Sample Conflict of Interest Policy

Student Groups should develop conflict of interest policies or practices to ensure transparency for decision-making for current or prospective leadership and members. Additionally, groups need to be aware of any potential conflicts of interest when determining partnerships, contracts or agreements so decisions are made fairly and any compensation or transaction amounts are fair. Last, it ensures that group leaders are not determining their own compensation or making decisions for personal benefit ahead of organizational benefit. Having a system in place to ensure open communication and transparency doesn’t necessarily change any decisions a group makes – it just ensures that everyone has all of the necessary information when making the decision.

When developing conflict of interest policies or procedures, groups should ensure that their constitution and By-laws (governing documentation) and conflict of interest policies and procedures align with one another. When appropriate, conflict of interest verbiage for group voting and decision-making should be incorporated into the group’s constitution, and should take into consideration the process for discovering a conflict of interest mid-year or during an elected leader’s term of office. Conflict of interest policy should be disclosed as part of elections, and groups should develop and incorporate disclosure plans into their processes, including their meeting structures. Officers should also agree to the policies once elected.

Student Unions and Activities recommends the following information is considered, when groups are developing or reviewing a conflict of interest policy and plan.

**Article I: Purpose**
The purpose of the conflict of interest policy is to provide transparency for decision-making for current and/or prospective leadership and members. In addition, to protect the student group’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer of the organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

**Article II: Definitions**
An interested person, for purposes of this conflict of interest policy is any director, officer, or member of a committee with decision-making authority, who has a direct or indirect financial interest, as defined below:

1) A person has a financial interest if that person has, directly or indirectly, through business, investment, or family:
   a. An ownership or investment interest in any entity with which the student group has a transaction or arrangement,
   b. A compensation arrangement with the organization or with any entity or individual with which the student group has a transaction or arrangement, or
   c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the student group is negotiating a transaction or arrangement.

2) Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial.

If one of the interests described above has occurred, it does not necessarily mean that a conflict of interest exists. Conflicts of interest must be determined by the executive board or leadership of the group.
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Article III: Procedures

Elected leadership shall not enter into any agreement, contract or transaction with (a) one or more of its own elected leaders or members, (b) an officer or director of a related/partner organization or (c) an organization that shares leadership with the student group, or in some other way has a material financial interest unless:

1) Duty to Disclose
   In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the officers and members of (any) committees with elected leadership who are considering a proposed transaction or arrangement.

2) Determining Whether a Conflict of Interest Exists
   After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3) Procedures for Addressing the Conflict of Interest
   a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

   b. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote whether the transaction or arrangement is in the student group's best interest, for its own benefit, and whether it is fair and reasonable. Based on this determination, leadership shall make a decision as to whether to enter into the transaction or arrangement.

4) Violations of the Conflicts of Interest Policy
   a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

   b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate action, in line with the group's constitution.

Article IV: Records of Proceedings

The interested officer may be present for discussion to answer questions, but may not advocate for the action to be taken, cannot be included to establish a quorum for the meeting, 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.
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Article V: Compensation
This subsection governs decisions the group makes for compensation for its own leadership and members:

1) A voting member of the governing board who receives compensation, directly or indirectly, from the student group for services is precluded from voting on matters pertaining to their own compensation.

2) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the student group for services is precluded from voting on matters pertaining to their own compensation.

3) No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the student group, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI: Annual Statements
Each officer and member of a committee with decision-making authority shall annually sign a statement which affirms each individual has received a copy of the student group’s conflict of interest policy, which they have read and understand, and they agree to comply with.

If the student group has nonprofit or tax exempt status, officers and members should additionally agree that they understand the student group is charitable and in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII: Periodic Reviews
To ensure the student group operates in a manner consistent with its purpose and does not engage in activities that could jeopardize the integrity of its decision-making processes, periodic reviews shall be conducted. If the student group has nonprofit or tax exempt status, periodic reviews will help ensure the student group does not risk losing these statuses.

The periodic reviews shall, at a minimum, include the following subjects:

1) Whether compensation arrangements and benefits are reasonable, based on accurate research of industry standard, and the result of negotiation, and

2) Whether partnerships, joint ventures, and arrangements with other student groups and organizations:
   ▪ meet the student group’s written policies, practices and procedures,
   ▪ are properly recorded,
   ▪ reflect reasonable payments for goods and services,
   ▪ further the student group’s purpose and
   ▪ do not result in private benefit or in an inflated benefit transaction or compensation amount.

Article VIII: Use of Outside Experts or External Parties for Reviews
When conducting the periodic reviews as outlined in Article VII, student groups should consider using external parties, but is not required to. If an external party is used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.