

Policy

Name **Conflicts of Interest**
Recommended by **Audit Committee**
Adopted/Revised **June 30, 2016**
Approved by **Board of Directors**
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I. Purpose and Scope:

A Conflict of Interest is a set of circumstances that create a risk that professional judgement or actions regarding any Primary Interest of the Arthritis Foundation will be unduly influenced by any Secondary Interest. Simply put, Secondary Interests cannot be at risk for becoming more heavily weighted than Primary Interests in the Foundation's decision making. Avoiding Conflicts of Interest are an important part of the Foundation's adherence to legal and ethical practices. Conflicts of Interest can seriously damage the Foundation's reputation and create unnecessary cost. Limiting adverse effects of Conflicts is the intended result of this policy. It is the Foundation's goal to avoid or address all Conflicts of Interest. Any person in position to represent the Foundation in the ongoing execution of its mission, with the aims of the mission defining all Primary Interests, is subject to this policy. This policy requires all individuals subject to the policy to prevent, report and manage Conflicts of Interest in accordance with this policy. The construct and execution of this Conflict of Interest policy recognize the important benefit the Foundation receives from the diverse interests and expertise volunteers and staff have, but must balance those benefits with the potential Conflicts that can arise.

Note that the Conflict of Interest policy of the Foundation is one of a series of important policies that relate to legal or ethical issues that may arise in the ordinary course of executing our mission. The other supporting policies include the Foundation's Code of Ethics, Gifts and Gratuities Policy, and Whistleblower Policy.

Nothing herein shall be deemed to supersede or preempt applicable state or federal laws concerning the governance and operations of nonprofit organizations and organizations exempt from federal income tax and qualified to receive tax-deductible contributions under I.R.C. Section 501(c)(3).

II. Definitions:

"Associate": (1) a member of a Representative's immediate or close family; (2) a close personal friend of a Representative; (3) any organization that employs a Representative or a member of his or her immediate family or a close personal friend; (4) any organization in which a

Representative (or a member of his/her immediate family or a close personal friend) is a partner or has an ownership interest in more than 10% of any class of securities; or (5) a trust for which a Representative is a trustee, or in which a Representative or a member of his/her family or a close personal friend has a beneficial interest. This definition is intended to be as expansive as possible regarding what “immediate or close family” or a “close personal friend” means, so any individual who could reasonably be described as such should be considered an Associate.

"Board": the National Board of Directors of the Foundation.

“Chair”": when used without qualification, the Chair of the Board or the chair of any committee, council, leadership board or other volunteer group.

“Conflict of Interest”": a set of circumstances or relationships that creates or increases the risk that the Primary Interests will be neglected as a result of advancing Secondary Interests. In such situations the circumstances, relationships and Secondary Interests could create the conditions such that the Secondary Interests outweigh the Primary Interests.

“Contract”": the formal legal agreement that defines the business relationship between or among the Foundation and Third Parties.

"Foundation": the entire Arthritis Foundation, including the Home Office and all market offices, volunteer groups, local leadership boards, councils, committees or other constituent groups, individually and collectively.

“Home Office”": the headquarters of the Foundation, currently located in Atlanta, Georgia.

“National CEO”": the president and chief executive officer of the Foundation.

“Primary Interests”": the collective set of considerations, strategies, business plans and business operations when executed drive the goals and outcomes that are the Foundation’s mission.

"Representative": anyone participating in judgement or action involved in executing the Foundation’s Primary Interests. This includes every employee of the Foundation, all officers and members of the Board, and members of all committees, task teams created by the Board. Other individuals relating to the execution of the Foundation’s Primary Interests may be considered Representatives and shall be determined on a case by case basis. The National CEO’s designee shall be responsible for maintaining an updated list of all Representatives for the Foundation.

“Secondary Interests”": situations in which risk arises that Representatives or their Associates can exert undue influence such that they may benefit from a decision, an action taken or a failure to act by the Foundation. The benefit received by Representatives or Associates as a result of situations involving a Secondary Interest does not need to be financial. Some specific situations that give rise to Secondary Interest include (but are not limited to):

- a Representative or Associate is employed by or has a significant ownership in an entity with which the Foundation does business;
- a Representative or Associate receives any special consideration as a result of any business dealings involving the Foundation;

- a Representative or Associate benefits from action of the Foundation or by receiving information through his or her engagement with the Foundation;
- a Representative uses his or her role in the Foundation to advance his or her own or an Associate's business or personal interests.

“Third Parties”: Individuals or companies who enter into a Contract with the Foundation to provide goods or perform services, whether compensated or not, but who are not employees of the Foundation.

