



CONFLICT OF INTEREST POLICY

The Kenneth Rainin Foundation encourages its Board of Directors, officers, and employees, to play an active role in the community by serving as board members or otherwise being involved with a wide spectrum of nonprofit organizations. We believe that willingness to take risks is imperative and we often approach our work in innovative and untraditional ways. This means that, from time to time, potential conflicts of interest or the appearance of such conflicts will inevitably arise. It is the Foundation's policy to deal with such conflicts as openly as possible.

We have created this document and we review and adjust it as needed to help identify conflict, whether it is potential, real, or perceived, and to provide guidance in how to handle the conflict. Conflict of interest is to be a regular item on every board agenda and periodically discussed by the whole board.

What is a Conflict?

We use the definition provided by BoardSource to define conflict of interest:

"A conflict of interest exists when a board member, manager, officer, or management employee has a personal interest that is in conflict with the interests of the organization, such that he or she may be influenced by this personal interest when making a decision for the organization." -Exceptional Board Practices: The Source in Action, BoardSource.

We acknowledge and celebrate that we all have interests in a variety of organizations and causes. We aren't concerned when we have an interest, but rather when that interest is in conflict and may be to the detriment of a third party.

The potential for a conflict of interest arises when a condition exists where one could act in ways that are in conflict with the interests of the organization. If a person in this situation does not (1) properly disclose the conflict and (2) recuse her/himself from the discussion, then an actual conflict of interest may exist. A perceived conflict of interest might exist if an outside party (grantee, funder, community member, etc.) believes there to be an actual conflict based on perception and interpretation of behavior and/or information.

Here are some examples of conflicting involvements. This list is not complete, so one should not assume that a transaction or relationship falls outside this policy just because it is not described here.

Board members are considered to be in a conflict of interest under the following circumstances:

- when they—or when members of their family, business partners, or close personal associates—could personally or professionally benefit, directly or indirectly, financially or otherwise, from their position on the board;
- when they use their position on a board to the disadvantage or detriment of a third party;
- when they solicit or obtain preferential treatment related to services received from or rendered to the foundation, including contracted work, employment, or honoraria;
- when circumstances arise that compromise, or appear to compromise, the ability of board members or staff to make unbiased decisions;
- when they appropriate financial or other resources for personal use (e.g., information, property, equipment, supplies, transportation, training);
- when they seek, accept, or receive material personal benefit from a supplier, vendor, individual, or organization doing or seeking business with the foundation;
- when they are involved in the contracting, employment, supervision, grievance, evaluation, promotion, remuneration, or firing of a family member, business associate, or friend of the director;
- Non-pecuniary interests may present a moral conflict of interest, if not a legal conflict. Examples of moral conflicts include:
 - when their personal interests conflict with the interests of members or grantees or are otherwise adverse to the interests of the foundation;
 - when their membership on the board or staff of another organization could create interests that conflict with the interests of the foundation or its grantees and where their activities on one board might materially affect their capacity on another board.

How to Handle a Conflict of Interest

If you think there might be a conflict, Foundation directors, officers, and employees should raise the issue as soon as possible with a supervisor or with the board and disclose the relevant conflict before making any decisions regarding the actual or apparent conflict.

A Foundation employee should disclose the relevant conflict to his or her supervisor. A director or officer should disclose the relevant conflict to the President or, if the conflict involves the President, to another Foundation officer. Board members should disclose conflicts of interests early and often.

Once such a disclosure is made, here are the steps that should be taken:

For Directors or Officers:

- In cases where a board member may not perceive that a conflict of interest exists, it is the responsibility of other board members who are aware of a real, potential, or perceived conflict of interest on the part of a fellow board member to raise the issue.

- The full Board of Directors (excluding the relevant disclosing director, if any) will determine if a director or officer has a potential conflict of interest.
- Should this be the case, the disclosing director or officer shall abstain from participation in the transaction other than to provide information of a technical nature or answer specific questions that may be raised by the board.
- If the board is contemplating a financial transaction with a board member, the process should be conducted through a fair and open process in which board members who have no personal or business interests in the matter make the final decision about awarding contracts.
- Disclosures and excusals from voting should be recorded into a meeting's minutes or other official record.

For Employees:

- If the disclosure involves an employee, that employee's supervisor (subject to the ultimate supervision of the Board of Directors) shall determine whether a potential conflict of interest exists and, if so, the employee shall not participate in the transaction other than to provide information or answer specific questions that may be raised by the employee's supervisor.

The Foundation's President shall maintain a roster listing each director or officer and the organizations (i) on whose boards they or an immediate family member serve, (ii) by which they or an immediate family member are employed, or (iii) with which they or an immediate family member have a business relationship.

In addition, the Foundation will consult legal counsel for nonprofit matters before engaging in any transaction that directly or indirectly involves any person or organization fitting the legal definition of a disqualified person in order to avoid self-dealing. A disqualified person to the Foundation, under Internal Revenue Code Section 4946, is:

1. A director or officer of the Foundation, any person with responsibilities similar to those of a director or officer, or (in connection with any specific transaction) any employee with final authority or responsibility to bind the Foundation with regard to that transaction.
2. A substantial contributor to the Foundation.
3. An owner of more than 20% of the voting power of a corporation, the profits interest of a partnership, or the beneficial interest in a trust, which entity is itself a substantial contributor to the Foundation.
4. The spouse, ancestors, children, grandchildren, great-grandchildren, and the spouses of children, grandchildren, and great-grandchildren, of any individual described in Paragraph 1 through 3.
5. A corporation, partnership, or trust or estate in which persons described in Paragraphs 1 through 4 own more than 35% of the voting power, profits interest, or beneficial interest, respectively.
6. A government official.

The Foundation may only engage in a transaction with a disqualified person, directly or indirectly, if the transaction is not self-dealing within the meaning of Internal Revenue Code Section 4941 and if the transaction otherwise satisfies the requirements of this Conflict of Interest Policy.

This Conflict of Interest Policy supplements the Foundation's Bylaws, including provisions relating to the approval of transactions in which a director has a material financial interest. The Foundation may only engage in such transactions in compliance with the Foundation's Bylaws.

Please complete and return this Conflict of Interest Policy to Human Resources.

Name (Please Print)

Signature

Date

Select one:

- Board Member
- Officer
- Employee