

**Conflicts of Interest and Disclosure Policy**

As of February 7, 2020

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## I. Preamble.

As a charitable organization, The Andrew W. Mellon Foundation (the “**Foundation**”) seeks to uphold the public trust and act in accordance with the law and the highest ethical standards. Accordingly, this Conflict of Interest and Disclosure Policy (this “**Policy**”) sets forth general procedures and specific rules for disclosing, analyzing, and disposing of conflicts of interest that may arise in connection with the transactions, agreements and arrangements of the Foundation (collectively, “**Transactions**”). Transactions and Foundation activities must be conducted with the highest integrity and exclusively in furtherance of the Foundation’s charitable mission.

The purpose of this Policy is not to prohibit all Transactions that present conflicts of interest. Rather, this Policy sets forth general procedures and specific rules to permit the Foundation to effectively analyze and manage conflicts of interest in order to prevent outside interests from improperly influencing Transactions. That said, the appearance of a conflict is at times as important as the reality, and an apparent conflict may also be subject to the general procedures and specific rules contained in this Policy. The Foundation reserves the right to amend and/or supplement this Policy at any time.

As there can be many areas of uncertainty in identifying, considering and managing conflicts of interest, individuals should contact the Executive Vice President, Chief Operating Officer, General Counsel and Secretary (the “**COO/GC**”) with any questions regarding the Policy or its application to a particular Transaction or relationship.

## II. Glossary.

The following is a glossary of important terms that will be used in the remaining Sections of this Policy.

“**Conflict of Interest**” means an interest of a Covered Person or any of his or her Relatives or Related Entities in a Transaction that could reasonably be perceived to impair the independence or objectivity of the Covered Person in the discharge of his or her responsibilities and duties to the Foundation. A “**Conflict of Interest**” *includes any financial interest* of a Covered Person or any of his or her Relatives or Related Entities in a Transaction and *may include a non-financial interest* of a Covered Person or any of his or her Relatives or Related Entities in a Transaction. For purposes of this Policy, a person has a “financial interest” in a Transaction if the Transaction involves a potential economic benefit (above a de minimis amount) to the person or if the person is employed by a party to the Transaction other than the Foundation.

“**Covered Persons**” means members of the Board, members of Board committees, Officers, and Key Persons of the Foundation.

“**Disqualified Persons**” means

- substantial contributors to the Foundation;

- Trustees, Officers and persons having similar powers or responsibilities within the Foundation (collectively, “**Foundation Managers**”);
- spouses, ancestors, descendants and spouses of descendants (collectively, “**Family Members**”) of Foundation Managers and substantial contributors to the Foundation;
- corporations, partnerships, trusts or estates in which Foundation Managers, substantial contributors to the Foundation, or their Family Members have more than 35% of the voting power, profits interest (in a partnership), or beneficial interest (in a trust or estate) (collectively, “**Disqualified Entities**”); and
- only in the self-dealing context, government officials.

“**Key Person**” means a person, other than a Board member, Board committee member, or Officer, who has responsibilities or exercises powers or influence over the Foundation as a whole similar to the responsibilities, powers, or influence of a Board member or Officer; or who manages the Foundation or a segment of the Foundation that represents a substantial portion of the Foundation’s activities, assets, income, or expenses; or who, alone or with others, controls or determines a substantial portion of the Foundation’s expenditures or budget. **Key Persons** include program officers, portfolio managers, directors of departments, and the chief financial officer of the Foundation. Retained advisors or consultants who are in a position to have the responsibility, power, or influence as described above may also be **Key Persons**. The office of the COO/GC alerts Key Persons as to their status and maintains a list of the Key Persons.

“**Officer**” means the President, Secretary, Vice President(s), and Chief Investment Officer of the Foundation. **Officer** for purposes of this policy does not include members of the Board of Trustees other than the President.

“**Related Entity**” means any entity in which a Covered Person or any of his or her Relatives has 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%.

“**Relative**” with respect to any individual means any of his or her spouse, domestic partner, ancestors, siblings and spouses and domestic partners of siblings, and descendants and spouses and domestic partners of descendants.

“**Transaction**” means any transaction, agreement or arrangement of the Foundation.

### III. Applicability.

This Policy generally applies to Covered Persons. Certain provisions of this Policy apply specifically to Disqualified Persons.

Covered Persons owe a duty of loyalty to the Foundation and must act exclusively in the interests of the Foundation in matters affecting the Foundation, rather than in furtherance of their own personal interests or those of Relatives or Related Entities. Covered Persons must be conscious of potential conflicts of interest and act with candor and care in those situations.

The Foundation will distribute a copy of this Policy annually to all Covered Persons and Disqualified Persons. The Foundation will also distribute a copy of the Specific Rules for Investment Activities attached as **Appendix D** to the Investment staff of the Foundation and to Finance and other staff of the Foundation who have access to non-public information concerning the Foundation's investment activities in the Foundation's FactSet system.