III. Guidelines:

1. Conflicts of Interest may be real or perceived. As used herein, the phrase “Conflicts of Interest” refers to both real and perceived Conflicts of Interest without distinction, unless expressly noted. Further, this policy also covers situations where a real or perceived Conflict of Interest is merely possible, and has not already occurred or arisen.

A. **Real Conflicts of Interest** exist whenever a Representative acts on behalf of the Foundation, participates in a decision under consideration, or has the ability to influence a decision in which the Representative or any Associate receives a Personal Gain or has an immediate financial or personal interest that would be affected by the act or decision in any material way.

B. **Perceived Conflicts of Interest** exist whenever it may appear to a reasonable observer that the action taken by a Representative or the participation in or influence by a Representative on a decision would constitute a real Conflict of Interest.

2. Financial transactions (i.e., dealing with outside vendors) must avoid Conflicts of Interest and are subject to review by senior management and the Board as part of ongoing management compliance programs and board governance obligations as appropriate. Business dealings with outside firms should not result in unusual gains for those firms.

3. Additional specific examples of Conflicts of Interest, and examples of the proper methods of managing such, are listed in Appendix A attached.

IV. Managing Conflicts of Interest:

1. Preventative Measures. The Foundation shall implement the following procedures to discover any Conflicts of Interest:

A. **Disclosure**. Annually prior to January 31, management shall execute a Conflict of Interest process to query and assess all of the Foundation's Representatives for existence of Conflicts of Interest. Upon commencement as a Foundation Representative, and then each year thereafter prior to January 31, Representatives shall complete a Conflict of Interest Disclosure Form, a copy of which is attached as Appendix B. Completed Disclosure Forms shall be reviewed as part of the process with all noted Conflicts being reviewed by designated senior management with results reported to the National CEO and the Board's Audit Committee. The Audit Committee shall report to the Board on the

results and compliance with this policy. Conflicts of Interest that are disclosed at any time or in any manner outside of the annual cycle of completing Disclosure Forms must be immediately escalated to senior management and reported to the National CEO. It shall be the Foundation's practice to consider all known and query for unknown Conflicts of Interest prior to the commencement of discussions in meetings involving judgement or actions concerning the Foundations Primary Interests.

B. Third Parties. Staff shall evaluate any Third Parties prior to engagement for the purpose of identifying any Conflicts of Interest. Third Parties shall be provided with a copy of this policy upon engagement. Third Parties shall be asked to document the nature of any Conflicts of Interest or shall attest to their absence. Third Parties with disclosed Conflicts of Interest may not contract with Foundation without the approval of the National CEO. In no event shall a Foundation Representative with a known Secondary Interest that raises the risk of undue influence be authorized to approve payment involving that Third Party.

C. Disclosure. A copy of this policy shall be provided to any new employee of the Foundation upon hiring. All disclosure forms shall be maintained on file with Human Resources.

2. Irreconcilable Conflicts. Certain Conflicts of Interest cannot be managed or reconciled (by disclosure, recusal, or other methods). The actions or involvement of a Representative which lead to an irreconcilable Conflict are always prohibited. Examples of actions or relationships that would be prohibited are listed in Appendix A.

3. Manageable Conflicts. Other Conflicts of Interest may be managed through disclosure, recusal or other actions that limit the possible risks associated with the Conflict. Examples of manageable Conflicts are listed in Appendix A. The following are examples, but not an exclusive list, of ways to manage Conflicts of Interest:

A. Disclosure. When a Conflict of Interest disclosure arises, the affected Representative shall immediately call such Conflict to the attention of his or her supervisor, who must in turn report the disclosure to senior management. This disclosure is required regardless of whether a Conflict has previously been disclosed (such as in an annual Disclosure Form) and if there is uncertainty about the situation. If another volunteer or employee is aware of a Conflict of Interest not disclosed by the affected Representative, such other person shall call attention to the Conflict. The disclosure must describe the Conflict in detail sufficient to determine whether a Conflict exists and the necessary response. Disclosure of Conflicts shall be made in writing or noted in the minutes or record of the applicable meeting.

B. Recusal. If a Conflict of Interest does exist, the affected Representative shall voluntarily recuse himself or herself from participating in any decision concerning the matter related to the Conflict. The Representative, if appropriate, may request an opportunity to provide factual information and to comment upon the related issue prior to a vote on the matter, but may not cast a vote. The applicable Chair, in his/her discretion, may require the Representative to leave the room prior to a final discussion and during the vote, or even during the entire discussion and vote. If the Chair of the Board is the

Representative at issue, the Vice Chair of the Board shall assume the Chair's responsibilities.

