



## **Purpose**

To assure and ensure that American Society for International Shanti (d/b/a “Operation Shanti”) lives up to its high fiduciary obligations and operates in compliance with the value: “Integrity Beyond Reproach.”

## **Policy**

It is the policy of Operation Shanti to (a) identify conflicts of interest involving Operation Shanti and related parties as well as situations that may give rise to an appearance of a conflict of interest and (b) to address such conflicts and situations in a manner that will fully protect the integrity and reputation of Operation Shanti and related parties.

## **Introduction**

The effectiveness of American Society for International Shanti (“Operation Shanti”) depends on its record of accomplishments and its reputation. Operation Shanti’s success results directly from maintaining the confidence of the individuals, groups, and organizations with whom it works. Operation Shanti’s greatest asset is its good name. For that reason, it is crucial that Operation Shanti have a responsible and well-conceived Conflict of Interest policy and procedure. In addition, having a sound Conflict of Interest policy and procedure will help Operation Shanti comply with the Standards for Charity Accountability established by the BBB Wise Giving Alliance, the premier charity watchdog organization in the United States. The policy and procedure will also help assure compliance with the U.S. Internal Revenue Service rules against private inurement and private benefit and with state statutes addressing conflict transactions.

One of the principal purposes of the Conflict of Interest policy and of this procedure is to help Operation Shanti’s staff and Board members identify and avoid or resolve conflicts of interest with Operation Shanti. For that reason, Operation Shanti employees and Board members must read and retain a copy of this Conflict of Interest Policy and Procedure at the outset of their tenure with Operation Shanti and at such time as the policy or procedure is amended. There may be certain volunteers, who, because of the level of their involvement in Operation Shanti’s business, and because of their access to Inside Information, are covered by this Conflict of Interest policy and must be fully informed of its contents. Any questions concerning the scope or possible impact of the Conflict of Interest policy or procedure upon any volunteers should be addressed to the Chairman of the Board. In addition, the Conflict of Interest policy and this procedure will be discussed at all orientation sessions for new employees and Board members.

### **The Conflict of Interest Standard Operating Procedure provides guidance in three areas:**

1. Understanding conflict concepts and definitions;
2. Operation Shanti’s administration and procedure for reviewing and managing conflicts; and

### 3. Key questions to evaluate conflicts and potential conflicts.

As of April 11, 2008 the following definitions are in effect:

Conflicts Review Committee: the current Board of Directors of Operation Shanti.

## **1. Understanding Conflict Concepts and Definitions**

**A. Conflict of Interest:** A conflict exists when a Covered Person (as defined below) proposes to act on any issue, matter, or transaction in which Operation Shanti has an interest, and the Covered Person may have an interest separate from Operation Shanti. A conflict of interest also exists in situations in which there is an appearance that a Covered Person is utilizing Inside Information proprietary to Operation Shanti for his or her benefit, is acting in his or her own interests rather than in the best interests of Operation Shanti, has the ability to exercise undue influence over Operation Shanti decisions, or is receiving favorable treatment by Operation Shanti because of his or her status as a Covered Person.

**B. Covered Persons:** All employees, Board members and, as defined below, Close Relatives, Major Donors, Related Organizations, and Other Insiders.

**C. Close Relative:** Spouse, child (natural or adopted), parent and step-parent, in-laws (father, mother, brother and sister in-laws), grandchild, grandparent, brother or sister of a Covered Person, and any person with whom a Covered Person shares living quarters under circumstances that closely resemble a marital relationship or who is financially dependent upon the Covered Person.

**D. Inside Information:** Any material information that is identified as confidential and proprietary, pertaining to the business and affairs of Operation Shanti, whether related to a specific transaction or to matters pertaining to Operation Shanti' interests, activities, and policies.

**E. Major Donor:** An individual, corporation, or foundation that makes a gift or pledge of US\$25,000 or more at any one time or cumulatively within a five-year period prior to the occurrence of the conflict either in cash, appreciated securities, other assets or in land, easement, or bargain-sale value.

**F. Other Insiders:** Individuals, such as former Operation Shanti members, former members of Operation Shanti advisory boards or committees, volunteers or former employees who, by virtue of their current involvement or their involvement within the past 12 months with Operation Shanti, either have access to Inside Information that could place them within a conflict situation or could give the appearance of such persons having the ability to unduly influence Operation Shanti. Depending on the facts and circumstances, an independent contractor, grantee, other outside party, or their employees may be an "other insider" where that person or entity has access to Inside Information.

