

Conflict of Interest Policy



Habitat for Humanity Chicago Conflict of Interest Policy

Adopted: June 2023

Last Revised: November 2013

Purpose

The purpose of this policy is to establish and confirm the standards for the management of actual or potential conflicts of interest for all Habitat for Humanity Chicago's operations in order to protect the reputation, operations, and resources of Habitat for Humanity Chicago (Habitat Chicago). This policy applies to all Habitat Chicago representatives, such as members of the board of directors, officers, employees, interns, AmeriCorps members, contractors and volunteers. Habitat for Humanity Chicago therefore adopts the following policy to address the actual or potential conflicts of interest that may arise.

Background

Habitat Chicago representatives have a duty to act in the best interest of Habitat Chicago. Actual or potential conflicts of interest and related-party transactions can create reputational, financial, and legal risks for Habitat Chicago and must be avoided or managed in an effective way to ensure good governance and avoid even the appearance of impropriety.

Section 1: Habitat for Humanity Chicago's Expectations Related to Conflicts of Interest

A Habitat Chicago representative has an actual or potential conflict of interest if they are in a position to influence a decision where they also have the potential for personal benefit in the Habitat Chicago transaction because of the existence of a Related Party relationship (as described below in Section 1, Part A). Common examples of instances where Related Party relationships may lead to potential conflicts of interest are described in Section 2.

A. Defining Related Parties and Personal Benefit

When evaluating whether an actual or potential conflict of interest may exist, a Habitat Chicago representative is considered to have the potential for personal benefit in a transaction when it impacts them directly or indirectly through a related party involving family, close friends, business, or investments. An individual, group or business that is related (in some way) to a Habitat Chicago representative is considered a "Related Party." Common examples of Related Parties that may lead to personal benefit include:

1. A close family member of a Habitat Chicago representative, such as a:
 - a. Spouse.
 - b. Parent.
 - c. Sibling.
 - d. In-law
 - e. Child.
 - f. Grandchild.
 - g. Other family members, such as aunts, uncles, nieces, and nephews.
 - h. Any other individual sharing the same home as the Habitat Chicago representative.
2. A close personal friend of a Habitat Chicago representative where the relationship could exert undue influence on either party.

3. An entity where a Habitat Chicago representative (or their family member or close personal friend) is a director, officer, general partner, agent or staff member.
4. An individual with whom a Habitat Chicago representative or family member has a business relationship (i.e., general partner, principal, or employer).
5. An entity where a Habitat Chicago representative (or their family member or close personal friend) is a principal officer, decision-maker or financial beneficiary.
6. An entity where a Habitat Chicago representative (or their family member or close personal friend) owns at least 5% of the voting stock or controlling interest (or has any other substantial interest or dealings).

B. Duty to Disclose Conflicts of Interest

Any a Habitat Chicago representative who has an actual or potential conflict of interest involving any a Habitat Chicago transaction, including but not limited to purchases, contracts, awards, leases, hiring, board appointments, homeowner selection or other transactions (including the administration of any of them) involving the a Habitat Chicago organization, must do the following to manage the conflict of interest and protect the interests of all parties:

1. **Habitat for Humanity Chicago Board Members and Officers:**
 - a. You must disclose the existence of the conflict of interest and a description of its nature in writing to the full board as soon as possible after the conflict of interest arises.
 - b. The disclosure shall identify all the material facts and circumstances surrounding the conflict of interest that would be necessary for the board to make an informed decision regarding whether to proceed with the transaction.
 - c. After disclosure, you must not participate in any discussion of the transaction and must abstain from voting on the matter. You should also ensure that your absence from the meeting and discussion (as well as your abstention from the vote) are recorded in the board minutes.
2. **Habitat for Humanity Chicago Employees and Key Volunteers:**
 - a. You must disclose the existence of the conflict of interest to your immediate supervisor as soon as possible after the conflict arises.
 - b. You must not participate or engage in any business transaction on behalf of Habitat Chicago when you have an actual or potential conflict of interest.

c. Protocols to Manage Conflicts of Interest

Each actual or potential conflict of interest should be individually evaluated so that Habitat Chicago makes an informed decision regarding whether to proceed with the transaction, by weighing any benefits of the transaction against possible reputational risks to the organization.

