



ETHICAL GUIDELINES FOR BOARD MEMBERS OF NOT-FOR-PROFIT ORGANIZATIONS

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Join Our Board

Ethical Guidelines for Board Members of Not-for-Profit Organizations

Introduction

Not-for-profit societies or associations are generally created in order to provide programs and services which address specific needs or interests of those who create the organizations. These organizations are governed by a board of directors, which is responsible for directing, influencing, and monitoring the organization's business. The boards generally carry out their governance roles by developing and monitoring policies, and work is generally organized through committees.

Board members of not-for-profit organizations are volunteers who have an interest in the well being of the organization. With their board membership, however, comes responsibility and accountability. An overriding area of concern for all not-for-profit organizations is its ethical governance - not only must governance be ethical in all areas, but it must also be perceived to be ethical. The ethical operations of the entire organization will flow from the standards set by both policy and leadership actuality, and the ethical conduct of each board member will determine the perception and to a degree the reality of the ethical conduct of the board as a whole, and through to the not-for-profit organization as a whole.

While not-for-profit organization board members are both liable and responsible for their conduct and decisions in their board member role, the not-for-profit organization often does not articulate standards which define potential areas of unethical conduct **by board members**. Practices which are generally acceptable in a business setting may not be considered ethical in the not-for-profit organization's domain; however, if board members are not made aware of these areas of concern, they may breach ethical boundaries unknowingly to the detriment of both the organization, its membership and themselves. It is therefore incumbent on not-for-profit organizations to articulate ethical guidelines to board members at the outset of their membership to protect the sanctity of both the organization and the member. This report will review related issues and suggest guidelines which a not-for-profit organization can use to impart the necessary knowledge to prospective board members.

Reasons for Serving on a Not-For-Profit Board

Individuals volunteer to serve on boards of not-for-profit organizations for many different reasons. Most volunteers offer their services because they share the *raison d'être* for the existence of the organization, and strongly believe in its work and purpose. People also serve on boards from *enlightened self interest*, in that they believe in the organization, but they also want to gain personal benefits from their volunteer efforts. The reasons for board service range through degrees of pure servitude intentions, i.e. *total desire to serve*, to a salient desire for personal gain, i.e. *total desire for personal gain*.

While it is generally from board members' wishes to gain personal benefits from their volunteer efforts that most areas of conflict of interest arise, ethical issues can also arise through actions or lack of actions unbeknownst to the board members.

Areas of Potential Ethical Problems

Board members both expect and are expected to carry out their board duties with the proper use of their authority, and in a professional and ethical manner. Ethical problems evolve in situations where expected standards or norms are not met, whether they have been clearly articulated by the not-for-profit organization or the organization has been silent on the standards. Expected performance standards include the following:

- Being loyal to the not-for-profit organization and its members
- Avoiding conflict of interest, including direct and indirect gains which could accrue to the member as a result of actions or decisions made in the capacity of board authority. Examples of potential conflict of interest include:
 - A board member makes a decision motivated by considerations other than the "best interests of the not-for-profit organization"
 - A board member or close family member personally contracting with the organization
 - A board member learns of an opportunity for profit which may be valuable to him/her personally or to another organization of which he/she is a member
 - A board member assists a third party in their dealings with the organization, where such assistance could result in favorable or preferential treatment being granted the third party, by the not-for-profit organization
 - A board member receives gifts or loans from the organization
- Dealing with the public, staff, clients, and board peers in an ethical, fair, and straight forward manner
- Not exercise individual authority over the not-for-profit organization or the staff
- Speaking positively of the not-for-profit organization to the public
- Fostering friendly and positive working relationships between volunteers and staff
- Maintaining confidentiality of board business

In any organization, including a not-for-profit organization, standards and the practicing of these standards are set by the leadership, and the organizational culture follows from these standards and the subsequent practice of these standards by board members. In the long term, a lack of an ethical base resulting from not creating and following ethical standards has the potential to lead to a lack of success in the organization. As unethical behavior by an individual board member reflects on the board as a whole, and vicariously to the organization as a whole, it behooves all not-for-profit organizations to provide clear standards for board members.

Board Obligations and Responsibilities

The board is ultimately responsible to determine the purpose of the not-for-profit organization, through the establishment and implementation of the organization's vision and mission, and the review and modification of these guiding principles as required. It is also responsible for the continuity of the organization, which it provides through either directly managing or implementing the organization's affairs, or through the effective recruitment of management and staff personnel. The board sets the organization's rate of progress in reaching its mission and vision, and also is responsible for establishing the identity of the organization by securing its community's support and appreciation for the organization's mission and long term direction.

It is important that the board of a not-for-profit organization ensure that it is aware of its obligations and responsibilities, and that this information be articulated and disseminated to all board members. The board, and vicariously each board member is ethically responsible for the proper functioning of the board. Often the **board's** area of ethical responsibility is ignored, with ethical concerns focused on areas of perceived and actual areas of fairness and honesty, and little or no focus placed on the potential of lack of management or failure to ensure that the board meets its responsibilities to its board members.

Guidelines for Board Members and Not-For-Profit Organizations

Not-for-profit organizations, whose boards are generally comprised of volunteers for whom their board membership is usually one small part of a busy life, often do not have a code of ethics or related guidelines for their board members. While it is common for such organizations to have a code of ethics for their membership at large, it is not recognized that there are specific pitfalls and areas of potential ethical mismanagement which are not likely encompassed in the general code of ethics prescribed to its members.

