

## Conflict of Interest Policies

Many organizations adopt a Conflict of Interest policy. **Carver Governance Design, Inc.** (2060 Kingdom Drive, Columbus, IN, 47201) suggests the following Directors' Code of Conduct which includes information regarding conflict of interest.

### Directors' Code of Conduct

The board expects of itself and its members ethical and businesslike conduct. This commitment includes proper use of authority and appropriate decorum in group and individual behavior when acting as directors.

1. Directors must represent unconflicted loyalty to the interests of the ownership.

- This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other boards or staffs.
- This accountability supersedes the personal interest of any director acting as an individual consumer of this agency's services.

2. Directors must avoid any conflict of interest with respect to their fiduciary responsibility.

- There must be no self-dealing or any conduct of private business or personal services between any director and the agency except as procedurally controlled to assure openness, competitive opportunity and equal access to otherwise "inside" information.
- Directors must not use their positions to obtain for themselves or for their family members employment within the agency.
- Should a director be considered for employment, s/he must temporarily withdraw from board deliberation, voting and access to applicable board information.

3. Directors may not attempt to exercise individual authority over the agency except as explicitly set forth in board policies.

- Directors' interaction with the executive director or with staff must recognize the lack of authority in any individual director or group of directors except as noted above.
- Directors' interaction with the public, press or other entities must recognize the same limitation and the similar inability of any director or directors to speak for the board.
- Directors will make no judgments of the executive director or staff performance except as that performance is assessed against explicit board policies by the official process.

4. Directors will deal with outside entities or individuals, with clients and staff and with each other in a manner reflecting fair play, ethics and straightforward communication.

[Management Assistance Program for Nonprofits](#) (2233 University Avenue West, #360, Saint Paul, MN, 612/647-1216) provides the following sample conflict of interest policy.

## Conflict of Interest

The Board shall not enter into any contract or transaction with (a) one or more of its directors, (b) a director of a related organization, or (c) an organization in or of which a director of *Organization* is a director, officer, or legal representative, or in some other way has a material financial interest unless:

1. That interest is disclosed or known to the Board of Directors,
2. The Board approves, authorizes or ratifies the action in good faith,

3. The approval is by a majority of directors (not counting the interested director),
4. At a meeting where a quorum is present (not counting the interested director).

The interested director may not be present for discussion to answer questions, but may not advocate for the action to be taken and must leave the room while a vote is taken. The minutes of all actions taken on such matters shall clearly reflect that these requirements have been met.

The Charities Review Council of Minnesota recommends that nonprofit boards have directors sign an annual statement regarding conflicts. One potential statement is as follows:

The undersigned person acknowledges receipt of a copy of the corporate "Resolution Concerning Conflict of Interest" dated \_\_\_\_/\_\_\_\_/\_\_\_\_. By my signature affixed below I acknowledge my agreement with the spirit and intent of this resolution and , I agree to report to the President of the Board of Directors any possible conflicts (other than those stated below) that may develop before completion of the next annual statement.

\_\_\_\_\_ I am not aware of any conflict of Interest

\_\_\_\_\_ I have a conflict of interest in the following area(s)