

## **LP – 1 Code of Conduct for FAE Trustees**

### **I. Introduction**

Individuals serving on the FAE Trustees must behave ethically and with civility. Full compliance with this Code of Conduct is mandatory so as to foster a culture of mutual respect, transparency, integrity, and honesty.

The Code of Conduct is intended to be used in concert with applicable law and the FAE's governing documents, including its Certificate of Incorporation, Bylaws, FAE Standing Rules, and such policies as the Trustees may adopt. However, it outlines a set of fundamental principles and is not a listing of legal requirements as such.

This Code of Conduct addresses the values of the FAE and how they reflect the values of society at large. It is intended to help Trustees define what is right, fair, just, and good in those cases where it may be less than obvious which path constitutes the high road.

This Code of Conduct has several goals:

- It is an ethics document defining what the FAE means when it states that Trustees must behave ethically. It details the fundamental maxim—do the right thing—by defining right and wrong in some detail.
- It has official standing, in that the standards articulated here become tangible evidence of the FAE's expectations and intentions, with respect to the behavior of Trustees.
- It is pragmatic in that it provides an agreed-to description of both organizational values and the behaviors that those values prescribe.
- It is intended to remind Trustees that although their primary duty as Trustees is to the FAE itself, the vested interest of the FAE community as a whole are impacted by Trustees decisions and actions.

If a FAE Trustee fails to comply with this Code of Conduct or with any applicable laws, rules or regulations, such person will be subject to discipline in accordance with FAE and NYSSCPA policies.

### **II. Personal Ethics**

FAE Trustees are expected to act in accordance with a well-developed sense of both personal and professional ethics. The principles of personal ethics include without limitation the following:

- Concern for the well-being of others,
- Respect for the privacy and autonomy of others,
- Trustworthiness and honesty,
- Compliance with the law,
- Basic justice: being fair,
- Refusal to take unfair advantage,
- Benevolence: doing good, and
- Prevention of harm.

### **III. Professional Ethics**

An individual acting as a FAE Trustee takes on ethical responsibilities in addition to the obligations placed on Society members by the *FAE Code of Professional Conduct*. This code provides rules of conduct and standards of behavior based on broad-based principles of professional ethics, which include without limitation the following:

- Impartiality,
- Openness and full disclosure,
- Confidentiality,
- Due diligence and duty of care,
- Fidelity to professional responsibilities, and
- Avoiding potential or apparent conflict of interest.

#### **IV. Civil Behavior**

FAE Trustees are expected to conduct themselves with civility. Civility means that FAE Trustees shall not:

- Engage in personal attacks on other FAE Trustees or staff inside or outside of Trustee meetings.
- Raise questions or make statements of personal attitude and preference unrelated to the business activities of the FAE.
- Act in a way which is intended to intimidate another person in the conduct of their office, or which a reasonable person would conclude had such intent, or which, in fact, would intimidate such person.
- Undermine the authority of the Trustees or the FAE Executive Director to perform their duties.
- Commit an act which a person would reasonably expect to cause harm to the reputation of the FAE, the Trustees, or individual members of the staff.

#### **V. Compliance with Laws, Rules, and Regulations**

FAE Trustees are expected to comply with both the letter and spirit of all applicable governmental laws, rules and regulations. Compliance with a standard of care is required by New York Not-for-profit Corporation Law § 717 (attached), and interpretive case law. The standard of care encompasses three principal elements—a Duty of Care, a Duty of Loyalty and a Duty of Obedience.

**The Duty of Care.** The satisfaction of the duty of care requires each FAE Trustee to:

- Prepare in advance for meetings;
- Attend Board meetings, at least by phone;
- Participate in Board deliberations and votes;
- Show independent judgment when voting;
- Be informed about organizational activities;
- Rely on trustworthy sources of information (staff included);
- Delegate only to responsible persons;
- Follow up regularly;
- Fulfill these obligations honestly, in good faith, and with the care of an ordinarily prudent person in similar circumstances; and
- Timely complete tasks and projects.

