

**THE WALLACE FOUNDATION
BOARD MEMBER CODE OF ETHICS**

The Wallace Foundation is committed to the highest standards of integrity in conducting the affairs of the Foundation. This includes acting at all times in an honest and ethical manner, in compliance with all laws and regulations, and avoiding actual or potential conflicts of interest. This Code of Ethics describes the Foundation's expectations in the following areas:

- Compliance with Laws
- Conflict of Interest
- Grants
- Investments
- Gifts and Other Payments
- Suspected Financial, Auditing or Other Improprieties

Board members have a duty to conduct the affairs of the Foundation in a manner that is consistent with this Code of Ethics.

I. Compliance with Laws and Regulations

A variety of laws apply to the Foundation, the violation of which may result in penalties for the Foundation and/or the individual. Many of these laws are summarized in the *Duties of Directors of New York Not-for-Profit Corporations* and the *Overview of Tax Laws Governing Private Foundations and Their Directors*, which are included in the Board of Directors Handbook and reviewed at the Board's annual meeting. It is the responsibility of each board member to comply with all such laws and regulations.

II. Conflict of Interest

Board members have a duty to serve the charitable purposes of the Foundation and not to use their position at the Foundation for personal financial gain or other personal benefit. When serving in their Foundation roles, board members must put the interests of the Foundation first.

The Foundation has developed these *Conflict of Interest* procedures within the Code of Ethics to ensure fairness in the Foundation's decision-making processes and to protect the Foundation's interests when it is considering entering into a transaction, agreement or arrangement that might benefit a board member. Under relevant state law, conflicts of interest are not inherently illegal, nor are they to be regarded as a reflection upon the integrity of the individual involved. It is the manner in which the individual and the Board deal with a disclosed conflict that determines the propriety of the transaction.

The Audit Committee of the Board of Directors will oversee the implementation of, and compliance with, these Conflict of Interest procedures.

A. Circumstances that Constitute a Conflict of Interest

A *conflict of interest* may exist:

- i) When a board member or one of his or her related parties (defined below) has a direct or indirect personal, business or financial interest in any transaction, agreement or arrangement that the Foundation is a participant in, or
- ii) In any other circumstance where there could be an actual or potential conflict of interest for some other reason, including when the interests of a board member or one of his or her related parties may be seen as competing with the interests of the Foundation.

Such transactions may include (but are not limited to) compensation arrangements with the Foundation, and grants, investments and other transactions in which personal, business or financial benefit is or will be provided to a board member or his or her related parties.

The following transactions are excluded by law from being considered conflicts of interest under this section: (i) a transaction where the transaction is de minimis or the board member's financial interest or any related party's financial interest is de minimis, (ii) a transaction that would not customarily be reviewed by the Board or the boards of similar organizations in the ordinary course of business and that is available to others on the same or similar terms, and (iii) a transaction that constitutes a benefit provided to a board member or any of his or her related parties solely as a member of the class of beneficiaries that the Foundation intends to benefit in furtherance of its mission and which is available to all similarly situated members of the same class on the same terms.

B. Definition of Related Party

"Related parties" are defined as:

- i) Relatives, including a spouse or domestic partner; ancestors (e.g., parents, grandparents); siblings and half-siblings; children; grandchildren; great grandchildren; spouses of siblings, half-siblings, children, grandchildren, and great grandchildren; and members of the individual's household;
- ii) any entity or trust of which a board member or one of his or her relatives described in paragraph (i) above serves as a director, trustee, officer or employee.
- iii) any entity or trust in which one or more board members or their relatives described in paragraph (i) above have a 35% or greater ownership or beneficial interest or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of 5%.
- iv) any other entity or trust in which one or more board members or their relatives described in paragraph (i) above have a material financial interest.

C. Procedures for Disclosing, Addressing and Documenting Conflicts of Interest

i. Disclosure

In the event any board member or his or her related parties has a direct or indirect personal, business or financial interest in a transaction or grant request that the Board is considering and in the case of any potential conflict of interest, the board member shall disclose in good faith the nature and extent of such interest or involvement and all other material facts about the transaction or grant request to the Audit Committee of the Board; or if in the context of a Board meeting, to the full Board; or if in the context of an Investment Committee meeting, to the Investment Committee. Disclosure shall be made prior to any consideration of the proposed transaction by the Board or committee, or promptly after the board member has knowledge of the relevant facts if he or she had no actual knowledge prior to the relevant Board or committee action.

ii. Respond to Questions; Recusal; Refrain from Influence

The board member shall answer any questions and provide any information reasonably requested by any board member or committee member pertaining to the board member's interest in the transaction or grant or regarding the terms of the proposed transaction or grant. Beyond responding to such requests for information, the board member shall not be present at or participate in the deliberations or vote on such transaction or grant request and shall refrain from attempting to improperly influence the deliberations or voting on the matter.

iii. Steps and Standard for Foundation Approval

Once the Foundation becomes aware of an actual or potential conflict of interest, the Board of Directors or committee must determine, acting without the presence, participation or influence of the interested board member, that the transaction or grant in question is fair and reasonable to the Foundation and is in the Foundation's best interests. In determining whether the proposed transaction or grant is fair, reasonable and in the Foundation's best interests, the Board or Committee will review available information regarding the cost or benefit of comparable arrangements, if any. If a board member or one of their related parties has a substantial financial interest in a transaction, the Board or committee must consider whether the Foundation is able to obtain with reasonable efforts a more advantageous alternative arrangement that would not give rise to a conflict of interest. Such proposed transaction or grant request must be approved by not less than a majority of the members of the Board or Committee, as applicable, present at a meeting at which there is quorum. Interested board members may be counted solely for determining the presence of a quorum.

iv. *Disclosure to the Audit Committee*

If a conflict of interest transaction is reviewed by a Board committee other than the Audit Committee, the existence of the matter and its disposition (including compliance with the requirements of these procedures) must be promptly disclosed to the Audit Committee.

v. *Documentation*

The minutes of the meeting at which the transaction is discussed shall reflect all disclosures and recusals with respect to the transaction or grant, together with the basis for all determinations and approvals, including the terms of the applicable transaction or grant; any data the Board or committee relied upon in determining that the transaction or grant is reasonable and in the best interests of the Foundation, including consideration of any comparable arrangements (to the extent considered); how such comparability data was obtained; and the determination made.

