

Minnesota Community Foundation and The Saint Paul Foundation

Code of Business Conduct Policy

[Board Approved 12/2/09; Replaces 2/21/07]

A. Introduction

Minnesota Community Foundation and The Saint Paul Foundation (collectively the “Foundations”) are committed to maintaining the highest standards of conduct and ethics. The success of the Foundations depends upon public confidence and broad public support. The Foundations expect every employee, board and board committee member, and consultant (collectively referred to as “Foundations’ representatives”), to read and understand this policy and its application to performance of his or her responsibilities.

B. Confidentiality

The Foundations have an ethical obligation to respect the privacy of customers, clients and affiliated entities and to protect and maintain the confidentiality of information learned about these entities in the course of providing service to them.

The Foundations’ records (which include records of customers, clients, and affiliated entities) and any information in them should be treated as confidential and not used, disclosed or distributed except as set forth below. Foundations’ records should never leave or be accessed from outside the office, except as necessary to accomplish the business of the Foundations. Foundations’ information, including Foundations’ records and copies of and excerpts from those records should not be used by, disclosed to, or discussed with anyone except coworkers who are specifically authorized to have access to and need such information as a part of their Foundations’ responsibilities; that person’s supervisor; the president and CEO; a person authorized by the customer, client or affiliated entity to have access to this information; as ordered by a court; or as otherwise required by law. Foundations’ representatives must take reasonable steps to safeguard all Foundations’ information including storing and communicating it in a manner that will protect it from unauthorized disclosure. When a Foundations’ representative’s relationship with the Foundation ends, he or she must assure that all Foundations’ records in his or her possession or control are returned to the Foundations.

Terms:

1. *Customer* is an inclusive term referring to our prospects, donors, professional advisors, grantees and applicants.
2. *Client* refers to our affiliated client foundations, currently F. R. Bigelow Foundation and Mardag Foundation.
3. *Affiliated entities* refer to those foundations and funds with whom we have a business relationship.
4. *Records* refer to both paper and electronic (voice and data) information.

C. Conflict of Interest

1. General

The Foundations believe that effective governance depends on deliberate, thoughtful, and objective decision-making. Decisions must be made in the best interests of the Foundations and/or their mission, be fair and reasonable to the Foundations, and not be influenced by the financial or personal interests of individual Foundations' representatives. This applies to all levels of decision-making, including decisions involving matters of organizational policy, contracting for goods and services, grant making, investment of Foundations' funds, and other transactions.

The Foundations wish to avoid those situations in which an ordinarily prudent person would reasonably conclude that a Foundations' representative's financial or personal interests could have interfered with objective decision-making about a Foundations' transaction. As a result, Foundations' representatives (as defined in the Introduction) must fully disclose potential conflicts of interest to the appropriate individuals in accordance with this policy in advance of any decision-making, and excuse themselves from decisions where a conflict of interest could interfere with objective decision-making. While this policy provides guidance for identifying and managing conflicts, it is not intended to be all-inclusive and should be interpreted in a manner that furthers the goals of decision-making described above.

2. Conflicts Defined

A conflict of interest arises when a Foundations' representative who is in a position to influence a Foundations' transaction has a material interest (as described below) which could influence his/her judgment regarding the transaction. A conflict of interest may also arise when an employee Foundations' representative considers a transaction in which another Foundations' representative has a material interest.

A person has a material interest in the transaction when he/she or a related person: (i) directly transacts business with the Foundations, or (ii) has more than a de minimus financial interest in the transaction, such as where he/she has an ownership interest in an entity with which the Foundations are transacting business, receives compensation or gifts from, or is a significant creditor of, such an entity. (However, ownership of less than 2% of a publicly traded company will not be deemed to be a material interest); or (iii) has an organizational affiliation with an entity engaged in or significantly affected by a Foundations' transaction, (e.g. when the Foundations' representative is also a board or board committee member, officer, employee, fundraiser, or legal or other representative, a significant contributor (using \$5,000 or more in a given year as a guideline) or volunteer (using 50 or more hours in a given year as a guideline) with the entity. Generally, having an ordinary friendship or other non-family relationship with a person transacting business with the Foundations will not be considered a material interest, except where there is a reasonable likelihood that the interest could interfere with the Foundations' representative's objective judgment about the transaction.

Those who are considered to be in a position to influence a transaction will generally be those who recommend, consider, and/or approve the transaction.

A related person means a spouse, a parent, child, spouse of a child, brother, sister, spouse of a brother or sister, domestic partner, and all members of the Foundations' representative's household.

