

# **NATIONAL BOARD OF HOUSING**

## **BOARD OF DIRECTORS CODE OF ETHICS**

### **Article I.**

A director has a duty of good faith and loyalty to the cooperative. This means that:

- A director owes allegiance to the cooperative and must act in the best interests of the cooperative while acting in his or her official capacity.
- A director should be diligent to ensure that the cooperative's interests are pursued during the meetings of the board of directors.
- A director may not use the position for personal profit, gain or other personal advantage over other member shareholders of the cooperative.
- A director is accountable to the member shareholders of the cooperative for his or her official actions and can be held personally liable for fraud or breach of fiduciary duty in the conduct of the cooperative's affairs.
- A director who exercises honest and reasoned judgment and acts reasonably and in good faith for the best interests of the cooperative will not be held liable for violation of his or her fiduciary obligation to the cooperative. To carry out this duty, here are some guiding rules to follow:
- A director should not discuss personal business during a meeting of the board of directors nor advance his or her personal interests while in official session at the expense of the cooperative.
- A director should not make personal attacks on other directors, staff or member shareholders while performing official duties. Disagreements should be directed to the disagreement, not the person who raises an opposing point of view
- A director may not accept commissions or rebates that belong to the cooperative for his or her personal gain.
- A director shall conduct his or her private life in a manner that befits the dignity of a corporate director.

### **Article II.**

A director has a duty to use care, skill, and diligence when carrying out official acts. This means that:

- A director is required to act honestly and in good faith, in a manner reasonably believed to be in the best interests of the cooperative, and with the care that a prudent person in a similar position would use under similar circumstances.
- A director should use his or her best efforts to keep apprised of legislation or regulations that affect the cooperative.

- A director should seek the advice of experts when making decisions on behalf of the cooperative in areas of competence in which the director has not been trained.
- A director must serve the interests of all member shareholders impartially and without bias.
- A director must advocate that the cooperative comply with applicable laws, codes, contracts, and agreements to which the cooperative is bound.

To carry out this duty, here are some guiding rules to follow:

- A director is expected to make a diligent effort to become trained and skilled in the business of cooperative housing in such areas as finance, membership sale values, house rules, governance, and oversight.
- A director is expected to obtain a working knowledge of laws that regulate the cooperative such as fair housing and minimum code restrictions that affect the cooperative and its operations.
- A director is entitled to rely upon information and reports presented by officers or other employees of the cooperative whom the director reasonably believes to be reliable and competent.
- A director is entitled to rely upon legal opinions, financial statements, and other information relating to matters that the director reasonably believes to be within the expertise of the person preparing the information.

### **Article III.**

A director has a duty to act within the boundaries of his or her authority.

- The authority of a board of directors is defined in the charter and bylaws of the cooperative.
- A director's authority is limited to those acts that are transacted during the course of a duly called meeting of the board of directors with a quorum present.
- A director may not act in an official capacity except in the context of a meeting of the board of directors unless specifically empowered to act by a majority of directors present and voting in the affirmative at a duly called meeting.
- A director serving in official capacity may not violate government laws that regulate the operations of the cooperative.
- A director serving in official capacity may not violate the cooperative's charter.
- A director serving in official capacity may not violate the cooperative's bylaws.

To carry out this duty, here are some guidelines to follow:

- The corporate charter received from the state defines the business that the corporation can conduct. Its bylaws describe how the cooperative will be operated.

- The board of directors is obligated to comply with the bylaws of the cooperative. Member shareholders who may have been wronged by the failure of the board of directors to comply with the bylaws may have a case of personal liability against the directors who violate the bylaws.

#### **Article IV.**

- A director has a duty to disclose every personal conflict of interest to the cooperative.
- A director is required to make a prompt and full disclosure of any material personal interest, either direct or indirect, he or she may have in a transaction to which the cooperative is a party.
- A director shall not vote on or participate in discussions or deliberations on matters when a conflict is deemed to exist other than to present factual information or to respond to questions presented.
- A director shall assure that the minutes properly record his or her abstention on any votes on matters for which a conflict may exist.

To carry out this duty, here are some guiding rules to follow:

- A director who has disclosed a conflict should request that the disclosure be recorded in the official minutes of the meeting.
- A director may vote on an issue that benefits the director if the issue is one that is decided for the general good of the cooperative and the member shareholders. An example is voting to replace windows. If the motion is to replace all windows, you can vote. If the motion is to replace windows only on your side of the cooperative, don't vote.

#### **Article V.**

- A director may not divulge or profit from the confidential information learned while performing official duties.
- A director may not divulge or otherwise use for personal gain any personal information learned during the performance of official duties as a director.
- A director must hold confidential all matters involving the cooperative until such time as there has been general disclosure of that information.
- A director shall not have access to the personal files and financial records of a member shareholder without the consent of that member shareholder.

To carry out this duty, here are some guiding rules to follow:

- A director must use special care to protect delinquency reports and check registers containing

personal information from being read by unauthorized persons.

- A director must not reveal confidential bidding information from contractors or provide unauthorized information to bidders about the review of the bids.
- A director may not use information learned about a member shareholder during an official meeting as a topic of conversation with other member shareholders.
- A director does not have authority to peruse files that contain private information about individual member shareholders.
- A director has a duty to protect the confidentiality of information learned in the applicant screening process.
- A director must have a member's consent to receive confidential information about that member.

#### **Article VI.**

- A director has a duty to participate in the operations of the cooperative only as authorized in the bylaws or by the full board of directors.
- A director's primary obligation is to participate in the governance and policymaking process of a cooperative, and not its operations.
- A director should not interfere with the enforcement of the occupancy agreement or house rules outside of a meeting of the board of directors.
- A director should not interfere with the enforcement of policies except during a meeting of the board of directors.

To carry out this duty, here are some guiding rules to follow:

- An individual director is not empowered to provide day-to-day work instructions to staff unless clearly authorized to do so during a meeting of the board of directors.
- An individual director does not have authority to waive compliance with any policy of the entire board of directors.

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