1. **Habitat for Humanity Chicago Board Members and Officers:**
 - a. The Habitat Chicago representative may make a presentation at the board meeting about their actual or potential conflict of interest. After the presentation, they shall leave the meeting during the discussion of, and any votes or decisions on, the transaction involving the possible conflict of interest.
 - b. If appropriate, the chairperson of the board will appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - c. After exercising due diligence, the board shall determine whether Habitat Chicago can obtain (with reasonable efforts) a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
 - d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the board shall assess by a majority vote of the disinterested directors (with a quorum present) whether the transaction is:
 - i. In Habitat Chicago's best interest.
 - ii. For its own benefit.

iii. Whether it is fair and reasonable.

Based on the above assessment, the board it shall make its decision as to whether to enter into the transaction.

2. Habitat for Humanity Chicago Employees and Key Volunteers:

- a. The supervisor of employees and key volunteers with a potential or actual conflict of interest must acknowledge receipt of the disclosed conflict of interest in writing and then work with the board to ensure that adequate safeguards are put in place to protect the interests of all parties involved in the given situation.

D. Consequences for Inappropriately Disclosed or Managed Conflicts of Interest

Failure to appropriately disclose or manage actual or potential conflicts of interest can cause reputational damage to the Habitat for Humanity brand and can lead to fraud. Violation of this Conflict of Interest policy may result in disciplinary proceedings, up to and including termination of the individual's employment or relationship with Habitat Chicago.

Section 2: Areas of Conflicts of Interest

Common areas where actual or potential conflicts of interest arise in the Habitat network include hiring, board appointments, purchases, contracts, awards, selection of Habitat Chicago homeowners or other beneficiaries and other Habitat Chicago transactions. All potential and actual conflicts of interest should be managed in accordance with the protocols as described in Section 1 and the further details provided below.

A. Corporate Opportunity

Corporate Opportunity occurs if an opportunity comes to a Habitat Chicago representative's attention because of their position with Habitat Chicago. In such a case, it would be a clear violation of the duty of loyalty for the individual to take advantage of the transaction without first offering the opportunity to Habitat Chicago. There is a potential conflict of interest if a Habitat Chicago representative takes advantage of a business opportunity that rightfully belongs to Habitat Chicago. All such conflicts must be disclosed and managed in accordance with this policy.

B. Private Inurement

Private inurement, private benefit or self-dealing occurs when a Habitat Chicago representative benefits financially, personally or in some other manner from Habitat Chicago or Habitat Chicago's work.

1. When an individual enters into an arrangement with Habitat Chicago and receives benefits greater than what they provide in return creates a conflict of interest. Such individuals may be high-level managers, board members, founders, major donors, highest paid employees, or family members of the aforementioned and a business where the listed persons own more than a 5% interest.
2. Private benefit, private inurement, and self-dealing are defined by the IRS as unacceptable practices for nonprofit tax-exempt organizations. The underlying principle is if a nonprofit organization is organized to benefit an individual, even while fulfilling its tax-exempt purpose, it cannot be a tax-exempt organization. Violation of these rules could lead to sanctions (significant excise taxes) and loss of an organization's non-profit status.
3. The most common example of private inurement is excessive compensation for board members.

C. Nepotism

Nepotism occurs when an individual uses their power or influence in a particular situation to favor their relatives or friends. In the Habitat for Humanity context, the potential for nepotism arises in situations such as employment, board appointments, and selection of Habitat Chicago homeowners or beneficiaries.

1. **Hiring:** Habitat Chicago does not prohibit the employment of or the volunteering of relatives (as described above in Section 1, Part A) or other persons with close personal relationships to current Habitat Chicago representatives. However, to guard against perceptions of favoritism and to ensure a fair and impartial hiring process and work environment, the following must occur:
 - a. The hiring process should be open and transparent. Family members should disclose their relationships with any prospective candidate and excuse themselves from the decision-making process (including establishing the position description and employment benefits) involving another family member.
 - b. Family members cannot report to each other to minimize the likelihood of conflict, discomfort or mistrust by other staff. This includes instances where family members would be in the same reporting line, such as when one family member's supervisor would report to another family member.
 - c. Family members cannot be in positions where they are making decisions that affect their own family members (e.g., salary setting, hiring, promotions, time off).
 - d. To ensure effective stewardship of funds, family members cannot be in positions where opportunities exist to approve financial transactions of other family members (e.g., purchases, travel advances, reimbursements).
 - e. Employees who are related should not be in significant management positions within the same department.