#### **IV. General Procedures for Conflict of Interest Transactions.**

This Section IV sets forth general procedures that the Foundation has adopted to address Conflicts of Interest in accordance with applicable federal laws and the New York Not-for-Profit Corporation Law.

##### **A. Required Disclosures.**

For the purposes of this Policy, a “**Conflict of Interest**” means an interest of a Covered Person or any of his or her Relatives or Related Entities in a Transaction that could reasonably be perceived to impair the independence or objectivity of the Covered Person in the discharge of his or her responsibilities and duties to the Foundation. A “**Conflict of Interest**” *includes any financial interest* of a Covered Person or any of his or her Relatives or Related Entities in a Transaction and *may include a non-financial interest* of a Covered Person or any of his or her Relatives or Related Entities in a Transaction. For purposes of this Policy, a person has a “financial interest” in a Transaction if the Transaction involves a potential economic benefit (above a de minimis amount) to the person or if the person is employed by a party to the Transaction other than the Foundation. **Appendix A** sets forth examples of Conflicts of Interest.

Each Covered Person must submit a disclosure statement (in the form attached as **Appendix B**) to the COO/GC in order to acknowledge that he or she has received this Policy, has read and understands this Policy, and agrees to comply with this Policy. On his or her disclosure statement, each Covered Person must disclose, to the best of his or her knowledge, any Conflicts of Interest and any affiliations with organizations that have a relationship with the Foundation. Each Trustee must complete a disclosure statement *prior* to his or her election to the Board. All Covered Persons must complete a disclosure statement annually.

In addition, a Covered Person must report any interest that may be a Conflict of Interest to the COO/GC promptly upon becoming aware of the interest and prior to the Board or Board committee or other Foundation decision-maker considering or taking action on the Transaction. The disclosure must include all material facts related to the potential Conflict of Interest.

##### **B. Analysis and Disposition.**

Following the disclosure of an interest that may be a Conflict of Interest, the COO/GC will first determine whether the related Transaction would constitute “self-dealing” under federal tax law. Under the self-dealing rules, certain types of transactions between a private foundation and an insider are *strictly prohibited*, even when the transaction would be beneficial to the private foundation. If a Transaction would constitute self-dealing, the Foundation is not permitted to engage in that Transaction and no further analysis of the Conflict of Interest under this Policy is appropriate or necessary. The self-dealing rules are discussed in **Appendix C**. *All Disqualified Persons must be familiar with the self-dealing rules.*

If a Transaction does not constitute self-dealing, the Transaction will be evaluated to determine whether a Conflict of Interest exists. The Foundation also reserves the right to exercise discretion to consider any matter that is not specifically defined as a Conflict of Interest, but falls within the spirit of this Policy, in accordance with the general procedures and specific rules set forth in this Policy. The Board has delegated to the COO/GC the authority to determine whether a disclosed interest is subject to the general procedures and specific rules set forth in this Policy and to determine which general procedures and specific rules apply. In making any determination under this Policy, the COO/GC will consult, where appropriate, with the President, the Chairman of the Audit Committee, the Chairman of the Board, and/or the Audit Committee or Board as a whole. If the COO/GC, the President, and/or a Board member believes that it is in the Foundation's best interest to have the Audit Committee or Board as a whole determine whether a specific Transaction poses a Conflict of Interest, the matter will be referred accordingly for a determination.

If a Transaction is determined to constitute a Conflict of Interest, the Transaction will be evaluated in accordance with the following general procedures. A Conflict of Interest may be reviewed and approved outside of the Board or a Board committee only if it is a Transaction that would not otherwise be considered by the Board or a Board committee in accordance with the Foundation's ordinary course of practice and, in the case of a Conflict of Interest involving a financial interest, the Transaction is available to others on the same or similar terms. In the event that a Conflict of Interest does not need to be reviewed by the Board or a Board committee, the COO/GC will review the Transaction in question and determine the disposition of the Conflict of Interest, consulting the President or Chairman of the Audit Committee or Board, where appropriate and necessary.

In the case of a Conflict of Interest reviewed by the Board or a Board committee, the Foundation may enter into the Transaction in question only if disinterested members of the Board or Board committee determine that the Transaction is fair, reasonable, and in the best interest of the Foundation.

The law requires enhanced review of Conflicts of Interest involving a *substantial financial interest*.<sup>1</sup> In that event, disinterested members of the Board or Board committee must also consider alternative Transactions to the extent available.

For all Conflicts of Interest considered and disposed of by the Board or a Board committee, a Covered Person with a Conflict of Interest may participate only in the information-gathering stage of the discussion of the Board or Board committee and *may not be physically present during the deliberation or vote on the related Transaction*. In addition, the Covered Person may not improperly influence the deliberation or vote on the Transaction. Depending on the nature and significance of the Conflict of Interest, the Foundation may ask the Covered Person not to participate in the information-gathering stage as well.

