



## ***CONFLICT OF INTEREST POLICY***

### **INTENT**

Conflict of interest arises whenever the personal or professional interests of a board member, the executive director, or other management staff are potentially at odds with the best interests of the organization.

Potential conflicts are common. For example, a board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board made the decisions in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed conflict of interest. Because public confidence is important to SGCI, the organization should avoid even the appearance of impropriety.

### **SGCI has taken the following steps:**

- Language regarding conflict of interest is included in the SGCI Handbook, which limits business transactions with board members, the executive director and management staff and requires a process for disclosure of potential conflicts. The policy requires board members to abstain from decisions that present a potential conflict.
- The organization has a disclosure procedure that a board member, the executive director, or a consultant/volunteer may utilize to disclose any issue that may constitute a potential conflict of interest.
- The organization has a process for deciding whether a potential conflict is, in fact, a conflict.
- The board will establish procedures, such as program policies, competitive bids, and formal hiring practices, which ensure that the organization is acting without any conflicts of interest.

## **SGCI CONFLICT OF INTEREST DISCLOSURE PROCEDURES**

### **I. Application of Policy**

This policy is intended to supplement, but not replace, federal and state laws governing conflicts of interest applicable to nonprofit corporations. It applies to board members, the executive director, and management staff, as well as their relatives and associates, and to who are hereinafter referred to as "interested parties."

### **II. Definition of Conflict of Interest**

A conflict of interest may exist when the interests or concerns of an interested party may be seen as competing with the interests or concerns of SGCI. The variety of situations that raise conflict of interest concerns include, but are not limited to, the following:

**A. Financial Interests** - A conflict may exist where an interested party directly or indirectly benefits or profits as a result of a decision, policy or transaction made by SGCI. Examples include situations where:

- SGCI contracts to purchase/lease goods, services, or property from an interested party.
- SGCI offers employment to an interested party, other than a person who is already employed by SGCI.
- An interested party uses their relationship with an SGCI client to obtain employment, a contract or other benefit.
- An interested party is provided use of the facilities, property, or services of SGCI in a manner that would not be available to other community members.
- SGCI adopts a policy that specifically creates a financial benefit to an interested party.

A financial interest is not necessarily a conflict of interest. A conflict of interest exists only when the board decides that a person with a financial interest has a conflict of interest.

**B. Other Interests** - A conflict also may exist where an interested party obtains a non-financial benefit or advantage that he/she would not have obtained absent his/her relationship with SGCI. Examples include where:

- An interested party seeks to make use of confidential information obtained from SGCI or an SGCI client for his/her own benefit (not necessarily financial).
- SGCI adopts a policy that provides a significant nonfinancial benefit to an interested party.

A conflict of interest exists only when the Board of Directors decides there is a conflict.

### **III. Disclosure of Potential Conflicts of Interest**

An interested party is under a continuing obligation to disclose any potential conflict of interest as soon as it is known or reasonably should be known.

- Board members and the executive director complete an Affirmation of Compliance form (Appendix B) when they join the board or staff and annually thereafter.

- Any interested party completes the Disclosure of Potential Conflict of Interest Statement (Appendix A) to disclose any potential conflicts of interest.

**Disclosure Statements and Affirmations of Compliance will be submitted as follows:**

- For board members, the disclosure statements will be provided to the board chair.
- The chair's disclosure statement shall be provided to the secretary of the board.
- In the case of staff and consultants/volunteers, the disclosure statements shall be provided to the executive director.
- In the case of the executive director, the disclosure statement shall be provided to the chair of the board.

The secretary of the board or the person designated by the board as the reviewing official is responsible for bringing potential conflicts to the attention of the board or the executive director. The secretary of the board shall file copies of all disclosure statements with the official corporate records of SGCI.

**IV. Procedures for Review of Potential Conflicts**

Whenever there is reason to believe that a potential conflict of interest exists between SGCI and a board member or the executive director, the board shall determine the appropriate response. The designated reviewing official has a responsibility to bring a potential conflict of interest to the attention of the board for action at the next regular meeting of the board or during a special meeting called specifically to review the potential conflict of interest. SGCI shall refrain from acting until such time as the proposed action, policy or transaction has been approved by the disinterested members of the board.

