2020

CO-OPS & CREDIT UNIONS

REPORT FROM THE BOARD ROOM

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This report was written and designed by Travis Reynolds on behalf of the Canadian Centre for the Study of Co-operatives.

Co-operative principles and organizations have had a formative influence on the lives of Canadians for more than a century. Extending this tradition, researchers at the Canadian Centre for the Study of Co-operatives explore the integral role co-operatives play in promoting economic justice, development, and sustainability in communities around the world.

The Centre's work addresses policy and governance issues, and examines how co-operatives innovate in finding solutions to the world's pressing problems. Known for its community-based research, the Centre makes significant contributions to global studies of the social economy and stimulates exchanges of information across local, provincial, national, and international boundaries.

For more on the Canadian Centre for the Study of Co-operatives, please see our website at: https://usaskstudies.coop

This report, and the associated survey, were made possible by the generous support of the United Farmers of Alberta Co-operative.

1. Introduction

Overseeing a co-op is challenging. The democratic process does not guarantee that a board of directors will have the experience, expertise and attitude to effectively guide and monitor management, particularly as co-operatives grow in size and complexity. Co-operatives have to balance compensating directors enough to attract strong candidates with ensuring their compensation programs are affordable.

Unlike public companies with shares that trade on an exchange, co-operatives cannot tie director compensation to share performance. Co-operatives also have to be mindful that their mission is to serve members as owners and users over the long term. It is not to generate profits for shareholders whose interest is likely to be in short-term returns. This adds further complexity to questions about governance and compensation.

This report, prepared by the Canadian Centre for the Study of Co-operatives, allows co-operatives to see how their board practices compare to those of other co-ops and credit unions in Canada. Through an online survey administered from August to September 2019, 26 co-ops and credit unions shared information about many aspects of their corporate governance. The full sample is listed below in Table 1.

Table 1: Participating Co-ops and Credit Unions

Affinity Credit Union	Conexus Credit Union	Libro Credit Union
Agrifoods International	Connect First Credit Union	MEC
Agropur	Credit Union Central of Manitoba	Meridian Credit Union
Alterna Credit Union	Desjardins	Northern Credit Union
Arctic Co-op	Federated Co-ops Ltd.	Servus Credit Union
Assiniboine Credit Union	First West Credit Union	United Farmers of Alberta
Atlantic Central	Gay Lea Foods Co-operative	VanCity Credit Union
Calgary Co-op	Kawartha Credit Union	WFCU Credit Union
Co-operators	Kindred Credit Union	

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2. Co-op Demographics

Twenty-six co-ops and credit unions participated in the online survey. Most were consumer co-ops (65%, n=17), six were multi-stakeholder, and three were producer (see Figure 1). Looking at Figure 2, most co-ops operated primarily in the financial sector (70%, n=18).

The majority of participants (73%, n=19) were Tier One, or primary, co-ops (see Figure 3). There were also five Tier Two co-ops in the sample. Tier Two co-operatives are regional, district or provincial co-ops, usually owned by Tier One organizations. Additionally, two Tier Three co-ops participated in the survey. Tier Three co-ops are national organizations, usually owned by Tier Two co-operatives.

In terms of market, most co-ops operated regionally (n=19). Four co-ops had national markets, two had international markets, and one was local only (see Figure 4). Figure 5 shows where participants operated. Most co-ops had operations in Ontario (n=14), Alberta (n=11), Manitoba (n=10) and British Columbia (n=9).

Figure 1: Co-op Type

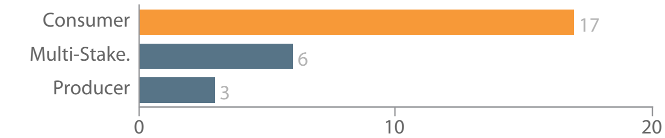


Figure 2: Primary Sector

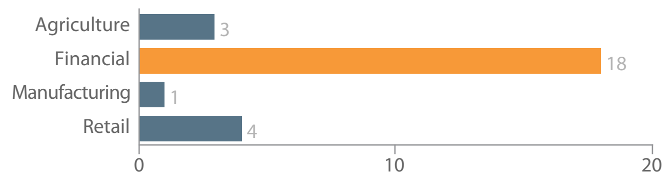


Figure 3: Tier Type

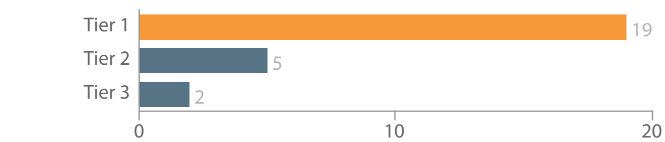


Figure 4: Market

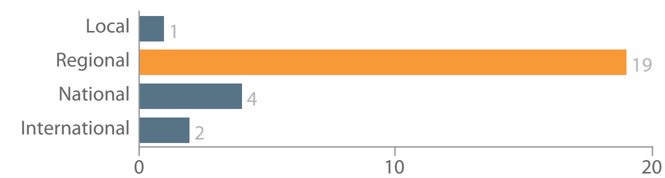


Figure 5: Organizations per Province or Territory

Table 2: Attributes of Participating Co-ops

Name	Average	Minimum	25%	Median	75%	Maximum
Assets (million $)	17,512	1	640	4,602	8,177	295,500
Revenue (million $)	2,047	0	105	351	1,187	16,576
# of Members	480,650	25	2,950	112,500	229,250	5,400,000
# of Employees	3,284	75	383	834	2,358	46,000

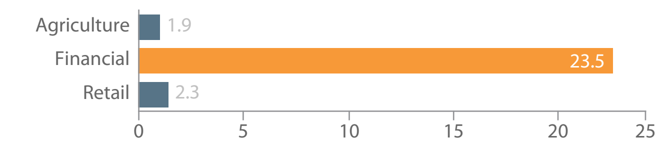
Data for assets, revenue, number of members and number of employees are all positively skewed. In other words, there are extremely high values that upwardly bias the averages. To account for this, the medians are considered, as well as percentiles.

The median asset level was $4.6 billion (see Table 2). Asset levels for the sample are high because most of the organizations surveyed were credit unions. Due to the nature of their business, these co-ops tend to have higher asset values compared to non-financial organizations.

The median revenue for the co-ops surveyed was $350.5 million. The median membership size was 112,500 members, and the median number of employees was 834.

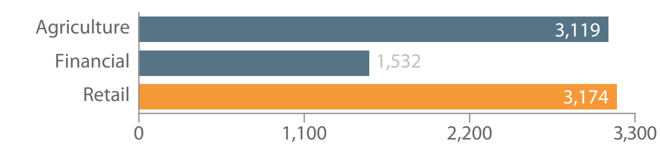
To get a better understanding of how co-ops differ, Figures 5 to 8 break down average assets, revenue, number of members, and number of employees by primary sector.

Figure 5: Average Assets by Sector (billion $)*



*The co-op in the manufacturing sector did not provide asset data

Figure 6: Average Revenue by Sector (million $)*



*The co-op in the manufacturing sector did not provide revenue data

Figure 7: Average Members by Sector (thousand)

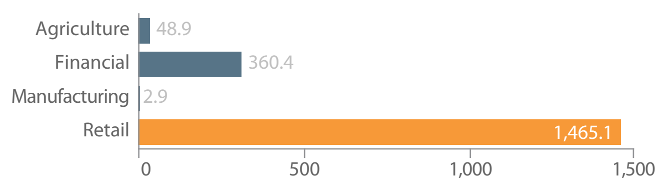
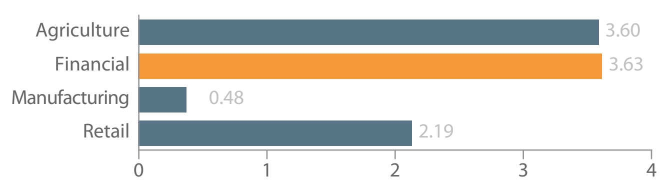


Figure 8: Average Employees by Sector (thousand)



3. Board Composition

The corporate governance literatures emphasizes board composition. The assumption is that the right mix of directors will have the expertise, experience and temperament to effectively monitor management and guide the firm. In co-ops and credit unions, directors are usually placed on boards via democratic processes. These processes are often framed and influenced by legislation, what are considered best practices, research, history and circumstance.

