

# Conflict of Interest Policy

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## 1. STATEMENT OF VALUES

At The California Endowment, our Board of Directors and staff are guided by a strong set of core values. These values animate our work on a day-to-day basis as we pursue our mission to build healthy communities throughout California and to insure the perpetuity of The California Endowment for these purposes to benefit generations of future Californians. Our shared commitment to these values strengthens our ability to advance the ambitious changes we seek. Our core values are listed below:

**Integrity.** In our dealings with each other, our grantees, and the public, we will always speak and act with honesty, and integrity.

**Diversity.** Solutions to the California's challenges will require the engagement of a range of individuals from every racial, ethnic, socio economic and geographic background. We are committed to diversity in all its forms in our staff and Board. We will actively seek and foster diverse set of grantees.

**Inclusion.** We work to broaden decision-making tables throughout our state to include people most affected by decisions, especially marginalized people and communities whose futures have too often been circumscribed when important decisions are made by a powerful few.

**Courage.** We will not shy away from using our resources to pursue our health mission even when it leads us and our grantees to confront powerful or established interests in our state or communities.

**Accountability.** As privileged stewards of The Endowment's resources, we expect to be held accountable towards the diligent pursuit of our health mission. To successfully address our state's most pressing health challenges, we will actively engage a range of individuals and entities who can offer diverse perspectives, practical experience, scientific evidence, and intellectual rigor.

**Respect.** We will treat each other, our grantees, and the public with the dignity deserved by all people.

**Learning through Action.** In pursuing solutions to the pressing health challenges in our state, we and our partners will proceed with a bias toward action and a commitment to structure interventions so that we can learn from those that fail as well as from those that succeed and commit to applying those lessons.

**Equity.** We are committed to eliminating persistent health care disparities that have crippled communities for decades, so that all Californians can reach their optimal health. As the demographics of our state and nation evolve, health disparities based on race, ethnicity, class, and the geography of one's birth are a threat to the well-being of all including the more privileged members of our society.

**Community.** Strong communities hold the key to solving our most pressing health challenges. When neighbors come together in community centers, churches, and schools, they readily identify the gifts and resources already available. Tapping the collaborative wisdom of residents and community leaders is more likely to generate culturally sensitive, locally sustainable solutions in which the whole community is invested.

**Transparency.** All Californians should be able to easily understand what we do and how we do it. With our partners and the general public, we strive to be open and transparent about how we make decisions.

## **2. STATEMENT OF PRINCIPLES AND PURPOSE**

The Board of Directors of The California Endowment (“The Endowment”) in recognition of our mission to expand access to affordable, quality health care for underserved individuals and communities, and to promote fundamental improvements in the health status of all Californians, has adopted the following Conflict of Interest Policy to ensure the highest ethical conduct, integrity, and transparency in all of our dealings.

The purpose of this Policy is to safeguard the resources with which we have been entrusted and to provide clear guidance and procedures to Directors, Officers, and Staff regarding the identification, disclosure, management, and resolution of real or perceived Conflicts of Interest involving The Endowment.

As foundation Directors, Officers and Staff, each of us holds a position of trust and owes a fundamental duty of loyalty to The Endowment. Conflicts of Interest place personal interests at odds with this fundamental duty. Moreover, even the appearance of a Conflict of Interest can damage institutional credibility and our ability to fulfill The Endowment’s mission and programmatic goals.

While The Endowment strives to avoid real or perceived Conflicts of Interest, this Policy also recognizes that Directors, Officers, and Staff members may have been selected in part because of their strong involvement in the health and well-being of underserved communities. The Endowment has benefitted from these associations and will not discriminate against worthy Grant recipients because of these affiliations; however, the sensitive nature of these relationships requires us to establish clear standards, expectations, and transparent processes of disclosure and disinterested review to assure grantees, business partners, and the public that:

- No entity will have an unfair advantage in obtaining Endowment funds because of Director, Officer, Staff, Family, or household member affiliations;
- No Director, Officer, Staff, Family, or household member will derive an illegal benefit directly or indirectly from The Endowment’s assets (no self-dealing/private inurement);
- The Endowment follows a disciplined, documented, and disinterested decision-making process in which perceived Conflicts of Interest will be treated with the same care and due diligence applied to actual Conflicts of Interest under this Policy.

### **3. POLICY STATEMENT, COVERED PERSONS AND STANDARD OF REVIEW**

In order to assure impartial decision making, it is the Policy of The California Endowment that any real or perceived Conflicts of Interest be fully disclosed before a decision is made on the matter involved, and that no Director, Officer, or Staff member participate (other than by providing information) in any decision in which she or he has a Conflict of Interest. The Board of Directors will not approve, and The Endowment will not participate in, any self-dealing transaction prohibited by law. (See Section 6 below and Appendix A, Guidelines for Identifying Prohibited Self-Dealing Transactions and Exceptions).

No Director, Officer, or Staff member shall use her or his position to unfairly benefit the interests of a particular organization, constituency, or special interest group by any means, including but not limited to, providing information not available to the public or to similarly situated grantees, providing information creating an advantage to a preferred grantee or potential grantees, lobbying on behalf of or serving as spokesperson to The Endowment for an organization, constituency, or special interest group with which she or he is affiliated, or attempting to affect a decision through her or his position within The Endowment.

There are three sources of rules regarding Conflicts of Interest that are included in this Policy. They are:

- a. the prohibition of self-dealing and private inurement under the Internal Revenue Code Section 4941 (See Appendix A),
- b. the requirement of special steps in approving Transactions in which Directors have Material Financial interests under Section 5233 of the California Corporations Code, and transactions involving interlocking directorships (Common Directors) under Section 5234 of the California Corporations Code, and
- c. Policy limitations which the Board of Directors of The Endowment has adopted.

Because each of these rules covers common areas as well as areas not covered by the others, the procedures established by this Policy for approval or rejection of Grants or Business Transactions involving Conflicts of Interest will be tested against all three standards.

This Conflict of Interest Policy applies to Directors, Officers, and Staff who currently, or within the immediate 12 months preceding, were employed by The Endowment or served on the Board of The Endowment, as well as their Family members and Household Relationships, hereinafter referred to collectively as “Covered Persons.”

### **4. REAL AND PERCEIVED CONFLICTS OF INTEREST AND RELATED TERMS DEFINED**

Directors, Officers, and Staff owe The Endowment a duty of loyalty. Conflicts arise when as a result of personal relationships or professional affiliations, a Director, Officer, or Staff member is placed in a position of divided loyalties with respect to her or his financial or non-financial interests.

4.1. **Conflict of Interest** exists with respect to a proposed Endowment Grant or Business Transaction when a Director, Officer, or Staff member 1) is in a position to make or influence the Foundation's decisions about whether and how to proceed with the proposed Grant or Transaction and 2) she, he, a Family member or Household Relationship ("Covered Person") has an affiliation with a potential beneficiary of a Grant or party to a Business Transaction, thereby establishing divided loyalties and creating dual, and possibly divergent, separate interests. This type of Conflict of Interest is also referred to in this document as a "real" or "actual" Conflict of Interest.

4.2. **Impermissible Conflict of Interest** occurs when an identified Conflict of Interest involving a Grant or Business Transaction is authorized for payment despite having failed to comply with the law, Endowment Policies, or to undergo the procedures for disclosure, disinterested review, and approval of Conflicts as set out in this Policy. The Endowment will not knowingly participate in any Impermissible Conflict of Interest.

4.3. **Perceived Conflict of Interest** is one that a skeptical viewer might reasonably believe might cause the Director's, Officer's, or Staff member's decision to be tainted by self-interest.

4.4. **Covered Persons** under this Policy includes the following: **Directors** means a member of The Endowment's Board of Directors; **Officers** means the President, Secretary, Executive Vice-President/Counsel, Chief Financial Officer, Chief Investment Officer, and other subordinate officers as appointed by the Board; **Staff** means all full-time and part-time employees of The Endowment. **Family Members** and **Household Relationships** as defined in Subsections 4.5 and 4.6 below are also "Covered Persons." This definition of Covered Persons applies to all Directors, Officers, and Staff who serve, are currently employed, or within the immediate 12 months preceding, were employed by, or served on the Board of The Endowment, as well as their Family Members or Household Relationships. This definition of Covered Persons also includes the Internal Revenue Code definition of "Disqualified Person". (See Subsection 6.1 below).

4.5. **Family Member** means spouse, domestic partner or equivalent, sibling, step-sibling; ancestors including parents, grandparents, step-parents, or step-grandparents; lineal descendants including children, grandchildren, step-children and step-grandchildren, and the spouses of lineal descendants. This definition also includes the siblings, step-siblings; ancestors, step-parents, and grandparents, lineal descendants, step-children, and step-grandchildren of a spouse, domestic partner or equivalent.

4.6. **Household Relationship** means the relationship between a Director, Officer, or Staff member, and relatives, roommates, or other persons sharing living quarters and/or living expenses.

4.7. **Affiliation** means any Covered Person's close relationship with any organization or business entity which has obtained, is seeking, or is likely to seek, a Grant or some form of Business Transaction with The Endowment and includes, but is not limited to, a Covered Person's current or former (within the last 12 months) service as a board member, trustee,

shareholder, employee, advisor, or consultant to a current or potential grantee, service provider or other party doing business with The Endowment. (See Common Directors below).

