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Creating a Conflict of Interest Policy

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Every co-op should have a *conflict of interest* policy as part of its bylaws or policy manual. It will provide direction and clarity for boards and members to avoid conflicts of interest.

What is a conflict of interest? Basically, it's a situation where someone's personal interests conflict with the interests of the business or organization they represent. This usually involves needing to make a decision on behalf of the business/organization that could personally or financially benefit you or a member of your family.

Conflict of interest situations can be difficult to work through, but having a policy in place that provides clear direction will help to avoid problems.

Identifying issues

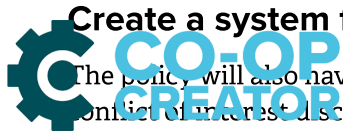
A good policy should begin with a clear definition of a conflict of interest, one that includes multiple examples that highlight the direct or indirect interests involved. Here's an example:

Bob serves on a board of directors that needs to award a contract to a painter. Bob's wife, a painter, puts in a bid for the contract. Bob has a personal interest in seeing his wife awarded the contract and he is now faced with a potential conflict of interest.

Ensure the board reviews these examples and is aware of the situations or circumstances that give rise to a conflict of interest.

Provide a means of reporting

Handled properly, a conflict of interest isn't a bad thing. Many decision-makers find themselves in a position where they face a conflict of interest — it's just important to identify these situations so an appropriate solution can be found. A conflict of interest policy should provide details about how the conflict should be recognized, like filling out a disclosure form that explains the situation. For the policy to work, however, those involved have to be honest and transparent.



Create a system for resolving conflicts of interest

The policy will also have to include details about how the conflict will be resolved. This often means giving a conflict of interest disclosure form to the board chair and allowing the board to discuss it. To fulfill its responsibilities to the co-op, the board needs to make a decision about the conflict in a and transparent way.

Depending on the nature of the conflict of interest, an action may not be necessary and the individual in question could continue in the decision-making process. If a conflict of interest is apparent it may be appropriate to ask the individual involved to step away from the decision-making process to ensure it is free from any possible conflicts.



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