Sample General Principles Regarding Conflict of Interest

Note: The following document is intended to be an example that boards should adapt to meet their individual needs.

Conflict of interest is often expressed as a direct or indirect conflict between the personal interest of a director and the fiduciary duties that director owes the corporation. Pursuant to the Duty of Loyalty, a director must avoid situations where the interests of the director will be in conflict with the interests of the corporation.

A “conflict of interest” exists when a director, officer or employee’s private interest interferes in any way, or even appears to interfere, with the interests of the corporation. The director must act in the best interests of the corporation.

A conflict situation can arise when a director, officer or employee takes actions or has interests that may make it difficult to perform his or her work for the corporation objectively and effectively.

Conflicts of interest can arise when a director, officer or employee, or a member of his or her family, receives improper personal benefits as a result of his or her position in the corporation.

A conflict of interest can arise when the director acts for self-interest or a collateral purpose.

Directors have a duty to hold information in confidence and to use it only for purposes of the corporation and not for personal gain.

A director will be in breach of duties owed to the corporation when the director diverts to his or her own use and benefit an opportunity in which the corporation had an interest.

Conflicts are not rare and an organization may conduct business with a board member so long as procedures are met to make sure the organization’s interests prevail in the board’s decision making.