

National Bureau of Economic Research Conflict of Interest Policy

Article I Purpose

The purpose of the conflict of interest policy is to protect the National Bureau of Economic Research's (NBER) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the NBER or might result in a possible excess benefit transaction. This policy is intended to supplement but not to replace any applicable state and federal laws governing conflict of interest that apply to nonprofit and charitable organizations.

Article II Definitions

1. **Interested Person**

Any director, officer, member of a committee with board delegated powers, or a person in a position to exercise substantial influence over the affairs of the NBER (as determined under section 4958 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder) who has a direct or indirect financial interest, as defined below, is an interested person.

2. **Financial Interest**

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

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

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

For purposes of this policy, "family" includes an individual's spouse, ancestors, siblings (by whole or half blood), children, grandchildren, great grandchildren, and spouses of siblings, children, grandchildren and great grandchildren.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the Audit Committee decides that a conflict of interest exists.

Article III Procedures

1. **Duty to Disclose**

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Audit Committee and to the directors and members of committees with board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts to the Audit Committee, and after any Committee discussion with the interested person, the interested person shall leave the Audit Committee meeting while the determination of a conflict of interest is discussed and voted upon. The Audit Committee members, or Committee members other than the interested person if that person is an Audit Committee member, shall decide if a conflict of interest exists.

3. Procedures for Addressing a Conflict of Interest

- a.** An interested person may make a presentation at any board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the conflict of interest, and he/she is prohibited from any attempt to influence improperly the deliberation or vote on the transaction or arrangement. The body that considers the proposed transaction or arrangement shall be composed entirely of individuals without a conflict of interest with respect to the proposed transaction or arrangement.
- b.** The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c.** After exercising due diligence, the board or committee shall determine whether the NBER 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, then the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the NBER's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

- a.** If the board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it 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 board or a committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV **Records of Proceedings**

The minutes of the board and all committees with board delegated powers shall contain:

- a.** The names of the persons 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 Audit Committee's decision as to whether a conflict of interest in fact existed.
- b.** The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including an analysis of alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V **Compensation**

- a.** A voting member of the board who receives compensation, directly or indirectly, from the

NBER for services is precluded from voting on matters pertaining to that member's compensation.

b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the NBER for services is precluded from voting on matters pertaining to that member's compensation.

c. A voting member of the board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the NBER, either individually or collectively, is permitted to provide information to any committee regarding compensation.

Article VI **Annual Statements**

Each director, principal officer and member of a committee with board delegated powers shall annually sign a statement 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, and

d. Understands the NBER is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Each director, principal officer and member of a committee with board delegated powers shall additionally annually sign and submit a statement to the Corporate Secretary identifying any entity of which such individual is an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or employee and with which the NBER has a relationship, and any transaction in which the NBER is a participant and in which the individual might have a conflicting interest. Each director, principal officer and member of a committee with board delegated powers shall annually update and resubmit such written statement.

Article VII **Periodic Reviews**

To ensure that the NBER operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be 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 result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the NBER's 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 NBER may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.