

*Code of Ethics  
and Conflict of Interest Policy of  
The Commonwealth Fund*

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November 9, 2004

**The Commonwealth Fund Code of Ethics  
And  
Conflict of Interest Policy**

**I. Purpose**

The Commonwealth Fund Code of Ethics and Conflict of Interest Policy sets forth standards and procedures that directors and staff should follow when they engage in Fund business or in activities that could reflect on the Fund. The term Fund Decision Makers, as used in this Policy, means Directors, Officers, and those staff members who exercise discretion and act on behalf of the Fund and Directors.

**II. Values**

The Commonwealth Fund was established in 1918 with the broad charge to enhance the common good. The Fund carries out this mandate through efforts that help people live healthy and productive lives, and by assisting specific groups with serious and neglected problems. The Fund sees grantmaking as a social investment towards the resolution of long-term problems.

The Fund seeks to be a respected source of nonpartisan policy information and analysis, and to this end is committed to excellence in research design and analytic rigor in all the work it sponsors or itself conducts.

The Fund believes it should be held accountable for the use of the resources it is privileged to hold in trust, and to this end it sponsors evaluations of innovations and interventions it sponsors, external reviews of its programs, assessments of all of its grants, and periodic reviews of the Fund's overall strategy and performance.

The Fund's value-added philosophy places a premium on working in partnership with grantees, respecting and capitalizing on their expertise and experience, but also assuring that their project and research designs are policy- and solutions-oriented, monitoring their work to assure timely completion, and assisting significantly in communicating the results of their work to influential audiences.

The Fund's impact depends only to a partial extent on its grantmaking. Its larger impact comes from the leadership role and qualities of its senior management and professional staff. As a value-added foundation, the Fund expects a high level of performance and

professionalism from its staff, and promotes accountability by staff through annual reviews of staff performance.

The Fund values a collegial work environment, in which information is freely shared, team work is the norm, and programmatic silos are discouraged. It seeks synergy among all its programs. Academic standards for attribution of others' work in publications are expected to be maintained.

The Fund invites its staff to regard themselves as engaged in public service, willing to work energetically and unstintingly to address some of the great social problems of the day. It looks to staff to help assure that the Fund's resources are used to achieve maximum effectiveness, and to always put the Fund's interests before any personal interest or that of another institution with which the Fund does business.

The integrity of the Fund's grantmaking processes is based on defined strategies for programs, annually reviewed program plans, professional vetting of proposals by multidisciplinary staff teams, final Board review for Board-level grants, and final review by the Chairman for Small Grants Fund awards. Grantees should be selected on the basis of scientific merit and programmatic fit, and the objectivity of the Fund's grantmaking procedures should not be compromised by advocacy on the part of any potential grantee by a director or staff member.

### **III. Directors and Officers Statutory Duties**

Section 717 of the New York Not-for-Profit Corporation law states in part: "Directors and officers shall discharge the duties of their respective positions in good faith and with that degree of diligence, care, and skill which ordinarily prudent men would exercise under similar circumstances in like positions."

### **IV. Confidential Materials**

The need for a free and open internal discussion of all the activities of the Fund as well as the possibility that activities of the Fund may directly or indirectly affect the value of business entities requires that confidential information received as a Fund Decision Maker or as a member of the Fund's staff be kept confidential and not disclosed to others.

### **V. Conflicts of Interest Policy**

**Philosophy.** The possibility of conflicts of interest or the appearance of such conflicts arise in any organization's decision-making processes, including a private foundation like the Fund. The purpose of the foundation's conflict of interest policy is to protect the Fund's interests when it is contemplating entering into a transaction or arrangement that might potentially affect the personal or organizational interests of a director, officer, or staff member in another capacity.

