

Pennsylvania Environmental Council Conflict of Interest Policy

September 13, 2006

Purpose

The Board of Directors of the Pennsylvania Environmental Council ("PEC") has adopted this Conflict of Interest Policy ("Policy") to ensure that decisions about PEC operations and the use or disposition of PEC assets are made solely in terms of the benefits to PEC and are not influenced by any private profit or other personal benefit. This Policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

No Compensation

No Board member may receive compensation for services to PEC or its supporting organizations unless:

- (1) special circumstances merit the proposed transaction or arrangement;
- (2) full disclosure is made to the Board of Directors consistent with this Policy; and
- (3) the proposed transaction or arrangement is subject to review and approval consistent with the procedures and standards set forth in this Policy.

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

Definitions

Interested Person. Any Board member, principal officer, or member of a committee with governing Board-delegated powers who has a **possible conflict of interest**, as defined below.

Possible Conflict of Interest. A possible conflict of interest is deemed to exist where a person has a **financial interest**, as defined below, in any transaction or arrangement with PEC.

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

- 1) An ownership or investment interest in any entity with which PEC has, or is considering or negotiating, a transaction or arrangement; or
- 2) A compensation arrangement with PEC, or with any entity or individual with which PEC has, or is considering or negotiating, a transaction or arrangement.

Any Board member who directly or indirectly provides pro bono services, without compensation, to PEC shall not be deemed to have a Financial Interest.

Procedures

Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must promptly disclose the existence of the conflict of interest, along with all relevant material facts, to both the Chair of the PEC Governance Committee and the Chair of the PEC Board of Directors.

Determining Whether a Conflict of Interest Exists

The PEC Governance Committee shall determine whether a conflict of interest exists. The decision of the Governance Committee shall be subject to review and final determination by the PEC Board of Directors.

Procedures for Addressing the Conflict of Interest

- 1) Upon request of the Governance Committee, an interested person may make a presentation to the Governance Committee; provided, however, that after the presentation the interested person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- 2) The Chair of the Governance Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- 3) In reviewing the possible conflict of interest, the Governance Committee may consider: (1) whether the proposed transaction or arrangement is of a special or unique character; (2) whether PEC can obtain an equal or superior transaction or arrangement from a person or entity that would not give rise to a conflict of interest; (3) where the proposed transaction or arrangement is with an entity, the interested person's involvement, if any, in the selection or performance of the transaction or arrangement; (4) whether the management of the delivery of the service or product within PEC is done by someone other than the interested person or other than someone who is supervised by the interested person; and (5) whether the proposed transaction or arrangement will harm PEC's reputation.
- 4) After exercising due diligence, the Governance Committee shall determine by a majority vote of disinterested members whether the transaction or arrangement is in PEC's best interest, for PEC's own benefit, and whether it is fair and reasonable. In conformity with the above determination, the Governance Committee shall make its decision as to whether PEC should enter into the transaction or arrangement.
- 5) The decision of the Governance Committee shall be subject to review and final determination by the PEC Board of Directors.

Recording of Determination

The minutes of the PEC Board of Directors and all relevant Committees shall contain:

- 1) The names of the interested persons who disclosed or otherwise were found to have an actual or possible conflict of interest, the nature of the possible conflict of interest, any action taken to determine whether a conflict of interest was present, and both the Governance Committee and Board of Directors' decision as to whether a conflict of interest in fact existed.
- 2) The names of the persons 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.

Violations of the Conflict of Interest Policy

- 1) If the Governance Committee has reasonable cause to believe an interested person has failed to disclose an actual or possible conflict of interest, it shall inform the interested person of the basis for such belief and afford the interested person an opportunity to explain the alleged failure to disclose.
- 2) If, after hearing the interested person's response and after making further investigation as warranted by the circumstances, the Governance Committee determines the interested person has failed to disclose an actual or possible conflict of interest, it shall report its determination to the PEC Board of Directors.
- 3) The PEC Board of Directors shall take appropriate corrective action to protect PEC, including but not limited to removal of the interested person from the Board.

Abstention

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

Acknowledgement Statements. Each Board member, principal officer, and member of a committee with governing Board-delegated powers shall annually sign an acknowledgment statement which affirms such person:

- 1) Has received a copy of the Conflicts of Interest Policy;
- 2) Has read and understands the Policy;
- 3) Has complied with the Policy; and
- 4) Understands PEC is charitable and in order to maintain its federal tax exemption must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Periodic Reviews

To ensure PEC operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews of this Policy shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- 1) Whether compensation arrangements and benefits are reasonable, based on comparable survey information and the result of arm's length bargaining.
- 2) Whether partnerships, joint ventures, transactions, and arrangements conform to PEC'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.