

CONFLICT OF INTEREST STATEMENT

PURPOSE

The purpose of the Conflict of Interest Policy is to protect The Handcrafted Soap & Cosmetic Guild's (HSCG) interests when contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, committee member, contractor or employee of the HSCG or might result in a possible excess benefit transaction. 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.

DEFINITIONS

Interested Person: Any director, principal officer, contractor, employee, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

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

- a) An ownership or investment interest in any entity with which the HSCG has a transaction or arrangement;
- b) A compensation arrangement with the HSCG or with any entity or individual with which the HSCG has a transaction or arrangement; or
- c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the HSCG is negotiating a transaction or arrangement.

Compensation: Direct and indirect remuneration as well as gifts or favors that are not insubstantial.

Conflict of Interest: A situation in which a person has private or personal interest sufficient to appear to influence the objective exercise of his or her official duties within the HSCG. 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 appropriate governing board or committee determines by a majority vote that a conflict of interest does in fact exist.

POTENTIAL CONFLICT OF INTEREST

DUTY TO DISCLOSE.

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest to the directors or members of committees with governing board delegated powers considering the proposed transaction or arrangement.

DETERMINING WHETHER A CONFLICT OF INTEREST EXISTS.

When a potential conflict of interest is determined at a Committee level, it is referred to the Board of Directors for resolution.

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board Meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists.

PROCEDURES FOR ADDRESSING A CONFLICT OF INTEREST

- 1) An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- 2) The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- 3) After exercising due diligence, the governing board or committee shall determine whether the HSCG 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.
- 4) If a more advantageous transaction or arrangement is not reasonably possible under circumstances that would not produce a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the HSCG's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY.

- a) If the governing board or committee 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, inform the Board of Directors and afford the member an opportunity to explain the alleged failure to disclose to the Board of Directors.
- b) If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board of Directors determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

RECORDS OF PROCEEDINGS

The minutes of the Board of Directors and all committees with board delegated powers shall contain:

- 1) 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, the nature of the financial interest, any action taken to determine whether a conflict of interest was present,

and the governing board's or committee's decision as to whether a conflict of interest in fact existed.

- 2) 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.

COMPENSATION

A voting member of the governing board who receives compensation, directly or indirectly, from the HSCG for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the HSCG for services is precluded from voting on matters pertaining to that member's compensation.

No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the HSCG, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

ANNUAL STATEMENTS

Each director, principal officer, member of a committee with governing board delegated powers, contractor and employee shall annually sign a statement (see Attachment #1) which affirms such person:

- a) Has received a copy of the Conflicts of Interest Policy,
- b) Has read and understands the Policy,
- c) Has agreed to comply with the Policy and
- d) Understands the HSCG is a not for profit trade association and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

PERIODIC REVIEWS

To ensure the HSCG operates in a manner consistent with the trade's 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:

- ◆ Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- ◆ Whether partnerships, joint ventures, and arrangements with management organizations conform to the HSCG's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further the trade's purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

USE OF OUTSIDE EXPERTS

When conducting the periodic reviews, the HSCG may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

Approved on September 27, 2007
by the Board of Directors

History:

- Sept 27, 2007 (v1) Original publication date
- Dec 13, 2007 (v2) Revised to clarify the definition of "conflict of interest" on page 1.
- Oct 7, 2013 (v3) Amended to include name change and to clarify sections on Potential Conflict Of Interest and Procedures For Addressing A Conflict Of Interest.
- May 4, 2018 (v3.1) Minor grammar changes; reformat.

STATEMENT OF AFFIRMATION

I, _____, being a member of the Board of Directors of the Handcrafted Soap & Cosmetic Guild, do hereby affirm that:

- a) I have received a copy of the HSMG Policy Conflicts of Interest;
- b) I have read and understand said Policy;
- c) I agree to comply with said Policy;
- d) I have disclosed all conflicts of interest, real or potential, known to me on this date to the Board of Directors;
- e) I understand that the HSCG is a not-for-profit trade association and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes; and
- f) I agree to review the most current Conflicts of Interest policy and renew my Statement of Affirmation on July 1st of each year.

Signature: _____

Date: _____