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<sup>1</sup> The New York Not-for-Profit Corporation Law does not define the term "financial interest" or "substantial financial interest." In determining whether a financial interest rises to the level of a "substantial financial interest," the Foundation will need to consider the facts.

### **C. Documentation.**

The COO/GC will maintain appropriate documentation of the disclosure, review, evaluation, and disposition of all Conflicts of Interest. In the event of a Conflict of Interest considered by the Board or a Board committee, the minutes of the meeting of the Board or Board committee considering the Transaction involving a Conflict of Interest must (i) reflect that the Covered Person disclosed the Conflict of Interest, (ii) state that the Covered Person was not physically present during the deliberation or vote on the Transaction, (iii) state that the Covered Person, if a Board or Board committee member, abstained from voting on the Transaction, (iv) describe the action with respect to the Transaction (e.g., approval or disapproval), and (v) describe any consideration of alternative Transactions, to the extent required and/or applicable.

### **D. Subsequent Disclosure and Review.**

In the event a Covered Person becomes aware of an interest that may be a Conflict of Interest only after the Foundation took action on the related Transaction or the Covered Person otherwise fails to disclose the interest prior to action being taken, the Covered Person still must disclose the interest. If the Transaction would constitute self-dealing, steps will be taken to cure the self-dealing and, if necessary and possible, unwind the Transaction. Otherwise, the interest and the Transaction will be analyzed, disposed of, and documented substantially in accordance with the provisions set forth above. In that regard, if the Transaction is one that would have been considered and disposed of by the Board or a Board committee, the Board or committee may ratify the Transaction but only if disinterested members of the Board or Board committee determine that the Transaction was fair, reasonable, and in the best interest of the Foundation at the time the Transaction was approved. If the Board or committee does not make that finding, the COO/GC will take appropriate action.

### **V. Specific Rules for Other Potential Conflicts of Interest.**

This Section V sets forth specific rules that the Foundation applies to other areas where potential or apparent Conflicts of Interest may arise.

#### **A. Investments.**

Specific rules apply to investment activities. As a private foundation, the Foundation is subject to the “excess business holdings” limitations imposed by federal tax law on co-investments by the Foundation and its Disqualified Persons. The Foundation applies other specific rules to address and avoid Conflicts of Interest that are specific to the investment context as well as to prevent improper personal trading activity. The excess business holdings rules and other specific rules applicable to investment activities are discussed in **Appendix D**. *All Covered Persons must be familiar with the specific rules applicable to investment activities.*

#### **B. Grantee Involvement.**

No Officer or Key Person may join the governing board of a Foundation grantee or otherwise significantly participate in a Foundation grantee’s operations without obtaining the

advance permission of the COO/GC and the President of the Foundation, or, where the President is concerned, the COO/GC and the Chairman of the Board.

### **C. Involvement with Former Employees.**

Heightened scrutiny is required for Foundation grants and other support to an institution with which a former employee becomes newly affiliated if the grant or other support is provided within 18 months of the employee's departure. Grants and other support that would directly financially benefit a former member of the program or program-related staff within 18 months of his or her departure are *prohibited*. The Foundation also generally will not recommend a former employee for any position related to a project or investment to be funded by a Foundation grant or other support within 18 months of the employee's departure. Where a Foundation grant or other support concerns an organization to which a former employee is newly affiliated, Foundation staff members should consult the Foundation's procedures and the COO/GC, who will provide guidance based on the particular facts presented.

### **D. Gifts; Honoraria.**

Covered Persons may not accept favors or gifts of more than nominal value or repeated gifts of nominal value from actual or potential Foundation grantees, vendors, or service providers. Trivial gifts in the nature of mementos need not be returned nor a friendly dinner invitation declined if it will cause unnecessary offense. Covered Persons should consult with the COO/GC regarding whether a favor or gift is of more than nominal value for purposes of this prohibition. Covered Persons should also disclose to the COO/GC repeated gifts, whether or not of nominal value. For Trustees other than the President, these provisions apply to favors or gifts that could reasonably be perceived to relate to the Trustee's responsibilities and duties to the Foundation.

Officers and Key Persons who are Foundation employees may not accept honoraria from actual or potential Foundation grantees.

### **E. Compensated Work Outside the Foundation.**

Officers and Key Persons who are Foundation employees may not accept paid employment outside the Foundation without obtaining advance approval by the President and the COO/GC, or, where the President is concerned, the Chairman of the Board and the COO/GC.

## **VI. Confidentiality.**

During the course of carrying out his or her Foundation duties, a Covered Person may acquire confidential information about the Foundation, including but not limited to its plans, programs, budget, finances, investments, and grants, and about Foundation grantees and potential grantees, including but not limited to their identity, and other similar information (all such information being "Confidential Information"). A Covered Person must keep all Confidential Information confidential and must not use Confidential Information for his or her private advantage or for purposes other than carrying out his or her Foundation duties. This confidentiality obligation applies to a Covered Person indefinitely, including after his or her



affiliation with the Foundation ends, unless the Confidential Information becomes publicly known through no fault of the Covered Person.