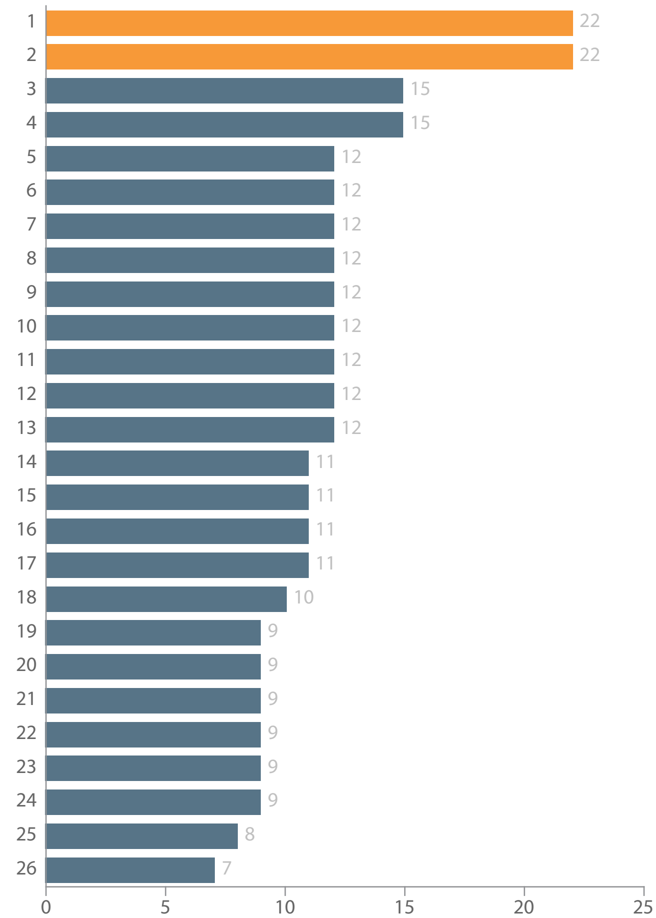
The data gathered by the Canadian Centre for the Study of Co-operatives highlights the current board composition for select Canadian co-ops and credit unions. Characteristics include levels of diversity and independence, two of the areas emphasized in recent corporate governance literature. The survey also collected information about board size, how many directors serve on multiple boards, the number of visible minorities on a board, and the number of directors with executive-level or relevant industry experience.

3.1 Board Size

The governance literature tends to favour smaller boards (Jensen, 2010; Lipton & Lorsch, 1992). Larger boards are associated with diminished effectiveness, a lack of cohesion, and higher co-ordination costs. However, all of this depends on the type of the firm a board oversees. For instance, managers of complex organizations require more advice, which larger boards may be better able to provide.

Looking at the co-operatives that participated in the survey, the average number of directors was 12 (see Table 3). This is similar to Canadian investor-owned firms (IOFs). They average 11 directors (Spencer Stuart, 2019). Figure 9 demonstrates

Figure 9: Number of Directors per Board



that two co-ops have almost twice the average number of directors. Although boards this big may be unwieldy, they may also fit the advising and representation needs of larger, more complex firms.

3.2 Female Directors

While research suggests that female directors positively impact firm and board performance, there is some evidence that a board must have at least three women to realize any improvement (Konrad, Kramer, & Erkut, 2008; Torchia, Calabrò, & Huse, 2011).

Table 3: Board Size and Number of Female Directors of Participating Co-ops

Name	Average	Minimum	25%	Median	75%	Maximum
Directors	12	7	9	11.5	12	22
Female Directors	4	0	3	4	5	7

On average, participating co-operatives had four female directors, which exceeds that critical threshold (see Table 3).

Figure 10 shows the percentage of female directors on the boards of participating co-operatives. On average, just over one-third (34.4%) of directors were female. This is higher than Canadian IOFs, which only had an average of 20.5% (Statistics Canada, 2019).

3.3 Diversity Targets

Figure 10 also shows which organizations had some sort of board diversity target or quota. Over the past decade, diversity quotas have become increasingly commonplace. Such quotas are usually intended to increase female representation on corporate boards.

Looking at Figure 10, there does not seem to be a relationship between female representation and whether an organization has a diversity target. Less than half of the co-ops surveyed (35%, n=9) had a diversity quota, and of the five boards with the highest degree of female representation, only one had a diversity target.

3.4 Indigenous and Minority Representation

Compared to the degree of female representation, participating co-ops and credit unions have much lower visible-minority and Indigenous representation on their boards (see Figure 11). On average, only 5% of directors were Indigenous, and 4% were a visible minority.

> "A diverse board helps the organization to better understand the issues and concerns of the members it serves. […] Diverse boards are cross-generational, multicultural and gender representative.
>
> — Survey Respondent

Figure 10: % of Female Directors per Board

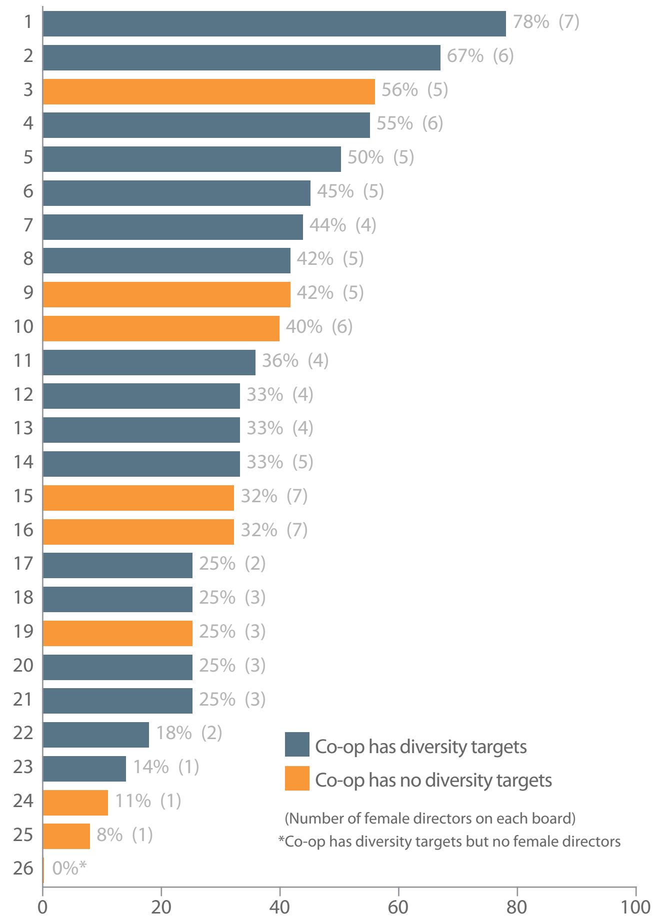
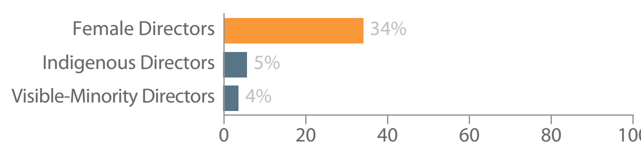


Figure 11: Average % of Director per Board



Despite a relative lack of ethnic diversity, a number of co-ops surveyed recognized the importance of board diversity. As one respondent stated, "*Diverse boards are believed to make better decisions by reducing the risk of "group think". Diversity leads to creativity in problem solving and innovative solutions. A diverse board helps the organization to better understand the issues and concerns of the members it serves. A truly diverse board reflects the community in which the organization operates. Diverse boards are cross-generational, multicultural and gender representative.*"

3.5 Independent Directors

The most common criterion for a well-functioning board is that the majority of its members are independent. Independent directors are usually defined as directors who are not employed by the firm they oversee, beyond their role on the board.

