



National Endowment for Democracy

Supporting freedom around the world

CONFLICT OF INTEREST POLICY (G-07-10.pdf)

I. Purpose:

National Endowment for Democracy is judged by the individual and collective performance of our Directors, employees, and independent contractors or consultants. We must recognize that our first duty to the NED, and its funders, grantees and supporters is to act in a manner that merits public trust and confidence.

II. Policy:

This Conflict of Interest Policy has been adopted to protect you, as well as the organization, against public embarrassment and financial loss which could arise from the intentional or unintentional misuse of your position or influence.

Each Director, employee, independent contractor or consultant and his or her close relatives, must act in all matters in a manner that will safeguard the reputation and integrity of the NED and will preserve and strengthen public confidence in our activities. Likewise, these individuals must refrain from engaging in any transaction in which personal interests conflict, potentially conflict, or appear to conflict with those of the NED.

“Duality of interest” (where you have interests within the NED and also have outside interests which may influence your decisions) is not always a bad situation. In fact, there is often an advantage in duality. The goal is to avoid conflicts without arbitrarily prohibiting certain situations which are to the NED’s advantage.

a. Definitions:

- i. **National Endowment for Democracy (NED):** National Endowment for Democracy or any other entity related to the NED.
- ii. **Director:** A member of the Board of Directors for the National Endowment for Democracy.
- iii. **Grantee:** A corporation, partnership, association or other entity, foreign or domestic, that has obtained funding approved through the NED’s established grant process.
- iv. **Employee:** Any individual employed by the NED as defined within this Policy; whether exempt, nonexempt, full-time or part-time, regular or

temporary, but excluding independent contractors or consultants.

- v. **Independent Contractor or Consultant:** A person, corporation, partnership association or other entity not employed by the NED engaged for the purpose of advising the NED on specialized matters or performing contracted services.
- vi. **Related Organization:** Any organization in which the person indicated, directly or indirectly:
 - owns or controls 5% or more of any voting securities of the organization.
 - has power to control the election of a majority of directors of the organization; or
 - has power to exercise a controlling influence over the management or policies of the organization.
- vii. **Close Relative:** This includes a person's spouse, domestic partner, children (whether natural, adopted, foster or by marriage), parents, and siblings, grandparents, and grandchildren (whether natural or by marriage). A close relative also includes any other family member who resides in the same household as, or is financially dependent upon, the person indicated. It also includes any individual or organization which represents any such person as agent, attorney-in-fact, or fiduciary. Likewise, for purposes of this policy, a person sharing living quarters with an employee under circumstances that closely resemble marriage is considered a close relative.
- viii. **Inside Information:** Any material information that, is confidential, proprietary, or not generally known to the public, pertaining to the business, policy positions and affairs of the NED as defined in this Policy; whether related to a specific transaction or to matters pertaining to the NED's interests, activities, and policies.

b. Conduct Rules:

A conduct violation may occur if the Director, employee, independent contractor or consultant has committed an act, as determined by the Board of Directors (for Directors) or the President of the NED (for employees or independent contractors or consultants) that the Board or President considers to be gross negligence; fraud; embarrassing, immoral or disreputable conduct which is, or is likely to be, harmful to the NED or its reputation; whether or not the act is directly related to the individuals role as a Director or their employment or contract with the NED.

A conflict of interest exists when a Director, employee or independent contractor or consultant, a close relative, or the employer of a close relative:

- acts as an agent, representative or spokesperson for any business, group or organization in order to influence the NED on any issue, matter or transaction; or
- has an interest in an issue, matter or transaction in which the NED has a business interest.

Some situations are easily identifiable, whereas others are more subtle. Some of the more common situations giving rise to potential conflicts are described below, together

with the NED's position on each issue. This list is illustrative only and should not be regarded as all-inclusive.