In adopting the Policy, the Board of Directors and management are mindful that the appearance of a conflict can be as damaging to the Fund as the existence of an actual conflict. For this reason, Fund Decision Makers must strive to avoid to the greatest extent possible even the appearance that an individual with a conflict has exercised improper influence on a Fund decision. Overall, the objective of each Fund Decision Maker must be honesty, fairness, and integrity in all aspects of business and personal conduct, with full disclosure—errring on the side of caution—in any situations that are, may become, or may be perceived as conflicts of interest. No written policy or guide can cover every situation; individual responsibility must be fulfilled through compliance with the spirit as well as the letter of the law governing private foundations, and by careful and thoughtful adherence to a strict code of ethical behavior.

The standards set out in this policy statement are, accordingly, guiding principles, which must be used along with one's good judgment.

This policy is intended to cover and supplement but not replace any applicable federal or state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

A conflict of interest exists when:

- A Fund Decision Maker takes part in a Fund decision in which he or she is unlikely to remain impartial or maintain objectivity in choosing between the interests of the Fund and his or her personal interests.

While a situation involving an actual conflict of interest is relatively easy to identify, a situation involving a potential or perceived conflict of interest can be more difficult to recognize. It is essential, therefore, that all potential or apparent conflicts of interest be disclosed as soon as they become evident regardless of how innocuous they may seem, and that Fund Decision Makers involved refrain from any action that might constitute a violation of this policy statement until the President has made the appropriate analysis.

The Directors acknowledge that defining and resolving actual or apparent conflicts of interest are often matters of degree and judgment. The President is authorized to interpret and apply these guidelines to individual cases and to resolve other issues that may arise relating to real, potential, or apparent conflicts of interest involving Fund Decision Makers.

In any situation where the President is the person who may be involved in an actual or perceived conflict, the Chairman of the Board shall act in lieu of the President.

**Approach.** The Fund's policy emphasizes (a) disclosure rather than prohibition of conflicts or potential conflicts of interest, and (b) case-by-case resolutions rather than categorical conclusions. This approach combines ethical safeguards with operational flexibility, but its success depends on conscientious self-policing.

**Coverage.** This policy covers all Fund Directors and staff.

**Affiliations with Grantee Organizations and Suppliers of Goods and Services.** Grant requests from and business relations with organizations or individuals with which Fund Decision Makers or members of their immediate families are connected are subject to particularly thorough scrutiny and justification.<sup>1</sup> The guidelines below are to be followed in making grants to and entering into business relations with individuals or organizations with which Fund Decision Makers or members of their families are or have been affiliated as directors, officers, trustees, employees, donors, fund raisers, or have other relationships which could call into question the independence of the individual. If a Fund Decision Maker becomes aware of a possible grant to or business relationship with any such organization or individual, the Fund Decision Maker shall promptly notify the President.

- A Fund Decision Maker has a relationship that may call into question independence when the Fund Decision Maker or a member of his or her family has or has had a direct financial interest (excluding less than 2% ownership of publicly traded securities) in an organization or with which he or she has or has had a special relationship. A special relationship includes situations in which the grantee, vendor, or service provider (including any of their directors, officers, staff or significant owners) has

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<sup>1</sup> A member of a Fund Decision Maker's family, when referred to in this Policy, shall include his or her spouse, domestic partner, children, parents, siblings, and spouses or domestic partners of children and siblings.

or has had an ongoing relationship with the Fund Decision Maker in connection with other personal, professional, or not-for-profit activities.

