

## **Conflict of Interest Policy of Field Projects International**

Adopted by the Board of Directors ("Board") on \_\_\_\_\_

### **Article I – Purpose**

1. The purpose of this Conflict of Interest Policy (the "Policy") is to protect Field Projects International's (the "Organization") interest when it is considering taking an action or entering into an arrangement or transaction that might benefit, directly or indirectly, the private interests of an officer, director, or other key person<sup>1</sup>; result in the payment of excessive<sup>2</sup> compensation to a director, officer, or key person; or otherwise violates state and federal laws governing conflicts of interest applicable to nonprofit organizations.
2. As a nonprofit, the Organization is accountable to both government agencies and members of the public for responsible and proper use of its resources. Directors, officers and employees have a duty to act in the Organization's best interests and may not use their positions for their own financial or personal benefit.
3. 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**

#### **1. Interested Person**

An interested person is any director, principal officer, or member of a committee with governing board delegated powers, who has direct or indirect financial interests, as defined below.

#### **2. Financial Interest**

A person has a financial interest if the person has, directly or indirectly, through business, investment, or a family member:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the organization has a transaction or arrangement, or

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<sup>1</sup> **Key person** means a person, other than a director or officer, whether or not an employee of the Organization, who:

- a. has responsibilities, or exercises powers or influence over the Organization as a whole similar to the responsibilities, powers, or influence of directors and officers;
- b. manages the Organization, or a segment of the Organization that represents a substantial portion of the activities, assets, income, or expenses of the Organization; or
- c. alone or with others controls or determines a substantial portion of the Organization's capital expenditures or operating budget.

<sup>2</sup> Excessive compensation means compensation that is unreasonably greater than comparable compensation for similar work at comparable nonprofit organizations. The reasonableness of a departure from comparable compensation shall be determined by the Board in accordance with the findings made during periodic reviews in accordance with Articles VII and IX.

- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes, but is not limited to, direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A family member includes a spouse, parent, grandparent, great-grandparent, brother or sister, children, grandchildren, great-grandchildren (whether natural or adopted), aunt, uncle, cousin and the spouses of any of them.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the Board decides that a conflict of interest exists, in accordance with this Policy.

### **3. Independent Director**

A director shall be considered “independent” for the purposes of this policy if he or she meets the definition of “independent” included in the instructions for the IRS 990 form, or the director,

- a. is not, and has not been for a period of at least three years, an employee of the Organization or any entity in which the Organization has a financial interest;
- b. does not directly or indirectly have a significant business relationship with the Organization which might affect independence in decision making;
- c. is not employed as an executive of another organization where any of the Organization's executive officers or employees serve on that corporation's compensation committee; and
- d. does not have a family member who is an executive officer or employee of the organization or who holds a position that has a significant financial relationship with the Organization.

### **4. Non-financial Interest**

A non-financial interest is an interest that might influence an officer's, director's, or committee member's participation or vote in an action that is part of their duties.

Non-financial interests may include,

- a. The person's relationship as an unpaid volunteer, officer, or director of an entity that may be affected, directly or indirectly, by action to be taken or not taken by the Organization.
- b. The person's personal, political, religious, friendship, or personal relationships which may be affected by action to be taken or not taken by the Organization.

### **5. Examples of Potential Conflicts Include (but are not limited to):**

- a. A director officer or key person:
  - i. Has an ownership or investment interest in any third party that the Organization deals with or is considering dealing with;

- ii. Serves on the board or, participates in the management of, or is otherwise employed by or volunteers with any third party that the Organization deals with or is considering dealing with;
- iii. Receives or may receive compensation or other benefits in connection with a transaction in which the Organization enters;
- iv. Receives or may receive personal gifts or loans from third parties dealing with the Organization;
- v. Serves on the board of directors of another nonprofit organization that is competing with the. Organization for a grant or contract;
- vi. Has a close personal or business relationship with a participant in a transaction being considered by the Organization;
- vii. Would like to pursue a transaction being considered by the Organization for their personal benefit.

#### **6. Audit Committee**

A three person committee composed of sitting, disinterested Board members shall be composed to hear all actual or potential conflict disclosures and relay such information in writing to the rest of the Board for a vote on the actual or potential conflict.

### **Article III - Procedures**

#### **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 may be given, but is not entitled to, the opportunity to disclose all material facts to all members of the Board. Such an interested person must disclose the existence of the financial interest and is required to disclose all material facts to the audit committee.

#### **2. Disclosure of Non-financial Interests**

Directors shall disclose non-financial interests in their annual statement. Directors shall update such disclosures as potential individual conflicting interests arise. Non-financial interests are expected, and do not require review unless a member of the Board (including the affected member) requests that the interest be reviewed under this Policy.

#### **3. Determining Whether a Conflict of Interest Exists**

- a. Following disclosure of the financial interest and all material facts, and after any discussion with the interested person, they shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon.
- b. In determining whether a conflict of interest exists, the audit committee (or Board if presented to the Board before the audit committee has had opportunity to hear

and rule on the potential conflict) shall consider whether the potential conflict of interest would cause a transaction entered into by the Organization to raise questions of bias, inappropriate use of the Organization's assets, or any other impropriety.