- **Improper Influence:** Any Director, employee, independent contractor or consultant or close relative, should not, when acting on his or her own behalf or when acting on behalf of another person, business or organization, attempt to influence the NED's position on any issue, matter or transaction nor participate in any discussions pertaining to a related organization without disclosing her/his potential conflict of interest.
- **Inside Information:** Inside information should not be used either for the purpose of making a profit or gaining advantage for one's self, a close relative, or another organization or for any other purpose not specifically approved by the NED.
- **Non-Disclosure:** During or subsequent to your term as a Director, your employment with the NED, or your time as an independent contractor or consultant you should not divulge to anyone (other than in regular course of the business of the NED) any knowledge or information regarding any past, current, or possible future plans or programs of or research for the NED. All materials and products which may be created by you in the course of your work for the NED are the property of the NED.
- **Accepting and Offering Gifts or Gratuities:** No Director, employee, independent contractor or consultant or close relative shall accept from, or offer to, any individual who has a business interest in an issue, matter or transaction in which the NED has a business interest, any gift, service, discount, concession or other similar item or benefit with a value more than \$200 annually. Accepting or offering gifts or gratuities of any amount to government officials is prohibited.
- **Receiving or Providing Travel or Entertainment:** No Director, employee, independent contractor or consultant or close relative shall accept from, or offer to, any individual who has a business interest in an issue, matter or transaction in which the NED has a business interest, any transportation, meal, lodging, entertainment (tickets or events of special value) or similar item or benefit with a value of more than \$200 annually. This restriction does not include meals or beverages purchased for a NED Director, employee, independent contractor or consultant in the course of NED business meetings. Receiving or providing travel and entertainment of any value to government officials is prohibited.
- **Employment of Close Relatives:** No employee, independent contractor or consultant will be placed in a department where the employee, independent contractor or consultant and a close relative will have the same supervisor. Likewise, no employee, independent contractor or consultant will be placed in a position where he or she will report, either directly or indirectly, to close relative.
- **Fees for Advisory Services:** No Director, employee, independent contractor or consultant or close relative shall accept any fee or other consideration for advising or consulting services provided to any individual who has a business interest in an issue, matter or transaction in which the NED has a business interest except reasonable fees paid to the individual in connection with his or her

service as a director or trustee of such business or organization.

- **Outside Directorships:** No NED Director, employee, independent contractor or consultant shall serve as a director or trustee of any other corporation or organization which has a business interest in a matter, issue or transaction in which the NED also has a business interest without disclosing that fact and first obtaining approval unless the organization is a religious, civic, professional, educational, social, residential, recreational or other organization of a similar purpose, in which case prior approval is not required.
- **Outside Employment:** Employees shall not engage in any employment or activity outside the NED which will materially encroach upon the time or attention that should be devoted to their duties or adversely affect the quality of their work on behalf of the NED. Any other employment shall not compete with the NED's activities, involve any significant use of the NED's equipment, supplies or facilities, infer the NED's sponsorship or support of the outside employment of activity; or adversely affect the public image of the NED. NED employees are prohibited by law from receiving compensation from the Federal Government.

Individuals wishing to seek approval to receive an honorarium for outside activities should complete a ***Notice of Intent to Accept an Honorarium (Attachment A)***.

- **Political Activities:** Directors, employees, independent contractors or consultants are encouraged to take an active interest and to participate in the political and governmental process. However, except for those authorized to act on behalf of the NED, any Director, employee, independent contractor or consultants participating do so as individuals and not as representatives of the NED. To avoid any inference of support or sponsorship by the NED, a Director, employee, independent contractor or consultant must never represent that his or her political donation, endorsement or other political activity was made or engaged in with the approval, or on the behalf, of the NED. Likewise, Directors employees, independent contractors or consultants must not engage in political activities in the workplace.
- **The Making of Statements:** No Director, employee, independent contractor or consultant shall use the NED stationery or any title of the NED or refer to the NED or identify him or herself as an Director, employee, independent contractor or consultant thereof in connection with any matter as to which he or she is not authorized as a representative of the NED and to express an opinion on its behalf.
- **Professional Standards:** Some employees, independent contractors or consultants must perform their work in accordance with standards prescribed by an external authority. Examples might include accountants or attorneys. Just as the NED expects and requires its employees, independent contractors or consultants to act at all times in accordance with applicable laws, it also expects its employees, independent contractors or consultants to act in accordance with the requirements of their profession. Thus, doing so should not create a conflict

of interest. Nevertheless, if adherence to applicable professional standards would or might reasonably be thought to pose a problem for the NED, the employee, independent contractor or consultant should disclose this matter.

