



Richmond Economic Development Corporation

Board of Directors' and Officers Code of Conduct

The Board of Directors of Richmond Economic Development Corporation (REDC) hereby adopts the following Code of Business Conduct for its directors and officers. This code is intended to focus each director and officer on areas of conflicts of interest, provide guidance relating to the recognition and handling of ethical issues, provide mechanisms to report potential conflicts or unethical conduct, and help foster a culture of openness and accountability.

The role of our board of directors is to adopt and approve the broad policy objectives and directives of the organization, to monitor and provide oversight of the organization's financial affairs, approve the annual operating and capital budget, and ensure that the activities of the organization are effectively fulfilling REDC's mission which is:

...“to aid in the formation and expansion of small businesses in low income communities of the Commonwealth of Virginia, in order to create jobs, stimulate economic and community development, and increase the flow of credit and capital in these targeted areas.”

To fulfill our mission the organization conducts entrepreneurial training, provide financing to small businesses lacking accessibility to traditional bank financing, as well as providing technical assistance services.

The directors of the Corporation bring a range of experience, knowledge and judgment, and should not represent the interests of particular constituencies.

In performing its oversight function, the board is entitled to rely on the advice, reports and opinions of management, legal counsel, auditors and expert advisers. The board should assess the qualifications of those it relies on and hold managers and advisers accountable. The board should ask questions and obtain answers about the processes used by managers and the Corporation's advisers to reach their decisions and recommendations, as well as about the substance of the advice and reports received by the board.

The board of directors, acting directly or through duly constituted committees, shall have the following responsibilities.

- Ensure that competent management is running the Corporation.

- Ensure that management proposes and the board approves appropriate business strategies.
- Monitor the implementation of business strategies by management and encourage change if that is warranted.
- Oversee the Corporation's overall financial condition, review and approve the Corporation's annual operating and capital plans, approve major acquisitions, divestitures and capital expenditures.
- Assess the Corporation's culture to insure that the board and management embody the organization's core values of integrity, respect, trust, excellence and teamwork.
- Ensure management is providing sufficient and appropriate information to the board to enable the board to fulfill its responsibilities.
- Review major opportunities and problems facing the Corporation and review options for addressing them.
- Ensure processes are in place for maintaining the integrity of the Corporation, including the accuracy and completeness of its financial statements, the effectiveness of the Corporation's internal controls, the integrity of the Corporation's compliance with law and ethics.
- Hire and evaluate the CEO's performance and authorize his/her compensation.
- Plan for the succession of the organization's CEO.

Each board member should adhere to the following key expectations as a member:

- A willingness and commitment to get to know the organization and the environment in which it operates.
- Regular and punctual attendance at meetings.
- Adequate preparation for meetings.
- Full participation in the governance process.
- A commitment to teamwork.
- A commitment to speak with one voice.
- A collective commitment to improvement.
- Sincerely support the organization's Chief Executive Officer.

Fiduciary Responsibility

Unlike public corporations, a nonprofit organization does not have shareholders who, by their votes, can act as an external check on the actions of the Board and CEO. The nonprofit board, itself, is charged with carrying out this oversight responsibility, to act as a fiduciary. A board member's performance is judged by three key legal precepts:

- ***Duty of Care***: To exercise reasonable care when making a decision as a steward of the Corporation. A board member must be well informed; know and understand the Corporation's mission, programs, and structure; and come prepared to meetings.

- ***Duty of Loyalty***: To act in the best interests of the Corporation and never use or be perceived as using information obtained as a member for personal gain.
- ***Duty of Obedience***: To uphold the Corporation's mission and actively work to ensure that the Corporation operates consistently within its mission and by-laws.

As a board member you are responsible for insuring that the nonprofit serves the public well. This means making sure that the funds the nonprofit receives are used efficiently and effectively within the scope of its mission; ensuring that the nonprofit delivers the best programs it can to the people it serves; and protecting the reputation of the organization. In essence, the board's responsibility is to make sure that the nonprofit is both "doing good" and "doing it well" programmatically, financially, and ethically.

In carrying out these fiduciary responsibilities, the board assures the public's trust. Without this, the nonprofit loses its effectiveness, fails to attract adequate funding, may be ignored and could be abandoned by the community it seeks to serve.

As a fiduciary, the board is responsible for its own health, effectiveness, and sustainability. This includes the role to structure itself appropriately, recruit and replenish its membership, orient new members to their critical role as fiduciaries, train and develop its leaders, and provide for succession planning.

As a fiduciary, the board member also lends the prestige of his/her name and help raise the nonprofit's visibility and fund-raising capacity. Board members are expected to contribute to the fundraising activities of the Corporation on an annual basis. While it is understood that board members have fulltime employment responsibilities, in agreeing to serve as a board member it is asked that each board member commit to assisting in the referral and/or fundraising of the Corporation. This may be done in one of three methods:

- As a board member you may provide the appropriate executive staff member of the Corporation with strong business prospects as it pertains to entities that have expressed an interest in obtaining a business loan and to your knowledge as a board member, has a sound financial background.
- As a board member you may provide the CEO with solid information as it pertains to grants, be it local, state, federal or philanthropic organizations that the Corporation should pursue for funding.
- As a board member you may make an annual contribution to the Corporation.

Conflict of Interest

Directors shall avoid conflicts of interest between the director and the Company. Any situation that involves, or may reasonably be expected to involve a conflict of interest with the Company, should be disclosed promptly to the Chairman of the Board or the Secretary of the Board. A conflict of interest occurs when a board member's individual interest is adverse to or may appear to be adverse to- the interests of the Company.

Conflicts of interest may also arise when a director or a member of his or her immediate family receives personal benefits as a result of his or her position as a director of the Company.

Some of the more common conflicts which directors should avoid are set out below:

- *Relationships with third parties:* Directors should not receive a personal benefit from any person or firm which is seeking to do business or to retain business with the Company. A director shall recuse him or herself from a board decision involving another firm or company with which the director is affiliated.
- *Gifts:* Directors and members of their families should not accept gifts from persons or firms which deal with the Company where such gift has a value beyond what is normal and customary business courtesy.
- *Personal use of Company's assets:* Directors should not use Company assets, resources, or information except in connection with Company business.

Pre-notification of Outside Positions:

- *Acceptance of Directorships with other Charitable Organizations:* Directors should inform the Secretary of the Company prior to accepting a directorship or position with another charitable organization. This will permit the Company to review the line of business of the other non-profit organization to ensure that no conflict exists between the two organizations.

Corporate Opportunities:

- Directors are prohibited from: (a) taking for themselves or for their companies opportunities related to REDC's business; (b) using REDC's property or information for personal gain; or (c) competing with REDC for business opportunities.

Confidentiality:

- Directors shall maintain the confidentiality of information entrusted to them by REDC and any other confidential information about the Company that comes to them from whatever source, in their capacity as director, except when disclosure is authorized or legally mandated.