



Policy Name: Director Liability Fiduciary Risk

Policy Owner: Chief Strategy & Governance Officer

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1. Degree of Diligence

A director should act in what is believed to be the best interest of the credit union which includes acting carefully and deliberately while examining possible consequences of a particular course of action. If a director acts with care and in the scope of their powers, they will not be liable for errors in judgment. However, if a decision is made haphazardly and proves disastrous for the credit union, a director may be held liable.

The duty of diligence as a director requires that a director keeps informed.

2. How to be Diligent and Protect Yourself

Attend Meetings

As a director, regular attendance at board meetings is essential—it demonstrates your commitment to the role and your active engagement in the governance process. Regardless of attendance, each director shares collective responsibility for the decisions made by the board. If you disagree with a particular

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resolution, it is crucial that your dissent be formally recorded in the meeting minutes. This is the only mechanism by which a director can be publicly dissociated from a board decision, though legal liability may still apply. Furthermore, the board's accountability extends not only to the actions it takes, but also to those it neglects to take.

Prepare for Meetings

Directors are expected to thoroughly review the meeting agenda and all accompanying reports in advance to ensure informed participation. If any content is unclear, it is their responsibility to seek clarification prior to the meeting. Additionally, directors must examine the minutes of all meetings, including those of committees, regardless of their attendance, to verify accuracy and remain fully appraised of board activities.

Act Honestly and in Good Faith

If a director acts in the best interest of the credit union and not for themselves, they will have fulfilled their fiduciary duty.

3. Degree of Skill

Directors are not required to be professionals with special skills. Their conduct is not expected to conform to a higher standard than may be expected of a reasonably prudent person in comparable circumstances. However, if a director does possess a special degree of skill or knowledge (e.g. an accountant, realtor or lawyer), then a higher standard will be imposed, with respect to matters falling within that director's area of expertise.

4. Director Liability

Directors and officers of a credit union in Canada are exposed to liability under both statute and common law. This liability may arise simply from their status as a director or officer, or it can result from negligent acts, errors, or omissions.

Directors or officers may be found personally liable in three areas:

- Fiduciary Liability- Acting in own self-interest or not acting honestly and in good faith and in the best interests of the credit union.
- Negligence-The duty to exercise the care, diligence, and skill of a reasonably prudent person in governing the credit union's affairs.
- Statutory Liability – Being involved in an offence committed by the credit union. This includes but is not limited to impairment of capital or corporate solvency; insider trading; inaccurate or incomplete disclosure; environmental legislation; employment standards including pensions and vacation pay; remittance liability including Goods and Services Tax and Provincial Sales Tax; Canada Pension Plan, employment Insurance premiums; and income taxes deducted at source, and all other applicable legislation

All directors must annually complete and execute the Fiduciary Risk Policy Statement Form Appendix A.

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5. Directors' and Officers' Liability Insurance

The Directors' and Officers' (D&O) Liability policy has been developed to meet the needs of credit union directors and officers. In addition to the Directors' and Officers' Liability policy, protection for the directors is included in other CUMIS coverage both directly and indirectly, including General Liability Bond, Corporate Errors and Omissions, Liability Employment Practices, Privacy Liability with respect to D&O coverage only and Legal Expense coverage.

Credit union officers and directors are also entitled to cyber and privacy liability coverage through the existing cyber insurance policy.

6. Declaration of Conflict of Interest

All members of the board of directors are required to declare a conflict of interest, or perceived conflict of interest, as per the Board of Directors Code of Conduct Policy. All declared conflicts shall be recorded in the meeting minutes, and the affected director may be asked to recuse themselves from discussion and/or voting on the relevant agenda item, as deemed appropriate by the Chair.

7. Recorded Vote

During the adoption of the meeting agenda, any director who wishes to have a recorded vote on a specific agenda item must request it at that time. Recorded votes will only be applied to items for which such a request has been made and supported during the agenda-adoption process.

A board member may want to request a recorded vote in the following instances:

Controversial Decisions

When a vote involves sensitive issues (e.g., mergers, executive compensation, or major policy shifts), recording individual votes can protect the integrity of the process and clarify each director's stance.

Member or Stakeholder Requests

In cooperative organizations, members may request greater visibility into board decisions. A recorded vote helps demonstrate that directors are acting in the members' best interests.

Avoiding Misunderstandings or Disputes

A recorded vote clearly shows who supported or opposed a motion, reducing future disputes over the outcome. Although this provides clarity to those who supported or opposed a motion, all directors are to support the outcome of the decision regardless of their vote.

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Process

A request for recorded vote should be made prior to the adoption of the meeting agenda; however, if a request to record a vote follows the adoption of the agenda, the Board Chair will either:

1. Table the vote into the future or
2. Request a new motion to amend the meeting agenda

The recorded vote shall document each director's vote being either in favor, against or abstain, within the official meeting minutes.

If no request is made to record the vote, the outcome will be generally noted in the meeting minutes.

8. Policy Approval

The Fusion Credit Union Board of Directors has reviewed and approved this Directors Liability Fiduciary Risk Policy on March 13, 2026.

9. Revisions History

March 2022:

- Housekeeping (Grammar, formatting)
- Appendix A: Removed requirement to review fiduciary statement with the board and have this recorded in the minutes based on the individual review and confirmation process managed by the Executive Assistant

April 2023:

- No recommended changes

April 2024:

- Housekeeping Changes (Formatting, Grammar)
- Recommended Changes to Section 5: Director Liability Coverage based on feedback received from CUMIS. "Comprehensive" removed. Added commentary to reflect the privacy and cyber liability insurance coverage in place within the existing Cyber Insurance Policy.
- Removed name of policy owner

October 2025:

- Updated Chief Innovation Officer to Chief Strategy & Governance Officer
- Updates to Section 1 (Degree of Diligence) and Section 2 (How to be diligent and protect yourself) for readability purposes only, no material changes.
- Minor housekeeping

February 2026:

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- Addition of Section 6: Declaration of Conflict of Interest
- Addition of Section 7: Recorded Vote
- Housekeeping: Grammatical updates to ensure terms aligned with the definition provided within the by-laws. For example, the use of “Director” was changed to “director” to align with the defined terminology.
- Changed instance of “corporation” to “credit union”

APPENDIX A- POLICY STATEMENT – DIRECTORS FIDUCIARY RISK

A fiduciary is a person who, because of the position he/she occupies, has the responsibility to act primarily for another’s benefit rather than for himself/herself. Fiduciary duty is a duty of fair management.

Therefore, Directors must ensure their actions/conduct in carrying out their duties reflects the spirit of the above noted at all times. When deemed necessary, the Board should seek legal advice.

Directors owe a duty of care to the credit union and its members. A breach of duty of care is equal to being negligent. The legal standard required to avoid negligence is to use the care that a reasonable person exercising sound judgment would make in a set of similar circumstances.

What is at stake is not just dollars and cents but confidence in the organization. As a director, it is up to you to inspire that trust and confidence by diligently fulfilling your duties.

If a reasonable person exercising sound judgment would have acted as you did, you have not breached your duty of care. You are to use the skills and experience that you have.

Fiduciary duties may appear to be quite onerous, but if you act honestly and in good faith for the best interest of the credit union and not for yourself, you will have fulfilled your fiduciary duty.

This policy statement is to be reviewed with all new directors, with a signed copy maintained. This policy statement must also be reviewed annually by all directors.

Printed Name

Signature



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Date