- G. Related Organization:** Any organization in which a Covered Person directly or indirectly:
- owns or controls 5% or more of any voting security; or
  - is a director, executive officer, executor, administrator, trustee, beneficiary, controlling partner, or otherwise serves in a fiduciary capacity or holds a substantial beneficial interest; or
  - has legal or de facto power to control the election of a majority of directors; or
  - has legal or de facto power to exercise a controlling influence over the management or policies.

“Organization” includes a corporation, partnership, trust, estate, joint venture, and unincorporated affiliation of any kind as well as public boards and commissions and not-for-profit organizations.

## 2. Administration and Procedure for Reviewing and Managing Conflicts

### Procedure

A Covered Person involved in a conflict or appearance of a conflict will disclose and bring the matter to the attention of his or her supervisor in a timely manner and will answer the applicable questions outlined in Section III, below. Based on the analysis of the applicable questions, the supervisor will bring the matter to the attention of the appropriate Operation Shanti individual with a recommended course of action. Each request for approval of a proposed course of action will describe in detail the particular activity in question that gives rise to the conflict or appearance of conflict, the reasons why the proposed course of action should be approved, and any special circumstances surrounding the situation. The Conflicts Review Committee will be the final arbiter of the matter.

A Board member involved in a conflict or appearance of a conflict will disclose and bring the matter to the attention of the Conflicts Review Committee who will work with the Board member to develop an appropriate recommended course of action, based on answers to the applicable questions outlined in Section III, below. Each request for approval of a proposed course of action will describe in detail the particular activity in question that gives rise to the conflict or appearance of conflict, the reasons why the proposed course of action should be approved, and any special circumstances surrounding the situation. The Conflicts Review Committee will review and approve, approve with modifications, or disapprove the recommended course of action. If a conflict involving a member of the Board of Directors is brought to the attention of an Operation Shanti staff member, the staff member will immediately notify the Conflict Review Committee of the matter.

If any other Covered Person is involved in a conflict or appearance of a conflict, the Covered Person or Operation Shanti representative working with such individual will disclose and bring the matter to the attention of the Conflict Review Committee who will work with the Covered Person to develop an appropriate recommended course of action, based on answers to the applicable questions outlined in Section III, below. Each request for approval of a proposed course of action will describe in detail the particular activity in question that gives rise to the conflict or appearance of

conflict, the reasons why the proposed course of action should be approved, and any special circumstances surrounding the situation. If such a conflict involving a Covered Person is brought to the attention of an Operation Shanti staff member, the staff member will immediately notify the appropriate officer or functional department director and the Conflict Review Committee of the matter.

**Courses of Action:** In all cases, conflicts of interest or circumstances giving rise to the appearance of a conflict must be disclosed in advance of initiating the activity giving rise to the conflict and in accordance with the procedures stated above. In developing responses to such conflicts, every effort will be made to avoid the conflict. In cases where it is not possible to completely avoid a conflict or the appearance of a conflict, reasonable efforts will be made to mitigate the effects of the conflict. At a minimum, the recommended course of action will ask the individual involved in the conflict to disclose the situation to the relevant parties and recuse and absent him/herself from any involvement in decisions pertaining to the conflict or the appearance of conflict. Before the conflict is disclosed and while the request for approval of a proposed course of action is pending or being considered, the individual involved in the conflict will refrain from participating in the questionable activity and/or withdraw from any discussion of or decision on the matter.

**Report to the Board of Directors:** All conflicts reviewed by the Conflicts Review Committee will be reported to the Audit Committee of the Board of Directors, to the extent the latter exists. The report will include the nature of the conflict, parties involved, and the disposition of conflict.

### **3. Key Questions for Evaluating Conflicts and Potential Conflicts**

There are many difficult and ambiguous issues associated with the types of conflict issues that may confront Operation Shanti. The following are typical categories of situations where conflicts might arise or give rise to the appearance of a conflict. While not all-inclusive, the following represent the great majority of types of conflict situations confronted by Operation Shanti. If a particular scenario is not addressed, consult with the Conflicts Review Committee who will assist in analyzing relevant factors.

In order to help those involved with Operation Shanti activities to understand and evaluate actual and potential conflicts as well as situations that give rise to the appearance of a conflict, it is required that the individual involved with the conflict and the Operation Shanti supervisor/Operation Shanti representative answer the following questions and submit the analysis to the Conflicts Review Committee, following the procedure outlined above. The Conflicts Review Committee, in reviewing whether to determine how to proceed with an actual or a perceived conflict, will use the answers to these questions as one factor in making their decision.

