

## **The Wallace Foundation Staff Code of Ethics**

As staff of The Wallace Foundation, we hold ourselves to the highest standard of ethical behavior in our grantmaking and every aspect of the Foundation's business. As a philanthropy we hold a public trust and strive to act at all times with integrity, transparency, in good faith, and in an honest and ethical manner – in compliance with all laws and regulations and avoiding undisclosed actual or potential conflicts of interest.

Some of the provisions of the Code of Ethics may require interpretation given the context of specific decisions or may suggest different and mutually exclusive courses of action. These situations require the application of judgment transparently and in good faith. Any staff member who faces such a situation should not make the decision alone. For potential conflicts of interest and acceptance of gifts, the disclosure requirement is to the Senior Counsel. For outside employment and consultancies, board and advisory committees, and participation in review panels, we've outlined specific procedures to elevate issues for review.

### **I. POLITICAL ACTIVITIES AND AFFILIATIONS**

Foundations are strictly prohibited from engaging in political activities, and as such, you may not engage in any political activity or affiliation that could be attributed to your role with the Foundation. Similarly, you may not use any of the Foundation's resources to engage in any political activities.

If you are involved in a political activity, you must inform the organization that your participation is as an individual and not in any way representing or on behalf of the Foundation. The Foundation may not be identified in any listings or other materials.

### **II. CONFLICT OF INTEREST**

These Conflict of Interest procedures apply to all Foundation staff. Additionally, staff members who are officers enumerated below, "key persons"<sup>1</sup> and Investment staff of the Foundation are subject to certain additional or alternative procedures and requirements as indicated below.

#### **A. Conflict of Interest Procedures for All Staff**

Under New York State and federal 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 Foundation deal with a disclosed conflict that determines the propriety of the transaction.

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<sup>1</sup> The term "key person" means any person, other than a board member or officer, whether or not an employee, who (i) has responsibilities, or exercises powers or influence over the Foundation as a whole similar to the responsibilities, powers, or influence of board members and officers; (ii) manages the Foundation, or a segment of the Foundation that represents a substantial portion of the activities, assets, income, or expenses of the Foundation; or (iii) alone or with others controls or determines a substantial portion of the Foundation's capital expenditures or operating budget. Specifically, in the case of the Foundation, "key persons" consist of the members of the Senior Management Team.

Staff should not knowingly act in any way that might reasonably create an undisclosed actual or potential conflict of interest or impair your objective and independent judgment and actions with regard to fulfilling your responsibilities within the Foundation.

A *conflict of interest* may exist:

- i) When you or one of your 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 your interests or those of one of your 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, contracts, investments and other transactions in which personal, business or financial benefit is or will be provided to you or one of your 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 your financial interest or any related party's financial interest is de minimis, (ii) a transaction that would not customarily be reviewed by the Board of Directors 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 you or any of your 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.

“*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 you or one of your relatives described in paragraph (i) above serves as a director, trustee, officer or employee.
- iii) Any entity or trust in which you or one of your 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%.

If you suspect that there may be a conflict of interest, you must disclose in good faith the nature and extent of such interest and all other material facts about the interest or transaction, if applicable, to the Senior Counsel. You must obtain the approval of the Senior Counsel before engaging in the activity in question.

Any conflicts involving the Senior Counsel shall be disclosed to the president, who shall make a determination and report the outcome to the Audit Committee.

Additionally, at the time of hire and annually thereafter, and whenever there is a change in the information relevant to this Policy, you are required to complete and sign a disclosure statement for this Conflict of Interest Policy and submit it to the Senior Counsel.

**B. Specific Conflict of Interest Procedures for Officers and Key Persons**

**The following section applies only to officers and key persons.** Under New York Not-for-Profit Corporation Law, officers and key persons are subject to additional requirements with respect to conflicts of interest (defined above). (These requirements also apply to the Foundation’s Board of Directors.)

