

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%

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

WHAT TYPE OF CHARTER DOES YOUR
CU HAVE?

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

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

	Less than \$1B	More than \$1B	All Respondents
Women	35%	36%	35%
Underrepresented	27%	31%	29%
LGBTQ	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?

	Less than \$1B	More than \$1B	All Respondents
No	93%	98%	95%
Yes	8%	2%	5%

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

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

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

	Less than \$1B	More than \$1B	All Respondents
No	10%	2%	6%
Yes	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
Audit committee	43%	60%	52%
Compensation committee	30%	62%	47%
Nomination/governance committee	80%	91%	86%
Executive committee	63%	62%	62%
Finance committee	28%	51%	40%
Risk committee	15%	36%	26%
Human resources committee	18%	11%	14%
Operations committee	3%	4%	4%
Communications and marketing committee	8%	2%	5%
Business development committee	0%	0%	0%

WHAT STANDING COMMITTEES DO YOU
HAVE?

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

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

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

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

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

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

HOW LONG IS THE TYPICAL BOARD MEETING?

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

WHO SETS THE MEETING AGENDA?

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

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

Less than \$1B	More than \$1B	All Respondents
47%	45%	46%

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

Less than \$1B	More than \$1B	All Respondents
69%	62%	66%

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

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

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

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

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

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

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

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

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


HOW OFTEN IS YOUR BOARD
EVALUATED?

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

HOW IS THE BOARD EVALUATED?
(SELECT ALL)

	Less than \$1B	More than \$1B	All Respondents
No	60%	47%	53%
Yes	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 Demograp hics: Age, Race/Ethni city, 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?

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

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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