4.8. **Common Directors** refers to Directors or Officers of The Endowment who also serve as trustees, directors, or officers of proposed grantee charitable organizations. Federal self-dealing laws and state corporation laws do not prohibit making Grants to these charitable organizations for charitable purposes even though an Endowment Director may have a dual role, as long as the dual role is fully disclosed and the Director has no material financial interest in the proposed Grant and the Director does not participate in the vote.

4.9. **Compensation** means any type of honorarium, stipend wages, fee, or salary received (exclusive of reasonable meals, travel or reimbursement) as a result of board service or employment with any nonprofit or private entity.

4.10. **Business Transaction** means contracts, leases, consultancies, financial investments, or other business dealing involving The Endowment's resources or assets.

4.11. **Grants** means every type of Grant category including, but not limited to Board Recommended Grants, General Operating Support Grants, Program Support Grants, Project Grants, Small Grants, Direct Charitable Activities, Matching Gifts, Sponsorships, and Memberships.

## 5. REQUIRED DISCLOSURE OF AFFILIATIONS AND RELATIONSHIPS

5.1. **Annual Disclosure:** At the time of appointment or employment, Directors, Officers, and Staff must complete a Conflict of Interest Disclosure Form listing all personal, Family and Household related financial and Non-Financial Affiliations with current and potential Endowment grantee organizations or business relationships. Directors, Officers, and Staff shall update the Conflict of Interest Disclosure Form throughout the year as needed upon entering into any new Affiliations and annually when reaffirming the Conflict of Interest Policy. All Directors, Officers, and Staff shall participate in an annual Conflict of Interest training. (See Appendix B, Conflict of Interest Questionnaire).

5.2. **Specific Disclosure:** All Material facts concerning the existence and nature of the Conflict of Interest involving a Grant or Business Transaction presented for Board approval or review, and the relationship of any interested Director, Officer, Staff, Family Member, or Household Relationship thereof, shall be disclosed to the Board. Such facts shall be recorded in the minutes of the Board meeting that reviewed or considered the approval of the affected Grant or Business Transaction. Covered Persons under this Policy have a duty to cooperate with designated Grants Administration staff in the gathering and provision of more specific disclosure information needed to prepare any proposal summary or recommendations presented to Committees and/or the Board for decision.

5.3. **Continuing Disclosure Responsibility:** It is the continuing responsibility of all Directors, Officers, and Staff to review their outside business interests, personal interests, family, and other close relationships for real or perceived Conflicts of Interest with respect to The



Endowment, and to promptly update their annual Conflict of Interest Disclosure Form as relationships or Affiliations change. In the event a Director, Officer, or Staff member learns of a Conflict related to a pending Grant or Business Transaction not listed in the Conflict of Interest Disclosure Form, she or he must disclose the nature of the interest and relationship to the Executive Vice President/Counsel immediately.

5.4. **Monitoring:** The Manager of Grants Administration maintains a copy of all Disclosure Forms in the grants database and monitors those Affiliations against proposed Grants or Business Transactions.

5.5. **Reporting Conflicts of Interest:** If a Director, Officer, or Staff member becomes aware of another's Conflict of Interest, it should be brought to the attention of the person with the Conflict. Should the Director, Officer, or Staff member feel uncomfortable bringing the Conflict of Interest issue to the individual's attention, she or he may bring it to the attention of the President/CEO, EVP/Counsel, Director of Human Resources, Audit Committee Chair, or Internal Auditor promptly, either directly or through Ethicspoint. In that instance, the individual with the Conflict should be informed by the President, EVP/Counsel, or Audit Chair of the Conflict of Interest after confirming a valid Conflict in accordance with the definitions of this Policy. Intentional failure to disclose Conflicts may result in disciplinary action including termination from employment or Board membership. (See Section 12. Violation of the Policy).

5.6. **Disclosure and Pre-Approval of Staff Organizational Memberships Required:** The California Endowment encourages employees to participate in their communities. That participation can take many forms including board membership. Since the nature of the work performed by The Endowment involves communities, there may be times when employee participation on certain boards could create a perception of bias or favoritism that could harm The Endowment's work and mission. An example might be if a Staff member wishes to participate on the board of an Endowment grantee or potential grantee as a trustee, an advisory board member, or a steering committee member.

To protect The Endowment from real or perceived Conflicts of Interests that may occur as a result of employee membership or participation, whether compensated or uncompensated, on nonprofit, public or private boards, advisory boards, or steering committees of entities that receive funds or do business with The Endowment, all employees are required to disclose such real or proposed memberships and receive approval to serve or continue serving in that capacity.

Since it may be difficult to know if the board upon which an Endowment employee has been asked to participate creates an impermissible Conflict of Interest, all Staff must submit a request for board participation along with a justification to their Director or Vice President prior to accepting board membership. Upon her or his approval, the Director or Vice President must forward the request to the President for final approval. Officers must also submit their board membership requests to The Endowment's President for approval, and the President must submit her or his board membership request form to the Board for approval. (See Appendix D, Staff Affiliation Request Form).

## 6. SELF-DEALING TRANSACTIONS AND PRIVATE INUREMENT PROHIBITED

The Internal Revenue Code prohibits financial transactions between a private foundation and a disqualified person unless an exception applies. Similarly, no part of The Endowment's net earnings may inure to the benefit of any private individual. The Board of Directors will not approve, and The Endowment will not participate in, any self-dealing or private inurement transaction prohibited by law. (See Appendix A, Guidelines on Prohibited Self-Dealing Transactions and Exceptions).

6.1. **Disqualified Person:** A disqualified person with respect to The Endowment is defined by the Internal Revenue Code as Directors and Officers of The Endowment and individuals having powers or responsibilities similar to Directors and Officers (i.e., Foundation Managers), their Family members, and any corporation, partnership, trust, or estate in which a Director or Officer, or their Family member has more than 35 percent of the voting power, profits interest, or beneficial interest. Disqualified persons are prohibited from engaging in certain financial transactions with The Endowment. (See Subsection 6.2 below). This definition of Disqualified Person under the Internal Revenue Code is included in the broader definition of Covered Person in Subsection 4.4 of this Policy.

6.2. **Prohibited Financial Transactions:** These include:

- a. Sale, exchange, or leasing of property,
- b. Leases,
- c. Lending money or other extensions of credit,
- d. Providing goods, services, or facilities,
- e. Paying compensation or reimbursing expenses to a disqualified person,
- f. Transferring foundation income or assets to, or for the use or benefit of, a disqualified person, and
- g. Certain agreements to make payments of money or property to government officials.

6.3. **Exceptions:** The law provides certain exceptions to the self-dealing rule. (See Appendix A). For example, the law allows The Endowment to pay its Directors, Officers, and Staff reasonable compensation and allows reasonable reimbursement of expenses. Likewise, disqualified persons may furnish goods, services, or facilities to The Endowment, but those benefits must be without charge and used exclusively for charitable purposes. Exceptions to self-dealing transactions must be considered on a case-by-case basis with the advice of the EVP/Counsel. No matter how beneficial to The Endowment, self-dealing transactions that are not exempt are prohibited by law and this Policy.

## 7. PROCEDURES FOR IDENTIFICATION, MANAGEMENT, AND RESOLUTION OF CONFLICTS OF INTEREST

The primary responsibility for compliance with this Policy rests with the EVP/Counsel in consultation with the President, Secretary, and the Manager of Grants Administration. There are five general steps to management and resolution of Grants and Business Transactions involving real or perceived Conflicts of Interest. These steps include: 1) Disclosure, 2) Conflict Identification, 3) Conflicted Party Recusal, 4) Assignment and Disinterested Review, and 5) Resolution. This section sets out the specific procedures to be followed for Grants and Business Transactions involving both the Material and Non-Material interests of Covered Persons under this Policy. These procedures are directly tied to the Covered Person's level of influence or authority over Endowment resources and the Material or Non-Material nature of the Conflict of Interest identified.

**7.1. General Provisions and Definitions:** The Endowment's Grants Administration staff conducts a review of all Grant requests and Business Transactions for Conflicts of Interest. Pursuant to Section 5 of this Policy it is the ongoing duty of Directors, Officers, and Staff to keep the Conflict of Interest Disclosure Form up-to-date so that Grants Administration staff may identify Conflicts of Interest. Once a Conflict of Interest is identified, Covered Persons under this Policy are required to cooperate with Grants Administration staff to complete a more specific disclosure statement and to recuse themselves from all contacts and dealings surrounding the identified Conflict unless called upon to provide specific information related to the Grant or Business Transaction.

Any Grants or Business Transactions raising Material Financial Conflicts of Interest involving Directors, Officers, or Staff will be referred to the Independent Review Committee (IRC), defined in Subsection 7.1.4 below, for review, analysis, and Board consideration. These Grants or Business Transactions, regardless of amount, will not be allowed to proceed without Board review and action. Grants or Business Transactions raising Non-Material Financial Interests or Affiliations of Directors, Officers, and Staff will be referred to the Executive Team Review Committee ("ETRC"), defined in Subsection 7.1.5 below, for CEO review and action. After ETRC review, Director Non-Material Conflicts of Interest must be presented to the Board for review and action.