C. Refusal by the Representative to Recuse. If a Conflict of Interest has been disclosed but the Representative declines to voluntarily recuse himself or herself, or in situations where the Representative does not believe the situation presents a Conflict of Interest, the applicable Chair, (i) may make a determination of whether a Conflict exists which would require recusal, subject to overrule by the full board or committee upon motion by any member thereof; or (ii) may refer the decision to the full board or committee directly. In either instance, the board or committee shall consider and vote on whether there is a Conflict requiring recusal. The Representative shall recuse himself or herself from this deliberation and vote after providing relevant information. If the Chair of the Board is the Representative at issue, he or she may not make or take part in the determination of whether a Conflict exists which would require recusal and the Vice Chair of the Board shall assume the Chair's responsibilities.

D. Restricted Acts by Staff. Upon disclosure of an employee's Conflict, his/her supervisor may require that the employee no longer take part in the Foundation action related to the Conflict or may request that the employee no longer take part in the relationship or activity giving rise to the Conflict. For examples, refer to **Appendix A**. The affected employee may request that appropriate management staff and/or the Human Resources department review and address the employee's Conflict.

V. Consequences of Noncompliance:

In any instance in which the procedures for identifying and managing Conflicts of Interest set forth in this policy are not followed, the Chair of the Board, the National CEO, or either's designee shall review the facts and may take any appropriate remedial action, including but not limited to revocation, rescission or termination of a contract, return of monies, reconsideration of decision, and censure or removal of the Representative involved for cause, in accordance with the Foundation's Bylaws, Code of Ethics, and other applicable policies.

APPENDIX A

EXAMPLES OF CONFLICTS OF INTEREST

I. Prohibited Acts and Conflicts

Although this is not an all inclusive list, the following are examples of situations that are prohibited at any time:

1. Misappropriation: No Representative or Associate shall make use of the Foundation's assets or facilities for any private business or consulting for which the Representative is compensated by a Third Party or use those assets or facilities in a manner outside the scope of his or her relationship with the Foundation.
2. Receipt of gifts, entertainment or other favors: No Representative or any Associate shall solicit or accept gifts, cash, travel or lodging, unreasonable entertainment, loans or any other gifts or favors except as permitted by the Foundation's Gifts and Gratuities Policy.
3. Gifts or entertainment: Foundation funds or other assets shall not be used for improper payments to those doing or seeking to do business with the Foundation. This prohibition covers direct payments or indirect payments through third parties, and reimbursement of Representatives for improper payments by them. However, Representatives may give gifts to or entertain others at Foundation expense if such gifts, favors or entertainment are of limited value and consistent with accepted practices and are not in contravention of applicable law.
4. Conflicting outside employment: Representatives who are Foundation employees shall not engage in outside employment which conflicts with their work, scheduled hours or performance of Foundation assignments. If there is uncertainty about a potential Conflict, before a Representative accepts employment with any organization or any person with which the Foundation does business, that Representative shall submit in writing a description of the work assignment, the remuneration and expected duration of the work assignment to the responsible staff person or the Board or an appropriate committee thereof, who will decide if there is a Conflict of Interest by responding in writing to the Representative. Foundation staff must disclose to appropriate management staff any external employment prior to its engagement. Management shall address these matters with staff on an individual basis. Representatives who are not employees of the Foundation shall not use their involvement with the Foundation to further the interests of their or their Associate's employers.
5. Wrongful Disclosure: Representatives shall not disclose of any of the Foundation's documents or records to anyone outside the Foundation, and specifically not to any person or entity with a conflicting relationship to the Foundation. Maintaining the confidentiality of constituents, program participants, and donors is critically important to maintaining the Foundation's trust with its constituents. Additionally, payroll and benefit information, financial records, and Board minutes can only be disclosed if specifically

authorized by the National CEO or his or her designees and in conformance with legal and consent requirements.

6. Secondary Interests. Representatives shall take no action on behalf of the Foundation that results in a benefit for the Representative or his/her Associate. Further, any benefit which would give rise to an impermissible Conflict could be directly *or indirectly* caused by the action or decision of the Foundation, and may occur immediately or in the future.

