

# Habitat for Humanity of the Kokomo Community, Inc

## HFHK

### Conflict of Interest Policy

**Purpose** In carrying out the duties of the board of directors, each individual member of the board has certain responsibilities. Specifically, each individual director owes a duty of care and a duty of loyalty. The duty of care means that a director (1) will keep himself or herself reasonably informed of the activities of the affiliate and the board, (2) will participate in making the decisions of the board and (3) will do these things in good faith and with the care of an ordinarily prudent person in similar circumstances.

The duty of loyalty requires that an individual director always act in the best interests of the affiliate. This duty requires that each director avoid conflicts of interest and that no director take advantage of corporate opportunities. This duty also requires that an individual director avoid even the appearance of a conflict of interest as that could undermine the interests of the affiliate.

A potential conflict of interest occurs whenever a director has a significant financial interest in a proposed contract or transaction to which the affiliate may be a party. For example, it would be a potential conflict of interest for a director to sell a piece of property to an affiliate or to provide services to an affiliate in exchange for payment.

A potential conflict of interest by itself is not illegal nor does it create a legal problem. It is the manner in which a board of directors handles such potential conflicts that may give rise to a legal problem. The board has a legal obligation to ensure that the affiliate's best interests are not compromised because a director has a potential conflict of interest.

**Scope** This Policy applies to all HFHK directors as well as employees, officers, and other organization volunteers.

**Policy** Each individual director needs to be sensitive to any financial interest he or she may have in a decision to be made by the board. In addition, the director must be sensitive to any potential conflict of interest that may exist involving a close family member or a business partner. It is also a potential conflict of interest if a director takes advantage of a business opportunity that rightfully belongs to the affiliate. When a director discovers or feels that he or she has such a conflict, he or she must first disclose the conflict before the board takes any action on the matter.

Directors, employees, and key volunteers (i.e. construction coordinators) are required to provide an annual statement to the HFHK Board noting any potential conflict of interest. Such statements shall be filed in the corporate office.

If a conflict occurs, it must be disclosed as soon as possible to the full board. Such disclosure should be in writing and recorded in the minutes. The disclosure should include the existence of the conflict and a description of its nature. Also, the director who has the conflict should not participate in any discussion of the transaction, should abstain from voting on the matter, and should leave the meeting while the discussion is taking place. The director should make sure that his or her absence from the meeting and discussion and his or her abstention from the vote are recorded in the minutes.

The board should also make clear in the minutes that it was not influenced by the director into making a bad decision on behalf of the affiliate and that favoritism did not play a role in its decision.

*Policy proposed – Sept 2009*

*Reaffirmed by Board Action –January 15, 2013*