- **Knowledge of Policy:** Any Director, employee, independent contractor or consultant who is aware of a potential conflict of interest should advise the Director, employee, independent contractor or consultant who may have the conflict of interest of the possibility, and recommend that he or she disclose the potential conflict in accordance with this policy. If a Director, employee, independent contractor or consultant who believes another Director, employee, independent contractor or consultant may have a conflict of interest and is uncomfortable raising this question with the other Director, employee, independent contractor or consultant, or the Director, employee, independent contractor or consultant who may have the conflict fails to disclose that as required by this policy; he or she should notify the person who the Director, employee, independent contractor or consultant with the potential conflict should have advised.

c. Administration:

Whenever a Director, employee, independent contractor or consultant wishes to engage in any activity prohibited by a provision of this Conflict of Interest Policy and believes that the circumstances would justify the granting of an exception by the NED, he or she shall submit a written request for approval (**Attachment B**). Directors should do this through the Budget and Audit Committee, employees should do this through his or her supervisor to the Chief Operating Officer, and independent contractors or consultants should do this through the individual who coordinates his or her contract to the Chief Operating Officer. While the request is pending, the Director, employee, independent contractor or consultant should refrain from participating in the questionable activity or withdraw from any discussion of or decision on the matter. The Budget and Audit Committee (Directors) or Chief Operating Officer (employees and independent contractors and consultants) will perform an appropriate investigation and make a decision as to whether the request should be denied, approved, or approved with conditions. The Budget and Audit Committee (Directors) will inform the individual of the decision in writing with a copy to the Chief Operating Officer and the Chief Operating Officer (employees and independent contractors and consultants) will inform the individual of the decision in writing with a copy to the Senior Director of Human Resources and Administration.

Should the Chief Operating Officer have a conflict, the President should be informed in writing and will decide the matter. Should the President have a conflict, the matter shall be disclosed in writing to the Budget and Audit Committee of the Board for a decision.

Every request for approval should describe in detail the particular activity in question, the reasons why the Director, employee, independent contractor or consultant believes the request should be granted, and any special circumstances surrounding the situation.

In the event of an adverse decision by the Budget and Audit Committee, the Director may appeal the decision to the full Board of Directors, whose decision will be final. A decision by the Budget and Audit Committee or the full Board of Directors will be made a part of the Minutes of the meeting.

In the event of an adverse decision by the Chief Operating Officer, the employee, independent contractor or consultant may appeal the decision to the President, whose decision is final. A copy of the President's decision will be given to the employee, independent contractor or consultant, the Chief Operating Officer and the Senior Director of Human Resources and Administration.

- d. Acknowledgement:** New Directors, employees and independent contractor or consultants will receive a copy of the NED's Conflict of Interest Policy when he or she joins or becomes associated with the NED. It is important that every Director, employee, independent contractor or consultant reads and understands all provisions of this policy and seeks answers to any question(s) he or she may have. This document should be retained for future reference as well.

Directors and individuals employed within salary grades 6 through 12 are required to affirm their compliance with the NED's Conflict of Interest Policy by completing a ***NED Conflict of Interest Certification Form (Attachment 3)*** when first joining the Board or first employed and on an annual basis thereafter.

- e. Conclusion:** The NED is proud of the high standard of ethics which our Directors, employees, independent contractors and consultants have displayed throughout the years and is confident that this will continue to be our hallmark. This policy has been designed to educate those joining us in the principles and responsibilities of the NED and serves as a reminder to all Directors, employees, independent contractors and consultants of the high ideals for which we stand. Strict adherence to the principles of this policy is required of Directors and independent contractors and consultants and is a condition of employment for employees and violations may result in disciplinary action up to and including the immediate termination of your employment or contract.

III. Responsibility – The Senior Director of Human Resources is responsible for the interpretation and communication of this policy.

IV. Effective Date – July 26, 2010

Approved: /s/ JWL
 Chief Operating Officer
 National Endowment for Democracy

July 26, 2010
Date