

# Nonprofit Board Member CODES OF CONDUCT AND ETHICS

**Are nonprofit board members required to conduct themselves in any particular manner? Yes!** Under well-established principles of nonprofit corporation law, a board member must meet certain standards of conduct and attention in carrying out his or her responsibilities to the organization. Several states, in fact, have statutes adopting some variation of these duties that would be used in court to determine whether a board member acted improperly. These standards are usually described as the duty of care, the duty of loyalty, and the duty of obedience.

## DUTY OF CARE

The duty of care describes the level of competence that is expected of a board member and is commonly expressed as the duty of “care that an ordinarily prudent person would exercise in a like position and under similar circumstances.” This means that a board member owes the duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

## DUTY OF LOYALTY

The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.

## DUTY OF OBEDIENCE

The duty of obedience requires board members to be faithful to the organization’s mission. They are not permitted to act in a way that is inconsistent with the central goals of the organization. A basis for this rule lies in the public’s trust that the organization will manage donated funds to advance the organization’s mission. This duty also requires board members to obey the law and the organization’s internal rules and regulations.

## WHAT ARE THE RESPONSIBILITIES OF INDIVIDUAL BOARD MEMBERS?

- Attend all board and committee meetings and as many functions, such as special events, as possible.
- Be informed about the organization’s mission, services, policies, and programs.
- Prepare for board and committee meetings by reviewing the meeting agenda and supporting materials.
- Serve on committees or task forces and offer to take on special assignments when your capacity allows.
- Make a personal financial contribution to the organization.
- Inform others about the organization. Advocate for the organization.
- Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization.
- Keep up-to-date on developments in the organization’s field.
- Follow conflict-of-interest and confidentiality policies.
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization’s financial statements.



## CODES OF ETHICS

There has been increasing concern about ethical behavior in nonprofit — particularly charitable — organizations in recent years. Public scandals in the nonprofit sector have drawn attention to the need for an increased level of board accountability. In response, many organizations have developed codes of ethics. These documents encompass the values of the organization and provide a code of conduct for employees and volunteers, including board members. While a values statement guides the organization in a strategic, fundamental way, codes of ethics shape the actions, behaviors, and decision making of an organization in a more explicit way.

Although a code of ethics by itself cannot prevent wrongdoing, it conveys a strong message both internally and externally about the culture and work of the organization.

### Key Elements

- Serves as an overarching statement for other policies that establish standards of integrity and accountability.
- Should outline the process and/or mechanism for implementing the defined culture and values within the organization from top to bottom. A values statement is sometimes incorporated into the code of ethics.
- Often general in nature. Some issues, such as confidentiality, conflict of interest, and nepotism, may be addressed in separate policies.

### Practical Tips

- Define what ethical behavior means for your organization, and clarify accepted professional standards.
- Separate staff and board issues. Board members and staff members often get confronted with different situations based on their role vis-à-vis the organization, its constituents, and the community at large.
- When discussing the code with staff and board members, it is often useful to provide examples of unacceptable behavior.
- As a way to stress the importance of the code, some organizations request a signature from board and staff members as a sign of understanding and acceptance of the standards.
- Once the code is established, it should be reviewed periodically by the staff and board for possible revision. In this way, the language of the code will continue to serve the expectations and needs of the organization.

## SAMPLE CODES OF ETHICS

The following samples range from very general to specific, with each reflecting the organization's values and culture.

### **SAMPLE #1 | This policy establishes a formal statement about promoting ethical conduct.**

As a nonprofit organization at the forefront of [purpose of organization], XYZ's policy is to uphold the highest legal, ethical, and moral standards. Our donors and volunteers support XYZ because they trust us to be good stewards of their resources, and to uphold rigorous standards of conduct. Our reputation for integrity and excellence requires the careful observance of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity.

XYZ will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter and spirit of all relevant laws; to refrain from any illegal, dishonest, or unethical conduct; to act in a professional, businesslike manner; and to treat others with respect. Directors and officers should not use their positions to obtain unreasonable or excessive services or expertise from XYZ's staff.