While inside directors (i.e., directors employed by the firm beyond their directorships) can be fired by management, independent directors (also referred to as outside directors) can only be removed by individuals with voting rights (e.g., investors, members, etc.). They can also disqualified from holding their position for such reasons as exceeding term limits, or being convicted of a crime. Since independent directors cannot be fired, they should better challenge management because they do not fear losing their board seats.

Of the organizations surveyed, all boards were independent (see Figure 12). Only one co-operative had any inside directors, and even its board was mostly independent (86% of its directors were outside directors). Overall, the average board was 99% outside directors. This is more than the boards of investor owned firms (IOFs), which are 81% independent (Spencer Stuart, 2019). Figure 13 shows the level of independence for co-ops and IOFs.

Figure 12: # of Outside and Inside Directors, and % Independent

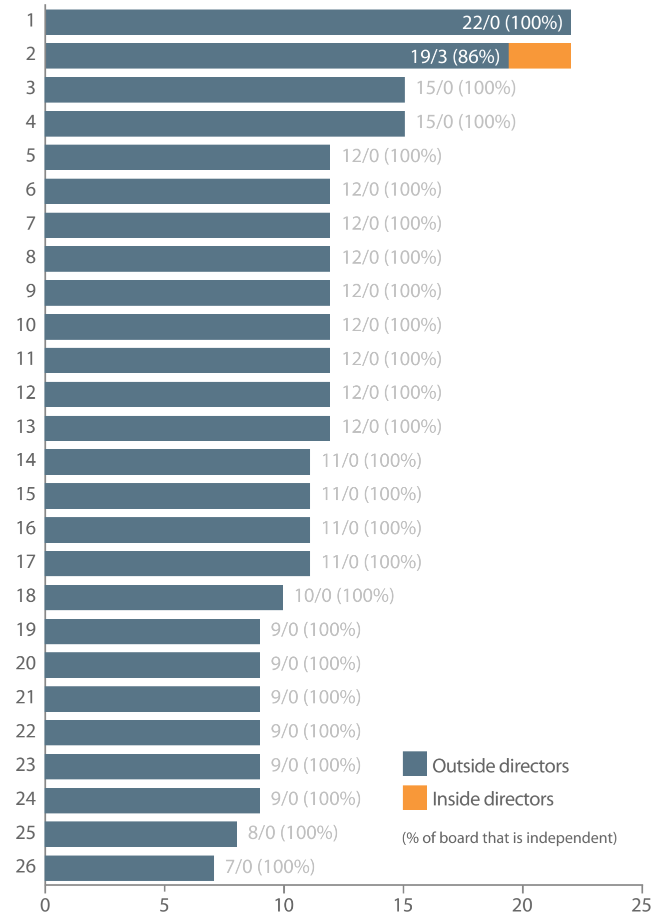
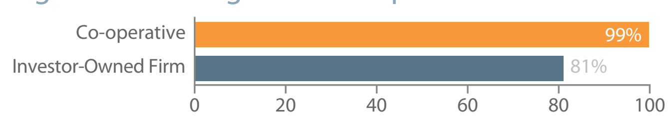


Figure 13: Average % of Independent Directors



It is important to note that having outside directors does not guarantee that a board becomes more skeptical, objective, or critical of management. Even directors who are not employees may still be linked to their co-operatives in ways that impact their independence, particularly if they have significant business or personal relationships with the co-operative.

3.6 Non-Member Directors

By being members of the co-op they oversee, some directors may still be financially connected to management, even if they are not employees. This may be more true for producer co-ops, because these co-ops tend to be tied to their members' economic livelihoods. In such cases, any ability to influence directors' financial wellbeing may give management undue influence over the board, and negatively impact the board's independence. To have directors who are able to impartially oversee management, a board may want to consider including directors who are neither employees nor members.

Aside from greater independence, non-member directors may have requisite skills and experience not found in a co-op's membership. However, care must be taken when adding non-member directors to the board. Failing to abide by democratic principles when nominating or appointing a non-member director may open an organization up to criticism about the legitimacy of its decision-making processes. Non-member directors may also have a weaker affinity for the co-operative model than directors who are members.

Still, the expertise and independence possessed by non-member directors may be worth the effort to place them on the board. Some survey respondents appear to echo this sentiment. Six organizations had at least one non-member director on their board (see Figure 14). Of those six organizations, three were consumer co-ops and three were producer. This could change in the future. Three other participants were considering adding non-member directors to their boards.

3.7 Director Experience

As co-ops become larger and more complex, there is increasing pressure to ensure directors have the appropriate experience. The exact mix of skills and expertise will vary depending on the demands of the organization. Corporate governance best practices, legislation and empirical research often emphasize financial acumen, and C-suite (i.e., corporate officers or "chiefs") or executive-level experience.

Of the 26 organizations surveyed, just over a quarter (27%, n=7) had boards where the majority of directors had executive-level experience (see Figure 15). One board was entirely comprised of directors with executive experience. Conversely, two boards had no directors with such experience.

Figure 14: % of Non-Member Directors

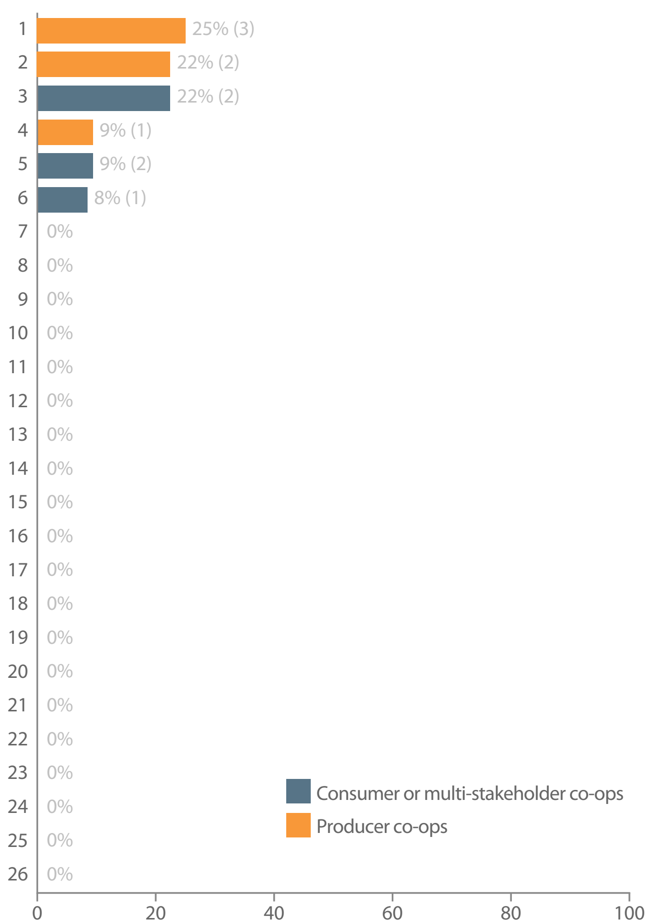
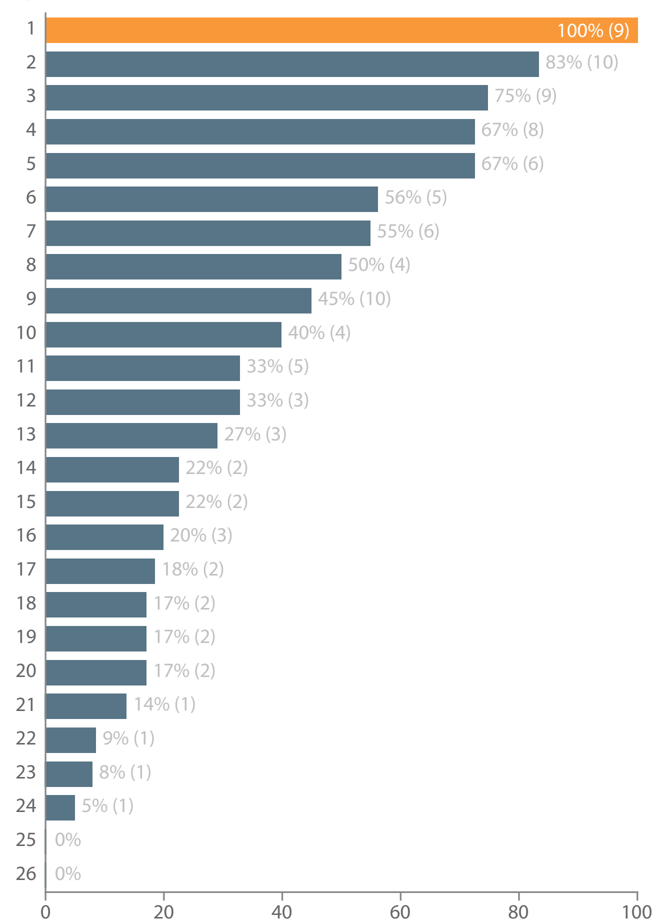