## **VII. Reporting.**

The Audit Committee is responsible for oversight of this Policy. The COO/GC will report periodically to the Audit Committee regarding matters addressed in this Policy. Specifically, the COO/GC will report to the Audit Committee regarding (A) the receipt of each disclosure made in accordance with this Policy; (B) the disposition of each disclosure made in accordance with the Policy, including, without limitation, the determination of whether a particular proposed Transaction would constitute self-dealing or present a Conflict of Interest; and (C) the actions taken with respect to the applicable Transaction (e.g., approval or disapproval). In addition, pursuant to New York law, the COO/GC will provide a copy of each disclosure statement submitted in accordance with this Policy to the Chairman of the Audit Committee. The Audit Committee will report to the Board regarding the implementation of, and compliance with, this Policy. The Audit Committee may report to the Board regarding specific disclosures made in accordance with this Policy and their disposition, as appropriate and necessary from time to time.

## **VIII. Violations; Enforcement.**

Covered Persons must immediately disclose any violations of the Policy to the COO/GC.

The Foundation may impose disciplinary measures, up to and including termination of employment or removal from office, in connection with any violation of the Policy.

## **APPENDIX A**

### **Examples Illustrating Disclosure Requirements**

*Financial Interests.* The following are examples of Transactions where a Covered Person may have a direct or indirect financial interest. Disclosure of the potential Conflict of Interest is required under the Policy.

- The Foundation's engagement of a law firm where a Trustee's spouse is a partner, even where the fees paid are reasonable.
- The Foundation's engagement of a vendor owned by the sibling of a Key Person.
- A Foundation grant to a university where the spouse of a Key Person is employed.
- The receipt by a Trustee of a "placement fee" or similar compensation in connection with a Foundation investment.

*Non-Financial Interests.* The following are examples of Transactions where a Covered Person may have a direct or indirect non-financial interest that could reasonably be perceived to impair the independence or objectivity of the Covered Person in the discharge of his or her responsibilities and duties to the Foundation. Disclosure of the potential Conflict of Interest is required under the Policy.

- A Foundation grant to a university where a Trustee formerly served on the university's board less than 18 months prior to the Foundation grant.
- The Foundation's engagement of a vendor where an Officer's spouse serves as a non-compensated board member.
- A Foundation grant to a university to which a Trustee has made or expects to make a major gift.

*Interests that Ordinarily Do Not Require Disclosure.* The following are examples of Transactions where the specified direct or indirect interest of the Covered Person should not by itself reasonably be perceived to impair the independence or objectivity of the Covered Person in the discharge of his or her responsibilities and duties to the Foundation. No disclosure is required under the Policy based solely on the specified interest unless the Covered Person believes that his or her objectivity or independence is impaired.

- A Foundation grant to a university where a Key Person is an alumna, but not a major donor.
- A Foundation grant to a college where an Officer's daughter is enrolled.

- A Foundation grant to a cultural institution where a Trustee was an employee more than 18 months prior to the Foundation grant and no longer performs any duties or functions for, or receives any compensation or benefits from, the cultural institution.
- A Foundation grant to a professional organization where a Trustee is a member, but does not have a significant role with the organization, such as officer or Board member.

**APPENDIX B**  
**The Andrew W. Mellon Foundation**  
**Disclosure Statement**

This Disclosure Statement is designed to assist **Covered Persons** of the Foundation in meeting their ongoing responsibility to adhere to, and disclose Conflicts of Interest in accordance with, the Foundation's Conflicts of Interest and Disclosure Policy.

Part A of this Disclosure Statement contains an acknowledgment that you have received a copy of the Foundation's Conflicts of Interest and Disclosure Policy, have read it and understand it, and agree to comply with it.

Part B of this Disclosure Statement requests (i) a list, to the best of your knowledge, of any financial interest that you, a **Relative**, and/or a **Related Entity** have in an entity with which the Foundation has or is likely to have a relationship, (ii) a list, to the best of your knowledge, of any service or role that you and/or any **Relative** perform as a director, officer, trustee, or member for an entity with which the Foundation has or is likely to have a relationship, and (iii) a description, to the best of your knowledge, of any other potential **Conflict of Interest** you have or may have, whether directly or indirectly through a **Relative** or a **Related Entity**.

Part C of the Disclosure Statement applies *only* to Officers and Trustees and requests information about ownership of certain investments in which the Foundation has a 6% or greater ownership stake.

Please complete the attached Parts A, B, and, if applicable, C, sign and date them, and return them to Michele S. Warman, Executive Vice President, Chief Operating Officer, General Counsel and Secretary ("**COO/GC**"). Bolded terms not defined herein have the same meaning set forth in the **Glossary** of the Foundation's Conflicts of Interest and Disclosure Policy, a copy of which is attached hereto.