The ETRC may recommend Grants or Business Transactions involving Officer and Staff Non-Material Conflicts of Interest for the President's approval. If approved, these Grants or Business Transactions will be allowed to proceed, but will be presented to the Board for notification at the next Board meeting following approval. (See Appendix F, Executive Team Review Committee Guidelines and Procedures).

**7.1.1. Material Financial Interest** as established by Endowment Board Policy means the potential direct or indirect receipt by a Covered Person under this Policy of \$1,000 or more *in financial benefit or Compensation*, as a result of her or his Affiliation, employment, investment, relationship, or other connection to a grantee or party to an Endowment Grant or Business Transaction.

7.1.2. **Non-Material Interest or Affiliation** means a Covered Person that has a direct or indirect potential *financial interest of less than \$1,000* or she or he has, or had in the last 12 months, an Affiliation or close connection, either directly or through Family or Household Relationships, to a grantee or party to an Endowment Business Transaction that may actually influence or be perceived by others as unfairly influencing her or his decision with regard to the proposed Grant or Business Transaction. Examples of such Non-Material Interests include being a former employee or serving as an uncompensated Director, advisor, or volunteer to a grantee organization, educational institution, or business entity.

7.1.3. **Recusal and Abstention Requirement** means that upon the identification of a Conflict of Interest, the Covered Person(s) will be asked to recuse themselves entirely from any conversations or dealings with the potential Grant or Business Transaction at issue except for answering any questions posed by designated staff, reviewers, or Directors. A Director with a conflict will be asked to leave the room prior to the vote on the matter, or in the case of a perceived conflict, may be asked to abstain from voting.

7.1.4. **Independent Review Committee (“IRC”)** shall review pending Endowment Grants or Business Transactions of Covered Person under this Policy with Material Financial Conflicts of Interest (\$1,000 or more) and provide independent advice and recommendations to The Endowment’s Board of Directors with regard to compliance with both the letter and spirit of this Policy. The IRC is comprised of three independent members and includes the Chair of the Audit Committee in a non-voting capacity. Two alternate IRC members are selected and serve in the event an IRC member has a conflict or is unavailable. (See Appendix E, Independent Review Committee Guidelines and Procedures).

7.1.5. **Executive Team Review Committee (“ETRC”)** is comprised of three voting members, the Executive Vice-President/Counsel, the Chief Financial Officer, and the Director of Program Quality & Effectiveness. In the event of ETRC member conflict or unavailability, a disinterested member of the Executive team and/or Manager of Grants Administration may serve as an alternate. The purpose of this Committee is to review Non-Material Financial Conflicts of Interest of Covered Persons under this Policy (less than \$1,000) and Affiliations to assess compliance with both the letter and spirit of this Policy. All Grants and Business Transactions involving Officers and Staff reviewed by the ETRC will be referred to the CEO for action, and if approved, placed on the Board Agenda for notification. *Non-Material Conflict of Interest Grants and Business Transactions involving Directors will be placed on the Board agenda for review and action.* The ETRC may refer Non-Material Conflicts of Interest of significant sensitivity involving Directors, Officers, or Staff to the IRC for review and presentation to the Board for review and action.

7.1.6. **Board Approval and Notification Actions:** All Director, Officer, and Staff Conflicts of Interests involving Material Financial Interests must be approved by the Board of Directors. Non-Material Conflicts of Interest involving Directors must also be approved by the Board after review by the ETRC. All other Non-Material Conflicts Interests recommended for approval by the ETRC and approved by the President will be placed on the Board Agenda for notification.

**7.1.7. Initiation of Grants and Business Transactions Requiring ETRC Review:** Directors, Officers, and Staff members recommending or initiating Grants or Business Transactions involving any nonprofit or private entity in which she, he, a Family Member, Household Relationship (or in the case of a Director, another Director) serves or has served (in the last 12 months) as an uncompensated board member will require review from the ETRC prior to Board action in the case of a Director, or prior to CEO action and Board notification in the case of Officers and Staff.

**7.1.8. Initiation of Certain Grants and Business Transactions Prohibited:** Directors, Officers, and Staff members are prohibited from recommending or initiating any Grants or Business Transactions involving any nonprofit or private entity in which she, he, a Family Member, Household Relationship (or in the case of a Director, another Director) serves or has served (in the last 12 months) as a compensated board member or employee. For purposes of this Policy, Compensation means any type of honorarium, stipend wages, fee, or salary received (exclusive of reasonable meals, travel or reimbursement) as a result of board service or employment with the entity.

## **7.2. Procedures Applicable to Board of Director Conflicts of Interest**

**7.2.1. Director Grants and Business Transactions:** Applies to all Endowment Grants and Business Transactions initiated by or involving a Director, or her or his Family Member, Household Relationship, or Affiliations.

**7.2.2. Director Recusal and/or Abstention Requirements:** In all cases, a Director with a Conflict of Interest (financial or otherwise) may be counted on for a quorum and may provide information or answer questions, if requested, in a matter proposed for Board action; however, she or he must recuse herself or himself from the matter and leave the room prior to any Board action on any personal, Family or Household Relationship Material Financial or Non-Material Conflicts of Interest (e.g., Common Director with no Compensation).

Depending on the sensitivity of a matter involving a Perceived Conflict of Interest, the Chair of the Board has the discretion to request that a Director or Directors recuse themselves either by leaving the room or abstaining from voting on a matter presented for Board consideration. Such requests will be recorded in the Board meeting minutes.

**7.2.3. IRC Review of Director Grants and Business Transactions:** All Material Financial Conflicts of Interest involving Directors will be referred to the IRC for review and recommendation and to the Board for determination. In addition to assessing the propriety of the proposed Business Transaction under law and this Policy, the IRC will also assess the perception created if The Endowment were to fund the proposed Grant or Business Transaction. (See Appendix E). There are two exceptions to this provision requiring IRC review.

- a. The first is made for universities or other charitable organization with assets in excess of \$1Billion which may have multiple departments or divisions that are separate and distinct. A Board Recommended Grant or Matching Gift may be given to such a charitable organization that employs a Covered Person under

this Policy if the department or division receiving the Grant is distinct from the department or division that employs the Covered Person.

- b. The second exception is for organizations acting as a “service” fiscal receiver that serves solely as a conduit for funding to a designated community organization or project and receives only a reasonable administrative fee.

Notwithstanding the above, an exception will not be made in instances where a covered person is employed as the organization’s fund raiser.

**7.2.4. ETRC Review of Director Non-Material Conflicts:** All Non-Material Conflicts of Interest involving Directors will be referred to the ETRC for review to ensure that the Grant or Business Transaction is not being provided to fulfill a pledge or sponsorship or as a quid pro quo for some direct or indirect benefit for a Covered Person under this Policy. The ETRC will also assess the Grant or Business Transaction for any Perceived Conflicts of Interest and report any information or findings to the Board for determination. The ETRC may refer sensitive Non-Material or Perceived Conflicts to the IRC for review and Board recommendation.

### **7.3. Procedures Applicable to Officer Conflicts of Interest**

**7.3.1. Officer Grants and Business Transactions:** Applies to all Endowment Grant categories and Business Transactions initiated by or involving an Officer, or her or his Family Member, Household Relationship, or Affiliations.

**7.3.2. Officer Recusal Requirements:** Upon becoming aware of a Conflict of Interest, Officers with grant-making or Business Transaction approval authority must immediately disclose the Conflict and recuse themselves entirely from any involvement, review, or approval of such Grants or Business Transactions. In such circumstances, the President will appoint another Officer or Senior Manager to manage the Grant or Business Transaction. Officers with Conflicts of Interests requiring Board approval will be asked to leave the room for any discussion of the affected Grant or Business Transaction. The President, who serves as an Officer and Director will be required to follow the recusal and abstention procedures established under Subsection 7.2.2 above.

**7.3.3. IRC Review of Officer Grants and Business Transactions:** All Material Financial Conflicts of Interest involving Officers will be referred to the IRC for review and recommendation to the Board for determination. In addition to assessing the propriety of the proposed Grant or Business Transaction under Law and this Policy, the IRC will also assess the perception created if The Endowment were to fund the proposed Grant or Business Transaction. (See Appendix H). The same two exceptions to IRC referral and review of Material Conflicts of Interest as described in Subsection 7.2.3 above apply to Officers.

**7.3.4. ETRC Review of Officer Non-Material Conflicts:** All Non-Material Conflicts of Interest involving Officers will be referred to the ETRC for review to ensure that the Grant or Business Transaction is not being provided to fulfill a pledge or sponsorship or as a quid pro quo for some direct or indirect benefit for a Covered Person under this Policy. The

ETRC will also assess the perception created by the Non-Material Interest or Affiliation and make a recommendation to the CEO regarding approval. The ETRC may refer sensitive Non-Material or Perceived Conflicts to the IRC for review and Board action.

#### **7.4. Procedures Applicable to Staff Conflicts of Interest**

**7.4.1. Staff Grants and Business Transactions:** Applies to all Endowment Grant categories and Business Transactions initiated by or involving a Staff member or her or his Family Member, Household Relationships, or Affiliations.

