



## **Board of Directors – Introduction**

The Boards of Directors of Companies Limited by Guarantee have a number of common characteristics. These are:

- The Board of Directors of such companies is a managing body.
- It is entrusted by the members of the company to govern and lead the affairs of the company on their behalf.
- Its core business is to:
  - Make policies for the management of the company's affairs, which reflect the objects of the company and embody its philosophy, its mission and its values. These policies will be mainly concerned with what the company seeks to achieve, for whom and at what cost;
  - Delegate responsibility for implementation of these policies to Board members and staff;
  - Develop and implement arrangements for evaluating performance; and
  - Maintain arrangements for continuously improving service quality.
- It normally carries out its responsibilities through Board meetings and, depending on the structure of the Board, Committees of Directors and Directors holding Executive Office.
- To function effectively, the Board needs members with different skills, perspectives and experience who are prepared to share their diverse views and seek agreement (if necessary, by voting). It is the responsibility of every Board member to respect and encourage different views in reaching Board decisions.
- The Board needs to bring the different views of its members together and make decisions. Responsibility for reaching decisions is shared by all members of the Board. The Board must speak with one voice or not at all. A majority decision is sufficient for that purpose.
- Board members (ie Directors) are required to abide by Board decisions, seek to ensure that its decisions are implemented as decided and avoid giving conflicting messages to staff, to service users or other stakeholders.
- Individual members of the Board have no authority to speak or act on behalf of the Board unless explicitly authorised to do so.
- Directors appointed on the basis of nomination by an outside body must take decisions at Board meetings on the basis of what (s)he considers will further the interests of the company (even if the decision conflicts with the policy of the nominating body). In that sense, membership of the Board is personal.

- Every member of the Board has:
  - A Duty of Care and Skill:
    - To take reasonable care in everything they do in their capacity as Board members by managing their responsibilities to the same standard as they would in managing their own affairs
    - To apply whatever knowledge, skills and experience they have to the best of their ability
  - A Duty of Trust:
    - To place the interests of the company above their own interests whenever they are acting in their capacity as Board members.
- Each member of the Board is personally liable, beyond their liability as members of the company, if it can be shown that the Board has failed in its duty of Care and Skill or its Duty of Trust e.g. continuing to carry on business while knowingly insolvent.
- The Board is answerable for its performance to the membership, normally through the AGM