**Part A**

I hereby acknowledge that I have received a copy of the Foundation's Conflicts of Interest and Disclosure Policy and that I have read it and understand it. I hereby agree to abide by and comply with the general procedures and specific rules contained in the Conflicts of Interest and Disclosure Policy and to promptly report to the COO/GC any changes to the disclosure below in response to Part B and Part C.

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

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

## Disclosure Statement (continued)

**Part B**

1. *In the space below, please provide a list, to the best of your knowledge, of any financial interest, including employment or an ownership interest or other economic interest (above a de minimis amount) that you, a **Relative**, and/or a **Related Entity** have in an entity with which the Foundation has or is likely to have a relationship and indicate whether the interest is a substantial financial interest.*

(List should include name of the **Relative** and/or **Related Entity** [if relevant], name of the entity with which the Foundation has a relationship, and a description of the financial interest, including whether it is a substantial financial interest.)

2. *In the space below, please provide a list, to the best of your knowledge, of any service or role that you and/or any **Relative** perform as a director, officer, trustee, or member for an entity with which the Foundation has or is likely to have a relationship.*

(List should include name of the **Relative** [if relevant], name of entity, and position held.)

3. *In the space below, please provide a description, to the best of your knowledge, of any other potential **Conflict of Interest** you have or may have, whether directly or indirectly through a **Relative** or a **Related Entity**.*

(Description should include all material facts related to the potential **Conflict of Interest**.)

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

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Disclosure Statement (continued)

**Part C**

**Officers and Trustees ONLY**

Below is a list of investment funds and companies in which the Foundation had a significant ownership interest during the past year. If any of you, your **Family Members**,<sup>2</sup> or your **Disqualified Entities**<sup>3</sup> have any direct ownership interest in an investment fund or company on the list, please identify the fund or company below and disclose the size of the ownership interest (amount and percentage, if known) and how it is held. In addition to reporting direct ownership, if you, your Family Members, and/or your Disqualified Entities own 20% or more of an investment vehicle or otherwise control the vehicle’s investment decisions, please also report any indirect ownership of a listed fund or company by you, your Family Members, and your Disqualified Entities through such investment vehicles. For these purposes, percentage ownership is percentage of voting power in a corporation, profits interest in a partnership, or, generally, beneficial interest in a trust provided holder has a remainder interest.

What you report will be used only for purposes of allowing the Foundation to comply with the provisions of the Internal Revenue Code and Treasury Regulations and may be disclosed to the Foundation’s auditors, legal counsel and other professional advisors.

<u>Investment Fund or Company</u>	<u>Ownership Information</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Additional Explanatory Notes (if any):

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

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

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<sup>2</sup> The term “**Family Members**” is defined in the definition of “**Disqualified Persons.**”  
<sup>3</sup> The term “**Disqualified Entities**” is defined in the definition of “**Disqualified Persons.**”

## **APPENDIX C**

### **Self-Dealing Rules of Federal Tax Law**

#### *Overview.*

Because the Foundation is classified as a private foundation, federal tax law prohibits the Foundation from engaging in “self-dealing” with insiders who are Disqualified Persons. Therefore, if a Transaction constitutes self-dealing, the Foundation may *not* engage in the Transaction, even if the Transaction could benefit the Foundation. Federal tax law imposes penalty excise taxes on the Disqualified Person who engages in self-dealing and, in certain limited circumstances, on the Board members who approve the Transaction.

#### *Who Is Covered?*

The self-dealing rules apply to all Disqualified Persons of the Foundation. Note that the definition of Disqualified Persons is similar, but not identical, to the definition of Covered Persons.

#### *What Is Covered?*

Federal tax law prohibits the following categories of Transactions (whether direct or indirect) as self-dealing:

- Any sale, exchange, or leasing of property between the Foundation and any Disqualified Person;
- Any lending of money or other extension of credit between the Foundation and a Disqualified Person, other than an interest-free loan by a Disqualified Person to the Foundation where the loan proceeds are used exclusively for the Foundation’s charitable purposes;
- Any furnishing of goods, services or facilities between the Foundation and a Disqualified Person, other than a Disqualified Person’s furnishing of goods, services or facilities to the Foundation without charge where the goods, services or facilities are used exclusively for the Foundation’s charitable purposes;
- Any Foundation payment of compensation to, or reimbursement of expenses of, a Disqualified Person, other than a Foundation payment of compensation to, or payment or reimbursement of expenses of, a Disqualified Person (excluding a government official) for services that are reasonable and necessary to carrying out the Foundation’s exempt purposes where the compensation, payment, or reimbursement is reasonable and not excessive;
- Any transfer to, or use by or for the benefit of, a Disqualified Person of the Foundation’s income or assets, other than transfers or uses that confer no more than incidental or tenuous benefit on a Disqualified Person; or



- Any agreement by the Foundation to pay money or property to a government official, other than an agreement to employ a government official following the termination of his or her government service where such service will end within a 90-day period of the agreement.