There may be some specific jobs which, by their nature, should not be filled by anyone with family members working for Habitat Chicago.

In addition, any individual who is a Habitat Chicago beneficiary or is related to an Habitat Chicago beneficiary should disclose the relationship in writing prior to their employment with or service to Habitat Chicago.

2. **Homeowner or Other Beneficiary Selection and Board Appointment:** A conflict of interest may exist where the family member or close personal friend of a Habitat Chicago representative is being considered for selection as a Habitat Chicago homeowner or other beneficiary or to be appointed to the Habitat Chicago board. Such potential conflicts of interest should be managed in accordance with the protocols described in Section 1, Part C.

D. Business Gifts and Entertainment

Business-related gifts to Habitat Chicago representatives (including services, discounts, entertainment, travel, meals, promotional materials or samples) must be examined individually and with a bias against the activity. A Habitat Chicago representative or their family must not accept gifts from an actual or potential supplier, vendor, donor, beneficiary, business, or from professional persons with whom they carry out or to whom they may refer Habitat Chicago business, or from anyone acting on their behalf, unless the following conditions are met:

1. The gift is sent to the workplace, not home.
2. The gift is occasional and valued at no more than \$50; If valued at more than \$50, the gift must be made available in a team space or common area for others to share (e.g., fruit baskets, boxes of candy).
3. Meals and other business entertainment (such as attending an event with a current or potential Habitat Chicago donor) are subject to the same standard and should be modest, infrequent and, to the extent possible, on a reciprocal basis. Any meals or entertainment which have the potential to exceed these conditions must be disclosed in advance and evaluated for appropriateness according to the protocols described in Section 1, Part B.

No Habitat Chicago representative should solicit any personal gifts, gratuities or favors (such as employment of a family member) from existing or potential vendors.

E. Outside Personal Business Interests and Employment

Any outside personal activity that interferes with or influences the performance of a Habitat Chicago representative's duties for Habitat Chicago divides their loyalty, allows for a possible conflict of interest, or results in a situation involving double compensation is prohibited.

A Habitat Chicago representative must not accept payment from another organization or individual for doing work that Habitat Chicago pays them to do in the course of their service. For example, if a fee or gift is offered to a Habitat Chicago representative for the preparation or delivery of a presentation about Habitat Chicago (or any aspect of its operations), the fee or gift should either be declined or transferred directly to Habitat Chicago.

For Habitat Chicago employees, outside business activities such as simultaneous employment, financial interests (such as those described in the scenarios detailed in Section 1, Part A) and personal service on public bodies (other than outside Board service described in Section I) may acceptable provided that all of the following conditions are met:

1. The business activity is disclosed to Habitat Chicago.
2. The Habitat Chicago employee's ownership and/or participation in the business is minimal and does not interfere with their Habitat Chicago responsibilities.
3. No competitive or other commercial relationship exists between the Habitat Chicago employee's outside business activity and Habitat Chicago.

Ownership of securities in a publicly traded company with which Habitat Chicago does business will not be a conflict of interest if the ownership interest is minimal.

F. Procurement

Purchasing decisions must be managed in accordance with this policy and with the Habitat Chicago Procurement Policy.

1. A Habitat Chicago employee, officer or board member who has any influence on, or interest in, transactions involving purchases, contracts or leases Habitat Chicago is required to disclose any possible conflict of interest to their immediate supervisor or the board of directors, as applicable, and remove themselves from all decision-making related to the transaction using the protocols described in Section 1 of this policy.
2. Any individual with procurement and purchasing commitment or payment authority under the Habitat Chicago delegation of authority matrix or who is involved in any way with the procurement and purchasing of goods and services: (i) must disclose to their supervisor any actual or potential conflict of interest with any of the Preferred Vendors (as defined in Habitat Chicago's Procurement Policy); and (ii) is prohibited from any involvement in the procurement process in which they have a conflict.
3. Items or services must not be procured from a parent, affiliated organization or subsidiary organization if the Habitat Chicago entity is unable or appears to be unable to be impartial in conducting the procurement action.
4. If further guidance is needed about conflicts or procurement actions, Habitat Chicago employees can submit a free and confidential or anonymous question via the Habitat Ethics and Accountability Line. This resource can be accessed online or via telephone 24 hours a day, seven days a week at the contact information shown below in Section 4.