The Wallace Foundation officers are:

- President
- Treasurer
- Chief Investment Officer
- Assistant Treasurer
- Chief Financial Officer
- Chief Administrative Officer
- Corporate Secretary
- Assistant Secretary

A “key person” includes, in addition to the officers listed above, any member of the Senior Management Team.

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

**1. Disclosing, Addressing and Documenting Conflicts of Interest**

*a) Disclosure*

In the event any officer or key person or his or her related parties (as defined above) has a direct or indirect personal, business or financial interest in a transaction, grant or contract request that the Foundation is considering and in the case of any potential conflict of interest, the officer or key person shall disclose in good faith the nature and extent of such interest or involvement and all other material facts about the transaction, grant or contract request to the Senior Counsel, who shall make a determination as to whether a conflict exists in accordance with these Conflict of Interest Procedures and report the outcome 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. The Board or applicable committee shall review the determination of the Senior Counsel in accordance with these Conflict of Interest Procedures. Disclosure shall be made prior to any consideration of the proposed transaction by the Board or committee, or promptly after the officer or key person has knowledge of the relevant facts if he or she had no actual knowledge prior to the relevant Board or committee action.

*b) Respond to Questions; Recusal; Refrain from Influence*

The officer or key person shall answer any questions and provide any information reasonably requested by any board member or committee member pertaining to the officer’s or key person’s interest in the transaction, grant or contract or regarding the

terms of the proposed transaction, grant or contract. Beyond responding to such requests for information, the officer or key person 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.

*c) Steps and Standard for Foundation Approval*

Once the Foundation becomes aware of an actual or potential conflict of interest, the Board of Directors or relevant committee must determine, acting without the presence, participation or influence of the interested officer or key person, 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 an officer or key person 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, if any, may be counted solely for determining the presence of a quorum.

*d) 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 this Policy) must be promptly disclosed to the Audit Committee.

*e) 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.

## **2. Disclosure Statement**

At the time of the initial election, appointment or hiring of any officer or key person 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 officer and key person 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. Senior Counsel will review the disclosure statements and 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 this Policy.

**C. Special Investment Procedures for Officers, Key Persons and Investment Staff**

Officers, key persons and all Foundation Investment staff 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 an officer, key person or member of the Foundation's Investment staff. The Specific Conflict of Interest Procedures for Officers and Key Persons 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 an officer, key person or member of the Foundation's Investment staff 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 Specific Conflict of Interest Procedures for Officers and Key Persons outlined above and shall promptly report any such determinations made to the Audit Committee.

Officers, key persons and members of the Foundation's Investment staff 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.

Officers, key persons and members of the Foundation's Investment staff 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, who shall make a determination and report the outcome to the Audit Committee and the Investment Committee.

Officers, key persons and members of the Foundation's Investment staff must also disclose any arrangement under which they or their related parties are proposing to co-invest with the

Foundation to the Senior Counsel, who shall make a determination and report the outcome to the Audit Committee and the Investment Committee.

Officers, key persons and members of the Foundation's Investment staff are required to obtain approval from the Senior Counsel (who shall make a determination and report the outcome to the Audit Committee) prior to any investment in an IPO from 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 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 Policy and the Investment Committee shall review the situation in accordance with the Specific Conflict of Interest Procedures for Officers and Key Persons outlined above.

#### **D. Conflicts Involving the Senior Counsel**

Notwithstanding any of the above, any conflicts involving the Senior Counsel shall be disclosed to the president, who shall make a determination and report the outcome to the Audit Committee.

#### **E. Self-Dealing Rules for Officers**

An excise tax is imposed for any direct or indirect act of self-dealing between a private foundation and a "disqualified person," e.g., a director or officer of the Foundation or member of their family.<sup>2</sup>

Self-dealing transactions generally include these actions between a private foundation and a disqualified person:

- The sale, exchange or leasing of property, even if at arms-length price.
- The lending of money.
- The furnishing of goods, services or facilities.
- Payment of compensation or expenses (other than reasonable compensation or expenses necessary to the carrying out of the Foundation's charitable purposes).
- The transfer or use of the Foundation's income or assets by or for the benefit of a disqualified person.