*Consideration and Disposition.*

The COO/GC will determine whether a Conflict of Interest disclosed in accordance with the Policy constitutes self-dealing. If that is the case, the Foundation is *not* permitted to engage in the Transaction.

*Examples.*

Below are a few brief examples of self-dealing as defined by federal tax law. These Transactions are *prohibited* in accordance with federal tax law.

- A Foundation loan to a Disqualified Person to purchase a residence, even if the terms are arm's-length or better for the Foundation.
- A Disqualified Person's rental of office space to or from the Foundation for below-market rent.
- A Foundation grant to a university that satisfies a pledge made by a Disqualified Person to the university.

## APPENDIX D Specific Rules for Investment Activities

### A. Excess Business Holdings Rules of Federal Tax Law.

#### *Overview.*

Because the Foundation is classified as a private foundation, federal tax law imposes “excess business holdings” limitations on the amount the Foundation may invest in certain business entities and imposes penalty excise taxes for violations of these limitations.

#### *Who Is Covered?*

Although the excess business holdings rules and penalties apply to the investment activities of the Foundation, the ownership interests of Disqualified Persons are counted in determining whether the Foundation has exceeded the applicable limitations.

#### *What Is Covered?*

The Foundation and its Disqualified Persons, in the aggregate, may not hold more than 20% of the stock or profits interest of an entity that is a business enterprise.<sup>4</sup> Holdings in excess of the 20% limit are “excess business holdings” and subject to a penalty for each year held plus additional, higher penalties if they are not disposed of promptly.

In general, investment funds are not business enterprises. However, the excess business holdings rules “look through” an investment fund and attribute the fund’s holdings to the Foundation and its Disqualified Persons based on their proportionate ownership of the fund.

\* \* \*

#### *1. Required Disclosure.*

To avoid violations of the excess business holdings rules, each of the Foundation’s Officers and Trustees must provide information annually in Part C of the Foundation’s Disclosure Statement (attached as **Appendix B**) about his or her ownership and the ownership of his or her Family Members and Disqualified Entities of investments in which the Foundation has a significant ownership stake<sup>5</sup> and update the disclosure as necessary from time to time.

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<sup>4</sup> If the Foundation owns no more than 2% of the voting stock and no more than 2% percent in value of all outstanding stock of a business enterprise, the Foundation will not be treated as having excess business holdings regardless of the ownership level of Disqualified Persons.

<sup>5</sup> The Foundation will provide Officers and Trustees with a list of its investments that meet this criterion. The threshold for materiality may change based on the Foundation’s investment portfolio in a given year and legal assessment of excess business holding requirements.

## 2. *Consideration and Disposition.*

Foundation staff have adopted an internal process to monitor the size of its ownership in business enterprises and to seek protective contractual undertakings from its investment managers where appropriate. Upon learning that a proposed or existing investment may cause the Foundation to violate the excess business holdings rules, the COO/GC will determine the appropriate course of action.

### **B. Specific Conflicts of Interest Rules for Investment Activities.**

#### *Overview.*

The Foundation has adopted the following additional rules to further address and avoid conflicts of interest<sup>6</sup> in the investment context. These rules supplement the policies and procedures in the Foundation’s Conflicts of Interest and Disclosure Policy.

#### *Who Is Covered?*

These investment-related conflicts rules apply to the members of the Investment and Finance Committee, the Investment staff of the Foundation, the COO/GC, and any Finance and other staff of the Foundation who have access to non-public information concerning the Foundation’s investment activities in the Foundation’s FactSet system (each an **“Investment Person”** and collectively **“Investment Persons”**).

#### *What Is Covered?*

These rules address situations in which Investment Persons may have conflicts of interests or competing legal duties with respect to investment activities of the Foundation or the Foundation’s proprietary information.

\* \* \*

1. *Placement Fees and Other Benefits.* No Investment Person may receive, directly or indirectly, a placement fee or similar identifiable benefit as a result of a Foundation investment.

2. *Co-Investment Situations.* No Investment Person may receive, directly or indirectly, an identifiable benefit (e.g., reduced management fee or opportunity to participate at a reduced minimum) that other investors do not receive as a result of an actual or potential co-investment with the Foundation.

3. *Material Non-Public Information Regarding Publicly Traded Companies.* Federal and state laws and regulations restrict the use (e.g., trading) and communication of material non-

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<sup>6</sup> “Conflict of interest” as used in Appendix D shall have the same meaning as in the Glossary of the Foundation’s Conflicts of Interest and Disclosure Policy, except it applies to Investment Persons and Restricted Staff rather than Covered Persons.

public information regarding a publicly traded company. Investment Persons may not disclose, act on, or encourage others to act on material non-public information.