The Foundations aspire to maintain the highest level of candor in our professional relationships and to honor the spirit and practice of conflict disclosure. We recognize that there may be situations in which a conflicting interest is so far removed from a particular decision-making process that it is not reasonably likely to interfere with objective decision-making or be reasonably perceived as doing so. Nevertheless, the relationship should be disclosed under the procedures set forth in this policy and be managed in a manner consistent with goals of decision-making set forth above.

Circumstances in which a conflict of interest may arise include, but are not limited to:

- a. Purchasing goods or services from vendors and consultants or otherwise contracting for business with an entity in which a Foundations' representative or related person has an interest (such as an ownership or investment interest) or is a director, officer, or employee;
- b. Investing the Foundations' funds in a manner which could result in a gain for a Foundations' representative or related person; or
- c. Granting funds to an organization in which a Foundations' representative or related person is an active participant (e.g. as a board member, staff, significant volunteer, or participant on a fund raising committee or other fund raising effort.)

This list is not all-inclusive and it is the intention of the Foundations to encourage disclosure of any transaction in which a Foundations' representative has a separate financial or personal interest.

3. Specific Restrictions on Gifts and Favors

It is the policy of the Foundations to prohibit Foundations' representatives from accepting gifts or favors of any kind, including entertainment, travel, use of living quarters, etc. from any prospective, past or current donor, grant applicant, grantee, supplier, or other person that seeks to do business with the Foundations. For the purposes of this policy, "supplier" includes, but is not limited to, a current or prospective vendor of goods or services (including professionals such as investment managers, bankers, auditors, and attorneys). Foundations' representatives must not use their Foundations' positions for personal gain or advantage or give that appearance.

To ask for or accept a gift or favor, whether for themselves or for another person or entity in return for providing business to suppliers or recommendations concerning grantees, is a violation of Foundations' policy and may be a violation of law. Foundations' representatives who are offered a gift or favor in connection with Foundations' business should immediately advise the board chair or president and CEO in writing.

This prohibition against gifts and favors does not apply to the following:

- a. Reasonable meals, refreshments, or entertainment related to advancing the Foundations' business.
- b. Advertising or promotional gifts such as pens, pencils, calendars and the like with a value of \$50 or less.
- c. Non-monetary awards or plaques.
- d. In some cases, staff may accept honoraria from an organization for a speaking engagement or other activity. The appropriate Foundations' officer should review these circumstances on a case-by-case basis prior to acceptance.

4. Disclosure of Conflicts and Procedure

It is the Foundations' policy to deal with conflicts of interest in an open manner through an annual disclosure statement and through clear identification of actual or apparent conflicts of interest as they arise.

a. Annual Disclosures

On an annual basis, a disclosure form will be completed by all board and board committee members, officers, and certain other Foundations' representatives who are requested to complete the form by the board; the president and CEO; or the director of human resources. Those requested to complete the form, at a minimum, will include those who review and/or make recommendations regarding grants and investments. Foundations' representatives completing the form must fully disclose all actual or apparent conflicts of interest involving himself or herself or a related person, including community boards, corporations or other organizations with which they or a related person are affiliated which may be expected to engage in transactions with the Foundations.

b. Transaction Disclosures and Procedures

Transactions where a conflict of interest exists may proceed only as follows:

- (1) Transactions not involving board or board committee decision-making
 - (a) The material facts as to the transaction and the person's conflicting interest must be fully disclosed to the president and CEO; and
 - (b) The president and CEO will determine a procedure for deliberating on the transaction. Any person with a conflict of interest will be excluded from the deliberations and approval of such transaction, except that, if requested, the person may provide information of a factual nature to those considering and approving the transaction.
 - (c) If the president and CEO is the one with the conflict, then the material facts as to the transaction and the conflicting interest must be fully disclosed to the board chair who shall bring the matter to the attention of the board or a duly constituted committee thereof.
- (2) Transactions involving decision-making by the board and board committees
 - (a) The material facts as to the transaction and as to the conflict of interest will be fully disclosed at the board or committee meeting before any discussion, vote, or other action on the transaction. (If a member is not going to attend a meeting, but has reason to believe a transaction on which he/she has a conflict will be considered, he/she will disclose the conflict to the chair in advance, who will report the disclosure at the meeting).
 - (b) If requested, the board or board committee member who has a conflict of interest may provide information of a factual nature to the board or committee, but may not attempt to exert his or her personal influence with respect to the matter, either at or outside the meeting.
 - (c) The board or board committee member who has a conflict will be ineligible to vote on the transaction. If the matter requires discussion, the board or board committee member may choose to leave the room, or the board chair or committee chair may request that he/she leave the room prior to the board or committee deliberating and voting on the issue. Approval of the transaction will require approval in good faith by a majority of those entitled to vote and not

counting the person or persons with a conflict in determining the presence of a quorum. If a person ineligible to vote is counted in determining a quorum, the transaction may only be approved in good faith by two-thirds of the members entitled to vote, or as otherwise permitted by applicable law. The board's action on the transaction must be made in the best interests of the Foundations and/or their mission and be fair and reasonable to the Foundations.

