0100. Board Governance Policy

Full Review: November 19, 2025

100. Introduction

This policy outlines the corporate governance principles and practices governing iQ Credit Union. It establishes the framework for the operations of the Credit Union's Board of Directors and its Committees while ensuring compliance with all applicable laws and regulations.

110. Role of the Board

The Board of Directors is responsible for the overall control and direction of the Credit Union's affairs, funds, and records. It performs the duties mandated by the State Credit Union Act and sets the strategic direction of the Credit Union.

120. Functions of the Board

Each Director, under Federal Law and this Governance Policy, has the following fiduciary duties:

- **Duty of Obedience:** Remain faithful to the Credit Union's mission, ensuring it guides all Board decisions.
- **Duty of Care:** Exercise due care, honesty, and prudent business judgment in policymaking and monitoring operations, acting as an ordinarily prudent person would.
- **Duty of Loyalty:** Avoid using the Board position for personal gain. Opportunities that belong to iQ Credit Union must not be diverted for personal benefit, and any conflict of interest must be disclosed.

In addition, Directors share these leadership responsibilities:

- **Oversight:** Oversee the affairs, funds, and records in a manner that meets fiduciary responsibilities per Federal Regulations, the State Credit Union Act, and iQ Credit Union's Bylaws.
- **Strategy:** Set the strategic direction of the Credit Union.
- **Culture:** Represent and uphold the Credit Union's culture.

130. Composition & Qualifications of the Board

130.100 Board Composition

The Board of Directors shall consist of nine (9) members. Newly elected members serve three-year terms and may serve a maximum of three successive terms. Directors serving as of January 20, 2021 may serve up to three additional three-year terms. If enforcing term limits would cause more than three (3) members to depart simultaneously, the term limit may be suspended by Board approval.

130.100.10 Vacancies

Vacancies are filled by the Board in accordance with the Bylaws. A vacancy occurs when a Director is no longer in good standing, resigns, dies, or is removed by law. Directors appointed to fill an unexpired vacancy remain eligible for election for up to three (3) additional terms.

130.200 Qualification to Serve

To serve on the Board, an individual must:

- Be a member in good standing of iQ Credit Union.
- Satisfy Credit Union bonding requirements and have no felony convictions or criminal charges involving dishonesty or breach of trust.
- Be at least 18 years of age.
- Not have been employed by iQ Credit Union within the past two years.
- Not be an employee, officer, or director of another financial institution.
- Not have family members employed by or receiving income from iQ Credit Union as defined in RCW 26.50.010 paragraphs (6) and (7).
- Possess general knowledge of the Democratic Rules of Order.
- Have been a member for three consecutive months to be eligible to vote in Credit Union elections.

130.300 Requirement of Service

The Board must hold at least six regular meetings per year—at least one meeting each calendar quarter.

Directors are required to attend meetings regularly. A Director's good standing is subject to review if they miss three consecutive meetings or over 25% of meetings in a 12-month period, and at least two meetings must be attended in person each year. Active participation in all Board, committee, and annual membership meetings is expected.

130.300.10 Orientation & Mentorship

The Board shall offer an orientation and mentoring program for new Directors and Audit Committee members covering responsibilities, iQ Credit Union history, the strategic plan, and operations. The board shall offer opportunities for continuous learning and development of skills to fulfill board duties.

130.400 Executive Officers

At the first meeting after the Annual Meeting, the Board elects a Chair, Vice-Chair, Treasurer, and Secretary to serve until the next Annual Meeting and until their successors are elected and qualified. If the current Chair intends to vacate the position, a successor may be elected up to one year in advance and will be mentored by the current Chair while serving as the chair-elect.

130.400.10 Duties of the Executive Officers

- **Chair:** Presides over all membership and Board meetings, appoints Committee members, and performs other customary duties.

- **Vice Chair:** Acts in the Chair's absence and performs any other duties assigned by the Board.

- **Secretary:** Keeps records of all meetings (of members, the Board, and Audit Committee), issues meeting notices per the Bylaws, and performs additional duties as prescribed.

  Treasurer: Chairs the ALM Committee, serves on the Executive Committee, and is a member of the Budget Committee.

130.500 Executive Committee

Comprised of the officers, the Executive Committee supports or, when necessary, acts in place of the full Board. It serves as a liaison to the President/CEO and manages the Annual Performance Review and Compensation Plan for the President/CEO. With at least two members present, it may act on behalf of the Board between meetings for delegated duties.

130.500.10 Authority

Commissioned by and responsible to the Board, the Executive Committee is authorized to:

- Borrow funds,
- Approve expenses exceeding the Budget, and
- Approve loan requests for Directors, Audit Committee members, the President/CEO, and the SVP Chief Lending Officer.