Figure 15: % of Board with Executive Experience



Compared to executive-level experience, fewer boards had directors with experience in the same industry as the co-operatives they oversee. Over one quarter of organizations surveyed lacked directors with related-industry experience, and all were consumer co-ops (see Figure 16). Comparatively, 91% of all producer co-op directors had experience in related industries.

Overall, producer co-ops had more non-member directors and more directors with related-industry experience (see Table 4). This suggests that producer co-ops have different governance requirements compared with other types of co-operatives. (Note: Results should be interpreted cautiously, given the small sample size of the survey. Only three producer co-ops participated.)

Table 4: Board Demographics (% of directors)

Sector	Industry Exp.	Non-Member
Consumer	24	1
Multi-stakeholder	36	3
Producer	90	19

3.8 Director Age

The average age of directors for the co-operatives surveyed was 57 years old (see Table 4). Just under three quarters of directors were between 51 and 70 years old (see Figure 17). The median age was 58.

This is relatively young compared to the boards of Canadian IOFs. Approximately 1% of directors of publicly traded companies are 40 years old or younger, and only 6% are between 41 and 50 years old (Korn Ferry, 2018). The majority of IOF directors (62%) are at least 61. In comparison, less than half (40%) of the directors for organizations surveyed were older than 60, and just under one quarter of directors (24%) were 50 or younger.

Figure 16: % of Board with Industry Experience

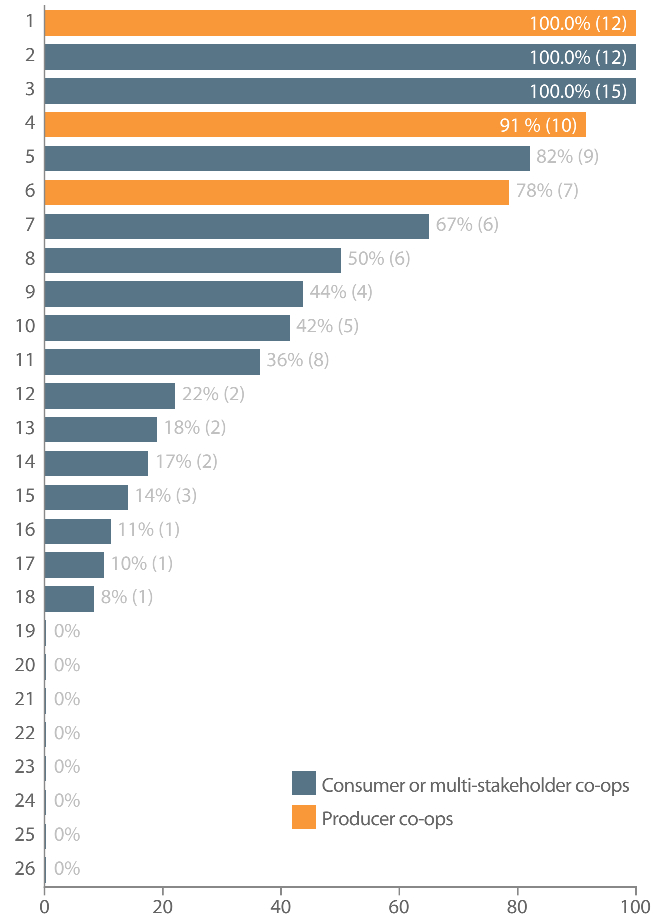
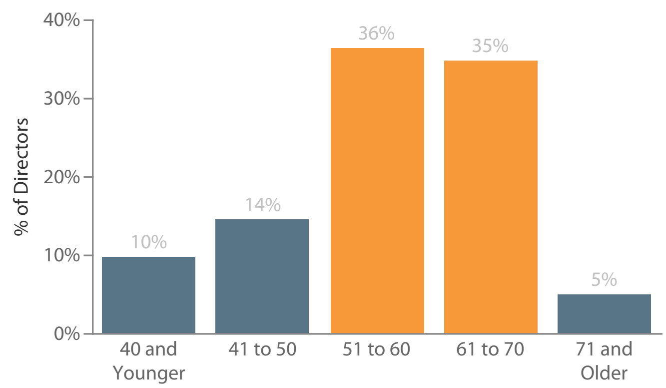


Table 4: Director Age (years)

Average	Minimum	Median	Maximum
57	29	58	80

Figure 17: Director Age Distribution



Alongside having younger boards, participating co-ops and credit unions also distinguished themselves from IOFs by the absence of a mandatory retirement age for directors. No co-ops or credit unions had mandatory retirement, whereas 31% of IOFs do (Korn Ferry, 2018).

3.8 Summary

The average board size for participating organizations was 12 directors. In terms of gender representation, the boards of most co-ops and credit unions were at least one-third female. Comparatively, they were much less diverse regarding Indigenous and visible-minority representation. Most boards lacked any Indigenous or visible-minority directors.

Only six organizations surveyed had at least one non-member director. Two co-operatives had no directors with executive-level experience, and eight co-operatives lacked a director with experience in the same industry as the organization. Finally, the average age of directors was 56. Table 5 summarizes the board demographics of participating co-ops and credit unions.

Table 5: Board Demographics (% of directors)

Director Type	Average	Minimum	25%	Median	75%	Maximum
Directors w/ Executive Exp.	35	0	17	25	53	100
Directors w/ Industry Exp.	34	0	0	17	63	100
Independent Directors	99	86	100	100	100	100
Non-Member Directors	0	0	0	0	0	3
Female Directors	34	0	25	33	44	78
Indigenous Directors	5	0	0	0	0	86
Visible-Minority Directors	4	0	0	0	0	44

4. Board Service

As co-operatives become larger and more complex, board service becomes more demanding. Effective oversight may require directors to commit upwards of 100 hours per year (Lipton & Lorsch, 1992). Bear in mind, this is only an estimate. Good governance is more than just time served. Numerous factors affect board performance, including director expertise, group dynamics, and the quality of information provided by management.

For the organizations surveyed, board service required a median commitment of 35 hours annually (see Table 6). This does not include time spent serving on committees or preparing for board meetings. On average, participating co-ops and credit unions held eight board meetings per year and these averaged 9.5 hours each (see Tables 7 and 8). This is similar to Canadian IOFs, which also held an average of eight board meetings annually (Korn Ferry, 2018).

4.1 Busy Directors

On its own, serving on a board requires a significant amount of time. This commitment may become strained if directors serve on multiple boards. Of the 26 co-operatives in the study, three had boards entirely comprised of busy directors. In other words, all of their board members held multiple directorships (see Figure 18). Conversely, three organizations had no busy directors.