- (d) If the chair of the meeting has a conflict of interest, the vice chair or designee will preside over the deliberations and vote on the issue.
- (e) The disclosure and ineligibility of any member to vote will be reflected in the minutes of the meeting.

If a board or board committee member is uncertain as to whether a conflict of interest exists, he/she will disclose the circumstances to the chair or the chair's designee, who may either determine whether a conflict of interest exists that is subject to this policy or may submit the matter to the board or board committee for such a determination.

While the chair is responsible for assuring that this policy is adhered to, all board and board committee members are responsible for their actions related to the policy.

(3) Additional Procedures Involving Grants

In the event that a conflict concerns consideration of a grant proposal, then the following procedures will apply:

- (a) Once a formal grant application is submitted, a board or board committee member will not participate in the review process unless asked by staff to provide specific factual information.
- (b) Staff will disclose the board or board committee member's conflict of interest in the written grant review.
- (c) If the board or board committee member has relevant factual information related to a grant request, they may communicate it to the chair in advance of the board meeting at which the request will be considered.
- (d) The remaining procedures will be governed by the procedures outlined above under the heading "board and board committee members."

D. Ethics – Ethical Principles

1. Personal and Professional Integrity

All Foundations' representatives (as defined in the Introduction) will conduct themselves in an honest and ethical manner, including the ethical handling of actual or apparent conflicts of interest between Foundations' interests and the personal or financial interests of a Foundations' representative.

2. Compliance with the Law

It is the Foundations' policy to be knowledgeable of and comply with all applicable laws and regulations of the United States and the states in which it operates in a manner that will reflect a high standard of ethics. Compliance does not comprise our entire ethical responsibility; rather it is a minimum, and an essential condition for performance of our mission and duties.

3. Professional Standards

It is the Foundations' policy that representatives be knowledgeable of emerging issues and professional standards in our field and conduct themselves with professional competence, fairness, efficiency and effectiveness.

4. Responsibility to Foundation Employees

The Foundations are committed to treating employees with honesty and respect, and to provide a safe and healthy work environment. The Foundations fully support all relevant laws to protect and safeguard the rights and opportunities of all people to seek, obtain, and hold employment without regard to race, religion, gender, sexual orientation, marital status, disability, age, national origin or other protected status. It is our intent to provide an environment free of unlawful harassment and discrimination.

5. Fundraising and Donor Relations

It is the Foundations' policy that solicitation be respectful of the needs and interests of the donor or potential donor. The Foundations will take steps to assure that gifts will be used for the purposes for which they were given, and respect the privacy of individual donors and funds. In fundraising from the public, the Foundations will respect the rights of the donors as follows:

- a. To be informed of the mission of the Foundations, the way the resources will be used, and the Foundations' capacity to use donations effectively for their intended purposes;
- b. To be informed of the identity of those serving on the Foundations' governing board and to expect the board to exercise prudent judgment in its stewardship responsibilities;
- c. To have access to the Foundations' most recent financial statements;
- d. To be assured their gifts will be used for the purposes for which they were given;
- e. To receive appropriate acknowledgement and recognition;
- f. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law;
- g. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature;
- h. To be informed whether those seeking donations are volunteers, employees of the Foundations, or hired solicitors;
- i. To have the opportunity for their names to be deleted from mailing lists that the Foundations may intend to share; and
- j. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.¹

6. Grantmaking

As a member of the Minnesota Council on Foundations, the Foundations recognize that they play an important role in the community, that their roles are sustained by the public trust, and that certain obligations follow from that trust. The Foundations are committed to basing their work on principles that reflect those obligations. As members of the Minnesota Council on Foundations, we subscribe to the follow principles:

- a. To sustain public trust by adhering to the highest ethical principles and practices and abiding by all state and federal laws that govern philanthropy.

¹ These ten points are taken from a Donor Bill of Rights, developed by the American Association of Fundraising Counsel, the Association for Healthcare Philanthropy, the Council for the Advancement and Support of Education, and the Association of Fundraising Professionals, and endorsed by the Independent Sector.