Information about an entity is considered material if a reasonable investor would consider the information important in making a decision to purchase, sell, or hold a security, or if the information, if public, would have a market impact. Information is considered non-public until it has been effectively communicated to the marketplace in a manner making it reasonably available to investors. For example, information found in a report filed with the Securities Exchange Commission, in a Form 990 filing, or appearing in a publication of general circulation, such as Dow Jones, Reuters Economic Services, or The Wall Street Journal would be considered *public*. The distribution of information through narrower channels may be insufficient to make it public. Also, the fact that non-public information is reflected in rumors in the marketplace does not mean that the information has been publicly disseminated. Even after information becomes public, other aspects relating to the same matter may remain non-public. An Investment Person who is an insider (e.g., an officer or a member of the board) of a publicly traded company may not participate in any Foundation discussion or decision about an investment related to that publicly traded company, and such Investment Person should not reveal material non-public information regarding the publicly traded company to other Investment Persons, Trustees or other representatives of the Foundation, including at any meeting of the Board or Investment and Finance Committee.

Notwithstanding the foregoing, as described in Part C regarding “Personal Investment Activity of Foundation Staff,” Restricted Staff (defined below) are required to disclose any material non-public information they may obtain about public companies to the Chief Investment Officer and the COO/GC for purposes of maintaining the Foundation’s “Do Not Trade” list.

4. *Confidentiality*. In the course of carrying out his or her Foundation duties or as a member of the Investment and Finance Committee, an Investment Person may acquire confidential information, including both proprietary information about the Foundation’s own activities as well as information about managers, funds, and portfolio companies. Examples of information that may be confidential include (but are not limited to) the following:

- due diligence material or other information regarding potential transactions, portfolio investments or their managers, including: private placement memoranda, portfolio lists, performance history, statistical analyses, inspection reports, and conversations with the management or representatives of a portfolio investment describing or relating to the portfolio investment;
- reports and other communications received from investment managers, including information obtained at an annual meeting or similar investor conference;
- reports identifying or detailing the portfolio composition or investment performance of the Foundation;
- the terms and conditions of a portfolio investment;
- the fact that the Foundation is in discussions regarding a potential investment; and
- any other information that is proprietary or provided on a confidential basis.

Consistent with the obligations of Covered Persons generally (see Section VI of the Policy), an Investment Person must keep such information confidential and must not use the information for

his or her private advantage or for purposes other than carrying out his or her Foundation duties. Investment Persons may not disclose, act on, or encourage others to act on confidential information acquired in the course of the Investment Person's activities on behalf of the Foundation. This confidentiality obligation applies to an Investment Person indefinitely, including after his or her affiliation with the Foundation ends, unless the information becomes publicly known through no fault of the Investment Person.

### **C. Personal Investment Activity of Foundation Staff.**

#### *Overview.*

The Foundation has adopted the following rules regarding personal investments to ensure that the Foundation and its staff act in accordance with the law and the highest ethical standards. These rules guard against the legal, reputational, and financial harms occasioned by misuse of insider, proprietary, or other information for personal benefit and/or investment activity that involves a conflict of interest.

Staff are expected to devote their workday to serving the interests of the Foundation and must avoid personal investing on a scale or of a kind that would distract from daily work responsibilities. Further, staff are encouraged to invest for the long term through instruments and opportunities that will not conflict with their responsibilities to the Foundation or risk any damage or potential damage to the reputation of the Foundation.

#### *Who Is Covered?*

These personal investment restrictions apply to the Investment staff of the Foundation, the COO/GC, and to any Finance and other staff of the Foundation who have access to non-public information concerning the Foundation's investment activities in the Foundation's FactSet system ("**Restricted Staff**"). These restrictions do not apply to the members of the Investment and Finance Committee.

Restricted Staff are required to follow these rules and to cause them to be followed for all transactions by or on behalf of immediate family members (including spouse, domestic partner, and minor children) who share their household, or by any account with respect to which they have an interest in, investment discretion over, or otherwise control. In limited circumstances, such as where a Restricted Staff person's spouse is an investment professional subject to separate limitations on personal trading, exceptions to this policy for family members may be appropriate. Any such exceptions will be granted in writing on a case-by-case basis and only with the approval of the Chief Investment Officer and the COO/GC.

#### *What Is Covered?*

These rules restrict the personal investment activity of Restricted Staff and provide compliance procedures to ensure that these rules are followed.

\* \* \*

#### *1. General Requirements*

Restricted Staff may freely invest in (i) direct obligations of the federal government or its agencies, or any state or municipality; (ii) bank certificates of deposit; (iii) SEC-registered mutual funds; and/or (iv) exchange-traded funds and notes (and derivatives thereon) in which the largest underlying holding represents no more than 20% of the value of such fund or note (“**Permitted Investments**”). Purchases and sales of Permitted Investments are unrestricted and do not require special procedures to be followed.

Restricted Staff may also choose to engage in purchases and sales of individual securities or derivatives on securities as well as acquisitions and dispositions of interests in blind pool investment funds (e.g., private investment partnerships) (“**Restricted Investments**”). However, Restricted Staff are required to follow the special restrictions and preclearance procedures in this policy for any Restricted Investments.