**7.4.2. Staff Recusal Requirements:** Upon becoming aware of a Conflict of Interest, a Staff member responsible for developing the Grant or Business Transaction must immediately disclose the Conflict to a manager or director and recuse themselves entirely from any involvement, review or approval of the affected Grant or Business Transaction. If necessary, the Staff member's manager or director may designate another staff member to manage the Grant or Business Transaction.

**7.4.3. IRC Review of Staff Grants and Business Transactions:** All Material Financial Conflicts of Interest involving Staff will be referred to the IRC for review and recommendation to the Board for determination. In addition to assessing the propriety of the proposed Grant or Business Transaction under law and Endowment Policy, the IRC will also assess the perception created if The Endowment were to fund the proposed Grant or Business Transaction. (See Appendix E). The same two exceptions to IRC referral and review of Material Conflicts described in Subsection 7.2.3 above apply to Staff.

**7.4.4. ETRC Review of Staff Non-Material Conflicts:** All Non-Material Conflicts of Interest involving Staff will be referred to the ETRC for review to ensure that the Grant or Business Transaction is not being provided to fulfill a pledge or sponsorship or as a quid pro quo for some direct or indirect benefit for a Covered Person under this Policy. The ETRC will also assess the perception created by the Non-Material Interest or Affiliation and make a recommendation to the CEO regarding approval. The ETRC may refer sensitive Non-Material or Perceived Conflicts to the IRC for review and Board action.

### **8. GIFTS AND GRATUITIES**

**8.1.** Directors, Officers, Staff, and members of their Families and Households (Covered Persons) may not receive or accept any financial gain or anything else of more than nominal value (including gifts and entertainment) from recent, current, or potential grantees, vendors, suppliers, consultants, or others who have existing or proposed business or grantor-grantee relationships with The Endowment. It is permissible to accept gifts of nominal value (unsolicited gifts or tokens of nominal value, less than \$100 per year, per source, where refusal would be impractical or imprudent), meals, and social invitations that are in keeping with good business ethics and do not obligate the recipient to take or refrain from taking any action or decision on behalf of The Endowment. Where it would be awkward to decline a proffered gift, it should be accepted on behalf of The Endowment, and the President or EVP/Counsel should be

consulted as to its disposition. In no case shall Directors, Officers, or Staff receive honoraria for Endowment-related activities.

8.2. It is in the interest of The Endowment to encourage Directors, Officers, and Staff to be current on health-related issues of the communities served by The Endowment and familiar with the members of those communities. However The Endowment must avoid the perception of favoritism or obligations to particular individuals or organizations. Directors, Officers, and Staff shall not accept *complimentary* invitations to dinners, luncheons, benefits, fund-raising events, or other such events with any organizations or business entity who have obtained (within the last 12 months), are seeking or are likely to seek, a Grant or some form of Business Transaction with The Endowment. Directors, Officers, and Staff wishing to attend these events must seek prior approval from the President or his or her designee to request reimbursement.

8.3. In the rare instances in which acceptance of an item of monetary value is allowed under this Policy and is accepted from an individual or organization doing business or seeking to do business with The Endowment (including but not limited to Grant recipients, potential grantees, former grantees, vendors, independent contractors, and professional service agents), Directors, Officers, or Staff shall list such items (except for meals, courtesy food, or refreshments valued at less than \$100) on the Annual Disclosure form.

## **9. OUTSIDE EMPLOYMENT AND ACTIVITIES**

Endowment Staff may engage in outside employment and activities (such as participation in professional associations or community-based organizations' boards) as long as they are able to meet the performance standards of their job with The Endowment. Staff will be judged by the same performance standards and will be subject to The Endowment's scheduling demands, regardless of any existing outside work requirement or activities of an employee.

Staff members engaged in outside employment must disclose the nature of the employment relationship on the Annual Conflict of Interest Questionnaire and Form if it involves a current or potential Endowment grantee organization or business relationship. Staff members are under a continuing obligation to regularly update their Conflict of Interest Form and inform their direct supervisor of any changes. If the Endowment determines that an employee's outside work or activities interfere with that employee's ability to meet his or her job requirements, which are modified from time to time, the employee may be required to terminate the outside employment or activity if she or he wishes to remain an employee of The Endowment.

Outside employment that constitutes a Conflict of Interest is prohibited. Employees may not receive any income or material gain from individuals outside The Endowment for materials produced or services rendered as a result of performing their jobs at the Endowment.

## **10. POLITICAL ACTIVITIES**

Directors, Officers, and Staff are free to engage in political activities when, in their best judgment, such activities will not conflict with their ability to carry out Endowment responsibilities. Directors, Officers, and Staff members should keep in mind, when making such



decisions, that there is a public perception challenge in distinguishing between one's personal and professional capacities. Directors, Officers, and Staff members are prohibited from using Endowment resources, logos, or her or his Endowment title or affiliation in association with these permissible personal activities. Additionally, no political activities can be conducted during an Employee's business day, or with the use of any Endowment resources.

## **11. INVESTMENT ACTIVITIES**

11.1. **Co-Investments:** Directors, Officers, and Investment Staff will not co-invest their personal assets with any investment manager, general partner, or other entity that manages assets for The Endowment, except in mutual funds or other products offered to the general public. Investment Staff will not invest in private equity or venture capital partnerships which The Endowment is considering for investment or in any non-publicly traded companies where The Endowment has a beneficial interest through an investment in a private equity or venture capital partnership. Board Members are not prohibited from such co-investments of personal assets, but must disclose all such co-investments and recuse themselves from participating in any discussions or decisions relating to Business Transactions with respect to which they are investors and in which The Endowment has, or is considering, an investment.

11.2. **Front Running:** While The Endowment will rarely hold individual stocks of corporations under the sole investment discretion of the Investment Office, it will happen occasionally as the result of a partnership distribution or manager termination. Investment Staff may not trade the stock, or options in the stock in their personal account for a period beginning five business days before The Endowment sells the stock until the sixth business day following the trade sale date.

## **12. VIOLATION OF THE POLICY**

12.1. If the EVP/Counsel has reasonable cause to believe that a Director, Officer, or Staff member has failed to comply with the policies and procedures established by this Conflict of Interest Policy, she or he shall inform the Director, Officer, or Staff member of the basis for such belief and afford her/him the opportunity to explain the alleged failure to disclose.

12.2. If, after hearing the Director, Officer, or Staff's response and after making further investigation as warranted by the circumstances, the EVP/Counsel has determined the Director, Officer, or Staff member has failed to comply with this Conflict of Interest Policy, the EVP/Counsel shall refer the matter to the Audit Committee, in the case of a Director, and to the President in the case of Officers and Staff, to take appropriate disciplinary and corrective action.

## **13. RETALIATION IS PROHIBITED**

13.1. This Conflict of Interest Policy is intended to encourage and enable Directors, Officers, and Staff to raise concerns within The Endowment for investigation and appropriate action. With this goal in mind, no Director, Officer, or Staff member who, in good faith, reports a concern to an Endowment representative or government agency shall be subject to retaliation or, in the case of an employee, adverse employment consequences by The Endowment.

Moreover, a Director, Officer, or Staff member who retaliates against someone who has reported a concern in good faith is subject to discipline up to and including termination of employment or service on the Board.

## **14. APPENDIX AND SUPPORTING PROCESSES**

The Board of Directors intends the attached guidelines and procedures to reflect the letter and spirit of this Policy. As such, the Board delegates to management the responsibility to maintain and update these guidelines and procedures to remain current with appropriate business practices and to be consistent with this Conflict of Interest Policy.

- Appendix A: Guidelines for Identifying Prohibited Self-Dealing Transactions and Exceptions
- Appendix B: Conflict of Interest Disclosure Questionnaire
- Appendix C: Conflict of Interest/Disclosable Relationship Compliance Record
- Appendix D: Staff Affiliation Request Form
- Appendix E: Independent Review Committee Guidelines and Procedures
- Appendix F: Executive Team Review Committee Guidelines and Procedures
- Appendix G: Conflict of Interest Workflow Diagram

## Appendix A

### **Guidelines for Identifying Prohibited Self-dealing Transactions and Exceptions**

As a private foundation, The Endowment is subject to specific Internal Revenue Code and Regulations which prohibit certain kinds of direct and indirect transactions between The Endowment and members of its Board of Directors and Officers, including their families, certain business entities, trusts or estates in which Directors or Officers may have financial interests. For purposes of Section 4946(d) of the Internal Revenue Code, a “family member” of a Director or Officer is defined as including only the spouse, children, grandchildren, great grandchildren, spouses of the foregoing and parents, grandparents and great-grandparents (ancestors).