- b. To achieve effective governance by ensuring performance in the areas of stewardship of assets, donor intent, fiduciary responsibility and sound decision-making.
 - c. To be purposeful in our philanthropy by having a clearly stated mission and explicit goals.
 - d. To foster continuous learning and reflection by engaging board members, staff, grantees and donors in thoughtful dialogue and education.
 - e. To build constructive relationships with applicants, grantees and donors by ensuring mutual respect, candor, confidentiality and understanding.
 - f. To achieve transparency in our relationships with the public, applicants, grantees and donors by being clear, consistent and timely in our communications with them.
 - g. To reflect and engage the diversity of the communities we serve in our varying roles as grantmakers, board and employers, economic entities and civic participants.
 - h. To uphold the highest standards by regularly assessing ourselves against these principles and committing to implement them.²
7. Inlusiveness and Diversity
The Foundations strongly value inclusiveness and diversity. Staff and board reflect and benefit from the perspectives of many different segments of the community.
8. Public Accountability
It is the Foundations' policy to provide comprehensive and timely information to the public and be responsive to reasonable requests for information about the Foundations. Basic informational data about the Foundations such as the Form 990, audited financial statements and the Foundations' annual report are available to the public. All advertisements, publications, and collateral materials are to represent the Foundations and their policies and practices.
9. Accuracy and Retention of Records
The Foundations will create and maintain records that satisfy operational and legal requirements including federal, state, and local laws. Employees should consult the Foundations' management team and/or records manager for questions related to the Foundations' document retention guidelines or the proper disposing of a Foundations' document or record. Employees may not destroy or alter documents with the intent to impair a document's integrity or to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of a federal agency.
10. Political Activities
The Foundations are tax-exempt charities prohibited from participating or funding political candidates. Directors, officers, and employees, volunteers, advisors, and independent contractors must not use their position with the Foundations to create an appearance that they are speaking in support of or in opposition to a political candidate on behalf of the Foundations. However, the Foundations encourage their employees, board and board committee members to participate on their own behalf in civic activities.
11. Endorsement and Use of the Foundation's Name
The Foundations' names may not be used by Foundations' representatives to endorse or gain support for a cause without express authorization from the Foundations' president and CEO.

² Principles for Minnesota Grantmakers originally adopted by the Minnesota Council on Foundations board of directors in 1996; revised and adopted December 2006.

E. Fraud

1. General Policy

The board, management and staff are responsible for the prevention and detection of fraud, misappropriations, and other fiscal wrongdoings, and for creating a culture designed to encourage ethical behavior.

2. Definition

For the purposes of this policy, the term fraud will include intentional deception, misappropriation and other financial wrongdoing, whether made for personal gain, to damage another, or for another wrongful purpose. Examples of fraud include, but are not limited to:

- a. Forgery or unauthorized alteration or manipulation of documents or computer files;
- b. Fraudulent financial reporting;
- c. Actions, including pursuit of a benefit or advantage, in violation of the Foundation's conflict of interest policy;
- d. Misappropriation or misuse of the Foundation resources, such as funds, supplies or other assets;
- e. Authorizing or receiving compensation for goods not received or services not performed; and
- f. Authorizing or receiving compensation for hours not worked.
- g. Any similar or related dishonest, fraudulent, or inappropriate conduct

3. Roles and Responsibilities With Respect to Fraud

a. Board

The board or its designated oversight committee has the responsibility to ensure that management designs effective fraud risk management documentation to encourage ethical behavior. The board will:

- (1) Understand fraud risks specific to the Foundation
- (2) Maintain oversight of the Foundation's fraud risk assessment by ensuring that fraud risk has been considered as part of the Foundation's risk assessment and strategic plans
- (3) Monitor management's reports on fraud risks, policies and control activities, which include obtaining assurance that controls to prevent and detect fraud are effective.
- (4) Oversee internal controls established by management
- (5) Set the appropriate tone at the top through the CEO job description, hiring, evaluation and succession planning processes
- (6) Have the ability to retain outside experts where needed
- (7) Provide external auditors with evidence regarding the board's active involvement and concern about fraud risk management.

b. Management

Management has the overall responsibility for the design and implementation of a fraud risk management program. Management is responsible for creating a culture through words and actions where it is clear that fraud is not tolerated and that any such behavior will be dealt with swiftly and decisively and that whistleblowers will not suffer retribution. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Management is responsible for creating and implementing adequate internal controls to prevent and detect fraud – including documenting fraud risk; educating staff regarding fraud risks and their obligations with respect to this policy, and creating guidelines and procedures to prevent and detect fraud, including monitoring and/or auditing procedures as appropriate. The vice president of finance is available to assist managers in establishing management systems and controls within their departments.

c. Employees

Strong controls to prevent and detect fraud are the responsibility of all Foundation staff and all employees have a responsibility to report suspected violations. All staff, including management will:

- (1) Have a basic understanding of fraud and be aware of red flags.
- (2) Understand their roles within the internal control framework. Staff should understand how their job procedures are designed to manage fraud risks and when noncompliance may create an opportunity for fraud to occur or go undetected.
- (3) Read and understand policies and procedures (e.g. the fraud policy, code of business conduct, etc.) as well as other operational policies and procedures.
- (4) Report suspicions or incidences of fraud.
- (5) Cooperate in investigations.

