Roles and responsibilities of non-executive directors

In our view all credit union directors will be non-executive directors i.e. they are volunteers who are not involved in the day to day running of the credit union (i.e. they do not operate in an executive capacity).

This note covers the role of a non-executive director in performing the roles in (1) to (4), below:

- the role of chairman of the board of directors;
- the role of chairman of the nomination committee;
- the role of chairman of any other committee (irrespective of whether performing that role is itself a designated senior management function);
- the general non-executive director role.

The role of a non-executive director performing a general non-executive director role is to:

- provide effective oversight and challenge; and
- help develop proposals on strategy.

To deliver this, their responsibilities include:

- attending and contributing to board and committee meetings and discussions;
- taking part in collective board and committee decisions, including voting and providing input and challenge; and
- ensuring they are sufficiently and appropriately informed of the relevant matters prior to taking part in board or committee discussions and decisions.

Other key roles of a non-executive director include:

- scrutinising the performance of management in meeting agreed goals and objectives;
- monitoring the reporting of performance;
- satisfying themselves on the integrity of financial information;
- satisfying themselves that financial controls and systems of risk management are robust and defensible;
- providing objective views on resources, appointments and standards of conduct; and
- being involved in succession planning.

Role of a non-executive director **as chair of the board or a committee**

Subject to any specific governance arrangements, rules or requirements applicable to the board or particular committees, a non-executive director's responsibility as chairman of the board or a committee includes:

- ensuring that the board or committee meets with sufficient frequency;
- fostering an open, inclusive discussion which challenges executives, where appropriate;
- ensuring that the board or committee devotes sufficient time and attention to the matters within its remit;
- helping to ensure that the board or committee and its members have the information necessary to its and their tasks;
- reporting to the main board on the committee's activities; and

- facilitating the running of the board or committee to assist it in providing independent oversight of executive decisions;
- in relation to the nomination committee, safeguarding the independence and overseeing the performance of the nomination committee.

The chair of the nomination committee should take reasonable steps to ensure that the nomination committee complies with nany specific and relevant requirements relating to the committee or to the matters within the committee's responsibilities.

General approach to the role of a non-executive director

The regulators recognise that non-executive director s individually do not manage a firm's business in the same way as executive directors. Therefore, the responsibilities for which non-executive director s are accountable are likely to be more limited.

A non-executive director is neither required nor expected to assume executive responsibilities.

Although non-executive director s who are subject to the senior management regime for SMF managers have individual duties under that regime, the FCA views the regime and its application as consistent with the principle of collective decision-making.

The standard of care, skill and diligence that the regulators would expect from a non-executive director is the care, skill and diligence that would be exercised by a reasonably diligent person with:

- the general knowledge, skill and experience that may reasonably be expected of a person carrying out the functions carried out by the non-executive director in relation to the firm; and
- the general knowledge, skill and experience that the non-executive director has.