Transactions that are potentially self-dealing are prohibited unless an exception applies. Exceptions shall be determined on a case by case basis with advice from the EVP/Counsel. A list of transactions that are potentially self-dealing and examples of common exceptions are provided below:

- a. **Sale, exchange, or lease of property**  
(Exception: lease of property by a Director or Officer to The Endowment without charge)
- b. **Loan of money or other extension of credit**  
(Exception: loan or extension of credit by a Director or Officer to The Endowment without interest or other charge, and loan proceeds used exclusively for charitable purposes)
- c. **Furnish of goods, services or facilities**  
(Exception: furnishing goods, services or facilities by a Director or Trustee to The Endowment without charge and for charitable purposes)
- d. **Payment of compensation, or payment of reimbursement of expenses**  
(Exception: payment of reasonable compensation and expenses for the personal services of Directors or Officers necessary to carry out The Endowment’s charitable purposes)
- e. **Transfer or use of any of the Foundation’s income or assets**  
(Exception: any benefit from the transfer or use of The Endowment’s income or assets must be incidental or tenuous)
- f. **Agreement to pay a government official**  
(Exception: limited travel expenses solely within the United States, scholarship or fellowship grants, or costs to attend Endowment conferences)

## Appendix B

### SAMPLE\*

## COI Questionnaire & Disclosure

### 1.

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All Directors, Officers, and Staff must complete this form upon election or hire and annually in June of each year. Throughout the year, Directors, Officers, and Staff have an obligation to disclose any affiliations that would be subject to the disclosures on this form at the time such relationships are entered into.

If you wish to finish this form at another time, please click the 'Save' button at the top of the page before leaving the page to ensure that your information is not lost.

To begin the questionnaire, please enter your name.

Please enter your Endowment email address.

### 2.

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The California Endowment's Board of Directors has a Conflict of Interest Policy that applies to all Directors, Officers, and Staff and includes their Family Members and Household Relationships. Under this Policy, all Directors, Officers and Staff are required to disclose any close relationships or affiliations with individuals, non-profit organizations or business entities who have obtained or may seek to obtain a Grant or Business Transaction with The California Endowment ("The Endowment"). The most critical element of an effective Conflict of Interest Policy is the complete and voluntary disclosure by covered persons of all relevant non-profit or business relationships and affiliations that could result in actual or perceived conflicts of interest that harm the operation, reputation or credibility of The Endowment.

This Disclosure questionnaire supports the key goals of the Conflict of Interest Policy which is to comply with all legal requirements and to ensure integrity in The Endowment's decision-making process, operation, and program implementation.

Please complete the following questionnaire by disclosing any affiliations you, your Family Members, or Household Relationships might have with any non-profit organization or business entity which has obtained, is seeking, or is likely to seek a Grant or Business Transaction with The Endowment. In each case, identify the Covered Person, describe the nature of the affiliation with the organization, including the legal name of the organization, location, and the start date and end date of the Covered Person's affiliation, if such affiliation ended within twelve (12) months from the date of this signing.

\*Sample only, actual document may be slightly different.

For purposes of completing this questionnaire:

Covered Persons applies to all Directors, Officers, and Staff who serve, are currently employed, or within the immediate 12 months preceding, were employed by, or served on the Board of The Endowment, as well as their Family Members or Household Relationships.

Disqualified Person is defined by the Internal Revenue Code as Directors and Officers of The Endowment and individuals having powers or responsibilities similar to Directors and Officers (i.e. Foundation Managers), their Family members, and any corporation, partnership, trust, or estate in which a Director or Officer or their Family member has more than 35 percent of the voting power, profits interest, or beneficial interest. Disqualified persons are prohibited from engaging in certain financial transactions with The Endowment. (See Subsection 6.2 of the Policy). This definition of Disqualified Person under the Internal Revenue Code is included in the broader definition of Covered Person in Subsection 4.4 of the Policy.

Business Transaction means contracts, leases, consultancies, financial investments, or other business dealing involving The Endowment's resources or assets.

Grants means every type of Grant category including, but not limited to Board Recommended Grants, General Operating Support Grants, Program Support Grants, Project Grants, Small Grants, Direct Charitable Activities, Matching Gifts, Sponsorships and Memberships.

Family Members means spouse, domestic partner or equivalent, sibling, step-sibling; ancestors including parents, grandparents, step-parents, step-grandparents; lineal descendants including children, grandchildren, step-children, step-grandchildren, and the spouses of lineal descendants. This definition also includes the siblings, step-siblings; ancestors, step-parents, and grandparents; lineal descendants, step-children, and step-grandchildren of a spouse, domestic partner or equivalent.

Household Relationship means the relationship between a Director, Officer or Staff member, and relatives, roommates, or other persons sharing living quarters and/or living expenses.

Affiliation means any close relationship with any organization or business entity which has obtained, is seeking, or is likely to seek a Grant or some form of Business Transaction with The Endowment and includes, but is not limited to, a Covered Person's current or former (with the last 12 months) service as a board member, trustee, shareholder, employee, advisor, or consultant to a current or potential grantee, service provider or other party doing business with The Endowment.

Please disclose affiliations with any organization or business entity that:  
might seek or has obtained a Grant or Contract from The Endowment,  
might enter or has a financial, investment, or Business Transaction with The Endowment, or  
might derive a material financial interest from a Grant, Contract, or Business Transaction with The Endowment.

Questions regarding disclosures can be discussed with the Conflict of Interest administrator,  
COI@calendow.org.

\*Sample only, actual document may be slightly different.



### 3.

This questionnaire shall be updated annually and as soon as any new affiliation begins. Please indicate any current personal and business relationships, including affiliation/positions held by you, your Family Member, and Household Relationships during the period of twelve (12) months prior to filling out the Annual Disclosure Questionnaire.

Be as detailed as possible in every case and keep in mind that affiliations do not include memberships, i.e. membership in the bar association, your local church, rotary clubs, etc. However, serving on the Board or governing committee of any of these types of membership organizations that have obtained or may seek a grant or business relationship with The Endowment must be disclosed.

Please note that general memberships to professional associations do not count as part of a Conflict of Interest disclosure.

Do you, a Family Member, or Household Relationship serve as a board member, consultant, or employee with any of the following? The list is to assist in thinking about the types of affiliations you may have.

	Yes	No
A. California-based foundations or foundations conducting grant making within California, including those with whom The Endowment might be interested in partnering with in the future (i.e. private, operating, family, community, or corporate foundations)		
B. Non-profit, philanthropic, or government health or human services		
C. Health-related or human service organizations or associations (including trade, civic, membership, or professional associations)		
D. Appointments to commissions with governmental or quasi-governmental agencies		
E. Faculty appointments with colleges, universities, and other educational institutions		
F. Public policy or research organizations		
G. Political or advocacy organizations dealing with health, medicine, or health-related issues		
H. Other medical or health-related for profit organizations		
I. Vendors or Business Entities with whom The Endowment may enter into a Business Transaction with in the future.		

Have you, your Family Members, and/or Household Relationships received any gifts, meals, courtesy food, or refreshment valued at over \$100, payments, and/or anything of monetary value from anyone whom, to your knowledge, is doing business or seeking to do business with The Endowment (including but not limited to grantees, potential grantees, former grantees, vendors, independent contractors, and professional service agents), during the past twelve (12) months? If yes, please include detailed information in your response to Question 3.

Describe any situation that may, in your opinion, have created a real or perceived Conflict of Interest that should be disclosed. If there are none, please enter N/A.

Initial to indicate that the above information is accurate.

\*Sample only, actual document may be slightly different.

#### 4. DISCLOSURE FORM

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If you have more than 20 areas of conflict, please email [COI@calendow.org](mailto:COI@calendow.org).

Please list information relative to you, your Family Member, or Household Relationships' affiliations.

	Organization Name	City, State	Phone Number	Organization Type Non-profit, For-Profit, School, Gov't	Individual to be Disclosed	Nature of Relationship	Start Date	End Date
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

Do you have more organizations to add?

#### 5. CONFLICT DISCLOSURE CONT

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Below, please list information relative to the conflicts identified in the preceding questionnaire.

Please list information relative to you, your Family Member, or Household Relationships' affiliations.

	Organization Name	City, State	Phone Number	Organization Type	Individual to be Disclosed	Nature of Relationship	Start Date	End Date
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

\*Sample only, actual document may be slightly different.

## 6. BOARD MEMBER - BUSINESS HOLDINGS

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Annually, we must assess if The Endowment and its "Disqualified Persons" exceed a 20% ownership position in any single corporation. "Disqualified Persons" include Directors, Officers, their Family Members and Household Relationships, and trusts. To help us determine The Endowment's exposure to potential excise tax liability, please answer the question below, complete the form if required, sign, and submit.

Do you hold stock in any companies in which your holdings exceed 5% of the total voting stock? If yes, you will be directed to a form to provide additional information on those companies.

## 7. DISQUALIFIED PERSON - BUSINESS HOLDINGS LISTING

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Please list all companies/organizations with which you possess greater than 5% ownership or voting authority within.

	Company/Organization	Business Structure*	Private/Public	% Ownership	% Voting Stock
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

## 8. CONFLICT OF INTEREST & BUSINESS HOLDINGS CERTIFICATION

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I certify that I have received and read The Endowment's Conflict of Interest Policy and I understand and agree that I have a duty to disclose promptly, and in good faith, any affiliations I may have with non-profit or business organizations that currently, or in the future, may seek a grant or business relationship from The Endowment.

Disqualified Persons: I agree to inform The Endowment of all business holdings which exceed 5% ownership or voting stock.

I agree to promptly notify The Endowment in writing of any changes in, or additions to, the information disclosed herein.

Signature (full legal name)

□

Signature of:

## 9. COMPLETE

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Thank you for completing the Disclosure process. You will be contacted in the event that additional information is required.