As a general rule, the public recognition "benefit" a disqualified person receives as a consequence of being associated with the Foundation's charitable activities is not self-dealing because the benefit is considered incidental or tenuous. However, recommending that the Foundation make a grant that fulfilled a personal pledge would be self-dealing.

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<sup>2</sup> For purposes of self-dealing, "family members" are considered to include a spouse, ancestors, children and their spouses, grandchildren and their spouses, and great grandchildren and their spouses. This definition is consistent with the definition of a disqualified person under the Internal Revenue Code.

### **III. GIFTS, SERVICES, INVITATIONS, TICKETS AND TABLES**

Two principles are relevant in determining when it is and when it is not appropriate for you to accept any gift, entertainment, services, or favor other than that of nominal value (defined for purposes of this policy as \$75.00 or under in value):

- We wish to avoid any actions which could create an obligation to a third party doing business with, desiring to do business with, or seeking a grant or contract from the Foundation.
- We wish to be able to effectively manage and assess the work of current or potential grantees and contractors and maintain respectful relationships with all our partners.

Disclosure of the acceptance of any of these items, except those of nominal value as defined herein, should be made in writing to the Senior Counsel when it is received.

Specifically, when conducting business, you must pay for your meals and other related expenses, except for hospitality of nominal value, as defined above.

In general, you may accept a ticket or exclusive invitation to private receptions, events, galas, performances and the like sponsored by grantees, potential grantees or other organizations with a business relationship with the Foundation and typically made available to funders, only if the event is free or the Foundation pays for the ticket and there is a reason to do so related to your management of the grant or to maintain a respectful relationship with a grantee. The manager of the person attending the event is required to approve the acceptance of free tickets or the purchase of tickets, as any other business expense. (In the case of the president, the approval of the chair of the board is required.)

The Foundation does not generally purchase tables or raffles or otherwise support fundraising efforts, unless the relationship with the grantee would be harmed by not doing so, as our support of charitable causes is predominantly through our grantmaking programs.

### **IV. OUTSIDE EMPLOYMENT OR CONSULTANCIES**

So that the Foundation may review and advise whether the activity is permitted, prior to accepting any outside employment or consultancy, all staff are required to disclose such employment or consultancy in writing to the chief administrative officer. The disclosure should include information about the organization, your specific scope of responsibilities, any fees or remuneration, length/term of this employment or consultancy, and if/how the Foundation will be identified.

Your request will be reviewed by the chief administrative officer with the president. The chief administrative officer will respond in writing, indicating whether or not the activity is permitted and, if permitted, what conditions apply and under what circumstances you may be required to abstain from Foundation discussions and decisions.

### **V. BOARD AND ADVISORY COMMITTEE MEMBERSHIPS**

Staff may receive requests to serve as a member on boards and advisory committees of existing grantees, potential grantees or any organization with which the Foundation has a business relationship. Prior to accepting any request (except those provided for in the grant agreement) to serve on a board or advisory committee, such requests should be reviewed with your manager and a written request presented to the chief administrative officer. The chief administrative

officer will review the request with the president following the guidelines for disclosure of outside employment and consultancies. In the case of the president, the request is to be made to the chair of the Board.

For boards and advisory committees included in a grant agreement or contract, participation should be discussed with your manager before accepting, but the request need not be submitted to the chief administrative officer.

## **VI. PARTICIPATION IN REVIEW PANELS**

You may be asked to participate as an expert reviewer on a panel, as the Foundation sometimes requests external experts to participate on review panels for our work. Such requests should be reviewed with your manager and the chief administrative officer, who will review the request with the president to ensure that participation would not present any conflict of interest and can be appropriately balanced with your responsibilities at the Foundation. You may not accept any fee or honoraria, but the Foundation will reimburse covered travel expenses for panel participation that has been approved.