G. Use of Habitat for Humanity Chicago Suppliers or Resources

If a Habitat Chicago representative has occasion to use Habitat Chicago suppliers or contractors for personal business, they are expected to personally pay full market value for services rendered and materials provided. Similarly, if a Habitat Chicago representative uses Habitat Chicago's resources for personal business or other personal purposes, they are expected to reimburse Habitat Chicago for the full market value of those resources. (*Note: Occasional personal use of certain Habitat Chicago resources – such as computers or printers -- may occur without triggering the need for such reimbursement.*)

H. Hiring of Habitat for Humanity Chicago Board Members

1. There is a potential conflict of interest if a Habitat Chicago board member applies for an employment position with the Habitat Chicago entity on which they serve as board member. All open Habitat Chicago job positions should be publicly advertised in compliance with applicable labor laws (such as those related to equal employment opportunities). As part of the external recruiting process, any Habitat Chicago board member who wishes to be considered for employment must resign from the board prior to submitting an application for employment, which should be considered as part of the broader pool of qualified applicants.
2. In addition, a board member cannot apply for any position for which they helped design the position description, joined in recruitment activities, or participated in discussions related to establishing the compensation and benefits.

I. Outside Board Service

In certain instances, a Habitat Chicago representative may be asked by Habitat Chicago to serve on the board of another organization (either another Habitat organization or an unrelated organization) as part of their scope of Habitat Chicago job responsibilities. In such instances, where a Habitat Chicago representative is specifically designated to serve on Habitat Chicago's behalf, their duty of loyalty is divided between the board and Habitat Chicago. Guidance for how to manage such a situation is available on MyHabitat and/or through legal counsel.

An employee must obtain their supervisor's approval before agreeing to serve Habitat Chicago's behalf on an outside board of directors. Approval must then be reported to the Chief Executive Officer/Executive Director. Any fees for outside board service should either be declined or paid to Habitat Chicago.

Section 3: Annual and Additional Disclosures

1. In addition to the transaction-specific disclosures described in Section 1, Habitat Chicago board members, officers, and key members of management must complete and sign an annual Conflict of Interest Disclosure Questionnaire to disclose any actual or potential conflicts that would affect their role and/or to reaffirm that they have no conflicts of interest. Although board members, officers, and key members of management must sign the annual disclosures, you may consider requiring additional affiliate representatives to also sign annually. Refer to Appendix A.
2. In connection with any federal award (or where otherwise required by a grantor or an awarding agency), Habitat Chicago will disclose in writing to the same entity any potential conflict of interest that may impact the funding received from that awarding agency, in accordance with its awarding agency policy or the relevant grant agreement.

Section 4: Other Considerations

1. Any suspected violations of this policy may be reported through the procedures outlined in the Habitat Chicago Employee Handbook or through the anonymous [Habitat Ethics and Accountability Line](#) at 1-800-

461-9330 or online at heal.habitat.org. When making the report online, click the Get Started button under the Report an Incident section.

2. Violation of this Conflict of Interest policy may result in disciplinary proceedings, including without limitation, dismissal.

This Habitat Chicago Conflict of Interest policy has been reviewed and approved by the Board of Directors at its regular board meeting on June 19, 2023.

REVISION/REVIEW HISTORY

DATE	EXPLANATION
June 23, 2023	Initial policy approved.

Appendix A: Conflict of Interest Disclosure Questionnaire

Conflict of Interest Disclosure Questionnaire for Habitat for Humanity Chicago

Habitat for Humanity Chicago conducts its business with the highest degree of ethical standards. Members of the Board (Board) and Habitat Chicago employees and key volunteers are expected to model ethical behavior in their leadership and business transactions on behalf of Habitat Chicago. This Conflict of Interest Disclosure Questionnaire is designed to elicit information from Board members, officers, and managers to assure they are acting in the best interest of Habitat Chicago and to identify any conflicts of interest they may have.