- c. If the audit committee determines that there is a conflict of interest, it shall refer the matter to the Board. The Board has final say on all Organization actions as it concerns conflicts of interest.
- d. A conflict always exists in the case of a related party transaction – a transaction, agreement or other arrangement in which a related party<sup>3</sup> has a financial interest and in which the Organization or any affiliate of the Organization is a participant.<sup>4</sup>

#### 4. Procedures for Addressing the Conflict of Interest

An interested person may make a presentation at the Board or audit committee meeting, but after the presentation, they shall leave the meeting during the discussion of, and vote on, the transaction, arrangement, or other matter involving the potential conflict of interest.

- a. The Chairperson of the Board or audit committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- b. After exercising due diligence, the Board shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a financial or other conflict of interest.
- c. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination the Board shall make its decision as to whether to enter into the proposed transaction or arrangement.

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<sup>3</sup> A **related party** is:

1. a director, officer or key person of the Corporation or any affiliate of the Corporation, or
2. a relative of any individual described in (1), or
3. an entity in which any individual described in (1) or (2) has an ownership or beneficial interest of 35% or more, or in the case of a partnership or professional Corporation, a direct or indirect ownership interest in excess of 5%.

<sup>4</sup> A transaction is not a related party transaction if:

1. the transaction, or the related party's financial interest in the transaction, is *de minimis*;
2. the transaction would not customarily be reviewed by the board or the boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms;
3. the transaction constitutes a benefit provided to a related party solely as a member of a class of the beneficiaries that the Corporation intends to benefit as part of the accomplishment of its mission (and that benefit is available to all similarly situated members of the same class on the same terms).

## **5. Violations of the Policy**

- a. If the Board 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 is 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 disciplinary and corrective action.

## **Article IV – Records of Proceedings**

1. The minutes of the Board and all committees with Board delegated powers shall contain:
  - a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, including the nature of the financial interest,
  - b. Any action taken to determine whether a conflict of interest was present, and the Board's decision as to whether a conflict of interest in fact existed.
  - c. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.
  - d. If the transaction was approved, the basis for the approval.

## **Article V - Compensation**

1. A voting member of the Board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
3. No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **Article VI - Annual Statements**

1. Each director, principal officer, and member of a committee with Board delegated powers shall annually sign a statement which affirms such person:
  - a. Has received a copy of this Policy,
  - b. Has read and understands the Policy
  - c. Has agreed to comply with the Policy, and
  - d. Understands that the Organization is charitable and in order to maintain its tax exempt status it must engage primarily in activities which accomplish one or more of its tax exempt purposes.
2. Each voting member of the Board shall annually sign a statement which declares whether such a person is an independent director.
3. If at any time during the year, the information in the annual statement changes materially, the director shall disclose such changes and revise the annual disclosure statement.
4. Annual statements shall be completed digitally, on an encrypted platform such as Docusign. Additionally, statements shall be reviewed only by members of the Board who are determined to be independent directors.

## **Article VII - Periodic Reviews**

1. To ensure that the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:
  - a. Whether compensation arrangements and benefits are reasonable, based on competitive survey information and the result of arm's length bargaining.
  - b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in the inurement, impermissible private benefit or in an excess benefit transaction.
2. Periodic reviews as described above shall be conducted at each biannual Board meeting at a minimum, and may be conducted more frequently if requested by any Board member.

## **Article VIII – Prohibited Acts**

1. The Corporation shall not make a loan to any director or officer.

## **Article IX – Procedures for Determining Compensation**

1. No person shall be present for or participate in Board or committee discussion or vote pertaining to:
  - a. their own compensation;
  - b. the compensation of their relative;
  - c. the compensation of any person who is in a position to direct or control them in an employment relationship;
  - d. the compensation of any person who is in a position to directly affect their financial interests; or
  - e. any other compensation decision from which the person stands to benefit.
2. In the case of compensation of Key Persons, the following additional procedures apply:
  - a. The Board or a committee authorized by the Board shall approve compensation before it is paid.
  - b. The Board or authorized committee shall base approval of compensation on appropriate data, including compensation paid by comparable organizations (three are sufficient if the Corporation's income is less than \$1,000,000) for functionally similar positions, availability of similar services in the geographic area of the Corporation, and compensation surveys compiled by independent firms.
  - c. The Board or authorized committee shall contemporaneously document:
    - i. the terms of compensation and date of determination;
    - ii. the members of the Board or committee who were present and those who voted for it;
    - iii. the comparability data relied on and how it was obtained;
    - iv. if the compensation is higher or lower than the range of comparable data, the basis for the determination, and;
    - v. any actions with respect to consideration of the compensation by anyone on the Board or committee who had a conflict of interest with respect to the matter.

## **Article X - Use of Outside Experts**

1. When conducting the periodic reviews as provided for in Article VII, the Organization may, but is not required to, use outside advisors. If outside experts are used, their use

shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.