130.500.20 Reporting Responsibilities

The Executive Committee must regularly report Committee activities, issues, and recommendations to the Board.

140. Board Effectiveness & Assessment

The Board shall conduct an annual self-assessment and peer-to-peer assessment to identify strengths and areas for improvement. The Executive Committee is responsible for ensuring the assessment is completed each year, and the results are used to inform Board education and development plans.

The Board may use a vendor to conduct the assessment. Peer Assessments will be reviewed by the Board Chair and individual development plans created as necessary and appropriate.

150. Board Committees

The Board of Directors believes it is appropriate to delegate certain duties and authority to Committees. The Board establishes the following standing Board committees and grants them the authority to discharge the duties described in the charter of each committee.

- Budget & Finance Committee
- Executive Committee
- Nominations Committee
- Policy Committee
- Scholarship Committee (may include members-at-large)
- Retirement Committee (may include staff as Trustees)
- ALM Committee
- Board Compensation Committee

The Board will review each Committee Charter at least annually. The Board may, in its discretion, form new Committees, disband existing ones, or revise functions with the Board Chair's approval.

All Committee recommendations are reported at the next regular Board meeting following the regular Committee meeting, for the full Boards' ratification, revision, or alteration.

160. Relationship with Management

160.100 Board Independence

The Board shall adopt structures and procedures—including executive sessions or delegation to a committee—to ensure its independent functioning from management.

160.200 Communication with Management

Directors generally communicate with management through the President/CEO. However, when seeking clarification or additional information, Directors may contact appropriate senior management directly (with notification to the President/CEO). Similarly, communications regarding opportunities or introductions should go through the President/CEO.

The Board and committees have direct access to management and staff as necessary or appropriate to carry out their responsibilities. The Board and/or Committee Chair may request an officer or employee to attend meetings.

160.300 Delegation to CEO

The President/CEO, along with delegated officers and employees, manages the organization. In conjunction with the President/CEO, the Board shall develop and maintain a position description and employment contract that define the limits of management's responsibilities and organizational objectives for which the President/CEO is responsible.

The Board also monitors the President/CEO's performance against the Strategic Plan and other directives, with details of the Annual Performance Review and compensation plan changes outlined in the Executive Committee Charter.

170. Board Compensation & Expenses

The Board of Directors is expected to understand and manage increasingly complex financial, business, legal and regulatory matters. The Audit Committee has responsibilities to review and oversee the performance of the Board. The Credit Union must seek well-qualified Directors and Audit Committee members to ensure the continued success of the Credit Union. As permitted by law and the Credit Union's Bylaws, the Board deems it is in the best interest of the Credit Union to provide reasonable compensation to the Board of Directors and Audit Committee for their service to the Credit Union.

Therefore, the Credit Union shall provide the members of the Board and Audit Committee with reasonable compensation for their service to the Credit Union.

170.100 Compensation

"Compensation" refers to anything of value given to a Director or Audit Committee member for services rendered, as reportable income under federal tax law. It includes stipends or other benefits but excludes reimbursements for business-related travel, insurance, and indemnification (per WAC 208-400-010(2)(b)). Compensated members are not considered Credit Union employees.

170.200 Determination of Reasonableness

Board and Audit Committee compensation is set as an annual stipend payable quarterly (beginning January 1, 2016) according to the Compensation Schedule in this Policy. The Board has determined that the compensation is:

1. Proportional to the duties and responsibilities,
2. Reasonable given the Credit Union's financial condition, and
3. Comparable to that of similar organizations.

Details of this determination are recorded in the Board meeting minutes at which this Policy was adopted.

170.300 Compensation Schedule

The Board will establish and update the Compensation Schedule as needed.

170.400 Controls

The Board has implemented controls to ensure compensation is reasonable and does not pose financial risk:

170.400.10 Suspension of Compensation: If the Credit Union's Net Worth Ratio falls below 7.5%, compensation is suspended until the ratio reaches at least 7.5%.

170.400.10.1 Compensation Review: The Board regularly reviews compensation for reasonableness, and any changes are recorded in the Board meeting minutes.

170.400.20 Disclosures to the Membership: Members must be informed of the compensation provided to Directors and Audit Committee members.

170.400.20.1 Annual Disclosures: An annual written notice of the Compensation Schedule—including the names and positions of compensated members—must be provided prior to the annual membership meeting.