- No Fund Decision Makers or any of their family members may act as an advocate or intermediary with the staff of the Fund for a grant to or business relationship with any such individual or organization. This does not preclude others connected with the same organization from having access to Fund staff not connected with the organization to discuss grant proposals and potential business relationships. Fund Decision Makers or members of their families wishing to provide information about grant proposals from or potential business relationships involving individuals or organizations with which they are so affiliated should initiate communications with the staff through the President. It is then the responsibility of the President to arrange any meeting or communication in a manner consistent with this policy statement.
- Whenever a Fund Decision Maker or a member of his or her family is or has been affiliated with a prospective grantee organization, the Fund Decision Maker—except in circumstances which may be authorized by specific instructions approved by the President—is prohibited from participating in the development of and negotiations regarding proposals from the prospective grantee. Similarly, whenever a Fund Decision Maker or a member of his or her family is or has been affiliated with a prospective supplier of goods and services, the Fund Decision Maker is prohibited—except in circumstances which may be authorized by specific instructions approved by the President—from participating in contract negotiations with the prospective supplier of goods and services.
- In the case of Board-level grants and if the Chairman deems the circumstances warranting it, a director with a conflict or potential conflict will withdraw from the meeting of the directors or of the relevant Committee prior to the discussion and the vote on a proposal with any such associations. The directors or Committee shall authorize the proposal, if at all, by a vote sufficient for such purpose without counting the vote or votes of such director.
- In the case of Small Grants Fund grants and if the President deems the circumstances warranting it, a staff member with a conflict or potential conflict will withdraw from the Small Grants Fund Committee meeting prior to the discussion and the vote on a proposal with any such associations.

- These guidelines are not intended to prevent the Fund from making grants to or purchasing goods or services from an organization in which a Fund Decision Maker or a member of his or her family has a direct financial interest or has such a relationship, provided that any decision to make a grant to or to purchase goods or services from any such individual or organization, having first been made in compliance with these guidelines and with the private foundation rules of the Internal Revenue Code, is then disclosed to the directors or committee members, together with a summary of the factors that influenced the decision (such as comparison of costs from other suppliers or other benefits to the Fund).

In keeping with these guidelines, the Secretary of the Fund will:

- Send or cause to be sent annually to each Fund Decision Maker for updating a form for listing the nonprofit and for-profit organizations with which the Fund Decision Maker and members of his or her family are affiliated as a director, officer, trustee, or in any other capacity with responsibility for their management or operations. Fund Decision Makers are responsible for updating these annual disclosure forms and returning them to the Secretary. Fund Decision Makers having no such affiliations need only affirm this fact on the annual disclosure form.
- Incorporate or cause to be incorporated in relevant Board or Committee meeting items an appropriate disclosure of affiliations of Fund Decision Makers or members of their families with any prospective grantee or suppliers, such that the material facts as to such affiliation are disclosed in good faith to all of the directors or members of the relevant Committee.

**Acceptance of Gifts.** No Fund Decision Maker or any member of his or her family may accept any gratuitous payment or article of significant value or uncompensated service from a grantee, grant applicant or supplier, except nominal hospitality. In circumstances where refusal to accept a gift would be ungracious, they may be accepted, provided that the value of the gift does not exceed \$75. Gifts made under circumstances arising out of a personal, professional, or not-for-profit relationship with any such grantee or supplier not related to the operations of the Fund and not intended or likely to influence any grant decisions or engagement of a supplier by the Fund are not within the purview of this policy. In general, Fund Decision Makers should make every effort to decline to accept significant gifts on behalf of the Fund, but in cases where it would be considered ungracious to do so, the Fund Decision Makers should make clear that the gift is being accepted on behalf of and will be given to the Fund.

## **Outside Activities of Staff.**

Nonprofit board or committee memberships. The Fund encourages nonprofit service by staff outside the Fund. However, service as a director or trustee of a grantee normally constitutes a conflict of interest. With the President's permission, a staff member may serve as a fiduciary of another organization if (a) the organization is not a past or prospective Fund grant recipient; (b) the organization is a grantmaker affinity group, a professional association, or similar collective; or (c) the staff member presents a compelling case to the President (the Chairman, in the case of the President) that the benefits of this service justify its risks.

- A request for approval to undertake such an assignment should be made to the President. The factors considered for approval should include the relationship between the organization and the Fund and any potential conflict of interest; the service to be performed and its relationship to the Fund's work; any expected benefit to the Fund, officer, or staff member; the amount of time that will be required and any possible cost to the Fund (for example, travel); and any plan for the outside organization to cover travel or other expenses.
- Honoraria or payment for such services are generally not allowed, but exceptions may be approved by the President if the circumstances are deemed to make such payment appropriate.
- Reimbursement from any such entity of reasonable travel expenses for such services is ordinarily appropriate. In some instances, however, the President may determine that such expenses are not to be reimbursed by such entities, either because such reimbursement might be perceived as influencing Fund action or because such entity does not offer reimbursement. In these cases, the Fund may reimburse the staff member upon presentation of appropriate receipts.