Whenever there is reason to believe that a potential conflict of interest exists between SGCI and a consultant/volunteer, the executive director shall determine the appropriate response. The executive director shall report to the board chair the results of any review and the action taken. The chair shall determine whether any further board review or action is required.

**V. Procedures for Addressing Conflicts of Interest**

The following procedures shall apply:

1. An interested party who has a potential conflict of interest with respect to a proposed action, policy or transaction of the corporation shall not participate in any way in, or be present during, the deliberations and decision-making vote of SGCI. However, the interested party shall have an opportunity to provide factual information about the proposed conflict and/or action, policy or transaction. Also, the board may request that the interested party be available to answer questions.
2. The disinterested members of the board may approve the proposed action, policy or transaction upon finding that it is in the best interests of SGCI. The board shall consider whether the terms of the proposed action, transaction or policy are fair and reasonable to SGCI and whether it would be possible, with reasonable effort, to find a more advantageous arrangement with a disinterested party.
3. Approval by the disinterested members of the board shall be by vote of a majority of directors in attendance at a meeting at which a quorum is present. An interested party shall not be counted

for purposes of determining whether a quorum is present, or for purposes of determining what constitutes a majority vote of directors in attendance.

4. The minutes of the meeting shall reflect that the conflict disclosure was made to the board, the vote taken and, where applicable, the abstention from voting and participation by the interested party. Whenever possible, the minutes should frame the decision of the board in such a way to provide guidance for consideration of future conflict of interest situations.

#### **VI. Violations of Conflict of Interest Policy**

If the board or executive director (for staff /volunteers) has reason to believe that an interested party has failed to disclose a potential conflict of interest, it shall inform the person of the basis for such belief and allow the person an opportunity to explain the alleged failure to disclose.

If the board or executive director (for staff/volunteers) decides that the interested party has in fact failed to disclose a possible conflict of interest, the board shall take such disciplinary and corrective action as the board shall determine.



### Potential Conflict of Interest Disclosure Statement

Please complete the questionnaire below, indicating any potential conflicts of interest. If you answer "yes" to any of the questions, please provide a written description of the details of the specific action, policy or transaction in the space allowed. Attach additional sheets as needed. A conflict may exist where an interested party directly or indirectly benefits or profits as a result of a decision, policy or transaction made by SGC International. The interested party would not have obtained this benefit were it not for his/her relationship with SGC International.

- Has SGC International proposed to contract or contracted to purchase or lease goods, services, or property from you or from any of your relatives or associates?
  
- Board members/ED only: Has SGC International offered employment to you or to any of your relatives or associates?
  
- Have you used your relationship with SGC International to obtain a contract, employment for yourself or any of your relatives or associates, from a person or entity that does business with SGC International?
  
- Have you or any of your relatives been provided use of the facilities, property, or services of SGC International in a way that is not available to others who benefit from the organization's services?
  
- Have you, a relative or an associate been in a position to benefit financially from an action, policy or transaction made by SGC International?
  
- Other issues or situations not addressed above \_\_\_\_\_
- \_\_\_\_\_

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Name (Please print)

Signature

Date



**Conflict of Interest Affirmation of Compliance**

I have received and carefully read the Conflict of Interest Policy for board members, the executive director and managers. I have considered not only the literal expression of the policy, but also its intent. By signing this affirmation of compliance, I hereby affirm that I understand and agree to comply with the Conflict of Interest Policy. I further understand that SGC International is a nonprofit organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes without personal inurement or benefit by board members, consultants/volunteers or staff (other than by salary).

I hereby state that I do not have any conflict of interest, financial or otherwise that may be seen as competing with the interests of SGC International, nor does any relative or associate have such a potential conflict of interest.

If any situation should arise in the future that I think may involve me in a conflict of interest, I will promptly and fully disclose in writing the circumstances to the Chair of the Board of Directors (President of SGC International).

I further certify that the information set forth in the Disclosure Statement and attachments, if any, is true and correct to the best of my knowledge, information and belief.

Name (Please print) \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

**Annual Review and Reaffirmation**

Signature \_\_\_\_\_ Date \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_