Publication of Disclosure:
The Compensation disclosure may be provided in one of the following publications, provided the disclosure is conspicuously set apart from other information provided to members:

- Notice of the Annual Meeting
- Separate mailing
- Periodic statement
- Newsletter
- Electronic posting on the Credit Union's website
- Email communication

180. President/CEO Compensation & Benefits

The Board of Directors supports a total compensation philosophy for the President/CEO competitive with comparable financial institutions of similar asset size, geographic region, employee size, membership, and operational complexity. The Credit Union's President/CEO compensation program consists of direct compensation and company-sponsored benefit plans. Each component is designed to achieve a specific purpose and to contribute to a total package directly tied to the performance and attainment of clearly defined goals and objectives.

180.100 Compensation Goals

The compensation philosophy for the President/CEO aims to:

- Recruit and retain a highly qualified leader
- Provide fair compensation reflective of responsibilities and performance

- Incentivize extraordinary performance
- Encourage a long-term relationship through adequate personal rewards

The Board establishes the President/CEO's compensation based on these goals, as well as the individual's qualifications, experience, and performance.

180.200 Cash Compensation

The President/CEO's cash compensation consists of a guaranteed base salary and an annual performance-based incentive.

180.300 Cash Compensation Range

The cash compensation range is determined by a bi-annual compensation survey conducted by the Executive Committee, with any changes approved by the full Board in November or December. The survey includes data from professional sources, community banks, and trade associations.

180.400 President/CEO Performance Evaluation

The Board conducts an annual performance evaluation of the President/CEO covering January 1 through December 31. The Board Chair presents the consensus evaluation by February 15.

180.500 Annual Base Salary Adjustments

The Executive Committee recommends the base salary annually—subject to Board approval—to ensure it remains within the established range. Salary adjustments, if warranted, become effective January 1.

180.600 Performance Incentive

The President/CEO may receive an annual performance incentive of up to 29% of the base salary based on achieving annual goals and creating long-term value. A performance incentive plan—detailing criteria and benchmark metrics—is recommended each December by the Executive Committee. The previous year's incentive is approved at the January Board meeting and paid within 15 days thereafter.

180.700 Benefits

180.700.10 Standard Benefits

The President/CEO is entitled to the standard benefits provided to full-time employees.

180.700.20 Additional Benefits

The Board may offer additional benefits—such as a 457f retirement plan, extra time off, personal use of a company vehicle, or first-class air travel—which are negotiated and included in the employment contract.

180.800 Employment Contract

The employment contract between the Credit Union and the President/CEO, drafted by corporate counsel, details conditions of employment including compensation. The term of the contract may vary.

190. Ethics & Conflicts of Interest

The Board of Directors and Audit Committee are elected by the members to serve the Credit Union. The Board and Audit Committee are committed to ensuring the integrity of their actions and decisions and to following the highest standards of moral conduct for the best interests of the members. The Directors and Audit Committee members agree to meet this commitment by conducting their actions with the following principles of ethics and standards of personal conduct:

190.100 Code of Ethics

Directors and Audit Committee members shall observe the highest standards of personal conduct in Credit Union matters. They must be loyal—subordinating all self-interests—and always put the Credit Union's interests first. Any potential conflict must be fully disclosed before Board action.

The duty of loyalty is based on fiduciary principles: a fiduciary is someone who has voluntarily accepted a duty to act for another's benefit. Officials must not use confidential information for personal advantage.

Directors and Audit Committee members owe this duty of loyalty to the Credit Union and its members, whose interests must prevail over personal interests. They must perform their duties in good faith and with the care an ordinarily prudent person would use, with no expectation of personal favors or special treatment.

190.100.10 Policy Compliance

Directors and Audit Committee members must strictly comply with all laws, bylaws, rules, policies, and regulations governing Credit Union operations. They shall examine all information, opinions, reports, and financial data—including financial statements—to be fully informed. They must exercise good business judgment in applying Board policies and ensure that all Credit Union activities are conducted in compliance with applicable laws, rules, and regulations.

190.100.20 Conflict of Interest

Directors and Audit Committee members must never use their position for personal advantage, nor engage in cover-ups or obstruction of questionable practices. They must conduct their private activities to avoid any conflict with Credit Union or member interests.

A "conflict of interest" is any situation where an individual has two or more incompatible duties or interests. Any direct or indirect pecuniary interest in a Credit Union contract, transaction, or relationship—including those involving family (per RCW 26.50.010)—must be disclosed to the Board before action, and the interested party must abstain from deliberation. Normal business courtesies are allowed only with full disclosure and no appearance of improper influence.

No Director, Audit Committee member, or family member may serve if employed by another financial institution. Directors are encouraged to participate in the community—but any service on another board (other than a 501(c)(3)) requires disclosure to the Board Chair. The Credit Union will only work with trade associations and other credit unions for ethical, non-anti-trust purposes.

