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| **DOCUMENT TITLE**  | Role of a board director  |
| **LAST UPDATED**  | September 2022  |
| **PURPOSE**  | To inform of the fundamental duties of board directors: legal responsibilities, strategic responsibilities, financial and organizational risk management.  |
| **HOW TO USE** | This Guidance Sheet discusses the B.C. Societies Act [SBC 2015] responsibilities imposed on directors, as well as the role's moral obligations. This is not a full list of a director's legal responsibilities. |
| **ADDITIONAL NOTES / CONSIDERATIONS**This document has been designed as a guidance sheet to summarize the roles and responsibilities of the board of directors and may be modified as required. It is important to note that even if the board lawfully delegates responsibility for a decision, it can never delegate accountability. The board is ultimately responsible for all its decisions, including those taken through delegation. Considering this, the board should ensure that any committee has the appropriate experience, delegations, and reporting lines. This document does not constitute legal advice and should not be relied upon as such. Expert counsel is recommended if there are any issues requiring clarification.  |
| *Remove this table from the document before revising and issuing for your organization* |

# Role of directors

Directors have a number of responsibilities to their organization and its members. Directors are required to behave properly, honestly, in good faith, and in the organization's best interests. When determining the organization's best interests, this refers to the interests of the organization's members as a whole.

This guidance sheet discusses the B.C. Societies Act [SBC 2015] responsibilities imposed on directors, as well as the role's moral obligations. This is not a full list of a Director's legal responsibilities. It summarizes several of the most significant requirements imposed on directors, from which basic norms of ethical behaviour might be derived.

An organization’s bylaws is the other critical document that governs directors' legal and ethical conduct in the fulfilment of their duties. The bylaws are a legally enforceable document that serves as a contract between the organization and each director.

## Fundamental duties of a board and directors

The board of directors is ultimately accountable for the organization's performance.

As such, the board of directors is responsible for directing the organization and accepting accountability for its performance. Additionally, the board is responsible for establishing the organization's ethical framework and for identifying and supporting the organization's fundamental values.

Directors are considered to owe a fiduciary duty to the organization in order to fulfil this primary role. This means that a director has additional responsibilities to the sport as a result of their position of trust. On behalf of stakeholders, directors are ultimately responsible for:

* The organization's financial security
* The realization of the organization’s fundamental purpose

As a result of their fiduciary connection with the organization, directors are obligated to execute their rights and powers in good faith and for the organization's benefit. Directors should consider their moral and social responsibilities to members and the community at large when exerting their authority.

Each director, in carrying out this fiduciary obligation, is accountable for all board actions. This means that, except in restricted circumstances, board members can be sued individually or collectively (jointly or severally) if it is shown that the board failed to properly exercise its duty of care or willfully violated the law.

The board's obligations in carrying out its core role and fulfilling its fiduciary duty can be broken down into the following essential areas:

* Legal responsibilities
* Strategic responsibilities
* Financial responsibilities

## Legal responsibilities

Directors must understand the organization's needs and their legal responsibilities as directors.

Under the B.C. Societies Act [SBC 2015], the duties of directors may be summarized as follows:

* Act honestly and in good faith with a view to the best interests of the society
* Exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances
* Act in accordance with the B.C. Societies Act [SBC 2015] and the bylaws of the society
* Act with a view to the purposes of the society
* Disclose any conflict of interest where a director has a direct or indirect material interest in a contract or transaction of the society

A director can be held personally liable for:

* Failure to fulfill their duties as director
* Failure to disclose a conflict of interest
* Failure to deduct and remit employee income taxes to the Canada Revenue Agency
* Failure to pay wages owed to employees
* Authorizing the distribution of money or property contrary to the B.C. Societies Act [SBC 2015] or the bylaws of the society

Directors should not vote for or consent to resolutions when they are unsure about the consequences or legality of that resolution. In addition, Section 66 of the B.C. Societies Act [SBC 2015] permits a society to purchase liability insurance, which can cover directors and/or senior managers of the society.

## Strategic responsibilities

The board of directors is responsible for establishing the organization's strategic direction in collboration with the CEO/Executive Director and stakeholders.

The board must ultimately 'own' the strategic direction and strategic plan.

Annually, time should be given aside for the board to:

* Build and refine the strategic direction and strategic plan
* Track and evaluate performance in relation to the strategic plan
* Revise/alter direction in light of changing circumstances
* Uphold the mission, vision, values of the organization

All operational plans should be in accordance with the strategic direction and strategy. The CEO/Executive Director (or staff if available) or assigned committees should be largely responsible for developing and implementing operational plans that support the strategic aims, except where practical support from directors is required.

## Financial and organizational risk

As a minimum requirement, the board's financial governance should handle the following matters.

* Budgeting and financial planning
* Reserves and investments
* Borrowing/lending/bank relationship
* CEO/Executive Director performance, remuneration and benefits
* Protection of organization’s assets
* Financial reporting and filing in accordance with any requirements
* Recommending appointment of external auditors to members (if appropriate)
* Acting in a fiscally responsible way (good financial performance of the organization)

To ensure proper financial control, the board may establish a finance audit and risk committee to operate on the board's behalf to:

* Propose financial policy recommendations to the board of directors
* Ensure that the annual budget is consistent with the organization's strategic plan and key priorities
* Ensure the financial systems of the organization are secure
* Supervise and advise on financial reporting to the board of directors
* Conduct risk evaluations, including financial and non-financial in nature
* Guarantee that stakeholders receive adequate reports at the conclusion of the fiscal year and at other suitable times.

Additional responsibilities of the board include:

* Development and review of policies
* Oversight of risk management
* Recruitment and performance management of Management (CEO/Executive Director)
* Stakeholder engagement