<b>Board chair</b>	60%	60%	60%
<b>Existing board members</b>	75%	71%	73%
<b>Credit union executives</b>	30%	22%	26%
<b>Nominating committee</b>	65%	80%	73%
<b>External headhunters</b>	0%	11%	6%
<b>Other (please specify)</b>	10%	0%	9%

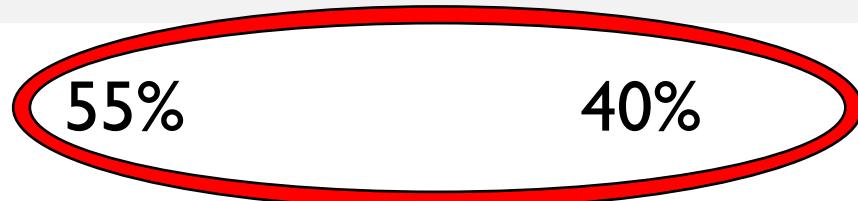
**WHO IS INVOLVED IN IDENTIFYING & SELECTING NEW DIRECTORS? (SELECT ALL)**

	Less than \$1B	More than \$1B	All Respondents
No	68%	36%	51%
Yes	33%	64%	49%

IS MENTORING A COMPONENT OF NEW DIRECTOR ONBOARDING?

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	Less than \$1B	More than \$1B	All Respondents
<b>Once a year</b>	28%	38%	33%
<b>Every few years</b>	18%	22%	20%
<b>Never</b>	55%	40%	47%



HOW OFTEN IS YOUR BOARD EVALUATED?

	Less than \$1B	More than \$1B	All Respondents
<b>Self-assessment</b>	89%	93%	91%
<b>Peer evaluation</b>	6%	48%	31%
<b>By CU executives</b>	11%	4%	7%
<b>External experts</b>	11%	7%	9%

**HOW IS THE BOARD EVALUATED?  
(SELECT ALL)**

	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>No</b>	60%	47%	53%
<b>Yes</b>	40%	53%	47%

**DO YOU THINK YOUR CURRENT BOARD  
EVALUATION PROCESS IS EFFECTIVE?**



## BOARD ASSESSMENT PROCESS

- 1) Develop a matrix of important attributes for the CU board.
- 2) Use these attributes for annual self-assessment and individual director development goals for the following year: Education investments to follow.
- 3) As vacancies occur, use matrix to examine what will be lost at the board level.
- 4) Use the matrix to guide new director selection.
- 5) Revisit the matrix annually or semi-annually to reaffirm and guide assessment and development plans.

## EXAMPLE ATTRIBUTE MATRIX

- Member Demographics (Current/Community)
- Financial Services or Functional Expertise
- Risk Management, IT, Cyber, Digital Technology Expertise
- Regulated Industry/Legal Expertise
- Business Leadership Expertise
- Ties to Members/Business Development
- Board Expertise

Director Name & Member Since	Member Demographics: Age, Race/Ethnicity, Gender	Connections to Members/ Business Development	Financial Services Industry or Finance Function Exp.	Risk Management, Information Security, Cyber Exp.	Regulated Industry/ Government/ Legal Exp.	Digital Technology Exp.	Business Leadership Experience	Board Experience
Joe, 2001	75, B, M							
Sandy, 2015	50, W, F							
Sarah, 2008	67, L, F							
John, 2010	45, W, M							
Laura, 1995	65, W, F							
Miguel, 2001	60, L, M							
Linda, 2020	71, B, F							

	Less than \$1B	More than \$1B	All Respondents
More than once a year	5%	9%	7%
Once a year	83%	91%	87%
Every few years	5%	0%	2%
Never	8%	0%	4%

HOW OFTEN DO YOU EVALUATE THE  
CEO/PRESIDENT?

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	<b>Less than \$1B</b>	<b>More than \$1B</b>	<b>All Respondents</b>
<b>No</b>	38%	20%	28%
<b>Yes</b>	63%	80%	72%

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IS THERE AN ANNUAL REVIEW OF  
SUCCESSION PLANNING (OUTSIDE OF  
EMERGENCY SUCCESSION?)

# BOARDS ARE SELF-GOVERNING

## **Boards must fulfil their fiduciary responsibilities.**

- Are our directors competent, prepared, and engaged?
- Do we have the necessary skills to evaluate CU risk, performance, strategy, and direction?
- Are we independent objective outsiders? (conflict of interest, friendship ties, stale)

## **Boards can be a strategic assets.**

- Do we have the diversity of thought, demographics, experience, and network for today and the future?
- Do we regularly assess who's on the board, what we need to develop and invest in education to do so?
- Do we balance continuity/learning curve with new insights (do you have staggered terms, term limits, and criteria for selecting new directors?)

## SELF-GOVERNANCE AREAS FOR IMPROVEMENT

- Clear Responsibility Matrix
- Board Terms: Staggered
- Board Term Limits/Retirement Age
  - (Can be Informal)
- Emeritus & Associate Directors
- Annual Board Assessment tied to Attribute Matrix, Education, New Director Selection
- Executive Sessions Every Meeting
- Annual CEO Evaluation, Review of Emergency and Long-Term Succession
- Board Succession Planning
- Norms of Boardroom Engagement

## AUDIT COMMITTEE AREAS FOR IMPROVEMENT

- Who serves on the audit committee? Directors or appointees?
- What qualifications are needed and assessed?
- Continuing education requirements?
- Executive sessions
- More credit unions creating Risk Committees- overlap and coordination with Audit
- Coordination with ALCO/Finance committees
- “Treatment” of Audit/Supervisory Committee

# THANK YOU!

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