*2. Disclosure of Investment Accounts.* All Restricted Staff must disclose to the Foundation a list of all personal investment accounts in which Restricted Investments may be held, such as current brokerage accounts, retirement accounts, mutual fund accounts, 529 plan accounts, UGMA and UTMA accounts (“**Restricted Staff Accounts**”), and must update the list promptly when a new account is opened.

If the account is managed by an investment adviser who has discretion over investment decisions, and the Restricted Staff member does not participate, directly or indirectly, in any specific investment decisions (except for periodic consultation with regard to the broad investment objectives or asset allocations or reallocations of the account), the account should be designated as a “Managed Account.” Managed Accounts must still be disclosed, but Restricted Investments that occur within a Managed Account are not subject to the requirements of this policy.

Restricted Staff must provide to the Foundation or a Foundation-designated representative copies of annual statements for each Restricted Staff Account within 30 days of receipt from the institution at which the Restricted Staff Account is held. The Foundation reserves the right to require Restricted Staff to provide additional statements or information regarding Restricted Staff Accounts at any time for the purpose of monitoring compliance with this policy. The Foundation may implement one or more electronic compliance tracking systems and request Restricted Staff to link their Restricted Staff Accounts with such system(s).

*3. Annual Attestation.* Restricted Staff must attest on an annual basis that they have complied with the requirements of this policy, including that they have disclosed all Restricted Staff Accounts as required by the policy.

#### *4. Restricted Investments*

Restricted Staff are required to obtain written pre-approval of all personal transactions in Restricted Investments. Restricted Staff who make only Permitted Investments are not subject to these procedures.

Pre-approval requests must be submitted to the Chief Investment Officer for approval. If the Chief Investment Officer is unavailable, or if the request is by the Chief Investment Officer, requests must be submitted to the COO/GC, who will consult with the Director of Investment

Operations and/or the Chair of the Investment and Finance Committee. Pre-approval requests should include the following information:

- For transactions involving individual securities or derivatives on securities: the issuer, type of security, and transaction type (e.g., whether securities will be purchased or sold). The request must contain the following language: “I neither have in my possession, nor am aware of, any material non-public information concerning the security I am seeking to trade.”
- For transactions involving blind pool investment funds: the name and description of the fund, transaction date, and whether the transaction involves an acquisition or disposition.

Every attempt will be made to respond to pre-approval requests as soon as possible, but in any case within two business days from receipt of the request unless impracticable because of Foundation closures or other exigencies. Approved transactions may be executed on the day of the approval and must be executed within three open market days of approval. The Chief Investment Officer and/or the COO/GC will deny any pre-approval request if he/she determines, in his/her sole judgment, that the transaction (i) could result in a violation of law, regulation, or Foundation policy, (ii) presents a potential conflict of interest or appearance of one between the Restricted Staff member making the request and the Foundation, and/or (iii) is otherwise impermissible or inappropriate.

The following investment activities are specifically prohibited, and pre-approval will not be granted for any such proposed investment:

- *Actual or Proposed Foundation Investments.* Restricted Staff may not participate in any private investment opportunity (e.g., hedge fund, private equity, venture capital, etc.) in which the Foundation has made or is considering making an investment, or which has been suggested by a current or prospective investment manager as a potential Foundation investment.
- *Front-Running.* Restricted Staff may not engage in front-running of the Foundation’s investments. Front-running means making a personal investment in anticipation of a related transaction by the Foundation or one of its managers.
- *Piggy-backing.* Restricted Staff may not piggy-back on the Foundation’s investments. Piggy-backing means making a personal investment directly following an investment in the same security or fund by the Foundation or one of its managers.
- *Initial Public Offerings.* Restricted Staff may not purchase, directly or indirectly, any equity security in an initial public offering, except through a blind-pool investment vehicle over which he or she has no discretion.
- *Short-Term Trading.* Transactions in individual securities and derivatives on individual securities are subject to a 60 calendar day hold, meaning Restricted

Staff may not engage in the purchase and sale, or the sale and purchase, of the same security within a 60 calendar day period.

Restricted Staff will not be granted permission to trade (directly or through derivatives or other indirect exposure) in any security listed on the “Do Not Trade” list maintained by the Foundation.

Securities will be added to the “Do Not Trade” list where the Foundation has been advised of trading restrictions by an investment manager or where the Foundation has received material non-public information about a public company. Restricted Staff should promptly notify the Chief Investment Officer and the COO/GC if they believe a security should be added to the “Do Not Trade” list, including when they believe they may have come into possession of material non-public information regarding a public company. Restricted Staff should inform the Chief Investment Officer and the COO/GC of the identity of the company and the reason it should be added to the “Do Not Trade” list.

The “Do Not Trade” list is confidential and no information about the “Do Not Trade” list may be disclosed to anyone at the Foundation who does not require that information for the performance of his or her duties and/or anyone outside of the Foundation.