In general, the use of good judgment based on high ethical principles will guide directors, officers, and employees with respect to lines of acceptable conduct. However, if a situation arises where it is difficult to determine the proper course of conduct, or where questions arise concerning the propriety of certain conduct by an individual or others, the matter should be brought to the attention of XYZ. Employees should contact their immediate supervisor and, if necessary, the director of human resources. Board members should raise any such concerns with the chair or the treasurer of XYZ's board. In all questions involving ethics and conduct, the board will make relevant determinations, except that any individual whose conduct is at issue will not participate in such decisions.

**SAMPLE #2 | This ethics policy sets an affirmative tone through the introductory phrase of "We will do the following."**

We, as XYZ professionals (staff and board members), dedicate ourselves to carrying out the mission of this organization. We will do the following:

1. Recognize that the chief function of XYZ at all times is to serve the best interests of our constituency.
2. Accept as a personal duty the responsibility to keep up-to-date on emerging issues and to conduct ourselves with professional competence, fairness, impartiality, efficiency, and effectiveness.
3. Respect the structure and responsibilities of the board, provide them with facts and advice as a basis for their making policy decisions, and uphold and implement policies adopted by the board.
4. Keep the community informed about issues affecting it.
5. Conduct our organizational and operational duties with positive leadership exemplified by open communication, creativity, dedication, and compassion.
6. Exercise whatever discretionary authority we have under the law to carry out the mission of the organization.
7. Serve with respect, concern, courtesy, and responsiveness in carrying out the organization's mission.
8. Demonstrate the highest standards of personal integrity, truthfulness, honesty, and fortitude in all our activities in order to inspire confidence and trust in our activities.
9. Avoid any interest or activity that is in conflict with the conduct of our official duties.
10. Respect and protect privileged information to which we have access in the course of our official duties.
11. Strive for personal and professional excellence and encourage the professional developments of others.

**SAMPLE #3 | This code of conduct sets its standard by stating what the board and key staff will not do. It also includes a signature line and reporting procedures.**

It is the intent of XYZ to strive for the highest ethical conduct from all board and staff. The leadership is particularly sensitive to individuals who hold management and governance positions of trust and confidence in fulfilling the mission and goals of the organization. These sensitive positions include officers, key senior staff members designated by the chief executive, and members of the board. In an effort to achieve the highest standards of conduct, each officer, key staff member, and board member is requested to acknowledge (by signing) the following adopted Code of Ethics by [month/day] each year. This acknowledgement will be kept on file in the human resource department.

All officers, key staff members, and members of the board of XYZ are required and expected to exercise the highest ethical standards of conduct and practice fundamental honesty at all times.

In support of XYZ's standards of high ethical conduct, each officer, key staff member, and board member WILL NOT

- deceive, defraud, or mislead XYZ board members, officers, staff members, managers, supervisors, or other associates, or those with whom XYZ has business or other relationships
- misrepresent XYZ in any negotiations, dealings, contracts, or agreements
- divulge or release any information of a proprietary nature relating to XYZ's plans, mission, or operational databases without appropriate approval
- obtain a personal advantage or benefit due to relationships established by any officer, senior staff member, or board member by use of the organization's name
- accept individual gifts of any kind in excess of \$[xxx], in connection with the officer's, key staff member's, or board member's relationship with XYZ. All such gifts are to be reported to the chief financial officer who shall divulge gifts received during the calendar year to the audit committee

## NONPROFIT BOARD MEMBER CODES OF CONDUCT AND ETHICS

- withhold their best efforts to perform their duties to acceptable standards
- engage in unethical business practices of any type
- use XYZ property, financial resources, or services of XYZ personnel for personal benefit
- violate any applicable laws or ordinances

Infractions of this Statement of Personal and Professional Standards of Conduct are to be reported directly to any member of the audit committee who shall, in his or her determination, bring the infraction to the full executive committee.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name (please print) \_\_\_\_\_

More samples are available in  
*The Nonprofit Policy Sampler.*