II. Conflicts Requiring Disclosure, Recusal or Other Actions

Although this is not an all inclusive list, the following are examples of situations that require disclosure, and perhaps recusal by the Representative from consideration:

1. Nepotism: Representatives shall not participate in any decision involving the hiring, promoting, or terminating employment of a relative or close personal friend. Representatives shall not supervise anyone who is a relative or other Associate.
2. Financial Interests: Representatives shall not participate in any decision-making process related to any personal, managerial or financial interest of the Representatives or the Representatives' Associates. These interests include:
 - (a) Situations where the Representative or any Associate is an organization that has the Foundation as a customer.
 - (b) Situations where the Representative or any Associate is a customer of the Foundation.
 - (c) The negotiation or bid process of any contracts the Foundation may enter into with the Representative or any Associate.
 - (d) Situations where the Foundation's actions or the decisions taken by the Foundation affect the personal, managerial or financial interest of the Representative or any Associate indirectly, such as a decision affecting a competitor of Representative's or any Associate's.
3. Honors and Fees: Representatives should not take any actions affecting vendors or organizations that have given or paid the Representative or his or her Associate fees, honoraria or part-time employment in a manner that a reasonable person would expect to impair or appear to impair the Representative's independence of judgment or the performance of duties. Representatives shall also disclose and recuse themselves from participating in decisions affecting such vendors or organizations.
4. Grants and Funding: A Representative or Associate who is a current recipient or has an application pending for a Foundation grant or funding shall not take any actions on behalf of the organization and shall disclose and recuse himself or herself from participating in any decisions related to grants and funding. So, for example, if an individual is employed by an institution that is the recipient of Foundation grants, and is asked in their capacity as a volunteer for the Foundation to take an action (i) that directly involves the grant application of the individual's employer; or (ii) that may influence the future availability of such grants to institutions such as the individual's employer, the individual would have a Conflict of Interest. In the case of (i), the individual has a real Conflict of Interest. In the case of (ii), the individual at least has a perceived Conflict of Interest. Such

individual should not participate in decisions regarding those grants or directly competitive applications.

5. **Mission Conflicts:** A Representative who is employed by an organization or company with a mission or commercial interest that competes or conflicts with the Foundation's mission should take no action on behalf of the Foundation relating to such organization or company and shall disclose and recuse himself or herself from participating in any decision related to such competing organization or company. Similarly, a Representative or Associate who serves as a volunteer for another non-profit organization with a mission that competes or conflicts with the Foundation's mission should take no action on behalf of the Foundation and should disclose and recuse himself or herself from participating in any decisions relating to the competing non-profit.

6. **Staff Activities:** If an employee's job duties require him or her to act on behalf of the Foundation in a manner that conflicts with a personal or business relationship, the employee should discuss such Conflict of Interest with his or her supervisor. The supervisor may require that the employee no longer take part in tasks that Conflict with his or her personal or business relationships. For example, if an employee is reviewing bids in a vendor selection process, and the employee's spouse is one of the bidding companies, a Conflict of Interest would arise. The employee's supervisor may then assign the employee to other tasks so that the employee is not reviewing his or her spouse's company. In certain cases, an employee's outside relationships could present an irreconcilable Conflict of Interest for the essential job duties of the employee at the Foundation. In such cases, the National CEO or his or her designees should be involved in determining the proper manner of handling the situation.

CONFIDENTIAL

**ARTHRITIS FOUNDATION, INC.
CONFLICT OF INTEREST DISCLOSURE FORM
(STAFF MEMBER)**

Name: _____
(please print)

1. Are you, any of your immediate family, or any close personal friends employed by or affiliated with any vendor, purchaser, supplier, sponsor or service provider to the Arthritis Foundation? If so, please list the names of those individuals and businesses.

2. Are
 - (a) you, OR
 - (b) any of your immediate family, OR
 - (c) any close personal friends, OR
 - (d) any businesses with which you, a member of your immediate family or close personal friends (i) are employed by, (ii) have a significant ownership interest in, or (iii) are otherwise affiliated with:
compensated for goods or services provided to the Arthritis Foundation (excluding reimbursement for out-of-pocket business expenses)? If so, please describe below the type of goods or services and amount of fees or compensation received during the prior 12 months.

3. Are
 - (a) you, OR
 - (b) any of your immediate family, OR
 - (c) any close personal friends, OR
 - (d) any institutions with which you, a member of your immediate family or close personal friends are employed by or affiliated with:
applying for or receiving funding from the Arthritis Foundation? If so, please list below the institutions, individuals, and nature of the affiliation or details of your relationship.

- 4. Are you employed by any other business or organization which pays you a cash wage or other form of compensation? If so, please provide details.**

- 5. Are you a volunteer member of the governing board of any not-for-profit or for-profit organization? If so, please provide details.**

- 6. Are you familiar with the Foundation's Conflict of Interest Policy, including your responsibility to recuse yourself from taking any action which would create a Conflict of Interest for you or the Foundation?**

- 7. Are you currently serving or do you anticipate serving as an elected or appointed government official? If so, please provide details.**

I have reviewed the Conflict of Interest Policy of the Arthritis Foundation, Inc. and agree to abide by the terms of that policy.

Signature

Date