



ELECTROSTATIC DISCHARGE ASSOCIATION

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Code of ethics of the ESDA Board of Directors

Fiduciary Duties - Board members of the ESDA have ethical and legal obligations toward the organization they serve whether or not they receive compensation. As long as the Board member acts responsibly and in good faith, a Board member's actions generally will not create personal liability under applicable law, even if the organization suffers financial damage. Acting in good faith in this context means not performing board duties recklessly (i.e., with a conscious disregard of a known risk) or in bad faith. Nevertheless, prospective Board members must understand the duties they assume by becoming a board member (these are known as "fiduciary duties") so that they can in fact act responsibly and in good faith. These duties include the duty of care, the duty of loyalty and the duty of obedience.

Duty of Care: A Board member should exercise the same degree of care as a prudent businessperson and as he or she would exercise with his or her own affairs. This duty is manifested in the following ways:

Active Participation: A Board member must actively participate in the management of the organization including attending meetings of the Board, evaluating reports, reading minutes, reviewing the performance and compensation of the Association employees as assigned, and so on. Individuals who do not have the time to participate as required should not agree to be on the Board.

Committees: The Board of Directors may establish committees or Business Units having the authority of the board and may rely on information, opinions or reports of these committees. Committees operate subject to the direction and control of the Board. As a result, Board members are responsible for the committees and should periodically review their work.

Board Actions. A Board member who is present at a meeting when an action is approved by the entire Board is presumed to have agreed to the action unless the Board member (i) objects to the meeting because it was not lawfully called or convened and doesn't participate in the vote, or (ii) votes against the action or is prohibited from voting on the action because of a conflict of interest.

Minutes of Meetings: Written minutes should be taken at every board meeting. The Board member should help ensure that the minutes accurately reflect Board discussions as well as actions taken at meetings.

Books and Records: A Board member should have general knowledge of the books and records of the organization as well as its general operation. The organization's articles, bylaws, accounting records, voting agreements and minutes must be made available to Board members who wish to inspect them for a proper purpose.



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Accurate Record Keeping: A Board member should also help ensure that the organization's records and accounts are accurate. This may mean that regular audits be done by an independent certified public accountant. At a minimum, the Board member should be aware of what the financial records disclose and take appropriate action to make sure there are proper internal controls.

Protecting Assets: A Board member has the duty to help ensure the corporation's property is protected, preserved, and appropriately managed consistent with donor restrictions and legal requirements. Helping to make sure proper internal financial and other controls will aid in the protection of assets.

Resources: A Board member should assist the organization in obtaining adequate resources to enable it to further its stated purpose.

Investigations: A Board member has a duty to investigate warnings or reports of officer or employee theft or mismanagement. Where appropriate, a director should consult an attorney or other professional for assistance. In some situations a director may have to report misconduct to the appropriate authorities.

Duty of Loyalty: Traditionally, members of a Board of Directors have an absolute duty of complete, undivided loyalty to the organization. This means that Board members should act in the best interest of the corporation, not against the corporation in one's self-interest or for the benefit of another party. A Board member should act for the good of the organization and avoid engaging in transactions with the organization from which the Board member will benefit. In the context of an incorporated entity (such as ESDA), this duty is manifested by avoiding actual or perceived conflicts of interest.

A conflict of interest arises whenever the personal or professional interests of a Board member are potentially at odds with the best interests of ESDA. As noted above, both actual conflicts and situations that appear to be conflicts generally should be avoided. It is a good idea for a Board of Directors to establish a written policy on avoiding and resolving conflicts of interest. For ESDA, a conflict of interest situation is most likely one in which acting in the best interests of an employer would not be in the best interests of ESDA or vice versa. Directors should recuse (i.e., disqualify) themselves from such situations and care should be given not to disclose their company's confidential information in the process of excusing themselves due to a conflict of interest.

Duty of Obedience: Board members have a duty to follow ESDA's governing documents (articles of incorporation and bylaws), to carry out ESDA's mission and to assure that funds are used for lawful purposes. Also, Board members must comply with state and federal laws that apply to incorporated entities and the way in which their organization conducts its business. Board members should see to it that ESDA's status with state and federal agencies is protected, and that deadlines are met for tax and financial reporting. It is also extremely important to ensure that the organization does not violate state or federal antitrust laws. Where appropriate, Board members should obtain opinions of legal counsel or accountants.