**The Duty of Loyalty.** The duty of loyalty requires FAE Trustees to exercise their powers in good faith and in the best interests of the FAE rather than in their own interest or the interest of another entity or person. The duty of loyalty primarily relates to the following:

- Conflicts of Interest – A FAE Trustee must act with candor and care in dealing with situations which have the potential for a conflict of interest. (See, NYSSCPA policy LP – 3, Conflict of Interest Policy.)
- Corporate Opportunity – Before a FAE Trustee engages in a business transaction that may be of interest to the FAE, the FAE Trustee must disclose the transaction to the Trustees to enable the Trustees to act or decline to act with regard to the transaction.
- Confidentiality – A FAE Trustee shall maintain the confidentiality of information that is proprietary, private, or confidential to the FAE.

**The Duty of Obedience.** FAE Trustees have a duty to ensure that the FAE

- Remains obedient to its stated purposes (see next section),
- Acts only within the authority granted to it in its governing documents or law, and
- Avoids illegal activities.

## **VI. The Best Interests of the FAE**

FAE Trustees shall bear in mind the purposes in the FAE's governing documents. When determining the best interests of the FAE, each Trustee must consider the following:

**A. The FAE Certificate of Incorporation.** According to its Certificate of Incorporation, the FAE's purpose is to

1. engage in education and research in the field of accountancy;
2. develop and improve accountancy education;
3. retaining and employing teachers and staff for the implementation of continuing education programs and research projects;
4. developing joint programs with other institutions and disciplines;
5. establishing beneficial relations with educators and educational institutions;
6. organizing accountants study-groups around specific topics in accountancy;
7. encouraging and publishing books and pamphlets on accountancy; and
8. obtaining grants and funding for educational and research projects.

**B. The Financial Condition of the FAE.** FAE Trustees should consider the FAE's financial ability to remain viable and to continue to achieve its purpose and mission.

## **VII. Application.**

If a person believes a FAE Trustee has violated this Code of Conduct, he or she first should (but is not required to) communicate his or her concern directly to the Trustee. If the Trustee continues the behavior, or if, from the onset, the person considers the behavior to be egregious, then a complaint may be filed in accordance with FAE and NYSSCPA policies.

This Code of Conduct describes many actions which should be avoided by a FAE Trustee. The FAE considers some violations to be inherently serious violations of this Code of Conduct. These include (without limitation) the following:

- Disclosing confidential proceedings of the FAE Trustees or confidential information learned during FAE Trustee meetings outside the boardroom, or release of confidential information not previously available to the public by order of the FAE Trustees.
- Speaking for or acting on behalf of the FAE without specific FAE Trustee authorization.
- Conducting him- or herself in a manner that assumes any greater rights or privileges than any other member of the FAE, unless he or she has received such rights or privileges pursuant to the bylaws or FAE Trustee action.
- Filing frivolous complaints under this policy.

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**New York Not-for-Profit Corporation Law § 717. Duty of directors and officers.**

(a) Directors and officers shall discharge the duties of their respective positions in good faith and with that degree of diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions. In the administration of the powers to make and retain investments pursuant to section 512 (Investment authority), to appropriate appreciation pursuant to section 513 (Administration of assets received for specific purposes), and to delegate investment management of institutional funds pursuant to section 514 (Delegation of investment management), a governing board shall consider among other relevant considerations the long and short term needs of the corporation in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

(b) In discharging their duties, directors and officers, when acting in good faith, may rely on information, opinions, reports or statements including financial statements and other financial data, in each case prepared or presented by: (1) one or more officers or employees of the corporation, whom the director believes to be reliable and competent in the matters presented, (2) counsel, public accountants or other persons as to matters which the directors or officers believe to be within such person's professional or expert competence or (3) a committee of the board upon which they do not serve, duly designated in accordance with a provision of the certificate of incorporation or the bylaws, as to matters within its designated authority, which committee the directors or officers believe to merit confidence, so long as in so relying they shall be acting in good faith and with that degree of care specified in paragraph (a) of this section. Persons shall not be considered to be acting in good faith if they have knowledge concerning the matter in question that would cause such reliance to be unwarranted. Persons who so perform their duties shall have no liability by reason of being or having been directors or officers of the corporation.