\*Sample only, actual document may be slightly different.



## Appendix C

### SAMPLE\*

#### Conflict of Interest/Disclosable Relationship Compliance Record

<b>(1) Applicant and File Number</b>	<b>(2) Amount</b>	
<b>(3) Covered Person<sup>1</sup>:</b>		
<b>(4) Nature of Relationship:</b>		
<b>(5) Purpose:</b>		
<b>Attach additional sheets with comments or explanations</b>		
(6) Does the Covered Person (includes family members and household relationships) have a direct or indirect material financial interest over \$1000 in the request?	Yes      No	Covered Person
(7) Will any of the funds be used by or for the benefit of the Covered Person?	Yes      No	Covered Person
(8) If there is a benefit to the Covered Person, is it incidental or tenuous, or solely by virtue of the Covered Person being part of the class of persons intended to be benefited by the request?	Yes      No	Covered Person
(9) Was there an objective review that concluded the request carries out TCE's programmatic goals and objectives?	Yes      No	Chief Executive Officer
(10) a. Was the Conflict reviewed by the Independent Review Committee (IRC)?  b. Did the Committee recommend approval?	Yes      No  If no, explain.	Date of IRC  IRC Recommendation  Audit Committee Chair
(11) Was the Covered Person involved in, or did the Covered Person provide input into the review of the request prior to Committee or Board meeting where action was taken?	Yes      No  If yes, explain.	Chief Executive Officer
(12) Board Approval Meeting Date	Approved:  Yes      No	Secretary
(13) Was the Covered Person involved in, or did the Covered Person provide input into the review of the request at the Board meeting where action was taken?	Yes      No  If yes, explain.	Chief Executive Officer
(14) Was the Covered Person absent from the room at the time of the vote?	Yes      No  If no, explain.	Audit Committee Chair
<b>COMPLIANCE REVIEW COMPLETED</b>	Date	Audit Committee Chair

<sup>1</sup> A **Covered Person** includes: Directors, Officers, Staff of The Endowment and their Family Members and Household Relationships. Please refer to Conflict of Interest Policy for definitions.

\*Sample only, actual document may be slightly different.

## Appendix D

### SAMPLE\*

## Staff Affiliation Request Form

### 1. Conflict of Interest Policy Section 5.6

The California Endowment ("The Endowment") has a Conflict of Interest Policy to protect the foundation from either actual or perceived conflicts that may occur as a result of a Staff member's external board or advisory affiliation with a non-profit or business entity. Affiliation is defined as any close relationship with any organization or business entity which has obtained, is seeking or is likely to seek a Grant or some form of Business Transaction with The Endowment.

The purpose of this form is to pre-approve Staff's affiliations with a current or potential grantee, or business partner in an effort to minimize the risk of a conflict of interest or the appearance of conflict of interest. Even if the proposed entity is not currently a grantee or business partner, Staff should be mindful of the effect that their affiliation with this entity may have on other non-profit organizations or businesses in the area, and the resource expectation that may be created within the organization. In the request form, Staff should explain why the affiliation is important and clarify how it will not interfere or conflict with The Endowment's work.

Please provide information about the board, advisory board, or business entity which you wish to join and forward to your Director or Vice President for approval. If approved, your Director or Vice President will submit your request to the Chief Executive Officer ("CEO") for final approval. The CEO will forward finally approved or declined forms to Human Resources ("HR"). HR will notify the requesting employee and Grants Administration of the decision. Please do not accept appointment until your request has been approved by the CEO.

The affiliation will fall under one of the following categories. Review the categories and indicate which category is true or false for the affiliation you are requesting.

	True	False
The board/close relationship is with a philanthropic entity that is strategically beneficial to The Endowment, so the staff member should be allowed to participate on Endowment time and use Endowment resources;		X
The board/close relationship, while it may involve an actual or potential grantee or business partner, is not detrimental to The Endowment operations, grantees or programs, so the staff member should be allowed to participate on his/her own time using his/her own resources.	X	

Staff should not accept participation in these activities until approval from the CEO is granted.

If you have questions, please contact [COI@calendow.org](mailto:COI@calendow.org)

I would like to participate in the following board-related activity:

Name of Organization : ABC

TYPE OF PARTICIPATION (Board, Advisory Board, Steering Comm., or Other) : Board Chair

TYPE OF ORGANIZATION (For Profit, Gov., Nonprofit, etc.) : Non Profit

TIME COMMITMENT (Hours per quarter, per year, etc.) : 10 hrs a month

COMPENSATION OVER \$1,000 (Yes/No) : No

#### 1. Please provide a brief justification for this request.

ABC is a great organization that support TCE's mission. I was invited to join the board to lend my expertise to this emerging organization's grantmaking role.

#### 2. Please provide the following information.

Employee Name : Dolores Estrada

Email Address : [destrada@calendow.org](mailto:destrada@calendow.org)

\*Sample only, actual document may be slightly different.

## 2. Pre-Approval Request Submitted

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Your request for approval to participate in an affiliation activity has been received. You will be emailed a copy to retain for your records.

If you have questions of the status of your request, please contact [COI@calendow.org](mailto:COI@calendow.org).

\*Sample only, actual document may be slightly different.

## APPENDIX E

### Independent Review Committee Guidelines and Procedures

*Board Approved May 20, 2015*

The purpose of the Independent Review Committee (“IRC”) is to review pending Grants and Business Transactions involving the potential direct or indirect receipt by a Director, Officer, or Staff member of The California Endowment (“The Endowment”) or her or his Family member or Household relationship (“Covered Persons”) as defined in Section 4 of The Endowment’s Conflict of Interest Policy, of \$1,000 or more *in financial benefit or Compensation*, as a result of her or his Affiliation, employment, investment, relationship or other connection to a grantee or party to an Endowment Grant or Business Transaction (“Transaction”).

The IRC has been created to provide independent advice and recommendations to The Endowment’s Board of Directors with regard to compliance with both the spirit and the letter of The Endowment’s Conflict of Interest Policy and the Board of Directors intends to rely substantially on the IRC’s independent advice and recommendations in reaching its decisions on matters submitted to the IRC for review.

There are two exceptions to this policy:

- The first exception allows recommended funding to universities that employ an Endowment Board member to bypass the IRC if the department receiving Endowment funding is distinct from the department that employs the Endowment Board member or family member.
- The second exception allows recommended funding to organizations that employ an Endowment Board member to bypass the IRC if the organization is acting as a “service” fiscal receiver for another organization.<sup>1</sup>

Notwithstanding the above, an exception will not be made in instances where a Covered Person is employed as the organization’s fund raiser.

The following sets out IRC Committee composition as well as criteria, guidelines, and procedures for the review of material Conflicts of Interests. In addition to reviewing Grants or Business Transactions with respect to these criteria, the IRC is requested to discuss and bring to the attention of the Board of Directors any other perception issues that might arise in approving the Grants or Transactions as well as make any recommendations for special conditions which

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<sup>1</sup>Fiscal receiverships are separated into two types: “interested” fiscal receiverships and “service” fiscal receiverships. An interested fiscal receivership is one in which the fiscal receiver not only acts as a conduit for funding, but also is an active participant. The “interested” fiscal receiver might have responsibility for community organizing, facilitation, evaluation, or other tasks. “Interested” fiscal receiverships will be reviewed by the IRC. In contrast, a “service” fiscal receivership is one in which the fiscal receiver provides a service to a community organization or project but receives no benefit from the funding (except possibly a nominal administrative fee), and as such these funding recommendations will not be reviewed by the IRC.

might be placed upon the grants or transactions to mitigate any potential concerns identified through the review process.

## **COMPOSITION**

The IRC will be comprised of four members. The Chair of the Audit Committee<sup>2</sup> will function as the convener and facilitator, will provide input and state an opinion on the recommendation, but will not be a voting member. There will be three voting members, each of whom is characterized as having good judgment, knowledge of Conflict of Interest procedures (with a willingness to receive additional education by The Endowment's legal counsel), and an understanding of community-based health philanthropy. Nominees for the three voting members, in addition to two alternate members, will be recommended by the Governance Committee<sup>3</sup> and then appointed by a majority vote of the Directors then in office.

IRC members serve two-year terms. At its discretion, the Board of Directors may re-appoint any member for one additional two year term. Notwithstanding the date on which a member is appointed, each year of service shall begin as of the Board of Director's annual meeting.

At the end of an IRC member's term, alternate members shall be eligible to be appointed as IRC members.

Before each IRC meeting it will be determined that no member has a Conflict of Interest (Real or Perceived) with regard to the pending funding recommendations. The members will be compensated \$1,000 per meeting in addition to related travel expenses.

IRC members will be required to provide Conflict of Interest information as is required of all Endowment Board and staff.

## **REVIEW CRITERIA**

While reasonably broad, The Endowment's permitted corporate purposes and mission are limited by mandatory provisions in its articles and bylaws. The criteria for reviewing grants or transactions fall under two broad categories: 1) Adherence to Federal and State laws, regulations and TCE Policy; and 2) Assurance that the Grant or Business Transaction does not create a perception of self-dealing or undue influence sufficient to harm the reputation, integrity, good will, or institutional credibility of the organization. The IRC should first ensure that the Grant or Transaction satisfies the legal and policy standards in the first category, and if the Grant or Business Transaction passes this initial test, then the IRC should carefully review the possible negative perceptions created by the Grant or Transaction.

