



### **Definition of Ethics**

- Decisions, choices, and actions that reflect and enact our values;
- Guiding philosophy;
- Set of principles or values.

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### **Code of Ethics**

- Purpose to convey...
  - organizational values,
  - commitment to standards, and
  - a set of ideals.
- Impact

# Nonprofit Risk Management Center Common provisions in Codes of Ethics • Employment practices • Public information/communications • Relationships with vendors or clients • Environmental issues • Ethical management practices • Conflicts of interest policies www.nonprofitrisk.org Nonprofit Risk Management Center What Makes a Conflict of Interest? • position of trust • required to exercise judgment

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### Conflicts Are Not Just About Boards

• interests or obligations that might interfere

with the exercise of judgment
• required to either avoid or openly acknowledge the conflict

- Staff
  - duty of loyalty
  - outside activities
- Volunteers



# **Appearance of Conflict**

- · Often as damaging as a true conflict
- · Assessment of whether a true conflict exists
- Encourage disclosure of concerns about an appearance of a conflict - even if it's not a "real" conflict.

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# **Recognizing Conflicts**

- Actual conflict
- Operations/Management
  - Business related
  - Non-business related
- Personal
  - Business related
  - Non-business related
- Appearance of a conflict

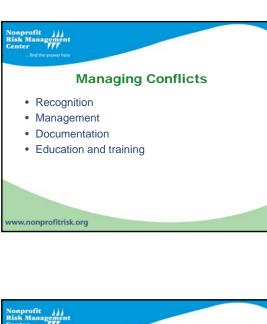
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## **Risks from conflicts**

- Loss of public and donor confidence
- Damage to employee morale
- Damage to reputation and good will
- Loss of tax-exempt status
- Board member alienation
- Surprise
- An insider receives inappropriate financial benefit

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### Should all conflicts be avoided?

- •Impossible to avoid all conflicts
- •Requirement of full disclosure and the nonprofit's needs are met
- •Avoiding a conflict might have a net negative result for the nonprofit

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## **Cultivating a Culture of Integrity**

- A Code of Ethics/Code of Conduct
- A written conflicts policy that is communicated and enforced
- At meetings develop a culture where discussions are open, honest and safe – no personal accusations





# **Managing Conflicts**

- Require disclosure by everyone
- Actively assist board members in recognizing conflicts
- Discuss conflicts Determine who participates in the discussion
- Limit voting to non-interested directors
- Document all steps taken

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## **Conflict Policy Provisions**

- Reporting conflicts
  - Executive Director
  - Chair
  - Compliance officer
  - Audit Committee
- · Impact of not reporting




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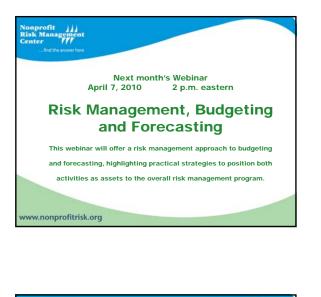
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Other resources from the Center

Pillars of Accountability: A Risk Management Guide for Nonprofit Boards

Ready or Not: A Risk Management Guide for Nonprofit Executives

New Software Tool: My Risk Management Policies www.myriskmanagementpolicies.org



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Any questions?

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