#### **1. Hiring individuals who are Close Relatives of Covered Persons.**

- 1 Is this job integral to the success of Operation Shanti?
- 2 Have all Operation Shanti policies and procedures relevant to employment been followed?
- 3 Can this position be structured so that the conflicted party has no supervisory responsibilities with the employee without disrupting Operation Shanti' business practices?

- 4 Will the conflicted party play any role in the hiring process?
- 5 Has Operation Shanti assessed the public relations and political environment at all scales to be sure that this hire will not damage Operation Shanti' reputation?
- 6 Does this person have a unique expertise that cannot be obtained anywhere else?
- 7 What are the alternatives if this person is not employed by Operation Shanti?
- 8 Has Operation Shanti balanced the financial benefits to Operation Shanti with the reputational risk to Operation Shanti of the hire?
- 9 How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

**2. Contracting for products or services with Covered Persons.**

- 1 Is this product or service integral to the success of Operation Shanti?
- 2 Has Operation Shanti taken appropriate measures to ensure that Operation Shanti obtains the best market price for the work or services?
- 3 Has Operation Shanti received information from parties other than the conflicted party that addresses the quality of the service or products being acquired or provided?
- 4 Has Operation Shanti assessed the local public relations and political environment to be sure that this contract for product or services will not damage Operation Shanti' reputation?
- 5 Will the management of the delivery of the service or product within Operation Shanti be done by someone other than the conflicted party or other than someone who is supervised by the conflicted party?
- 6 How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

**3. Purchases or Gifts of Interests in Land from or Sales of Interests in Land to Covered Persons.**

- 1 For acquisitions, has Operation Shanti determined that this is an interest in land that would be acquired by Operation Shanti regardless of ownership?
- 2 Has the proposed transaction been characterized accurately in the legal documents and with the public?
- 3 Have appropriate independent valuations been obtained in compliance with appropriate procedures to purchase land?
- 4 Will the Covered Person obtain any direct or indirect economic benefit from the transaction and, if so, have such benefits have been properly reflected in pricing the transaction and determining values?
- 5 Has the transaction been structured to ensure that Operation Shanti' standards of transparency will be achieved?
- 6 For sales, has Operation Shanti marketed the property in an open, equitable, and transparent marketing process?
- 7 Has Operation Shanti done a political and public relations assessment of the impact of this donation, purchase, or sale on Operation Shanti' reputation?
- 8 How will this transaction appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

**4. A Covered Person serving on public and/or private boards, commissions, or councils transacting business with Operation Shanti or with which Operation Shanti may have a potential adverse interest.**

- 1 Is the Covered Person serving on the board of that entity as part of his or her job responsibility for Operation Shanti?
- 2 Was there advance disclosure and have both parties agreed that, in cases of conflict or of direct and adverse interest/competition, there would be a mechanism for recusal, disclosure, or any other safeguards to protect Operation Shanti?
- 3 Is there a plan in place for how staff will conduct themselves when serving on other Boards?
- 4 Will the individual's time spent working on issues for the other board take away from his or her ability to perform his or her job for Operation Shanti and if so, what is the benefit to Operation Shanti?
- 5 What impact will this service have on Operation Shanti's ability to do its business and on Operation Shanti's reputation?
- 6 Will any decisions made by the individual working for the other organization be made with regard to Operation Shanti's best interests?
- 7 What are the costs and benefits to Operation Shanti?
- 8 What are the alternatives, if any?
- 9 How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

**5. Use of Inside Information by a Covered Person.**

- 1 Is the information proprietary to Operation Shanti?
- 2 What steps have been taken to protect the information?
- 3 What are the costs and benefits to Operation Shanti?
- 4 Is there any private benefit or private inurement?
- 5 What are the alternatives, if any?
- 6 How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

**6. Operation Shanti employees who engage in work outside Operation Shanti, including contracts and consultancies, and including both paid and unpaid work.**

- 1 Is the other entity in the same or a similar field as Operation Shanti?
- 2 Are the other entity's purposes or interests in any way adverse to Operation Shanti's mission and interests?
- 3 Does the employee have access to financial or other confidential or proprietary data or information of Operation Shanti? If so, what is the level of sensitivity?
- 4 Does the outside work detract in any way from the employee's ability to perform her/his job duties during normal business hours?
- 5 Does the outside work create a conflict of loyalty between Operation Shanti and the other employer?
- 6 Does the outside work create any risk to Operation Shanti's reputation?
- 7 How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