D. **Disclosure Statement**

Prior to the initial election of any board member and annually thereafter, such individual must complete, sign and submit to the Senior Counsel of the Foundation a written disclosure statement identifying to the best of his or her knowledge:

- i) any entity or trust of which such individual is an officer, director, trustee, member, owner (either as a sole proprietor or a partner) or employee and with which the Foundation has a relationship;
- ii) any transaction in which the Foundation is a participant and in which the individual or related party with respect to that individual might have a conflicting interest; and
- iii) any other interests that could give rise to a conflict of interest.

Each board member must update his or her disclosure statement as necessary to reflect changes during the course of the year. Completed disclosure statements will be available for inspection by any member of the Board and may be reviewed by the Foundation's legal counsel. The Senior Counsel of the Foundation will provide a copy of all completed disclosure statements to the Chair of the Audit Committee and will periodically update the Chair of the Audit Committee concerning compliance with the disclosure statement requirements of these procedures.

III. Grants

The process of grantmaking is expected to be free from actual or potential conflict of interest. If a board member or one of his or her related parties is associated as an officer, trustee or employee of an organization to which the Board is considering a grant, the procedures outlined above in the Conflict of Interest section above must be followed.

IV. Investments

Board members have a duty not to engage in any investment activity that conflicts or competes with the Foundation's interests and a duty not to derive personal financial benefit through the use of special knowledge or privileged information acquired through their service as a board member. The Conflict of Interest procedures outlined above will apply if the Investment Committee is considering investment activity that could potentially give rise to a conflict of interest. Additional limitations as set forth below may also apply.

The Foundation will not normally invest directly in organizations in which a board member has a material ownership interest or holds a board position. If the Investment Committee discusses a matter in which a Committee member or his or her related party has a direct or indirect financial interest, such Committee member must disclose such interest to the Investment Committee, and apart from responding to the Committee's requests for information, the interested Committee member must not be present at or participate in the discussion or attempt to influence any deliberations or voting on the matter. In making any determinations involving a conflict of interest, the Investment Committee shall follow the Conflict of Interest procedures described above and shall promptly report any such determinations made to the Audit Committee.

Board members shall comply with all laws and regulations relating to the use and communication of material non-public information. This includes the duty not to communicate, or trade while in possession of, material non-public information.

Board members and their related parties are not permitted to seek or receive any personal benefit or advantage in connection with the investment or prospective investment of assets of the Foundation, or to use the prestige or influence of their position for such purpose. In the investment area, a personal benefit might include, for example, a placement fee, a reduced management fee or a reduced minimum investment, or any other benefit not available to every other qualified investor. Any offer of such a personal benefit must be disclosed to the Senior Counsel or to the Audit Committee, who shall promptly report such disclosures to the Investment Committee.

Board members must also disclose to the Senior Counsel or to the Audit Committee any arrangement under which they or their related parties are proposing to co-invest with the Foundation. The Senior Counsel or Audit Committee Chair should promptly report such disclosures to the Investment Committee.

Board members are required to obtain approval from the Senior Counsel or the Audit Committee prior to any investment in an IPO in a company in which the Foundation holds an equity or debt interest. Secondary public offerings by publicly-traded companies in which the Foundation owns less than 10% of the equity are excluded from this rule. The Senior Counsel or Audit Committee Chair should promptly report any such request and approval to the Investment Committee.

With respect to any investment matter, if there is any doubt or any potential for doubt with respect to whether a conflict of interest exists in a specific situation, the conflict must be disclosed to the Investment Committee in accordance with the Conflict of Interest procedures and the Investment Committee shall review the situation in accordance with the Conflict of Interest procedures described above.

V. *Gifts and Other Payments*

Except for gifts of nominal value or meals and social invitations that are in keeping with good business ethics and do not obligate the recipient, board members and their related parties may not accept commissions, gifts, payments, entertainment, services, loans or promises of future benefits from any person or entity relating to the board member's Foundation service.

VI. *Suspected Financial, Auditing or Other Improprieties*

If a board member becomes aware of or has a reasonable good faith belief that the Foundation may be involved in illegal activity or if the board member suspects any impropriety regarding the Foundation's accounting methods, internal controls, audit processes or any other financial matter, the Director should immediately notify the Chairman of the Board of Directors, or the Chairman of the Board's Audit Committee, who will promptly investigate and treat as confidential, to the extent possible, such reports. Following investigation, the Board will take such appropriate action as it deems justified by the circumstances.

VII. *Prompt Internal Reporting of Violations of this Code*

If a board member violates or thinks he or she has violated any provision of this Code, or if he or she observes, learns of, or in good faith believes it is possible that another board member has violated any provision of this Code, that board member must immediately report the actual or suspected violation to the Chairman of the Board, the Chair of the Audit Committee, or to the Board as a whole. The Board will promptly investigate and treat as confidential, to the extent possible, all reported violations of this Code of Ethics. Following investigation, the Board will take such appropriate action as it deems justified by the circumstances.