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<sup>2</sup>In instances where the Audit Committee Chair has a conflict of interest or is unavailable, The Endowment's Board chair may appoint another Board member to act in his/her stead. To the extent possible, The Endowment's Board chair shall attempt to appoint a Board member who has had experience chairing the Independent Review Committee

<sup>3</sup>See attached IRC Member Qualifications and Position Description for categories of individuals precluded from service on the IRC. .

## **Category I: Adherence to Federal and State Laws, Regulations, TCE By-laws and Policies.**

### **A. Compliance with The Endowment's Corporate Purposes and Mission**

The Grant or Business Transaction must comply with The Endowment's purpose and mission as set out in the by-laws. Staff will apply the initial test to ensure compliance with these mandatory provisions.

### **B. Specific Review of The Covered Person's Relationship with the Proposed Grantee/Contractor for Legal and Policy Compliance.**

The IRC should review the proposed Grant or Transaction to determine whether any direct or indirect financial benefit is provided to a Covered Person as a result of the Grant or Transaction. Any such review should include the following:

- 1) Identifying whether any portion of the Grant or Transaction may be used to provide direct financial benefits to a covered person (Endowment Director, Officer, Staff, Family member, or Household relationship) by the grantee/contractor, regardless of whether such benefits are through salary, consulting or professional services, payments for property rental, payments for goods or services, or in any other form. Self-dealing transactions are prohibited. See Section 6 and Appendix A, Conflicts of Interest Policy.
- 2) Identifying whether any portion of the Grant or Transaction may be used to provide indirect financial benefits to a Covered Person through the grantee/contractor by: a) subcontractor agreements, independent consulting, or professional services provided to affiliates or related organizations, b) subsidizing "indirect costs" of the grantee/contractor, a subcontractor, consultant, vendor, service provider, or affiliate of the grantee/contractor that may include Compensation and/or benefits to a Covered Person,<sup>4</sup> c) fulfilling any fund-raising obligations of the Covered Person, or d) fulfilling any performance criteria of the Covered Person.
- 3) Additionally, the IRC should identify material non-financial benefits that may accrue to a Covered Person from The Endowment Grant or Transaction.
- 4) The IRC should recognize that it is not possible to identify and list in advance every possible manner in which direct and/or indirect benefits (financial or non-financial) may be obtained through an Endowment Grant or Transaction. The IRC should make all reasonable efforts to determine whether any such benefits accrue to a Covered Person and if so, whether such benefits violate applicable laws and regulations and/or The Endowment's Conflict of Interest Policy.

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<sup>4</sup>Please note that unrestricted funds are reallocated within an organization and unrestricted Endowment grants/contracts monies may permit other funds of the grantee/contractor to be used to pay benefits to Covered Person even in the face of a direct restriction on the use of The Endowment grants/contracts monies.

- 5) To ensure that Endowment funds will not financially benefit a Covered Person, the Board Chair,<sup>5</sup> Director, or Officer of the recipient organization may be asked to provide a written statement affirming that the pending Grant or Transaction i) will not be used to provide any financial benefit to Covered Person either directly or indirectly; ii) will not be included in any consideration of Covered Person's Compensation, either directly or indirectly; and iii) does not fulfill any fund-raising obligations or other performance criteria, if any, of the Covered Person

## **Category II: Review for the Perception of Self-Dealing, Undue Influence, or Private Inurement**

A Perceived Conflict of Interest is one that a skeptical viewer might reasonably believe might cause the Director's, Officer's, or Staff member's decision to be tainted by self-interest. The Endowment believes that even the appearance of a Conflict of Interest can damage institutional credibility and our ability to fulfill our mission and programmatic goals. Consequently, the following framework is provided as a guideline to help the IRC objectively assess whether the Conflict of Interest presented for review, however legal, may, as a matter of public perception, raise such questions as to require additional safeguards and mitigation efforts or be recommended for disapproval. In assessing the severity of the Perceived Conflict, the IRC should be guided by The Endowment's mission and values.

### **A. Consistency with The Endowment's Strategic Framework**

Grants or Transactions that comply with the legal and mission requirements of Category I above are not required as a matter of law to fit within the existing strategic programs of The Endowment. However, the IRC, as a part of its review process, should ensure that the Grant or Transaction aligns with the general goals of The Endowment's grant-making programs in furtherance of The Endowment's mission.

To confirm that alignment, the IRC will review staff-prepared information related to the Grant or Transaction that will outline each program's goals.

### **B. Objective Factors in Assessing Perceptions of the Grant or Business Transaction**

In assessing perception, the IRC may apply, but is not limited to, the following objective factors in evaluating the perception created by the Conflict of Interest presented for evaluation:

#### **1) Origin of Grant or Transaction**

IRC should explore the origin of the Grant or Business Transaction. Did it originate from the Board of Directors, a staff member or some other source? If the Transaction was initiated by or referred by a Covered Person, did the Covered Person recuse herself or himself from the process? Was the Transaction separately and objectively vetted by staff not reporting to the Covered Person?

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<sup>5</sup>As appropriate, such written statement may come from other sources including but not limited to the Chief Executive Officer, Executive Director, Chief Financial Officer, or Department Chair.

**2) Proportionality of the Grant or Transaction**

The IRC should review proposed Grants or Business Transactions for proportionality, both in terms of the absolute size of the Grant or Transaction as compared to Endowment norms and with respect to the size of the funding in relation to similar purpose Grant or Transaction made to non- related organizations. Endowment staff will provide the IRC with data regarding the size of similar Grants or Transactions. In addition, the IRC should review the proportionality of the proposed Grant to the annual budget of the recipient organization.

**3) Grantee or Business Partner History with The Endowment**

The IRC should examine the historical funding or business relationship with the grantee or business partner. Is this Grant or Transaction the first such receipt of funds? If not, is it consistent with previous Grants or Transactions? Did The Endowment previously fund a different grantee or vendor for the same type of Grant or service?

**4) Grantee or Business Entity Qualifications**

The IRC should examine whether this Grantee or Business is qualified to undertake the proposed Grant or service and whether the entity has the level of organizational and staff experience/expertise to achieve the Grant or business purpose. What is the benefit to the Endowment of the relationship and does the benefit outweigh any negative perception? For example, is the Grant proposal or direct charitable activity difficult or unique geographically or programmatically? Did this Business Transaction result from a competitive RFP process or was it a sole source contract?

**5) Assessing Reputational Harm**

From the perspective of a skeptical viewer and in light of the objective factors reviewed above, does the proposed Transaction raise concern that it may be tainted by self-interest? If so, is the concern sufficient to request additional information or further mitigation? If the Perceived Conflict of Interest cannot be mitigated, and the potential harm to The Endowment's reputation or credibility is significant, the IRC must recommend denial of the proposed Transaction.

**RECOMMENDATION AND ACTION**

Grants or Business Transactions that are reviewed and recommended for either approval or disapproval by IRC will be forwarded to the Board of Directors for action. Upon receipt of IRC's recommendation, the Board may 1) approve; 2) disapprove; or 3) return to Management for further mitigation, revision, and resubmission of the Grant or Business Transaction.



## **PROCEDURES**

The following information is provided to the IRC:

- A. IRC Guidelines and Procedures for review of the grants or transactions.
- B. Introduction to The Endowment's strategic direction.
- C. The Endowment's Conflict of Interest Policy.
- D. Cover memo describing the Grant or Transaction, the disclosable relationship and a listing of previous Grant or Transaction recommendations reviewed by an IRC or Audit Committee.
- E. Grant or Transaction recommendation memo and budget which describes why the Grant or Transaction is important to The Endowment's grant making and addresses a) what is unique about the organization and why this one versus others and b) clarifies the appropriateness of the proportionality of the Grant or Transaction, i.e., size relative to scope. If the health link is not obvious to external parties, staff will provide some history and background on The Endowment's thinking on the issue and how it is perceived as pertinent to health.
- F. Summary of discussion that took place during peer review of the recommended Grant or Transaction.
- G. List of previously approved Grants or Transactions to the same organization from The Endowment within the past thirty-six months. This list will provide name of organization, amount, date approved, project description, and geographical area served.
- H. List of Grants or Transactions that are similar to the recommendation in terms of issue area within the past thirty-six months. The list will provide name of organization, amount, date approved, project description, and geographical area served.
- I. Biographical information regarding the Covered Person.
- J. Letter from the organization affirming no financial benefits.
- K. Questionnaire for the IRC member's completion.

## **Independent Review Committee: Member Qualifications and Position Description**

### **Committee Composition and Terms**

The Committee will be comprised of four members, including the Chair of the Audit Committee in a non-voting capacity. Individual members will serve two-year terms. At its discretion, the Board of Directors may re-appoint any member for one additional two- year term. Notwithstanding the date on which a member is appointed, each year of service shall begin as of the Board of Director's annual meeting.

### **Qualifications**

Members of the Independent Review Committee (IRC) will be expected to possess:

- Good judgment;
- Knowledge of conflict of interest procedures; and
- An understanding of community-based health philanthropy;

Appointments will be made to meet specific needs of the Committee or to remedy a lack of expertise in any area(s).

