

Doris Duke Charitable Foundation Governance Principles

Introduction

Foundations are private trusts for the public good. Stewards of foundation resources therefore aspire to the highest standards of ethics, accountability, and good corporate governance. They continually refine foundation policies and practices to reflect the evolution of thinking about these important matters.

The Foundation Executive Group (“FEG”) proposed Governance Principles that have been adopted by the Boards of 15 Foundations, whose Presidents joined ours in the crafting of the Principles. The Doris Duke Charitable Foundation hereby adopts the FEG Governance Principles because they articulate our fundamental dedication to accountability and transparency.

I. Organizational Structure and Governance

The Foundation’s bylaws should clearly set out its corporate structure and be in compliance with all applicable laws and regulations. The bylaws should establish policies related to board committees and terms of board service. Board committees should have charters approved by the full board or in the resolution establishing the committee. The board should regularly evaluate its own governance policies to maintain high standards consistent with evolving expectations for the foundation and non-profit community.

II. Board Composition

The board should make sure that its members are competent, knowledgeable and sufficiently diverse to provide credible and effective oversight of all aspects of the Foundation’s work.

III. Code of Ethics/Conflicts of Interest

The foundation should have a code(s) of ethics for officers, trustees and employees. The code(s) should promote honest and ethical conduct, including the handling of conflict-of-interest issues; accurate and clear disclosure of financial matters; legal compliance; confidential use of proprietary information; and prompt internal reporting of violations of the code. The code of ethics should be readily available to the public, for example, by posting on the foundation’s website, or by reference in the annual report. Trustees and staff should be introduced to it in their orientation and acknowledge receipt by signing the code.

Conflicts of Interest

Foundations benefit from having leaders and staff with past and current experience in the non-profit world and in substantive fields in which the foundation works. Such experience, however, can result in real or apparent conflicts of interest and, therefore, the code of ethics for officers,

trustees and employees discussed above should include a conflict of interest policy for addressing these issues.

The policy should:

- Prohibit the use of one's position at the foundation for personal financial gain or other benefit, including the receipt of gifts other than of nominal value
- Prohibit deriving personal financial benefit through the inappropriate use of investment information acquired through the foundation
- Establish procedures for insulating trustees from decision-making on grants to organizations in which they serve as officer or director or with which they have a conflict of interest; and establish procedures for documentation of these measures and making the procedures readily available to the public, such as by posting them on the foundation's website.

Compliance Policy

The foundation should establish procedures for the receipt, retention, and treatment of good faith complaints from employees and trustees regarding accounting, internal accounting controls or auditing matters, and concerns regarding questionable accounting or auditing matters.

IV. Mode of Operations

As a charitable organization, a foundation should conduct its affairs with a view to cost containment and standards appropriate to the non-profit sector.

V. Audit Committee

The board should establish a separate audit committee of at least three members to oversee accounting, financial reporting, and the external audit of the foundation. All members of the committee should possess financial literacy skills sufficient to review and understand the books and records of the foundation. Members of the committee should not receive directly or indirectly any consulting, advisory or other compensation fees from the foundation other than in their capacity as a member of the board or board committees. The committee should have the authority to engage its own counsel and advisors as necessary. The functions of the committee should include:

- oversight of the Foundation's financial reporting process;
- review of significant accounting policies and the internal control environment;
- direct responsibility for the appointment, compensation, and oversight of the foundation's external auditor; the external auditor should report directly to the committee;
- review of the foundation's annual financial statements with staff and the external auditor;

- review any issues associated with the 990-PF (the private foundation tax return);
- meetings with management and internal and external auditors to review matters raised by the auditors and management;
- regular meetings in executive sessions with the internal and external auditors without management present;
- pre-approval of all audit and limited non-audit services provided to the foundation by the external audit firm over a cost level set by the committee;
- establishing an appropriate time limit for external audit partner rotation; and
- review of compliance with conflict of interest policies.

VI. Internal Controls and Record Keeping

Foundations should establish effective internal controls, systems of checks and balances, and formalized record keeping. These should include:

- keeping detailed books, records, and accounts which accurately and fairly reflect the transactions and dispositions of assets;
- maintaining a system of internal controls which provides reasonable assurances that grants, transactions and other expenditures are properly authorized and appropriately recorded; that proper policies for reasonable travel and other expenses are established and observed; that staff are aware of who can authorize particular transactions; and that multiple people in the organization understand the flow of monies through the foundation;
- providing sufficient information to the board to give assurance that the foundation's investment portfolio is being responsibly managed, consistent with applicable investment guidelines; and
- establishing a document retention policy that provides for the safekeeping of key foundation documents and the prevention of their destruction upon receiving notice of a legal inquiry into the foundation's operations.

VII. Trustees' Compensation

If foundation trustees are compensated for serving on the board or any committee, compensation should be fixed by an affirmative vote of a majority of the foundation board unless a higher percentage is required by the foundation's articles of incorporation or set by a court of law. Compensation levels should be fair and reasonable and should take into account the nature and amount of work required by trustees, and benchmarks from comparable institutions. The foundation should not extend credit, including personal loans, to any officer or trustee of the foundation.

VIII. CEO Evaluation and Compensation

The board should periodically review the job description of the chief executive officer and evaluate the CEO's performance on a regular basis. Compensation of the CEO should be set by either the full board, or the executive or audit committee in a process that takes account of potential conflicts of interest. The responsible committee should report fully to the entire board. The excess benefit transaction rules (i.e. basing the decision on comparable data readily available to the board or committee and recording the process and decision in the minutes), which create a legal presumption of reasonableness for the compensation of disqualified persons of public charities, should be followed in this process.

IX. Financial Statements and Reports

Financial statements and reports should be prepared in accordance with generally accepted accounting principles and practices and should be audited annually by an independent accounting firm.

The President and Chief Financial Officer (or equivalently responsible officers) should review any interim and annual financial statements, federal tax returns, and reports to state authorities to assure that they fairly present the financial position and financial activities of the foundation and comply with the foundation's governing documents.

X. Trustee Evaluation and Orientation

Trustees should be evaluated regularly as to compliance with governance practices and standards, attendance, and substantive contribution. Term renewal for trustees should take into account evaluation results.

XI. Transparency

The financial, policy, grantmaking and governance practices of the Foundation should be described on the website and/or in annual reports in non-technical, understandable language.