

Non-profits are expected to have a conflict-of-interest (COI) policy. Often there is an article in one's bylaws that address the issue, but it seldom offers little detail on how to give life to it. Typically, too, the COI focuses on the board. In this example the policy applies throughout the organization.

While COI in decision making is an issue for all organizations, it tend to be a blunt instrument. Certainly, COI is more prevalent as a worry for some organizations, and at certain times, than others. Urban versus rural non-profits situations may be different. A simple assessment of the likelihood of such conflicts ought to precede the adoption or review of what is suggested here.

The purpose of a COI policy can also be misconstrued. It is more about board and organizational transparency, revealing the "elephant" in the room, than requiring that people should be excluded from participating in key decisions. COI awareness is a key element of organizational ethics. However, COI practices that err on the side of excluding people may protect external public and stakeholder trust but may do little to strengthen it internally.

It is important to remember that there is no distinction, where transparency is important, between a "real" conflict of interest and a "perceived" one.

Conflict of Interest

Members of the Association's board of directors and staff are expected to operate according to high ethical standards. This includes recognizing that conflicts of interest exist, have the potential to inhibit the wisdom of particular decisions, and possibly damage the organization's reputation.

Conflicts of interest exist where a person:

- a) Has, or is perceived to have, a personal, family or business interests that might benefit from a decision either in its making, or in the ability to influence those making it.
- b) Is involved with a competing or sister organization that may result in a divided loyalty in the context of making a decision

We recognize that not all conflicts of interest are rooted in financial benefit.

Examples of possible conflict of interest situations with respect to our Association include:

- A board member has a personal or business relationship with the Association as a supplier of goods or services or as a landlord or tenant
- A staff member has a personal or financial relationship outside of the workplace with a client or supplier who they deal with directly as a representative of the Association
- The Association is employing someone who is directly related to a board member
- A major funder or donor has a position on the board even if it is a non-voting one

Conflicts of interest are unavoidable and should not prevent an individual from serving as a director or as staff member unless the extent of the interest is so significant that the potential for undue influence is present and in many situations.

Procedure for Handling a Conflict of Interest

Disclosure: Members of the board and staff have a duty to disclose any personal, family, or business interests or other community involvements, that may, in the eyes of another person, influence their judgment. Directors shall disclose conflicts of interest to the board; the executive director to the board, and staff members to the executive director.

Board members are expected to disclose potential conflicts, if anticipated, prior to their nomination or election. Otherwise they are obliged to disclose them when the circumstances arise. They should be disclosed to the board chair and/or to the whole board.

The board itself may want to disclose specific director conflicts of interest to members, staff, funders and external stakeholders where that interest may, in their judgement, affect the reputation or credibility of the organization. Such disclosure may be made publicly not just in confidential communication.¹

Determination of Conflict: The board or executive director should assess the presence of a conflict of interest, or the perception of one, and determine what actions, if any, are appropriate to address the situation.

Stepping Out: Board members and staff have a duty to exempt themselves from participating in any discussion and voting on matters where they have, or may be perceived as having, a conflict of interest. In such cases they may be asked to step out.

Recording: Minutes of board meetings should report the presence of a conflict of interest and is disclosure is not a sufficient remedy, if a board member steps out in advance of the meeting or during the relevant discussion and decision.

Staff conflicts of interest should be disclosed to the board, but it is up to the executive director to manage such situations.

Note: This sample policy may be freely used and adapted by a no-profit organization without acknowledgement of the source.

¹ The disclosure of a conflict of interest beyond their reporting in board minutes ought to be considered. This might include disclosure in board member candidate profiles or announced leaves from the board (e.g., where a board member has contract with the non-profit) until the conflict situation has changed.