

# THE 3-D'S OF BOARD GOVERNANCE

## ✓ **Duty of Care**

Board members must exercise due care in all dealings with the organization and its interest. Directors should be reasonably **informed** about the organizations' activities, **participate** in collective decisions, and do so in good faith and with the care of an ordinary **prudent person** in similar circumstances. This includes careful oversight of financial matters and reading of minutes, attention to issues that are of concern to the organization and raising questions whenever there is something that seems unclear or questionable.

The duty of care is carried out by the following acts:

- Attendance at meetings of the board and appropriate committees
- Advance preparation for board meetings, such as reviewing reports and the agenda prior to meetings of the board
- Obtaining information (in the context of the board meeting), before voting, to make good decisions – unless otherwise assigned to find data or research that informs discussion in the board room
- Use of independent judgment
- Periodic examination of the credentials and performance of those who serve the organization
- Frequent review of the organization's finances and financial policies
- Compliance with filing requirements, particularly annual information returns

## ✓ **Duty of Loyalty**

The duty of loyalty requires board members to exercise their power **in the interest of the organization** and not in their own interest or interest of another entity, particularly one in which they have a formal relationship. When acting on behalf of the organization, board members must put the interests of the organization before their personal and professional interests.

Conflicts of interest, including the appearance of conflicts of interest, must be avoided. This includes personal conflicts of interest or conflicts with other organizations with which a board member is connected.

In practice, the duty of loyalty is carried out by the following acts:

- Disclosure of any conflicts of interest
- Adherence to the organization's conflict-of-interest policy
- Avoidance of the use of corporate opportunities for the individual's personal gain or benefit
- Nondisclosure of confidential information about the organization.

## ✓ **Duty of Obedience**

Obedience to the organization's central purposes must guide all decisions. The board must also ensure that the organization **functions within the law**, both the "law of the land" and its own bylaws and other policies. The directors must remain the **guardians of the mission**.

The duty of obedience is carried out by the following acts:

- Compliance with all regulatory and reporting requirements, such as filing the annual information return (Canada Revenue Agency, Office of the Public Guardian in Ontario) and ensuring employment deductions
- Examination of all documents governing the organization and its operation, such as the bylaws and policies
- Making decisions that fall within the scope of the organization's mission and governing documents.

Resource: Industry Canada, *Primer for Directors of Not-for-Profit Corporations: Rights, Duties & Practices*, 2002.  
[http://strategis.ic.gc.ca/epic/internet/incilp-pdci.nsf/vwGeneratedInterE/h\\_cl00020e.html](http://strategis.ic.gc.ca/epic/internet/incilp-pdci.nsf/vwGeneratedInterE/h_cl00020e.html) (French version available)