4. General Guidelines for Reporting Wrongdoing

The Foundation encourages all Foundation representatives (as defined in the Introduction) to report all fraud as well as any other dishonest or illegal conduct, or conduct that violates its Code of Business Conduct (all collectively referred to as "wrongdoing") pursuant to the guidelines set forth in this policy. The Foundation will investigate possible wrongdoing by Foundation representatives. The Foundation will take appropriate action against anyone found to have engaged in wrongdoing, including disciplinary action, or civil or criminal prosecution when warranted.

5. How to Report

Concerns about possible fraud or other types of wrongdoing should be reported immediately. When someone becomes aware of suspected wrongdoing, they should:

- a. Immediately report the matter to a member of the management team; or directly to the director of human resources; the president and CEO; chair of the board; chair of the audit committee; or corporate counsel. The names of the current persons in these positions and their contact information are attached to this policy. Anyone receiving such a report should immediately notify the director of human resources. The director of human resources will promptly notify the chair of the audit committee upon receipt of any report of financial wrongdoing;
- b. Not discuss the matter with anyone other than the officials listed above or law enforcement as appropriate, and should not contact the person suspected to conduct their own investigation and/or demand restitution;
- c. Have a member of management team inform the Foundation's corporate counsel when law enforcement or other persons outside the Foundation are involved or informed;

- d. Direct all inquiries from any attorney to the president and CEO, director of human resources or board chair who will work with corporate counsel as appropriate; and
- e. Direct all inquiries from the media to the director of marketing and communications.

Reports can be made verbally or in writing. While no one method is preferred, verbal reporting will allow the person receiving the concern to ask clarifying questions in order to ensure that the concern is fully understood. If the concern is communicated in writing, care should be taken to describe the concern in detail. Less than a thorough understanding may impair any investigation.

The Foundation will take precautions so as to not unnecessarily disclose the identity of the person making a report, although some disclosure may be needed to investigate a matter. A person may elect to send a written report without identifying themselves to any of the persons listed above via mail, hand delivery, or other delivery method.

6. Investigation and Resolution Guidelines

The director of human resources will work with appropriate persons to coordinate an investigation of a report. Those reporting and/or investigating reports of wrongdoing should take care to provide prompt, detailed and accurate information, but at the same time avoid:

- a. Premature notice to persons suspected of wrongdoing and/or disclosure of suspected wrongdoing to others not involved with the investigation;
- b. Violation of a person's rights under the law; or
- c. False allegations made either with the knowledge that they are false or with reckless disregard to their truth or falsity.

Generally, reports will only be shared with those who have a need to know so that the Foundation can conduct an effective investigation, determine what actions to take based on the results of any such investigation, and in appropriate cases, with law enforcement personnel.

When a report of wrongdoing has been resolved, the Foundation will make reasonable efforts to disclose that fact to the reporting party. The precise information disclosed will depend upon the circumstances, including the nature of the resolution, confidentiality considerations regarding personnel and other matters, protection of others who may have been involved in the investigation, and matters regarding ongoing civil or criminal investigations. The director of human resources will provide a summary of the resolution of a report of any financial wrongdoing to the audit committee and a summary report of all reported wrongdoing will be provided to the chair of the board and president and CEO.

7. Reporting Protection

Retaliation against another person for making a report of wrongdoing to the persons outlined above or for providing information to law enforcement regarding an activity which that person believes to be wrongdoing is prohibited. Retaliation includes acts negative to a person, including threats of physical harm, loss of job, punitive work assignments, or

negative impact on salary, wages or other terms or conditions of employment. The Foundations will use its best efforts to protect Foundations' representatives making a report of suspected wrongdoing. Anyone making a report who believes that they have been retaliated against may file a written complaint with the director of human resources. Any complaint of retaliation will be promptly investigated and appropriate corrective measures taken if allegations of retaliation are substantiated.

Protection from retaliation is not intended to prohibit management from taking action, in the usual scope of their duties based on and in response to valid performance-related factors.

8. Contacts

Questions related to the interpretation of this policy should be directed to the director of human resources.