



CONFLICTS OF INTEREST POLICY FOR: THE BOARD OF TRUSTEES, OFFICERS, AND KEY EMPLOYEES OF COLBY COLLEGE

I. SCOPE AND POLICY STATEMENT.

Colby College, its Board of Trustees, and its officers and key employees recognize the importance of determining important and complex issues based on a guiding value of the highest priority - the College's best interests. To that end, the Board has established this policy to ensure the College conducts its business with fairness and without interference from outside interests that give rise to real or perceived conflicts. The policy also helps Colby comply with its obligations as a tax-exempt organization under the Internal Revenue Code, including its obligation to provide certain disclosures on IRS Form 990.

II. DEFINITIONS.

The following definitions are used in this policy (and those terms are italicized, where used):

- A. **"Colby" or "College"** means the College corporation (formally known as "The President and Trustees of Colby College").
- B. **Conflict of interest or conflict** is a situation in which a *Trustee, officer, or key employee* (or such person's *family member* or *friend*) has an existing or potential, direct or indirect, *financial interest* or relationship, or a personal, *family*, or business relationship that impairs or could impair his/her independence and objectivity in that person's responsibilities for *Colby*.
- C. **Compensation** includes direct and indirect remuneration as well as gifts, loans, grants, scholarships, prizes, fellowships, or favors in excess of \$250. "Compensation" does not include payment or reimbursement by *Colby* of reasonable expenses incurred by a *Trustee, officer, or key employee* in that person's capacity as a *Trustee, officer, or key employee*, such as travel, lodging and meal expenses.
- D. **Family or family member** is a spouse, ancestors (i.e., parents, grandparents, great grandparents, etc.), children (natural or adopted), grandchildren, great grandchildren, siblings (whole or half- blood), and spouses of children, grandchildren, great grandchildren, or siblings.
- E. **Financial interest** means an interest that may yield, directly or indirectly, a monetary or other material benefit. This includes *compensation* or benefits from a person's association with a *friend* or *interested person*, but excludes *compensation* for services to a person or entity not affected materially by transactions with *Colby*.
- F. **Friend** is a person that has an actual or potential opportunity to reap a *financial interest* or gain from a transaction involving *Colby*, such that a reasonable person would perceive that the friendship could influence the decision of a *Trustee, officer, or key employee*.

- G. **Interested person** means: (a) a *family member*, or (b) an entity more than 35% owned, individually or collectively with a *Trustee*, *officer*, or *key employee*, or their *family members*, or (c) an entity (other than an IRS Section 501(c) organization) in which a *Trustee*, *officer*, or *key employee* serves as an officer, director, trustee, or key employee of the entity. *Officers* or *key employees* can also be *interested persons* if they or a *family member* are an actual or beneficial owner of more than five percent (5%) of the voting stock or controlling interests of an entity involved in a transaction with *Colby*.
- H. **Key employee** is an employee of *Colby* who, regardless of title, has responsibilities or authority similar to those of *officers* or *Trustees*, and who:
- (i) receives reportable compensation from *Colby* and all related organizations in excess of \$150,000 for the applicable year; or
 - (ii) manages a discrete segment or activity of *Colby* that represents 10% or more of the activities, assets, income, or expenses of *Colby* or has OR shares authority to control or determine 10% or more of *Colby's* capital expenditures, operating budget, or compensation for employees for the applicable year; or
 - (iii) is one of twenty (20) employees with the highest reportable compensation from *Colby* for the applicable year, or
 - (iv) is a former employee who meets any of the criteria above, in any of the five prior tax years.
- I. **Colby Staff** are *officers* if they manage *Colby's* daily operations, such as a president or vice president, OR regardless of title, if they have ultimate responsibility to (a) implement the decision of a *Colby* governing body, or (b) supervise the management, administration, or operation of *Colby*, or (c) manage *Colby's* finances. If ultimate responsibility to manage *Colby's* daily operations or finances resides in two or more persons, then all such persons are deemed "*officers*". *Colby's* senior staff are *officers* under this policy. A former *officer* can also be an "*officer*" under this policy if they served as an *officer* during any one of the five preceding *tax years* and received more than \$100,000 in annual reportable compensation in any of those years from *Colby*.
- Colby Trustees** are "*officers*" of an entity if they have ultimate responsibility to (a) implement the decisions of a governing body of an entity, or (b) supervise the management, administration, or operation of an entity, or (c) manage an entity's finances.
- J. **Tax Year** or **Year** is defined as each twelve (12) month period from July 1 through June 30.
- K. **Trustee** includes all trustees who are members of the Board, but only if they have voting rights and served in *Colby's* most recently completed *tax year*. This can include former trustees if they held the position of *Trustee* in any one or more of the five prior *tax years* and received more than \$10,000 of annual reportable compensation in any of those years from *Colby* in their capacity as a former trustee.

