

Policy on Conflicts of Interest

Re-Adopted with Changes

July 18, 2004

Article I

Purposes & Statement of Policy

The purposes of the conflicts of interest policy are to protect the integrity of the Association's decision-making process and to protect the interests of the Association when it has entered into, or is contemplating entering into, a transaction or arrangement that might benefit the private interests of any person who is associated with the Association in any of the following capacities: director, principal officer or member of a committee with board delegated powers, and staff. Such persons are referred to in this policy as associated persons.

Associated persons owe a duty of loyalty to the Association. This duty requires that, while serving the Association, the associated persons must act solely in the interests of the Association and not in their personal interests or in the interests of third parties. Associated persons must have undivided allegiance to the Association's mission and may not use their positions, information they have about the Association, or the Association's property in a manner that allows them to secure a financial benefit for themselves or for third parties.

The conduct of personal business between any associated person and the Association is prohibited. Business transactions of the Association in which an associated person has a direct or indirect financial interest, as defined below, shall not be prohibited, but they shall be subject to close scrutiny. Such transactions shall be reviewed carefully to ensure that they are in the best interests of the Association and that they do not create an impermissible conflict of interest.

Article II

Definition of Financial Interest

An associated 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 Association has a transaction or arrangement; or
- b. a compensation arrangement with the Association or with any entity or individual with which the Association 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 Association is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature. The existence of a financial interest does not necessarily mean that the associated person has a conflict of interest.

Article III *Procedures*

1. Duty to Disclose

In connection with any actual or possible conflicts of interest, an associated person must disclose the existence and nature of his or her financial interest and all material facts to the Association's board of directors or to members of a conflicts of interest committee with board delegated powers.

2. Determining Whether a Conflict of Interest Exists.

After disclosure of the financial interest and all material facts, an associated person may make a presentation at the board or committee meeting, but after such presentation, he or she shall leave the meeting while the determination as to the existence of a conflict of interest is discussed and voted upon by the disinterested board or committee members.

3. Procedure for Addressing the Conflict of Interest.

In the event that the disinterested board or committee members shall decide that a conflict of interest does in fact exist, they shall determine by a majority vote whether the transaction or arrangement that gives rise to the conflict of interest is, nevertheless, in the Association's best interest and for its own benefit and whether the transaction is fair and reasonable to the Association. Based upon this determination, the disinterested board or committee members shall take appropriate disciplinary and/or corrective action.

4. Violation of the Duty to Disclose

- a. If the board or committee has reasonable cause to believe that an associated person has failed to disclose actual or possible conflicts of interest, it shall inform the associated person of the basis for such belief and afford the associated person an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the associated person and making such further investigation as may be warranted in the circumstances, the board or committee determines that the associated person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and/or corrective action.

Records of Proceedings

The minutes of the board or committee shall contain:

1. The name of the person who disclosed or otherwise was 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; the board's or committee's decision as to

whether a conflict of interest in fact existed; and the board's or committee's resolution of the conflict of interest, if in fact one existed.

Article IV

2. The names of persons who were present for discussion 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 therewith

Article V *Periodic Reviews*

To ensure that the Association operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining;
- b. whether acquisitions of services result in inurement or impermissible private benefit; and
- c. whether the granting of research funds result in inurement or impermissible private benefit.

In conducting the periodic reviews provided for in this Article V, the Association may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

Article VI *Annual Statements & Disclosures*

1. Each director, principal officer, member of a committee with board delegated powers, and staff shall annually sign a statement which affirms that such person:

- a. has received a copy of the Association's conflicts of interest policy;
- b. has read and understands the policy;
- c. has agreed to comply with the policy;
- d. understands that the Association is a charitable organization which must engage primarily in activities that accomplish one or more of its tax-exempt purposes; and
- e. understands that no part of the earnings of the Association may inure, in whole or in part, to the benefit of private interests.

2. Each director, principal officer, member of a committee with board delegated powers, and staff shall complete an Annual Conflict of Interest Disclosure Report and submit it to the Association on or before January 31 of each year.

National Eczema Association
ANNUAL CONFLICT OF INTEREST DISCLOSURE REPORT

To: _____
(Print Name here)

As you know, the standard of behavior at The National Eczema Association is that all directors, principal officers, members of a committee with board delegated powers, and staff shall scrupulously avoid conflicts of interest between the interests of the Association and their own personal, professional and business interests. This includes avoiding potential and actual conflicts of interest, as well as perceptions of conflicts of interest.

A conflict of interest exists (1) when an individual is in a position where he or she may obtain an improper gain or advantage as a result of his or her activities on behalf of the Association; or (2) when he or she is in a position where he or she may have to choose whether to advance his or her own interests (or those of another) rather than the interests of the Association. Conflicts of interest do not necessarily involve intentional wrongdoing, but can result from a combination of completely innocent circumstances. As a Association director, officer, committee member, or staff member you have an obligation of fidelity and loyalty to the Association. You should therefore refrain from placing yourself or the Association in a position where a possible conflict of interest might influence the Association's decision-making process and you should promptly disclose any possible conflict of interest to the Association.

To conform to the Association's conflict of interest policy, you are requested to complete and sign the following statement:

I have received a copy of the Association's conflicts of interest policy. I have read and understand the policy. I agree to comply with the policy. I understand that the Association is a charitable organization which must engage primarily in activities that accomplish one or more of its tax-exempt purposes. I understand that no part of the earnings of the Association may inure, in whole or in part, to the benefit of private interests. On an annual basis, I will make a full, written disclosure of interests, relationships and holdings that could potentially result in a conflict of interest. I will update this written disclosure as appropriate. During the course of meetings or activities, I will disclose any interests in a transaction or decision where I (including my business or other nonprofit affiliations) or my family or close associates will receive a benefit or gain. After disclosure and discussion, I understand that I will be asked to leave the meeting and will not be permitted to vote on the question.

At the present time, I maintain the following interests, relationships and holdings that could potentially result in a conflict of interest:

Finally, I understand that the Association's conflict of interest policy is meant to supplement good judgment and I will respect its spirit as well as its wording.

Signed: _____ Date: _____