It is important to point out that simply serving on multiple boards does not necessarily impair a director's effectiveness. Research suggests that busy directors may be effective if the firms they oversee are somehow similar, such as operating in the same industry (Clements, 2015).

Table 6: Director Commitment (hours/year)

Average	Minimum	Median	Maximum
70.5	8	35	405

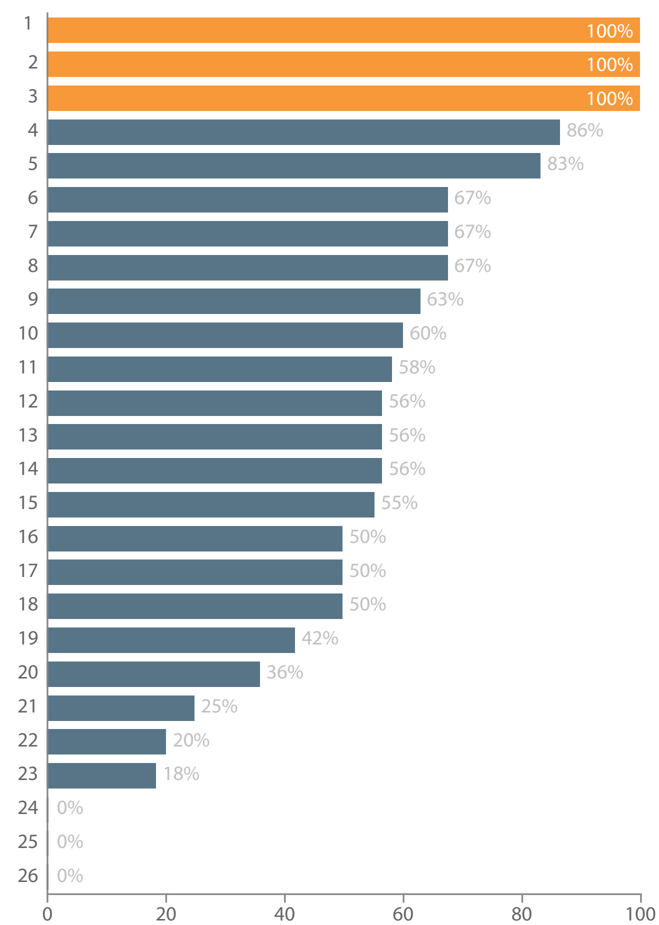
Table 7: General Board Meetings per Year

Average	Minimum	Median	Maximum
8	4	6	27

Table 8: Average Board Meeting Length (hours)

Average	Minimum	Median	Maximum
9.5	2	8	45

Figure 18: % of Directors Who Are "Busy"



4.2 Director Term Limits

Most of the co-ops and credit unions surveyed restricted how long a director could serve before standing for re-election (85%, n=22). Of those, all but one limited a single term to three years (95%, n=21). The only organization that did not, had a four-year term.

Most co-operatives limited the total number of years someone can serve on the board (62%, n=16, see Figure 19). Maximum lengths of service ranged from seven to 18 years, with an average of 11.4 (see Figure 20 and Table 9).

Evidence on the effects of limiting director tenure is mixed. On the one hand, long-serving directors may become overly friendly with management or become out-of-touch with changes to industry, technology or regulations. On the other hand, limiting director tenure may interfere with board cohesion and organizational memory, or stunt directors' acquisition of firm-specific knowledge.

Interestingly, only 19% of IOFs restrict how long someone can serve on the board (Korn Ferry, 2018). The most common limit is 15 years.

4.3 Summary

On average, participants had eight board meetings per year, which is the same as Canadian publicly traded companies. Only three co-operatives had no busy directors serving on their boards. Almost two thirds of organizations surveyed had some limit on director tenure. The average maximum length of service was 11.4 years.

Figure 19: Do Directors Have a Maximum Tenure

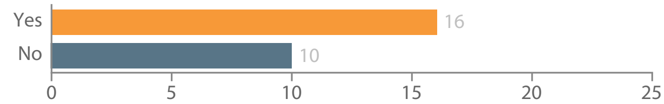


Figure 20: Director Maximum Tenure (years)

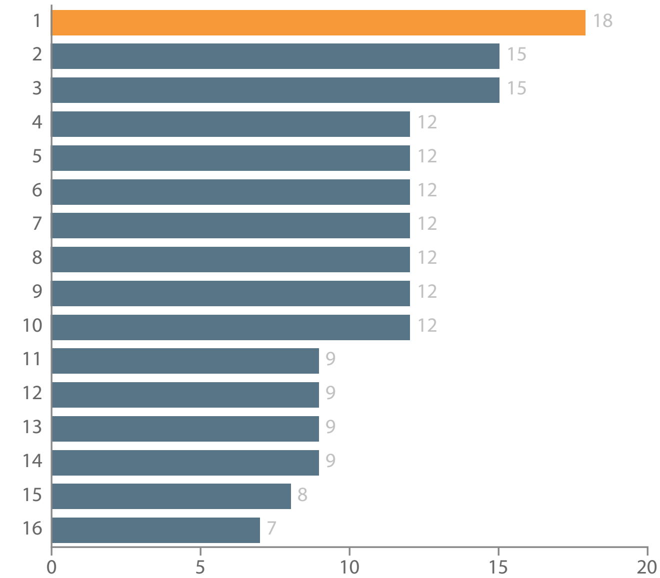


Table 9: Director Maximum Tenure (years)

Average	Minimum	Median	Maximum
11.4	7	12	18

5. Director Compensation

Overall, average pay for directors was $48,380. Figure 21 shows compensation levels for participating organizations. However, this is only an approximation. Amounts in Figure 21 are based on the survey question, "What is the total amount of compensation received by your board as a whole?" These results were then divided by the number of directors.

It is unclear how participants calculated total compensation. For instance, was Board Chair compensation included? Regardless of any imprecision, Figure 21 provides an indication of the range of compensation levels; the highest was $166,667, while the lowest was $8,123. The median level of compensation was $43,125 (see Table 10).

Table 10: Compensation per Director ($)

Average	Minimum	Median	Maximum
48,380	8,123	43,135	166,667

To get a better understanding of how much directors received, their base compensation and annual retainer should also be considered. Figure 22 shows the distribution of base compensation levels. The highest amount paid was $81,750.

As with total compensation, it is unclear how participants calculated base compensation. For one respondent, it was a combination of directors' annual retainer and the amount received for serving on one committee. What others did is not known.

Figure 21: Compensation per Director (thousand $)

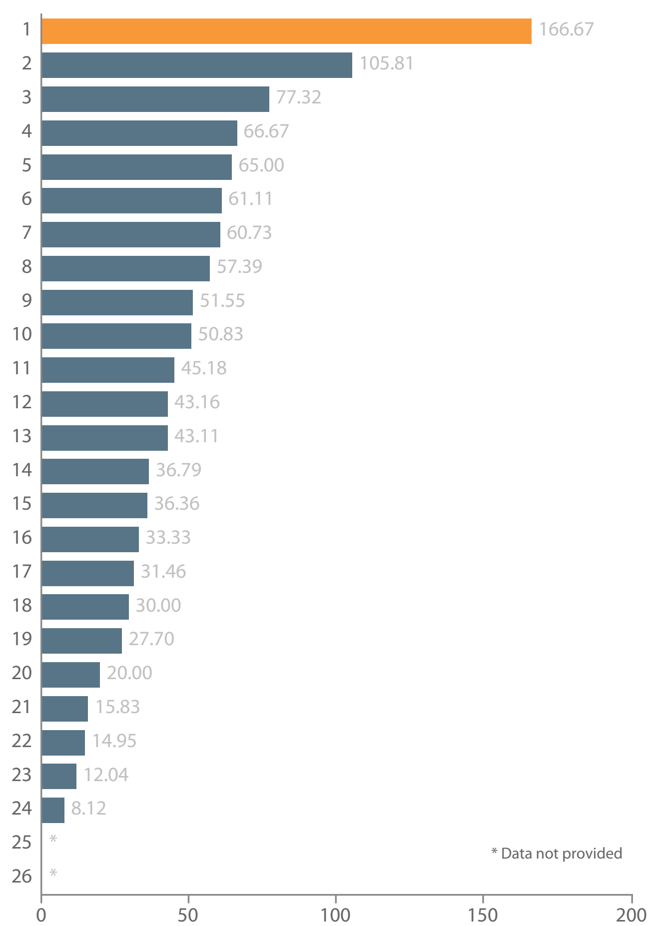


Figure 22: Base Director Compensation (thousand $)

