LevelUp
Co-op Learning Series

Board of Directors – PART 2:
What Makes a Good Director

About LEVEL UP

- The LEVEL UP Learning Series is a partnership between the **Co-operative Housing Federation of Toronto** (CHFT) and the **City of Toronto**.

- CHFT would like to thank the City of Toronto for providing financial support in bringing this series to the co-op housing sector.

Land Acknowledgment

Where we are has been the site of human activity for 15,000 years.

This land is the territory of the Huron-Wendat and Petun First Nations, the Seneca and most recently, the Mississaugas of Credit River. The territory was the subject of the Dish with One Spoon Wampum Belt Covenant, an agreement between the Iroquois Confederacy and Confederacy of the Ojibwe and allied nations to peaceably share and care for the resources around the Great Lakes.

Today, the meeting place of Toronto is still home to many Indigenous people from across Turtle Island. We are grateful to have the opportunity to work in the community, on this territory. We are also mindful of broken covenants and the need to strive to make right with all our relations.

Outline

- Why be a director?
- Principled leadership
  - Duty of care
  - Duty of loyalty
  - Conflict of interest
- Director accountability
- Summary and next steps

Why do you want to be a director?

- It's important to think about why you want to sit on your co-op's board.
- Why will the co-op's members want to elect you?
- Do you understand what is expected of you when you are a director?

A good director is first a good member

Good members

- pay housing charges on time
- are good neighbours
- act and live co-operatively by the co-op's by-laws (rules) and policies
- keep their unit in good condition
- attend meetings regularly and productively
- get involved in the co-op community.

Board Responsibilities

Boards

- approve members
- hire and supervise management
- enter into contracts on behalf of the co-op
- approve and monitor spending
- terminate membership
- propose changes to by-laws (rules) and policies
- report to members

Directors work together

- Directors work as a team or a board of directors
- No one director has more authority than another
- Directors make decisions together. And only at board meetings where proper notice has been given, quorum is met and minutes are taken.

Commitment to being a director

As a committed director you understand and take your role seriously.

- You understand that together with your fellow board members you have a responsibility for the well-being of your co-op and you are ready to meet that responsibility on behalf of the members.
- You are dependable.
- You prepare for meetings and think carefully about decisions.
- You accept the importance of ethics in the role of a director.

As a committed director

- You are ready to meet the standard for directors set out in the co-op acts in Canada.
- You understand that directors can be personally liable in certain circumstances.
- You ask questions and get information to make sound decisions.
- You listen and keep an open mind.

Principled leadership

Principled leadership means leading by example as we apply ethical standards to our decisions and actions, in a way that reflects our shared values.

Principled leaders

- put their duty to the co-op and the members before their own interest
- make the right decisions for the co-op, not necessarily the popular ones
- help chart a course for the co-op that is in keeping with its purposes and values
- work to win the trust and confidence of the membership

Principled leaders

- have respect for the members, and others involved with the co-op
- deal in good faith with fellow directors and others in the co-op
- lead by example, making sure they follow the co-op's by-laws (rules) themselves.

Legal duties of directors

All directors have specific legal duties:

- a duty of care, and
- a duty of loyalty.

These duties can be found in both legal statutes and common law.

Duty of care

Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

When important issues arise directors must

- act appropriately and not turn a blind eye to something that puts the co-op at risk
- seek out information and advice using sector resources, professionals or independent sources
- make decisions based on relevant and accurate information.

How do directors meet their duty of care?

- take the job seriously
- prepare for board meetings in advance
- pay attention at board meetings
- ask for more information
- attend all board meetings.

Duty of loyalty

- A duty of loyalty means putting the best interests of someone (or something) ahead of your own.
- It is also known as a fiduciary duty.
- A fiduciary duty involves a relationship of trust or confidence.

Duty of loyalty

Directors have a duty of loyalty (or fiduciary duty) to the co-op.

Directors must

- act honestly and in good faith
- always put the co-op's interest ahead of their own.

Directors are accountable to the members but their fiduciary duty is to the co-op.

How do directors meet their fiduciary duty?

Scenario:

- You are on the board. The board review the co-op's annual budget.
- The new budget includes a housing charge increase of 5% to cover rising costs in heating and maintenance.
- You and another board member do not want to pay higher housing charges. A vote is taken and a majority of the board approves the budget.
- Therefore, the budget is recommended for approval at the next members' meeting.

What do you do at the co-op's annual members meeting?

A. Express your disagreement with the board's proposed annual budget

B. Say nothing but vote against the budget

C. Actively support the budget's approval

D. Skip the meeting

How do directors meet their fiduciary duty?

- Be loyal to the co-op and always put the co-op's interests ahead of your own.
- Support the decisions of the board to the members.
- Never speak against other directors.
- Keep secret any confidential or private information about the co-op's business.

Conflict of interest

A **conflict of interest** means to make a decision about a matter in which a director has a personal interest that is not shared by all the members.

Scenario A

- Fatima, a director on the board, has fallen into arrears since the last board meeting. A member, Jason, is scheduled to appear before the board tonight to discuss his arrears and whether or not he should be evicted.
- Does Fatima have a conflict of interest?
- What should Fatima do?

Scenario B

- A member of the co-op overheard Petra, a board member, say that it would be over her dead body if Gord and Helen, got an internal move to the unit right beside her.
- The board has been discussing Helen and Gord's internal move for the past several board meetings. Petra has taken part in all the discussions.
- Is this a conflict of interest? What should the board do?

Scenario C

- Ida is on the board of the co-op where she lives. The co-op has advertised for a new manager and one of the applications they have received is from a woman in Ida's yoga class.
- Is this a conflict of interest for Ida?

Scenario D

- Flora sits on the board at her co-op. She has a neighbour with a dog that barks constantly and jumps up. The dog frightens Flora's daughter. Flora has written a letter to the board complaining about the dog.
- Is this a conflict of interest?
- What should Flora do when this item comes up on the agenda?

Declaring a conflict of interest

- **act legally** - declaring a conflict of interest properly protects the director, board and the co-op.
- **act ethically** - when a director declares a conflict of interest, the other directors will decide how to proceed.
- **know the rules that apply to your co-op**

Ethical conduct agreements

- Co-ops need to set the bar high.
- Co-ops should set conduct guidelines that clarify expectations ensure respect and support for the co-op avoid real and perceived conflicts of interest.
- Sign an ethical conduct agreement

Directors hold one another accountable

- When a director acts inappropriately, board action might include one or more of the following:
- remind all directors about appropriate conduct
- advise the director that behaviour is unacceptable and request that they rectify or not repeat the behaviour
- remove the director from their officer position
- censure the director in board minutes and request the director’s voluntary resignation
- recommend that members remove the director.

Be aware of your duties as a director

To make directors aware of their duties

- hold an orientation session every time the board changes
- ask directors to sign ethical conduct agreements that spell out their duties
- talk about the duties of directors at the board table and to the members

Review objectives

Are you able to:

- identify what is involved in being a good director?
- identify what a director needs to govern effectively?
- describe the legal basics of being a director?
- understand director accountability?
- outline the directors' role at board and members' meetings?

Training and resources

- CHF Canada Resource Centre: tools for co-ops
- www.chfcanada.coop
- CHFT events and customized workshops
- Customized workshops for your co-op
- Member Education Forum at CHF Canada AGM

Next steps

You will want to develop a plan to become a more effective board.

What training will you target next?

Name some action you will take in:

- the next few days
- the next year

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