

**“ENSURING ALL CHILDREN HAVE  
ACCESS TO A QUALITY PUBLIC  
SCHOOL EDUCATION.”**



# **POLICY: CONFLICT OF INTEREST**

**ADOPTED: JANUARY 2014**

**THE FRANKLIN FOUNDATION FOR INNOVATION**

**AUTHORED BY:**

**EXECUTIVE COMMITTEE**

OF THE BOARD OF DIRECTORS

**THE FRANKLIN FOUNDATION FOR INNOVATION**

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# CONFLICT OF INTEREST POLICY

## The Franklin Foundation for Innovation

**APPROVED:** January 2014

**SCOPE:** All Directors, Executives, and Employees

**ARTICLE I: Purpose.** As Directors, Executives, and Employees of The Franklin Foundation for Innovation (the “Foundation”), there is an inherent expectation that all actions and activities are made with the best interests of the Foundation and not in the personal interests of the individual. Directors, Executives, and Employees are prohibited from using their positions or information they may obtain as a result of their position in a manner that allows them to secure an economic benefit, no matter how significant, either directly or indirectly, for themselves or their relative(s). In summary, it is the policy of the Foundation that no transaction between it and its Directors, Executives, or Employees be tainted with an actual or perceived conflict of interest.

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### **ARTICLE II: Definitions.**

The following are considered insiders for the purposes of this policy:

1. Each member of the Board of Directors or other governing body.
2. The chief executive officer, chief development officer, treasurer and chief financial officer, chief programs officer, or any person with the responsibilities of any of these positions (whether or not the person is an officer of the Foundation under the Foundation’s Bylaws).
3. Any employee, meaning an employee who is paid a salary for their work with the Foundation. This includes anyone who (a) has responsibilities or influence over the Foundation similar to that of officers, directors, or trustees; or (b) manages a program that represents 10% or more of the activities, assets, income, or expenses of the Foundation; or (c) has or shares authority to control 10% or more of the Foundation’s

Capital expenditures, operating budget, or compensation for employees.

4. Any member of the National Advisory Council and/or any advisors to the Foundation’s Chairman regardless of whether they are compensated or not.

**Interest** means any material financial interest, whether through commitment, investment, relationship, obligation, involvement or otherwise, direct or indirect, that may influence a person’s judgment, including receipt of compensation from the Foundation, a sale, loan, or exchange transaction with the Foundation.

A **conflict of interest** is present when, in the judgment of the body or individual determining whether a conflict exists, an insider or person related to the insider by family or business relationship (“interested person”) has a material financial interest in the transaction such that it reduces the likelihood that an insider’s influence can be exercised impartially in the best interests of the Foundation.

**ARTICLE II: Continued**

*Transaction* means any transaction, agreement, or arrangement between an interested person and the Foundation, or between the Foundation and any third party where an interested person has a material financial interest in the transaction or any party to it. Transaction does not include compensation arrangements between the Foundation and a director, officer, or other insider that are wholly addressed under the Foundation's Compensation Policy.

**ARTICLE III: Procedures****1. Duty to Disclose**

Each interested person shall disclose to the Board all material facts regarding his, her, or its interest (including relevant affiliations) in the transaction. The interested person shall make that disclosure promptly upon learning of the proposed transaction.

**2. Determining Whether a Conflict of Interest Exists**

With regard to an interested person, the Board shall determine if a conflict of interest exists.

**3. Procedures for Addressing a Conflict of Interest**

The Board shall follow the procedures set forth in Article IV to decide what measures are needed to protect the Foundation's interests and considering the nature and seriousness of the conflict, to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are appropriate. In the case of an insider who is a director, the director shall not vote on any transaction in which the director has an interest, and the remaining Board members shall decide the matter.

**ARTICLE IV: Review by the Board**

The Board may ask questions of and receive presentation(s) from the insider(s) and any other interested person(s), and may deliberate and vote on the transaction in their presence. The Board shall ascertain that all material facts regarding the transaction and the interested person's conflict of interest have been disclosed to the Board and shall compile appropriate data to ascertain whether the proposed transaction is just and reasonable to the Foundation.

After exercising due diligence, which may include investigating alternatives that present no conflict, the Board shall determine whether the transaction is in the Foundation's best interest, for its own benefit, and whether it is just and reasonable to the Foundation; the transaction can be approved by the Board by majority vote of those present at a meeting for which quorum requirements have been met, without counting the vote of any interested directors. Interested or common directors may be counted in determining the presence of a quorum at such meeting.

**ARTICLE V: Records of Proceedings**

The minutes of any meeting of the Board pursuant to this policy shall contain the name of each interested person who disclosed or was otherwise determined to have an interest in a transaction; the nature of the interest and whether it was determined to constitute a conflict of interest; any alternative transactions considered; the members of the Board who were present during the debate on the transaction, those who voted on it, and to what extent interested persons were excluded from the deliberations; any comparability data or other information obtained and relied upon by the Board and how the information was obtained; and the result of the vote, including, if applicable, the terms of the transaction that was approved and the date it was approved.

**ARTICLE VI: Annual Disclosure and Compliance Statements**

Each director, each corporate officer, the top management official, the top financial official, and each key employee of the Foundation, shall annually sign a statement on the form attached, that:

- affirms that the person has received a copy of this conflict of interest policy, has read and understood the policy, and has agreed to comply with the policy; and
- discloses the person's financial interests and family relationships that could give rise to conflicts of interest.

**ARTICLE VII: Violations**

If the Board has reasonable cause to believe that an insider of the Foundation has failed to disclose actual or possible conflicts of interest, including those arising from a transaction with a related interested person, it shall inform such insider of the basis for this belief and afford the insider an opportunity to explain the alleged failure to disclose. If, after hearing the insider's response and making further investigation as warranted by the circumstances, the Board determines that the insider has failed to disclose an actual or possible conflict of interest, the Board shall take appropriate disciplinary and corrective action.

**ARTICLE VIII: Annual Reviews**

To ensure that the Foundation operates in a manner consistent with its status as an Foundation exempt from federal income tax, the Board shall authorize and oversee an annual review of the administration of this conflict of interest policy. The review may be written or oral. The review shall consider the level of compliance with the policy, the continuing suitability of the policy, and whether the policy should be modified and improved.



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