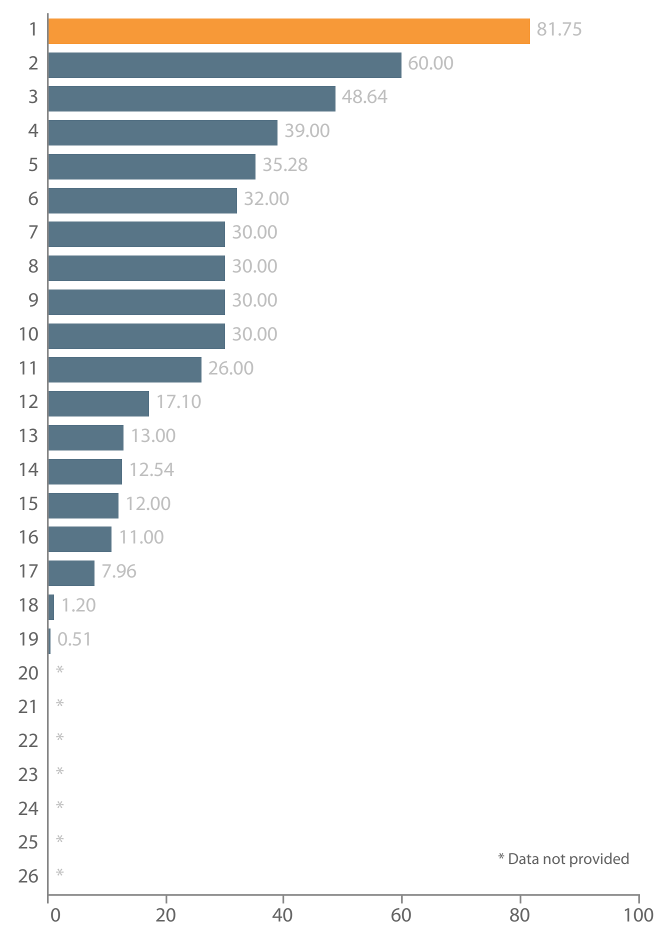


Figure 23 shows the distribution of base retainers paid to directors. On average, directors received an $18,030 retainer. The highest retainer paid was $60,000, while several participants said their directors did not receive a retainer. If these co-operatives are removed from analysis, the average retainer climbs to $30,909.

Looking at other aspects of director compensation, Tables 11 and 12 show mileage reimbursement rates and per diem, respectively. Of the co-ops and credit unions surveyed, four did not reimburse for mileage. The average reimbursement rate for those that did was $0.51 per kilometer. The highest was $0.60, while the lowest was $0.42.

Similarly, not every co-op or credit union paid directors a per diem. Of the seven organizations that did, the average per diem was $524. The lowest per diem was $300, and the highest was $900.

Table 11: Director Mileage Reimbursement ($/km)

Average	Minimum	Median	Maximum
0.51	0.42	0.51	0.60

Table 12: Director per Diem ($)

Average	Minimum	Median	Maximum
524	300	500	900

5.1 Compensation Disclosure and Review

The majority of participants disclosed the total amount of compensation paid to their boards (64%, n=16, see Figure 24). Board compensation was usually reviewed at least every two years (73%, n=19, see Figure 25). It is worth noting that one co-op conducted reviews at random intervals, which risks reviews being held either too often or too seldom.

Figure 23: Director Retainer (thousand $)

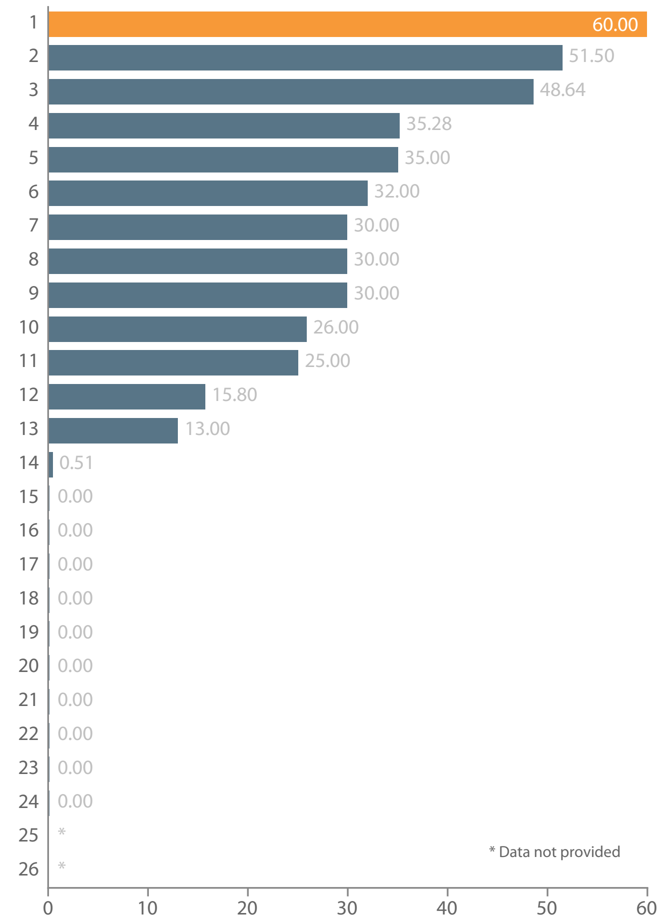


Figure 24: Disclose Total Compensation

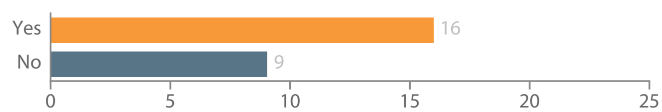


Figure 25: Frequency of Compensation Review

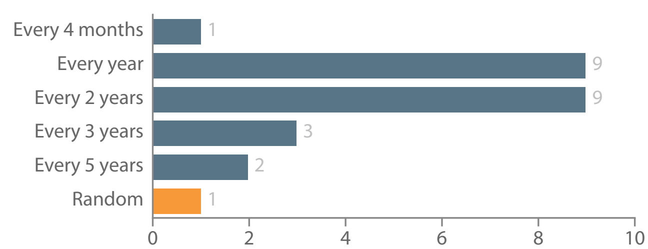


Figure 26: Spousal Travel Benefits Provided

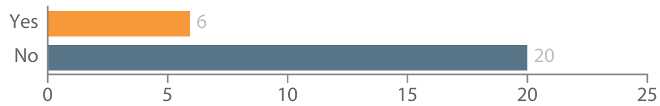


Figure 27: Reduced Fees Provided

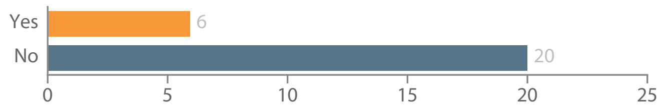


Figure 28: Product/Service Discount Provided

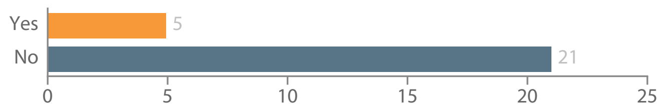


Figure 29: Medical or Other Insurance Provided

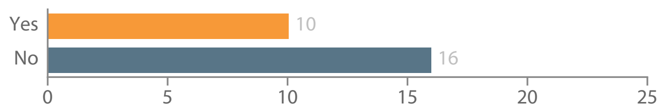
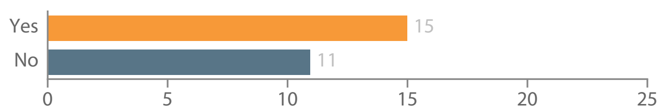


Figure 30: Life Insurance Provided



5.2 Director Benefits

In terms of benefits received, most organizations surveyed did not cover spousal or partner travel (77%, n=20, see Figure 26). Similarly, the majority of co-ops and credit unions did not provide directors with reduced fees (77% n=20, see Figure 27), product or service discounts (81%, n=21, see Figure 28), or medical or other insurance (62%, n=16, see Figure 29). Most organizations did, however, provided directors with life insurance (57%, n=15, see Figure 30).