A conflict of interest may occur where Board members, officers or managers have a financial, business, or personal interest that is in conflict or appears to be in conflict with the interests of Habitat Chicago. Immediate disclosure of conflicts of interest is an essential obligation. Habitat Chicago has a structured conflict of interest process with the following steps:

- (1) Board members, officers or managers must identify or recognize the financial, business, and personal interest in conflict with the Habitat Chicago interest;
- (2) They must next disclose the conflict to the full board or their immediate supervisor, respectively, which disclosure shall identify all the material facts and circumstances surrounding the conflict which would be necessary to make an informed decision with respect to the transaction;
- (3) The Board or supervisor, as applicable, will assess any impact of the conflict on the Habitat Chicago, and the Board member or staff with the conflict shall not participate in any discussion of the transaction, and should abstain from voting on the matter, and make sure that their absence from the meeting and discussion and their abstention from the vote is recorded in the minutes, if applicable; and
- (4) If necessary, the Board or supervisor, as applicable, will discuss the conflict and proposed remedial action with the Chair of the Board or senior staff, as appropriate. Remedial actions may include firewalls in the manager's work, to recusal from a Board vote, business decision or transaction involving Habitat Chicago or the other organization, to withdrawal from the other organization's business or board of directors, to other actions that eliminate the conflict of interest or appearance of a conflict.

Once completed, please sign and date the Questionnaire and send to the Habitat Chicago Office (mailing address is at the end of form) or email at info@habitatichicago.org. If you have any questions or require clarification, please feel free to contact or by email at jen.parks@habitatichicago.org. This Questionnaire is to be completed annually and changes are updated throughout the year.

In completing the Questionnaire, please note that the term **"Habitat for Humanity"** includes Habitat for Humanity International, Area Offices, National Organizations, affiliates, affiliate support organizations and offices. The term **"related party"** includes a person's family member, business partner, related business entity of the Habitat Chicago board member or staff, or personal friend.

1. Employment by Habitat for Humanity Chicago

Do you have a related party individual who is now employed by Habitat Chicago?

Yes No

If yes, please identify the person, position and date of such employment by Habitat Chicago.

2. Personal Remuneration from Habitat for Humanity Chicago

Are you or any of your related parties receiving or expecting to receive any payments, remuneration, or assistance from Habitat Chicago other than employment compensation?

Yes No

If yes, please identify the person, position, amount and date the remuneration is expected to be received.

3. Business with Habitat for Humanity Chicago

Do you have a financial or business interest in a business or organization with which Habitat Chicago does business or received payments for property, goods, or services?

Yes No

Have you received assistance from or been a party to or involved in a contractual transaction with Habitat Chicago?

Yes No

Do you have a related party who has received assistance from or who has been a party to or involved in a contractual transaction with Habitat Chicago?

Yes No

Do you have a related party who has a financial or business interest in a business or organization with which Habitat Chicago does business or received payments for property, goods, or services?

Yes No

If yes, please identify: (a) your financial, business, contractual or organizational interest; (b) the relationship between Habitat Chicago and the other business; (c) if a related party has the interest, identify the relationship of the party to you; and (d) the impact on the interest of Habitat Chicago or the other business.

4. Please list all corporations, organizations, or institutions on whose board of directors, board of trustees, or other governing bodies, or advisory boards you currently serve. Please identify the nature of the organization's business, and whether that organization does business or is involved in litigation with Habitat Chicago. Attach additional pages to this questionnaire as needed to reflect all boards and governing bodies.

5. Association with Habitat for Humanity Chicago Auditors

The auditor for Habitat Chicago is currently _____. Are you or any of your related parties a partner or principal in _____?

Identify any of your related parties who are employees of _____ who participate in the audit, assurance, or tax compliance practice for Habitat Chicago..

6. Legal Proceedings

Are there any pending or anticipated legal proceedings adverse to Habitat Chicago in which you, any of your related parties, or any entity listed by you in response to the above questions, are a party?

Yes No

If yes, please list them below.

During the past five years have you been convicted in a criminal proceeding or are you now the named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses)?

___ Yes ___ No

If yes, please provide the details below.

7. Other

Is there anything that has not been asked in this Questionnaire that you believe Habitat Chicago should know, e.g., previously employed by a competitor or supplier of Habitat Chicago or previously on the Board of a competitor or supplier? If yes, please provide the details below.

Date _____

Signature _____

Printed Name _____

Mailing Address:
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