### **Commitment**

The IRC will meet on an as-needed basis, and members will be expected to devote sufficient time to read and assess Grant or Business Transaction recommendations and meet (by telephone, videoconference, or in person) to discuss the recommendations and make a formal recommendation to The Endowment's Board of Directors. Committee members may be asked to meet on short notice (e.g., one or two weeks), so a level of flexibility in scheduling will be expected. When meeting, members will be expected to thoroughly review Grant or Business Transaction recommendations, ask questions, provide insight, and listen to the views of other members before making a recommendation.

### **Nominating Procedure**

1. Members of the Board of Directors and senior management of The California Endowment will recruit members of the community who possess the qualifications to serve on the Committee.
2. A list of qualified individuals<sup>1</sup> interested in serving will be submitted to the Governance Committee for review.
3. The most qualified nominees will be interviewed and screened.
4. The nominees will be presented by the Governance Committee to the Board for a vote.
5. The approved nominees will then be notified.

### **Compensation**

Committee members will be paid \$1,000 per meeting, plus travel and expenses.

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<sup>1</sup>Categories of individuals precluded from service on the IRC are: staff of grantees current or within the past 12 months; former Endowment Directors; former Endowment senior staff members; and staff of vendors or consultants who are or have contracted with The Endowment within the past 12 months.

## Appendix F

### Executive Team Review Committee Guidelines and Procedures

The purpose of an **Executive Team Review Committee (“ETRC”)** is to review pending Grants<sup>1</sup> or Business Transactions<sup>2</sup> (“Transactions”) involving Directors, Officers, or Staff of The California Endowment (“The Endowment”) as well as their Family Members or Household Relationships (“Covered Persons”) who may have a non-material financial or perceived Conflict of Interest in a pending Endowment Grant or Business Transaction. The ETRC has been created to provide internal, independent advice and recommendations to the Chief Executive Officer and The Endowment’s Board of Directors with regard to compliance with The Endowment’s Conflict of Interest Policy.

In reviewing the Grants or Transactions with respect to these criteria, the ETRC has the option to refer to the Independent Review Committee (“IRC”) any highly sensitive or controversial issues, as well as make any recommendations to mitigate potential concerns identified through the review process.

The following sets out ETRC Committee composition as well as criteria, guidelines, and procedures for the review of non-material Conflicts of Interests.

#### COMPOSITION

The ETRC will be comprised of three voting members: the Executive Vice President/Counsel, the Chief Financial Officer, and the Director, Program Quality & Effectiveness. The Executive Vice President/Counsel or designee will function as the convener and facilitator.

Before each ETRC meeting, the convener/facilitator will determine that no ETRC member has a Conflict of Interest (Real or Perceived) with regard to the pending recommendation(s). If an ETRC member has a conflict or is unable to attend, EVP/Counsel or designee will assign an alternate. Alternates may include a disinterested member of the Executive Team or the Manager of Grants Administration.

#### REVIEW CRITERIA

Although the ETRC will only review Non-Material Conflicts of Interest, the ETRC will still apply a two-part analysis that will review Grants or Transactions under two broad categories: 1) Adherence to Federal and State laws, regulations and TCE policy; and 2) Assurance that the Grant or Transaction does not create a perception of self-dealing or undue influence sufficient to harm the reputation, integrity, good will, or institutional credibility of the organization. In the former the ETRC should focus on potential indirect benefits that could violate law or policy and

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<sup>1</sup>**Grants** means every type of Grant category including, but not limited to Board Recommended Grants, General Operating Support Grants, Program Support Grants, Project Grants, Small Grants, Direct Charitable Activities, Matching Gifts, Sponsorships, and Memberships.

<sup>2</sup>**Business Transaction** means contracts, leases, consultancies, financial investments, or other business dealing involving The Endowment’s resources or assets.

in the latter, ETRC should carefully review the possible negative perceptions or operational challenges created by the Grant or Transaction.

### **Category I: Adherence to Federal and State Laws, Regulations and Endowment Policies**

#### **A. Compliance with The Endowment's Corporate Purposes and Mission**

All Grants and Business Transactions reviewed by ETRC must align with The Endowment's purpose and mission.

#### **B. Review of The Covered Person's Relationship with the Proposed Grantee/Business Entity for Legal and Policy Compliance**

The ETRC should review the Grant or Transaction to determine whether any direct or indirect financial benefit is being provided to a Covered Person as a result of the Grant or Business Transaction. Review should include the following:

- 1) Determine whether any portion of the Grant or Transaction may be used to provide quid pro quo direct financial benefits to a Covered Person by the grantee or business entity, regardless of whether such benefits are through salary, consulting or professional services, payments for property rental, payments for goods or services, or in any other form.
- 2) Determine whether any portion of the Grant or Transaction may be used to provide indirect financial benefits to a Covered Person, for example, fulfilling any fund-raising obligations, or fulfilling any promise of a covered person to the grantee or business entity.

C. Use of Best Efforts - It is not possible to identify and list in advance every possible manner in which benefits (financial or non-financial) may be obtained through an Endowment Grant or Transaction. The ETRC should make all reasonable efforts to determine whether any such benefits accrue to an Endowment Director, Officer, Staff, Family Member, or Household Relationship and if so, whether such benefits violate applicable laws and regulations and/or The Endowment's Conflict of Interest Policy.

### **Category II: Review for the Perception of Self-Dealing, Undue Influence, or Private Inurement**

*A **Perceived Conflict of Interest** is one that a skeptical viewer might reasonably believe might cause the Director's, Officer's, or Staff member's decision to be tainted by self-interest.*

The Endowment believes that even the appearance of a Conflict of Interest can damage institutional credibility and our ability to fulfill our mission and programmatic goals. Consequently, the following framework is provided as guidance to help the ETRC objectively assess whether the conflict of interest presented for review, however legal, may as a matter of public perception raise such questions as to require additional safeguards and mitigation efforts or be recommended for disapproval. In assessing the severity of the Perceived Conflict, the ETRC should be guided by The Endowment's mission and values.

**A. Consistency with The Endowment's Strategic Framework**

Grants or Transactions that comply with the legal and mission requirements of Category I above are not required as a matter of law to fit within the existing strategic programs of The Endowment. However, as a matter of perception, it is best if a Grant or Transaction aligns with the general goals of The Endowment's grant-making programs.

**B. Objective Factors in Assessing Perceptions of the Grant or Transaction**

In assessing perception, the ETRC may apply, but is not limited to, the following objective factors in evaluating the perception created by the Conflict of Interest presented for evaluation:

**1) Origin of Grant or Transaction**

ETRC should explore the origin of the Grant or Business Transaction. Did it originate from the Board of Directors, a staff member or some other source? If the Grant Transaction was initiated by or referred by a Covered Person, did the Covered Person recuse herself or himself from the process? Was the Grant or Transaction separately and objectively vetted by staff not reporting to the Covered Person?

**2) Proportionality of the Grant or Transaction**

The ETRC should review proposed Grants or Business Transactions for proportionality, both in terms of the absolute size of the Grant or Transaction as compared to Endowment norms and with respect to the size of the funding in relation to similar purpose Grant or Transaction made to non-related organizations. Endowment staff will provide the ETRC with data regarding the size of similar Grants or Transactions. In addition, the ETRC should review the proportionality of the proposed Grant to the annual budget of the recipient organization.

**3) Grantee or Business Partner History with The Endowment**

The ETRC should examine the historical funding or business relationship with the grantee or business partner. Is this Grant or Transaction the first such receipt of funds? If not, is it consistent with previous Grants or Transactions? Did The Endowment previously fund a different grantee or vendor for the same type of Grant or service?

**4) Grantee or Business Entity Qualifications**

The ETRC should examine whether this Grantee or Business is qualified to undertake the proposed Grant or service and whether the entity has the level of organizational and staff experience/expertise to achieve the Grant or business purpose. What is the benefit to the Endowment of the relationship and does the benefit outweigh any negative perception? For example, is the Grant proposal or direct charitable activity difficult or unique geographically or programmatically? Did this Business Transaction result from a competitive RFP process or was it a sole source contract?

**5) Assessing Reputational Harm**

From the perspective of a skeptical viewer and in light of the objective factors reviewed above, does the proposed Grant or Transaction raise concern that it may be tainted by self-interest? If so, is the concern sufficient to request additional information or further mitigation? If the Perceived Conflict of Interest cannot be mitigated, and the potential harm to The Endowment's reputation or credibility is significant, the ETRC must recommend denial of the proposed transaction.

**RECOMMENDATION AND ACTION**

- Grants or Business Transactions involving Directors will be reviewed by ETRC and a recommendation will be forwarded to the Board for action;
- Grant or Business Transactions involving Officers or Staff reviewed by ETRC will be forwarded with a recommendation to the CEO who may 1) approve; 2) decline or 3) return to grant-making staff for further revision and resubmission.
- Grant or Business Transactions reviewed by ETRC and requiring a secondary review will be forwarded to the Independent Review Committee for recommendation and Board Action.

## Appendix G

### CONFLICT OF INTEREST POLICY WORK FLOW