Boards of Start-up Grantee Organizations. A special case arises for organizations that the Fund is helping establish, where service by a staff member on the organization's board can help assure wise use of the Fund's investment, enhance the capacities of the new organization, give greater credibility to the organization, and increase the Fund's understanding of the field—in much the same way that venture capitalists enhance the prospects for startup and other companies in their portfolios by taking board seats. Where the potential rewards are likely to outweigh the potential risks of a staff member serving on the board of a start-up organization, the President may approve such service, with the

understanding that the potential for conflict should be reassessed periodically. Any such service must be uncompensated.

Corporate boards. Officers and staff members are permitted to serve on corporate boards. Such service is subject to advance approval by the President. Such approval will be based on consideration of the nature of the corporation and its business and the anticipated time commitment. Compensation for corporate board service is generally not allowed, but exceptions may be approved by the President if the circumstances are deemed to make such payment appropriate.

Each staff member serving on a corporate board is expected to be alert to the emergence of possible or apparent conflicts of interest and to bring them to the attention of the President. If the conflict or appearance of a conflict would jeopardize the Fund's objectives or interests, the officer or staff member may be asked to resign from the board.

Compensation by other organizations to Fund staff. The Fund's policy prohibits staff from receiving compensation from other organizations or individuals for work performed, and receipt of such compensation is regarded as a conflict of interest. Exceptions to this policy may be made for junior staff under appropriate circumstances where external work does not conflict with the individual's responsibilities to the Fund, but such exceptions should be approved by the Fund's President.

**Investment Activities.** Fund Decision Makers associated with the Fund's investment program have a paramount obligation to make all decisions affecting that program solely on the basis of the Fund's best interests. This requires that they be alert to situations in which a conflict or potential conflict of interest could arise and apply the strictest ethical standards in determining whether such a conflict exists and resolving any real or apparent conflicts. To make such scrutiny possible, Fund Decision Makers are required to promptly disclose to the President any present or past business connections they or their family members have or have had with any present or proposed manager of the Fund's assets or any other organization or individual with which the Fund has, or considers having, an investment relationship. Such disclosure is not necessary when the relationship with an investment manager is purely through ownership of shares in a public mutual fund managed by the firm in question, where such shares constitute less than 2 percent of the total outstanding.

Fund Decision Makers should not wrongfully use or disclose confidential investment information obtained in the course of Fund service.

**Fund Board Membership.** Service as a Director of the Fund or as a member of any of its Committees shall only be offered to individuals based upon that individual's personal attributes and professional qualifications. Each such individual should be independent of and not beholden to any other director or officer. Any director or officer having continuing personal, professional, business, or not-for-profit relationships with any candidate for the Board or existing Board member should disclose such relationships to the President.

**Internal Revenue Code.** It should be kept in mind that the Fund is also prohibited by Internal Revenue Service regulations from engaging in certain transactions with corporations, partnerships, or other business entities in which the Fund's directors, officers, and members of their families own more than 35 percent of the total combined voting power or interest in profits, respectively.<sup>2</sup> The regulations prohibit any sales to such an entity, including any transaction in which a brokerage firm is acting as a dealer, buying from or selling to the Fund as principal. Transactions in which the brokerage firm is acting as agent for the Fund are not prohibited by the Internal Revenue Service regulations, provided that the quality of services provided by and compensation paid to the brokerage firm for its services are competitive with those of other such firms.