**7. In evaluating conflict situations in order to determine an appropriate course of action, Operation Shanti will be guided by the following criteria and considerations:**

- 1 Compliance with the letter and the spirit of all applicable laws relevant to all parties to the transaction;
- 2 Adherence to Operation Shanti policies and procedures;
- 3 Ability to act within the scope of Operation Shanti’ values, such as “integrity beyond reproach;”
- 4 Avoidance of private benefit and inurement;
- 5 Transparency;
- 6 Conservation benefits likely to be achieved;
- 7 Consequence to Operation Shanti from declining to participate;
- 8 Financial or other benefit to Operation Shanti;
- 9 Nature and extent of risk to Operation Shanti’ reputation;
- 10 Availability of other alternatives;
- 11 Ability to mitigate reputational risks; and
- 12 Financial or other benefits to the other party

## **Conclusion**

Adhering to the Conflict of Interest policy and this standard operating procedure is a condition of association with Operation Shanti as an employee or Board member. Violations of the Conflict of Interest policy and this procedure may be grounds for dismissal as an employee or severance from the Board of Directors. The Audit Committee of Operation Shanti’ Board of Directors and the Conflict Review Committee will review and assess the Conflict of Interest policy and this standard operating procedure and their implementation on a regular basis and notify employees, Board members, of any changes and/or revisions thereto.

## **Examples**

See the examples below, for specific examples of conflict or perceived conflict situations.

**Example:** X, who is a land-protection specialist for Operation Shanti, is negotiating to acquire a critical natural area from the Y corporation. X has developed a good working relationship with the real estate director of the Y corporation. The Y corporation invites X to use the Y corporation’s mountain retreat for a weekend getaway. Assuming that the value of the use of the mountain retreat to X is in excess of US\$100, X is confronted with a potential conflict situation. For example, this arrangement could create the perception that X has received this benefit from Y corporation in exchange for some concession in the business negotiations. X should not accept this offer.

**Example:** The facts are the same as above except the real estate director of the Y corporation will be using the retreat at the same time as X. In addition, X and the real estate director have decided that they will hammer out the final details of negotiations while at the mountain retreat. Although X’s use of the mountain retreat in this instance is not a conflict situation, there still is a risk of a perceived conflict. Therefore, X still would have an obligation to disclose.

**Example:** X is the head of the benefits program for Operation Shanti and is recruiting for a position to have responsibility for Operation Shanti's health insurance program. X's spouse has expertise in managing health insurance programs. Unless there are some very unusual circumstances, X would be discouraged from hiring his or her spouse because of the potential conflict of interest. For example: if X hired his or her spouse, X would be in the position of making salary decisions which would directly, or at least indirectly, have a financial impact upon X.

**Example:** XYZ Corporation is selling property to Operation Shanti for fair market value. Operation Shanti's Board member, Jones, is also a member of the board of XYZ Corporation. Jones appraises the property for XYZ Corporation. Even if Jones waives all appraisal fees, a conflict exists both because Jones is a director of both corporations and both corporations have an interest in the transaction, and because Jones rendered consulting services. Jones should recuse himself, on the record, from any involvement in this project.

**Note:** If Jones own more than 5% of XYZ, Operation Shanti's policy would prohibit Operation Shanti from purchasing of land from XYZ Corporation.

**Example:** X is on the Board of Operation Shanti and is also the Chairman of the Board of the Y Corporation. The Y Corporation owns land, which is of great interest to Operation Shanti. Through the intervention of X, Y Corporation is willing to sell this property to Operation Shanti at a substantial discount, the discount being confirmed by Operation Shanti's independent appraisals. Because of X's relationship with both Y Corporation and Operation Shanti, X has a conflict. However, provided that X does not own more than 5% of the equity of the Y corporation, provided that there is full disclosure of the situation to both Y Corporation and Operation Shanti, and provided that X recuses himself from any involvement in the decision concerning this property, there is no reason why Operation Shanti could not proceed with the transaction. The Conflict of Interest policy is not intended in any way to discourage Covered Persons from helping Operation Shanti acquire property through gifts or partial gifts.

**Example:** Operation Shanti has given grants on a regular basis to grantee A. Grantee A's Executive Director and Finance Director are husband and wife. Because of this relationship and the ease of using Inside Information for their own benefit, a conflict of interest exists. Operation Shanti would be discouraged from providing future grants to grantee A until the conflict is resolved either through additional Operation Shanti oversight of grantee A, implementation additional checks and balances within grantee A's organization to prevent fraud, theft, etc., or the resignation of either the Executive Director or the Finance Director.