

DIOCESE OF EL CAMINO REAL

Policy on Conflict of Interest

ADOPTED: November 21, 2009

ARTICLE I

Purpose

The purpose of the conflict of interest policy is to protect the interests of the Diocese of El Camino Real ("Diocese") and The Episcopal Church when the Diocese is contemplating entering into a transaction or arrangement that might benefit the private interest of a member of the Standing Committee, the Board of Trustees, the Finance Committee or any of the Finance Committee subcommittees or of such other committee as may be included in this Policy (the "Member") or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to Members and nonprofit and charitable organizations.

ARTICLE II

Definitions

1. Interested Member

Any Member, who has a direct or indirect interest, as defined below, is an interested Member.

2. Interest

A Member has an interest if the Member has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Member has a transaction or arrangement,
- b. A compensation arrangement with the Member or with any entity or individual with which the Member has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Member is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not substantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a Member who has a financial interest may have a conflict of interest only if a majority of the disinterested Members decides that a conflict of interest exists.

A conflict of interest may arise when a Member has some other interest that might suggest divided loyalty on the part of the Member between obligations to the Diocese, on one hand, and to some other organization, or cause, or self-interest, on the other hand.

ARTICLE III **Procedures**

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested Member must disclose the existence of the financial interest as soon as the Member becomes aware of a possible conflict of interest, but in no event more than thirty (30) days thereafter and be given the opportunity to disclose all material facts to the disinterested Members considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested Member, the remaining disinterested Members shall decide if a conflict of interest exists. The disinterested Members shall consider the following (non-exhaustive) factors:

- Abusing one's role as a Member for personal or third-party gain or pleasure (including but not limited to, the solicitation or acceptance of gifts or other items of value or indirect inducement to provide special treatment on organization matters).
- Placing one's own self-interest, the interest of one's company, organization or another entity for which the Member serves in a leadership, employment or ownership capacity, or the interest of any third party above that of the Diocese.
- Engaging in any outside business, professional or other activities that would directly or indirectly materially adversely affect the Diocese.
- Providing goods or services to the Diocese as a paid vendor.

3. Procedures for Addressing the Conflict of Interest

a. An interested Member may make a presentation at the meeting of the Members of the Board of Trustees or the Standing Committee, or both, as appropriate, but after the presentation, the interested Member shall leave the meeting during the discussion of, and the vote on, the transaction or

arrangement involving the possible conflict of interest.

b. For matters before the Diocese the Bishop of the Episcopal Diocese of El Camino Real, in his or her capacity as the President of the Board of Trustees, shall, if appropriate, appoint a disinterested Member or committee to investigate alternatives to the proposed transaction or arrangement. The Standing Committee President shall appoint one of its Members to join the investigative committee.

c. After exercising due diligence, the disinterested Members of the Board of Trustees or the Standing Committee, or both, as appropriate, shall determine whether the Diocese can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Members shall determine by a majority vote of the disinterested Members whether the transaction or arrangement is in the Diocese's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the disinterested Members shall determine whether to waive the conflict of interest and enter into the transaction or arrangement. Any evaluation of the transaction shall be done without participation of the Member whose conflict of interest has been waived.

4. Violations of the Conflicts of Interest Policy

a. If the Members have reasonable cause to believe that a Member has failed to disclose actual or possible conflicts of interest, they shall inform the Member of the basis for such belief and afford the Member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the Member's response and after making further investigation as warranted by the circumstances, the Members determine the Member has failed to disclose an actual or possible conflict of interest, they shall take appropriate disciplinary and corrective action, which may include the requirement of resignation of the Member from the applicable Diocesan entity.

ARTICLE IV **Records of Proceedings**

The minutes of the Members shall contain:

1. The names of the interested Members who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the decision of the disinterested Members as to whether a conflict of interest in fact existed.

2. The names of the Members who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

ARTICLE V **Compensation**

A Member who receives compensation, directly or indirectly, from the Diocese for services is precluded from voting on matters pertaining to that Member's compensation, but may provide information to the disinterested Members regarding such compensation.

ARTICLE VI **Annual Statements**

Each Member shall annually sign a statement drafted by the Diocese which affirms such person:

- a. Has received a copy of the conflict of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy,
- d. Has no exceptions, or lists exceptions, to the Policy, and
- e. Understands the Diocese is religious, charitable and educational and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

ARTICLE VII **Periodic Reviews**

To ensure the Diocese operates in a manner consistent with the religious, charitable and educational purpose of the Diocese and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The Finance Committee of the Board of trustees shall be responsible for having such reviews conducted. The periodic reviews shall, at a

minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the results of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with related organizations conform to the Diocesan written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

ARTICLE VIII
Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Diocese may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Members of ensuring periodic reviews are conducted.

ARTICLE IX
Applicability to other Committees

The Board of Trustees may decide to have this policy applicable to other committees of the Diocese.

ARTICLE X
Responsibility for Annual Statements

The Vice President of the Board of Trustees and the President of the Standing Committee shall be responsible for collecting annual statements from all the members of their groups.

DIOCESE OF EL CAMINO REAL
ANNUAL STATEMENT OF DISCLOSURE

I, _____, a member of ____ the Board of Trustees, _____ the Standing Committee, ____ the Finance Committee, or _____ a subcommittee of the Finance Committee, have received a copy of, read, understand, and agree to comply with the Diocesan Conflict of Interest Policy.

To the best of my knowledge and belief, except as disclosed on this form, neither I nor any person with whom I have or have had a personal or business relationship is engaged in any transaction or activity or has any relationship that may represent a potential Conflict of Interest or be contrary to the best interests of the Diocese of El Camino Real. I agree immediately to disclose to the leadership of the diocesan body of which I am a member, any potential Conflict of Interest that should arise hereafter.

Any exception to the statements made herein are disclosed in full below.

Without Exception _____ (initial)
With Exception as Described Below _____(initial)

Signature _____

Date _____

Exception(s):