

**Rhode Island School of Design
Policy on Conflicts of Interest for
Trustees and Senior Administrators**

Introduction and Purpose

As a fundamental part of its mission, Rhode Island School of Design seeks to engage and influence the world. All of us benefit when members of the RISD community participate actively and meaningfully in the broader art and design, civic, business, volunteer, and other communities. The sharing of knowledge and experience; the exposure to different ideas, methods, and points of view; and the forging of new connections that all result from such participation enrich both the RISD community and the public at large, as well as the individuals involved.

At the same time, we must recognize that such participation has the potential to create conflicts of interest. For both legal and ethical reasons, all of us have a responsibility to act solely in RISD's best interests when we make decisions or otherwise act on its behalf. But when we have competing outside interests, it may be difficult or impossible to do so.

It generally is not a problem simply to *have* a conflict of interest, but we may not *act* upon it when we do. In most cases, a conflict of interest can be resolved by disclosing its existence and then refraining from further participation in the relevant decision or action.

Recognizing that it is impossible to specifically list and address every conceivable situation that might entail a conflict of interest, the purpose of this policy is to establish guidelines for what RISD considers to be conflicts and processes for raising, determining, and managing them. Ultimately, each potential conflict will be determined on its specific facts and circumstances.

Policy

RISD trustees and senior administrative officers have a duty to discharge their RISD responsibilities solely in RISD's best interests and on the basis of independent, impartial, and unbiased judgment. Accordingly, they may not make decisions or otherwise act on RISD's behalf, or attempt to influence the decisions or actions of others on RISD's behalf, in situations in which they know or have reason to believe that they have a conflict of interest.

For purposes of this policy:

- A **conflict of interest** exists whenever a trustee or senior administrative officer, a member of his or her family, or an entity with which he or she or a member of his or her family has a significant financial relationship could, or could reasonably appear to, benefit personally (whether financially or otherwise) as a result of the

RISD representative's decisions or other actions on behalf of RISD.¹

- **Trustees** include all voting members of RISD's Board of Trustees and all voting non-trustee members of its committees, including the Executive Committee of the Museum Board of Governors.
- **Senior administrative officers** include the President, the Provost, the Museum Director, the Vice Presidents, the General Counsel, any other "officers" and "key employees" as those terms are defined for purposes of IRS Form 990, and any other "disqualified persons" as that term is defined in IRC Section 4958.
- **Family members** include a trustee's or senior administrative officer's spouse or civil union or domestic partner, ancestors, children, grandchildren, and great-grandchildren, and the spouse or civil union or domestic partner of any of the trustee's or senior administrative officer's children, grandchildren, and great-grandchildren.
- A **significant financial relationship** exists when a trustee or senior administrative officer or a member of his or her family has a stake in the continued well-being of an entity that is material to the finances of the trustee or senior administrative officer or member of his or her family. Such a relationship is presumed to exist when a trustee or senior administrative officer or a member of his or her family:
 - > is an officer, board member, partner, employee, consultant, or contractor of;
 - > owns 5% or more of the equity of, has invested \$10,000 or more in, or holds options, warrants, or similar instruments having equivalent value in;
 - > is entitled to receive more than de minimis income, royalties, or other payments from; and/or
 - > is a customer or client, on terms more favorable than those available to the general public, ofan entity that does or seeks to do business with RISD.

A trustee or senior administrative officer who has, or has reason to believe that he or she may have, an actual, potential, or apparent conflict of interest in a given decision or other action must promptly disclose its existence and must refrain from any further participation in that decision or other action unless and until approved to participate as provided in a conflict management plan. ***Because of the inherent self-interest, trustees and senior administrative officers may not determine for themselves whether they have a conflict of interest and should err on the side of disclosure when they are unsure.***² Failure to disclose an actual, potential, or apparent conflict of interest, to refrain from

¹ Conversely, it is *not* a conflict of interest for a trustee or senior administrative officer to benefit personally from a decision or other action at RISD as long as he or she takes no part in it and does not attempt to influence it. For example, it is not a conflict of interest for a senior administrative officer to own stock in a company that sells art supplies to RISD if he or she is not responsible for purchasing art supplies for RISD, does not encourage those who are responsible for such purchases to patronize that company, and plays no other role in the decision.

² Two good rules of thumb are the "newspaper test" and the "grandmother test": If it would be uncomfortable to see contemplated actions discussed on the front page of the local newspaper or embarrassing to explain them to one's grandmother, the situation should be disclosed and reviewed before proceeding.

further unapproved participation, or to comply with the terms of any conflict management plan may result in removal of a trustee or discipline or termination of a senior administrative officer.

Procedure

Each trustee and senior administrative officer must annually disclose in writing any actual, potential, or apparent conflicts of interest of which he or she knows or has reason to know, on a form to be provided by the Office of Trustee Affairs. Trustees and senior administrative officers must also promptly disclose to the Office of Trustee Affairs any additional actual, potential, or apparent conflicts of interest of which they become aware between their annual disclosures. Copies of all such disclosures will be provided to the General Counsel (or, in the case of disclosures by the General Counsel, to the Executive Vice President for Finance and Administration), the Chair of the Audit Committee, the Chair of the Committee on Trustees and Governance, and (with respect to disclosures from members of the Executive Committee of the Museum Board of Governors) the Chair of the Museum Board of Governors, who will in consultation determine whether any conflicts of interest exist and, if so, how they will be managed. The results of all such determinations will be reported to the Audit Committee and the Committee on Trustees and Governance, which may at their discretion impose additional restrictions. If it appears that a conflict of interest cannot adequately be resolved by a conflict management plan, the matter will be referred to the Committee on Trustees and Governance for appropriate resolution. No person may participate in the review of, or decision with respect to, his or her own disclosure.

A trustee or senior administrative officer who has made such a disclosure, or who learns during the course of a meeting that he or she has a potential conflict of interest, may not participate in the relevant decision or other action (a) unless he or she is determined not to have a conflict of interest or (b) except as may be approved through a conflict management plan. A trustee whose participation has not been approved must also recuse him- or herself from and leave, and will not count toward a quorum for, that portion of any board or committee meeting at which the relevant decision or other action is being discussed or taken, but may respond to pertinent questions if asked.

Examples

Illustrative situations that would pose conflicts of interest for trustees and senior administrative officers include:

- Participation in the consideration, approval, or management of an institutional contract for goods or services, or for the purchase, sale, or lease of property, with an entity with which the trustee or senior administrative officer has an employment, ownership, or similar relationship or with a person with whom the trustee or senior administrative officer has a family relationship.
- Participation in an employment search in which a member of the trustee's or the senior administrative officer's family is a candidate.
- Participation in the consideration or approval of an institutional investment in an

investment vehicle in which the trustee or senior administrative officer has personally invested and that is neither publicly traded nor generally available to all on the same terms.

- Participation in any other activity that would require affirmative disclosure on RISD's IRS Form 990.