190.100.30 One Voice Board

The Board of Directors shall follow open, democratic procedures in the nomination and election of officials and in formulating Credit Union policies. The Board oversees but does not manage day-to-day operations. Directors must conduct themselves professionally and respectfully toward one another and staff, encouraging healthy debate to support the best decisions. Once made, decisions are supported with a unified voice.

190.100.40 Confidentiality

While public disclosure of common information is appropriate, all other Credit Union business must remain strictly confidential to protect member privacy. Disclosure of any member's financial conditions or transactions requires coordination by management and, if applicable, written member approval or legal process.

Directors and Audit Committee members receive confidential information—such as plans, forecasts, strategies, decisions, and contingencies—and must safeguard it to support sound business decisions. Under no circumstances may this information be used for personal benefit or shared outside the Credit Union (including family members, business clients, other credit unions, or financial institutions) until it is publicly released to members and the general public. Unauthorized disclosure is grounds for suspension or removal.

190.100.50 Investments

No Director, Audit Committee member, or family member may make any direct or indirect investment in a Credit Union vendor, customer, or supplier—including securities, proprietorships, joint ventures, or similar activities—unless the investment is in publicly traded securities or on terms no more favorable than those available to the general public. Any exception requires prior approval by the Board Chair. All personal or family investments must avoid use of non-public, insider information.

190.100.60 Political Action

The Credit Union shall not contribute money, property, or services to any government official, political party, or candidate—local, state, or federal—except for non-partisan contributions allowed under this Governance Policy. Directors and Audit Committee members may, and are encouraged to, engage in governmental, regulatory, or electoral processes—whether individually, in a group, or as part of a political action committee—but only on their own behalf and never as representatives of the Credit Union.

190.100.70 Public Relations & Communications

The Credit Union maintains good relations with news media but must protect nonpublic information—such as details about corporate sponsors, individual members, or competitively sensitive matters. All media inquiries to Directors or Audit Committee members shall be referred to the Chair, President/CEO, or SVP Chief Administrative Officer.

No Director or Audit Committee member may use official Credit Union materials (e.g., stationery) for personal or non-job purposes, especially if it implies unauthorized affiliation or endorsement. Any correspondence about Credit Union business outside normal operations must be reviewed by the Chair, President/CEO, or SVP Chief Administrative Officer before mailing, with a copy retained at the Credit Union office.

190.100.80 Financial Responsibility

Directors and Audit Committee members must conduct their personal financial affairs in a responsible manner.

190.100.90 Personal Conduct

Directors and Audit Committee members must adhere to the highest personal conduct standards. Under Washington law and NCUA rules, anyone who breaches trust or acts dishonestly (theft, fraud, record falsification) is ineligible to serve and will be subject to suspension or removal. Standards for Directors or Audit committee members are no less stringent than those for management or employees.

The Board shall investigate and discipline impermissible practices, up to termination or removal.
Receipt of Gifts: All substantial gifts must be reported under the Conflict of Interest policy. No disinterested observer should reasonably feel a Director's judgment could be impaired by any accepted gift.

190.100.100 Administration and Responsibilities

The primary accountability for the Ethics Policy rests with each Director and Audit Committee member, who must not only comply but also demonstrate compliance by example. The Audit Committee is responsible for monitoring and ensuring execution of all Credit Union policies. All potential Directors and Audit Committee candidates shall review and sign this policy and disclosure before consideration for office.

These moral and ethical principles are the foundation for serving Credit Union members. By acknowledging them, Directors and Audit Committee members commit to integrity and honesty in all actions.

Date of Board Approval	Change Log	Primary Management Contact
1/20/2021	Policy Adopted	Eric Petracca, President/CEO
6/16/2021	Bylaws Alignment	Eric Petracca, President/CEO
8/18/2021	In-person meeting requirement	Eric Petracca, President/CEO
10/27/2021	Section V. Board Effectiveness & Assessment updated.	Eric Petracca, President/CEO
5/18/2022	Numbering update for policy in entirety. Section 180. President/CEO Compensation & Benefits added to policy	Eric Petracca, President/CEO, Governance Committee
11/3/2023	Section 130.100 added effective date for term limits, Section 130.200 voting eligibility added, updated 150. Board Committee members, removed section in 170.200 comparable to compensation.	Eric Petracca, President/CEO, Governance Committee
11/20/2024	Section 130.100 added board chair successors	Eric Petracca, President/CEO, Governance Committee
10/22/2025	Annual Review, removed verbiage on section 190.100.80 Financial Responsibility and 190.100.90 Personal Conduct, Removed	Eric Petracca, President/CEO, Executive Committee

	references to Governance Committee	