5.3 Board Chair Compensation

The highest compensation paid to a Board Chair was $3,005,906 (see Figure 31). This is ten times more than the next highest amount of $300,000. This is because the Board Chair with the highest compensation is also the CEO of their co-operative. The publicly disclosed $3 million figure is the chief executive's salary. This individual receives nothing for their role as Board Chair.

Figure 31: Board Chair Compensation (thousand $)

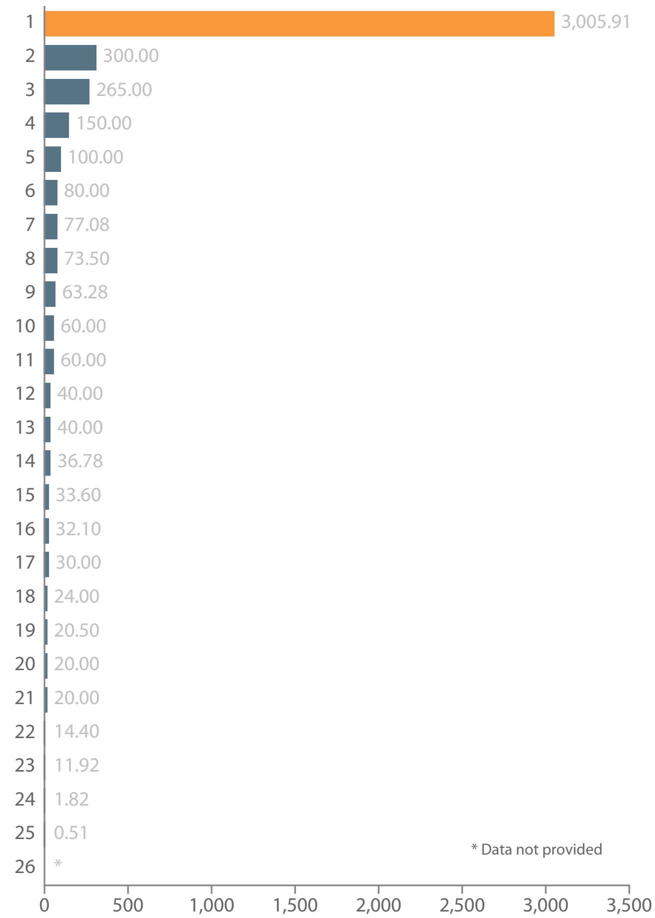


Table 13: Board Chair Compensation* ($)

Average	Minimum	Median	Maximum
64,770	506	38,390	300,000

* This is excluding the highest compensation of $3,005,910

It is worth mentioning that this co-operative was the only one surveyed where the CEO served as both the Chief Executive and the Board Chair.

If the $3 million is removed from analysis, the average compensation for the Board Chair is $64,470 (see Table 13). This is less than a quarter of the $291,385 that the Board Chairs of Canadian IOFs receive, on average (Korn Ferry, 2018). The pay differential is not unexpected (nor limited to Board Chairs), given the differences between co-operatives and IOFs, such as the latter's ability to use equity-based compensation.

Figure 32: Board Committees

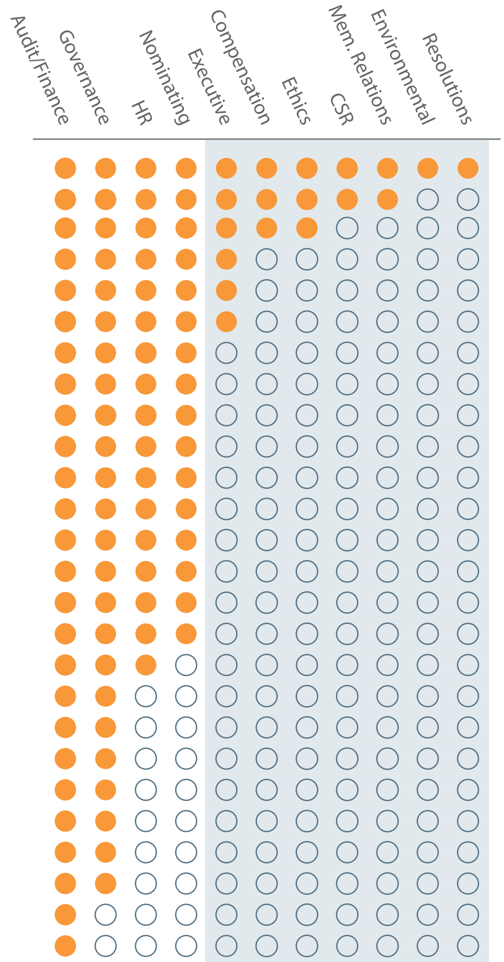
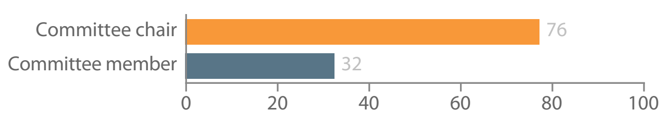
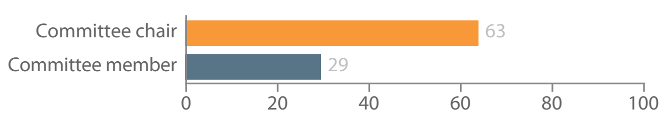


Figure 33: % of Co-ops that Compensated for Committee Service

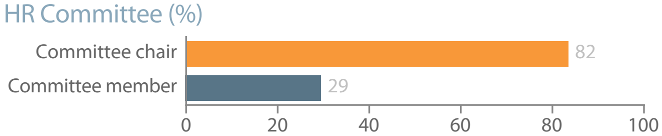
Audit/Finance Committee (%)



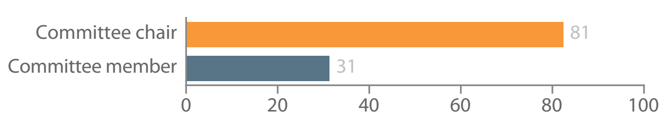
Governance Committee (%)



HR Committee (%)



Nominations Committee (%)



5.4 Committee Compensation

All participating co-ops and credit unions had an audit/finance committee (see Figure 32). Most had a governance committee (92%, n=24), a human resources (HR) committee (65%, n=17), and a nominating committee (62%, n=16).

Although directors were usually paid for chairing a committee, serving as a committee member was mostly uncompensated. Looking at the four most common committees (audit/finance, governance, HR and nominating), chairs were compensated 76% of the time, whereas members were only compensated 30% of the time. Figure 33 shows what percentage of survey participants compensated committee chairs and members.

For those organizations that paid for committee service, the average extra compensation received by committee chairs was $5,518. For committee members, average extra compensation was $1,174.

Focusing on the four most common committees, the average extra compensation received by audit/finance committee chairs was $6,134. For committee members, average compensation was $1,657 (see Table 14).

For the governance committee, the average extra compensation for committee chairs was $5,173 (see Table 15). For committee members, the average was $1,738.