III. RESPONSIBILITIES OF TRUSTEES, OFFICERS AND KEY EMPLOYEES.

Each *Trustee*, *officer*, and *key employee* shall refrain from any action or decision in conducting *Colby* business that would constitute a *conflict of interest*.

In addition, each *Trustee*, *officer*, and *key employee* has a duty to disclose the existence and nature of any actual or potential *conflict* prior to discussing or deliberating on a proposed transaction or arrangement involving *Colby*. Such transactions or arrangements may not be *per se* prohibited, but a person with a *conflict* is typically excluded from

discussion and deliberation, and a determination is then made by disinterested persons about whether the transaction or arrangement is fair and reasonable to *Colby*.

Colby recognizes that *Trustees* are involved in other institutions and organizations that may have relationships and affiliations with *Colby* that could raise questions about potential *conflicts*. The mere existence of such relationships is not a violation of this policy. However, if a *Trustee* has a *financial interest* in a matter related to *Colby*, that *Trustee* must disclose it if it creates an actual or potential *conflict*. While such potential *conflicts* may seem inconsequential, each *Trustee* has the responsibility to ensure that the Board is aware of *financial interests* or relationships, or personal, *family*, or other relationships that might constitute a *conflict*.

Trustees, *officers*, and *key employees* may not accept or receive *compensation* or remuneration for their appointment or services unless they are also employees of *Colby* and authorized to receive salary, *compensation*, or reimbursement for services based on their employment status.

As part of this policy, *trustees*, *officers*, and *key employees* must treat all information received in their respective roles that is marked, or reasonably known to be, confidential as confidential both during and after the completion of that person's term as a *Trustee*, *officer*, or *key employee*.

IV. ANNUAL DISCLOSURE FORM; ONGOING DUTIES; QUESTIONS.

Each *Trustee*, *officer*, and *key employee* must complete an annual disclosure form acknowledging they have reviewed and understand the terms of this policy, and identifying actual or potential *conflicts*, together with any possible *financial interests* or relationships, including personal, *family*, or other relationships, that might give rise to a *conflict*.

Additionally, each *Trustee*, *officer*, and *key employee* has a continuing obligation to disclose in writing to the Board Chair and the President (or their designees) any actual or potential *conflicts*, or any possible *financial interests* or personal, *family*, or other relationships that might give rise to a *conflict* and that become known after signing the annual disclosure form. If a person is uncertain whether to disclose a particular relationship, the College's General Counsel or Vice President and Chief Financial Officer should be consulted. Disputes or uncertainty about the existence of an actual or potential *conflict* are determined by an ad hoc committee comprised of the Board Chair and Vice Chairs or their designees, the Enterprise Risk-Audit Committee Chair or its designee, the President, the Vice President, General Counsel and Secretary of the College, and the Vice President and Chief Financial Officer, or their designees.

V. DISCLOSURE - ACCEPTANCE OF GIFTS.

A *Trustee*, *officer*, and *key employee* shall not accept any gift, favor, service or *compensation* (collectively "benefits") in their capacity as a *Trustee*, *officer*, or *key employee* from any person or entity IF such could materially influence their exercise of judgment on behalf of *Colby*. Items of minimal value (i.e., less than \$250) need not be reported unless they occur repeatedly. Benefits in excess of \$250 are not prohibited *per se*, but must be disclosed on the disclosure form and prior to discussing or deliberating upon a proposed transaction or arrangement involving *Colby* and the party providing the benefit.

VI. DISQUALIFICATION.

No *Trustee* shall vote on or participate in the discussion of a transaction or arrangement under consideration by the Board or Board committee if that *Trustee* has an actual or potential *conflict of interest*. The minutes of any meeting in which an actual or potential *conflict* is disclosed or identified shall generally describe the nature of the *conflict* and identify whether, prior to deliberations about the transaction or arrangement, the *Trustee* in question was excused from the meeting. The minutes shall also include the final decision or recommendation regarding the transaction or arrangement, and the considerations examined by the Board or committee in determining the transaction or arrangement was fair and reasonable to *Colby*.

VII. POSSIBLE CONSEQUENCES FOR VIOLATIONS OF THE POLICY.

Because a violation of this policy can, among other things, result in a determination that the transaction or arrangement is null and void, and even jeopardize Colby's tax-exempt status, violations by a *Trustee* may result in removal from the Board or committee. Violations by an *officer* or *key employee* may result in disciplinary action, including termination of employment.

VIII. REPORTING VIOLATIONS OF THE POLICY.

Each *Trustee*, *officer*, and *key employee* is expected to report violations of this policy to the Board Chair and the President (or their designees).

IX. CONFLICTING PROVISIONS.

If there is a conflict between the provisions of this policy and the by-laws of the *College*, the by-laws shall govern. If there is a conflict between the provisions of this policy and any provisions, including any *conflict of interest* provisions in any handbook, guide, form or other material of the *College*, this policy shall govern.