Code of Ethics for *Hilson Management's* Board of Directors

Statement of Commitment

"In establishing policy for and on behalf of *Hilson Management's* members, I am a custodian in trust of the assets of their society/association. The members recognize the need for competent and committed elected board members to serve their organization and have put their trust in my sincerity and abilities. In return, the members deserve my utmost effort, dedication, and support."

"Therefore, as a board member/director of *Hilson Management*, I acknowledge and commit that I will observe a high standard of ethics and conduct as I devote my best efforts, skills and resources in the interest of *Hilson Management* and its members. I will perform my duties as board member/director in such a manner that members'

confidence and trust in the integrity, objectivity and impartiality of *Hilson Management* are conserved and enhanced. To do otherwise would be a breach of the trust which the membership has bestowed upon me.”

Ethical Guidelines

1. I will always hold the betterment of the membership of the organization as my priority, including during all participation in discussions and voting matters.
2. I recognize that I am obligated to act in a manner which will bear the closest public scrutiny.
3. It is my responsibility to contribute to the board of directors any suggestions of ways to improve the organization’s policies, standards, practices or ethics.
4. I will not abuse my position as a board member by suggesting to any organization employee that I am entitled to or expect any special treatment beyond regular members of the organization.
5. I will declare any conflict of interest, be it real, potential, or apparent, which is not immediately obvious with regard to any matter being discussed in my presence during a meeting.
6. If the board decides at any time during a meeting that I have a conflict, I will accept their request that I refrain from participating in the discussion and I will leave the meeting at the board’s request. I understand that the board’s decision will be recorded in the minutes, either with or without the reasons for the decision being also recorded
7. I understand that the following activities are considered by the organization to be conflicts of interest, and that conflicts of interest are not limited to the following situations:
 - where a director makes a decision, or does an act motivated by other or additional considerations than “the best interests of the organization
 - where a director personally contracts with the organization or where he/she is a director of other organizations which are contracting with this organization
 - where a director learns of an opportunity for profit which may be valuable to him/her personally or to another organization of which he/she is a member, or to other persons known to the director
 - where a director, in any circumstance as elated to the organization, puts his/her personal interests ahead of the best interests of the organization

Information

8. I will not knowingly take advantage of or benefit from information that is obtained in the course of my official duties and responsibilities as a board member, and that is not generally available to membership
9. I will be alert to information which the organization can use to develop improved policies and strategies

10. I will protect the organizations information closely and will not release or share confidential information without the permission, preferably in writing, of the person who provided it
11. I will maintain confidentiality of all information which the board deems ought to be kept confidential

Resources

12. I will be mindful of resources which are in my trust on behalf of the organization, and will help establish policies which ensure the maximization of secure and protected resources
13. I expect to be reimbursed for legitimate expenses incurred by myself for the sake of the organization. I will keep all such expenses reasonable and justifiable and will discuss expenses which may be in question with the organization's president

Gifts and Hospitality

14. Should business associates or others offer me gifts, favors, or benefits on a personal basis because of the business the organization does with them, I will recognize that such offers may be an effort to secure advantage from me, and I will reject such offers on the basis that it is against the organization's policy to accept gifts from business contacts. The most I will accept will be normal promotional handouts of a nominal value.
15. I will not routinely accept the hospitality of others. For example, when meals are taken with business colleagues, I will pay for as many meals as do my colleagues.

Representing the Organization

16. As part of my duties as a board member, I represent the organization informally and formally to other associations, societies, government officials, and business representatives. I recognize that it is important that I represent the organization in such a way as to leave others with a positive impression of the organization. In my duties I will preserve and enhance the good reputation of the organization and will avoid behavior which might damage its image.

Interpretation

17. The president of the organization shall ensure that the practice of this policy will be fair, just, and equitable in all situations of interpretation and application.

Enforcement

18. The president is ultimately responsible for immediate interpretation, application and enforcement of the board members' code of ethics policy. All

complaints concerning a possible code of ethics violation shall be made in writing to or by the president with a copy provided to the complainant.

The president shall make an initial determination of the issue and shall attempt initial resolution of the problem with the complainer and the complainant.

If this initial attempt at resolution is not successful, the president shall appoint a tribunal composed of three board members to investigate the complaint. The tribunal is required to investigate as required and submit a written report to the president within 30 days. The president will render his/her decision within ten days of receiving the tribunal's report.

The president's decision may be appealed in writing to the board of directors for consideration the board's next regular meeting at the organization's next regular scheduled meeting for a final decision. The final decision shall be delivered in writing to the complainer and complainant.

Delegation and Penalties

19. Should the president be the subject of a written complaint, the vice president shall perform the duties normally assigned to the president in this matter.

20. Penalties imposed for breach of the code of ethics may include, but are not limited to, the following:

- Excluding the director from portions of all future meetings and discussions which relate to the stated conflict of interest, and/or
- censure of the director, in private, in public, or both, and/or
- removal of the director from office by a resolution passed by a vote of two-thirds of the members voting at an annual or special general meeting of the not-for-profit organization's members, provided that notice of such a proposed resolution is given with the notice calling the meeting.

I have read and I accept Hilson Management's Code of Ethics for Board Members

Signature

Date