**Not-For-Profit Corporation Law—Section 715.** Section 715 of the New York Not-for-Profit Corporation Law sets forth procedures for approval of contracts and transactions applicable to the Fund and one or more of its directors or officers or between the Fund and any other corporation, firm, association, or other entity in which one or more of the Fund's directors or officers are directors or officers, or have a substantial financial interest. Failure to follow such procedures may result in the contract or transaction being voided by the Fund. It is intended that all such contracts or transactions will be approved in the manner set forth in such Section. Each director or officer should promptly disclose any such relationship to the President as soon as practicable.

**Matching Gifts Program.** The Fund's Matching Gifts program allows Directors and staff to direct gifts from the Fund to eligible organizations, matching the gift of the individual. The purpose of this program is to encourage personal participation in charitable endeavors, and the Fund supports individuals' active engagement with their designees. The Conflict of Interest policy, therefore, does not apply to gifts that satisfy

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<sup>2</sup> The family of a director or officer for this purpose includes his or her spouse, ancestors, lineal descendants and spouses of lineal descendants, but does not include other relatives.

the requirements of the Matching Gifts Program. However, no gift for this purpose should be made in return for services received (e.g. school tuition) from the designee.

## **Compliance**

### Enforcement.

1. Reporting. Directors who believe that someone has violated a Fund policy should promptly express their concerns to the Chairman of the Audit and Compliance Committee, or to the Chairman of the Board of Directors if appropriate. Staff should promptly report the issue to the Fund's Executive Vice President & COO (who is responsible for bringing it to the attention of the President). If management is unresponsive or has itself violated the policy, staff should report their concerns directly to the Chairman of the Fund's Audit and Compliance Committee.
2. Investigation and Confidentiality. The Fund will thoroughly investigate reports of violations, and all those involved are required to cooperate with such investigations. The need to be thorough means that the Fund cannot promise complete confidentiality, but it will act as discretely as reasonably possible, providing information to individuals on a "need to know basis." When the Fund completes its investigation and if it concludes that there is a problem, it will promptly take corrective action.
3. Retaliation. The Fund will not discharge or discriminate against individuals for their allegations or participation in any investigation, and it will strongly discipline anyone who threatens or retaliates against such. Staff should act reasonably and in good faith during any complaint and investigation process.
4. Compliance Officer. The Fund's Executive Vice President & COO is the compliance officer and is responsible for policing and enforcing the Code and related Fund policies. Should this officer be deemed compromised in fulfilling his/her duties by the Fund in its sole discretion, the Chairman of the Audit and Compliance Committee will serve as compliance officer.

### Discipline.

Violating Fund policies may lead to discipline up to and including immediate termination of employment.

Acknowledgment.

All Fund Decision Makers should complete and sign annually THE COMMONWEALTH FUND CONFLICT OF INTEREST REVIEW: MEMORANDUM OF DISCLOSURE (Attachment 1).

**VI. Legal Matters/Waiver Authority**

The Fund may change the Code and its other policies for any reason and at any time, with or without notice. A waiver or variation in a particular case will not create a general precedent. The Fund will keep the current version on the foundation's Lotus Notes Bulletin Board. Changes will be effective when posted.

**VII. Interpretation**

The Fund will interpret the Code and its other policies in its sole discretion, and its conclusions will be final and binding. The Fund's plenary authority to change, waive, and interpret its policies extends to all of its procedures, rules, and benefit and other programs.

**VIII. Conflicts and Law**

If the Code conflicts with law, the Code will be deemed modified to the minimum extent necessary to resolve the conflict.

**ATTACHMENT 1**

**THE COMMONWEALTH FUND  
CONFLICT OF INTEREST REVIEW – (2004)**

**MEMORANDUM OF DISCLOSURE**

**THE COMMONWEALTH FUND  
CONFLICT OF INTEREST REVIEW – (2004)**

**MEMORANDUM OF DISCLOSURE**

*Please answer all questions. If you have nothing to report, answer “none” or “not applicable.” An affirmative response does not necessarily imply that the relationship you describe is improper or that it should be terminated. Your responses will assist The Commonwealth Fund in the proper management and minimization of actual, apparent, or potential conflicts of interest.*

I hereby certify to The Commonwealth Fund (the “Fund”) that I have read the Conflict of Interest Policy adopted by the Fund on November 9, 2004 (the “Policy”). I understand its provisions, and agree to be bound by them.