Table 14: Audit/Finance Committee (Compensation $)

Role	Average	Min.	Median	Max.
Chair	6,134	160	6,000	15,000
Member	1,687	400	1,500	4,000

Table 15: Governance Committee (Compensation $)

Role	Average	Min.	Median	Max.
Chair	5,173	160	5,000	10,000
Member	1,738	400	1,500	4,000

Continuing with the organizations that paid for committee service, average HR committee chair compensation was $4,671 (see Table 16). For HR committee members, the extra compensation for committee service was $1,858, on average.

Lastly, nomination committee chairs received an average of $4,699 in extra compensation for their service, while committee members received $1,958 (see Table 17).

Table 16: HR Committee (Compensation $)

Role	Average	Min.	Median	Max.
Chair	4,671	160	5,000	10,000
Member	1,858	400	1,500	4,000

Table 17: Nomination Committee (Compensation $)

Role	Average	Min.	Median	Max.
Chair	4,699	160	4,480	10,000
Member	1,958	900	1,500	4,000

5.5 Comparison to Publicly Traded Companies

Relative to surveyed organizations, IOF boards are better compensated. At medium-sized Canadian publicly traded companies with assets between $3.5 billion and $10 billion, directors earned an average retainer of $166,315 (Korn Ferry, 2018). This includes cash and shares. Board Chairs earned $321,950. Committee chairs received additional compensation of $18,163, and committee members received $7,860. Table 18 compares co-ops and IOFs.

Table 18: Average Compensation ($)

Role	Co-operative	Small IOF
Board Chair	182,416	321,950
Member (retainer)	18,030	166,315
Committee Chair	5,518	18,163
Committee Member	1,774	7,860

Comparing co-operatives and IOFs is not entirely fair, however. The compensation gap between the two types of organizations is partially due to publicly traded companies being able to offer equity to directors. If mandatory shares are removed, the average retainer falls to $86,370 (Korn Ferry, 2018). While this narrows the gap, there is still a significant difference between co-operatives and IOFs.

What is important to recognize is that when it comes to attracting skilled or experienced directors, co-operatives may not be able to compete with IOFs on compensation alone. What co-ops must do is attract individuals who identify with member-ownership and the seven co-operative principles (see Appendix A for the list of principles). In other words, co-ops and credit unions must play upon those things that make them unique.

5.6 Summary

Roughly calculated, the average director received $48,380 in total compensation. Within that amount, co-operatives and credit unions paid an average retainer of $18,030, although ten of the co-ops surveyed paid no retainer at all. Interestingly, the benefits provided to directors were limited. Most participants did not cover spousal or partner travel, or provide product or service discounts, reduced fees, or medical insurance.

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6. Delegate Compensation

Only 13 co-operatives had delegates (see Table 19). Of those, the average number of delegates was 188 (see Figure 34). Most co-operatives paid their delegates (62%, n=13, see Figure 35).

Only six co-operatives answered the question, "What is the total amount of compensation received by all of your delegates combined?" Based on their answers, the average compensation received by delegates was $1,188 (see Figure 36).

Looking at the individual aspects of compensation, two co-operatives paid delegates per meeting fees of $100 and $225. One co-op paid delegates an honorarium of $1,196, and two reimbursed delegates for orientation, $270 and $300 respectively.

Most participants reimbursed delegates for mileage (77 percent, n=10). Table 20 shows information about mileage rates. Three co-ops reimbursed delegates for training, paying an average of $1,423. One co-operative compensated delegates for time spent in meetings on behalf of the co-op, paying $35 per hour.

Only three of the 13 co-ops and credit unions with delegates compensated delegates for spousal or partner travel. No delegates were paid a retainer, and no co-operative compensated delegates for meeting preparation.

6.1 Summary

The data collected on delegate compensation are not as robust as what were collected on director compensation. This is partially because only half of the co-ops that participated in the survey actually have delegates. It could also be that co-ops keep better records on directors than they do on delegates.

Table 19: Participants with Delegates

Affinity Credit Union	Federated Co-ops Ltd.
Agrifoods International	Gay Lea Foods Co-operative
Agropur	Kawartha Credit Union
Arctic Co-op	Libro Credit Union
Atlantic Central	Manitoba Central
Co-operators	United Farmers of Alberta
Desjardins	

Figure 34: Number of Delegates

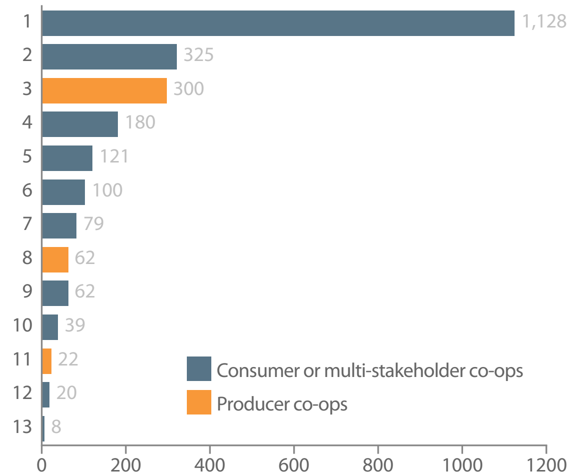

Figure 35: Does the Co-op Pay Delegates

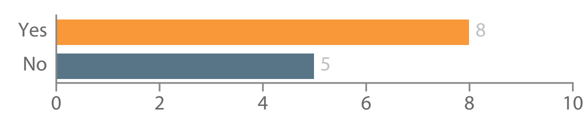

Figure 36: Compensation per Delegate ($)

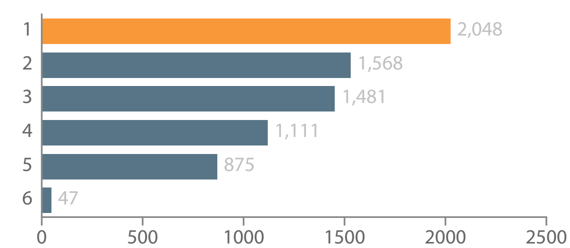

Table 20: Delegate Mileage Reimbursement ($/km)

Average	Minimum	Median	Maximum
0.48	0.42	0.49	0.55

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7. Conclusion and Recommendations

Overall, for the aspects of corporate governance examined in this report, co-operatives appear strong, at least relative to publicly traded companies. Compared to IOFs, the co-ops and credit unions had more independent boards with higher female representation. Moreover, co-op boards were younger than those of IOFs. The age of co-op boards could be an issue if directors do not have suitable skills and experience. But more than one quarter of the organizations surveyed had boards that were primarily composed of directors with executive-level experience, so the assumption is that the requisite skills are present.

In terms of director compensation, equity schemes place IOF compensation levels at four times what participants in this survey paid their directors. This may be of some concern, especially if co-ops and IOFs are looking in the same talent pools for potential directors.

Attracting high-quality directors is not simply a function of remuneration, however. Individuals may be willing to sit on a co-op's board if they believe in its mission, even if they would be better compensated overseeing an IOF (Besley & Ghatak, 2003). Potential directors found in a co-op's membership may already be attached to its mission and the seven co-operative principles (Birchall & Simmons, 2004). If looking for non-member candidates, however, it may be trickier to find individuals who strongly identify with the co-op, or with the benefits of member-ownership. This is not to dissuade co-operatives from looking for non-member directors. It simply means they may have to look a little harder to find suitable individuals (or be prepared to pay more).

In the end, the question of what constitutes "good governance" in a co-operative may come down to the dynamics around the boardroom table. Are directors able to effectively challenge management, operate cohesively, encourage competing views of the future, and solicit vigorous, non-confrontational dialogue?

The findings from the survey do not tell that story. However, by looking at the structural features of co-operative boards—their size, demographics, compensation, and practices—this report provides insight into how co-ops and credit unions can nurture effective boards. It also allows co-operatives to see how their corporate governance compares to that of their peers.

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Appendix A: Seven Co-operative Principles

The International Co-operative Alliance (2015) advocates seven principles to guide co-operatives in their operations.

1. Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

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