1. I serve on the board of directors of the following for-profit and not-for-profit entities. (Add attachment if necessary.)

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2. Excluding the board relationships described above, I am employed by or have received consultancy fees, stipends, or other compensation from the following persons or organizations in the past 12 months. (Please briefly state the nature and extent of services rendered.) (Add attachment if necessary.)

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3. I have the following family members<sup>3</sup> who have been employed by or rendered services as independent consultants to the Fund at any time during the past 12 months. (Please note the relationship and in what capacity the relative is employed or has been consulted.)

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4. The following members of my family are affiliated with the following for-profit and not-for-profit entities as a director, officer, trustee or other capacity with responsibility for the management or operations of such entity. (Please note the relationship and in what capacity the relative is employed.)

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5. During the past 12 months, there were no contracts, loans, leases, grants, or other financial transactions between the Fund and myself, including my family members, as well as organizations in which I or a family member is a board member or employee, or has a financial interest, except as stated below. (If a contract or similar transaction, identify the contracting parties and dollar value. If a loan, please state the amount of the loan, interest rate, and amount of the loan outstanding. If a grant, please briefly state the amount of the grant, the name of the organization receiving it, and the organization's connection with you or a family member.)

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<sup>3</sup>“Family Members” include spouses, domestic partners, children, parents, siblings, and spouses or domestic partners of children or siblings.

6. To my knowledge and unless otherwise indicated below, no person, firm, corporation, or organization with which the Fund does a material amount of business, has made any personal loans or extensions of credit to, or guaranteed the obligations of, myself or any family member in the last 12 months (except ordinary banking relationships and ordinary consumer credit transactions.) Please briefly describe the amount of the obligation, and, if applicable, the interest rate and the amount outstanding.

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7. In the last 12 months, I (including my family members) have accepted the following gifts, payments, discounts, rebates, entertainment, travel, or other personal benefits from the following persons or organizations with which the Fund does a material amount of business or to which the Fund has awarded a grant. (Include an estimate of the dollar value of each such benefit. Benefits of nominal value—less than \$75—may be excluded. Directors may exclude any speaking honoraria or service recognition gifts presented publicly.)

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8. To my knowledge and unless otherwise indicated below, neither I, nor any family member, are or have been affiliated with a grantee organization of the Fund as a director, officer, trustee, employee, donor, fund raiser, or any other relationship over the last 12 months.

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9. To my knowledge and unless otherwise indicated below, neither I, nor any family member, are or have been affiliated with a significant supplier of goods or services to the Fund or any individual or organization with which the Fund does a

significant amount of business over the last 12 months.

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10. To my knowledge and unless otherwise indicated below, neither I, nor any family member, have or have had any business connections over the last 12 months with any manager of the Fund's assets or any other organization or individual with which the Fund has an investment relationship. (Exclude any connection which consists of ownership of mutual fund shares constituting less than 2 percent of the total outstanding of a fund managed by an investment manager employed by the Fund.)

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11. Unless otherwise indicated below, neither I, nor any family member, own more than 35 percent of the total combined voting power or interest in profits in any corporation, partnership or other business entity.

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12. The following are material relationships (other than as an employee or director) not already described above that I or a family member have with the Fund, either directly or as a director, officer, trustee, employee, donor, fundraiser, consultant, partner, or shareholder of an entity that has a relationship with the Fund. (If none, state "none".)

Note: A material relationship can include, but is not limited to, commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships.

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The statements provided by me in this Memorandum of Disclosure are accurate and complete to the best of my knowledge. I will promptly notify the Secretary of the Fund of any changes in such statements which may occur subsequent hereto.

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
(signature)

\_\_\_\_\_  
(printed name)