

**HARVARD-YENCHING INSTITUTE, INC.**  
(the “Corporation”)

**POLICY REGARDING FINANCIAL CONFLICTS OF INTEREST**

Article I: Purpose

The purpose of this policy on financial conflicts of interest is to protect the Corporation’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or Trustee of the Corporation. This policy is intended to supplement but not replace existing provisions in Article VIII of the Corporation’s By-Laws (set forth below) or any law governing conflicts of interest related to tax-exempt charitable corporations.

Article II: Corporate By-Law Provisions

Article VIII of the Corporation’s By-Laws provides as follows:

Except as provided in Article VII above and in the absence of fraud or misrepresentation, no contract or other transaction between this Corporation and any other person or organization, and no act of this Corporation, shall be affected by the fact that a Trustee, officer or employee of this Corporation has a financial or other interest in such other person or organization. Any Trustee, officer or employee, individually, or any firm or corporation in which such Trustee, officer or employee may have an interest, may be a party to, or may have a financial or other interest in, any contract or transaction of this Corporation, provided that the fact that such person, firm or corporation has such an interest (other than an interest of less than 1% in any class of securities of a corporation which are publicly traded) shall be disclosed to or shall be known by the Board of Trustees or a majority of the members thereof, and provided further, that such person shall not vote upon such matter.

Article III: Definitions

1. Interested Person

Any Trustee, officer, or member of a committee with board-delegated powers who has a direct or indirect financial interest in any transaction or arrangement which may involve the Corporation, 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 Corporation has a transaction or arrangement;

- b) a compensation arrangement with any entity or individual with which the Corporation 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 Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

#### Article IV: Procedures

##### 1. Duty to Disclose

In connection with any actual or possible financial conflict of interest, an interested person shall disclose the existence and nature of his or her financial interest to the Trustees and members of committees with board-delegated powers considering the transaction or arrangement proposed by or for the Corporation.

##### 2. Determining Whether a Financial Conflict of Interest Exists

After disclosure of his or her financial interest, the interested person shall leave any board or committee meeting while the financial interest and/or the related transaction or arrangement proposed by or for the Corporation is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists with respect to such interested person.

##### 3. Procedures for Addressing a Financial Conflict of Interest

If it is determined that any Trustee, officer or member of a committee with board-delegated powers is an interested person and that a financial conflict of interest exists:

- a) If determined by the board or committee to be appropriate, the chairperson of the board or committee shall appoint a disinterested person or committee to investigate alternatives to the transaction or arrangement proposed by or for the Corporation.
- b) After exercising due diligence, the board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a financial conflict of interest.
- c) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a financial conflict of interest, the board or committee shall determine by a majority vote of the disinterested Trustees whether the proposed transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction

is fair and reasonable to the Corporation, and the board or committee shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflicts of Interest Policy

- a) If the board or committee has reasonable cause to believe that a member has failed to disclose any actual or possible financial conflict 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 make such disclosure.
- b) If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has failed to disclose an actual or possible financial conflict of interest, it shall take such disciplinary, corrective or other action as a majority of the disinterested members of such board or committee shall determine.

Article V: Records of Proceedings

Minutes for meetings of the board and for meetings of all committees with board-delegated powers shall disclose:

- a) the names of the persons who disclosed or otherwise were found to have a financial conflict of interest related to an actual or possible transaction or arrangement proposed by or for the Corporation, the nature of such persons' financial interests, any action taken to determine whether any such financial conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed; and
- b) the names of the persons who were present for discussions and votes relating to any proposed transaction or arrangement which involved or might involve any such financial conflict of interest, the conclusions or results of the discussion, including any alternatives to the proposed transaction or arrangement which were considered, and a specific record of all votes taken in that regard.

Article VI: Compensation Committees

No member of the board or of any committee which has responsibility for determining or reviewing compensation matters and who receives compensation, directly or indirectly, from the Corporation for services shall vote on any matter pertaining to that member's compensation.

Article VII: Annual Statements

Each Trustee, officer and member of a committee with board-delegated powers shall sign a statement, and shall annually be reminded of such statement, which affirms that such person:

- a) has received a copy of this policy on financial conflicts of interest;
- b) has read and understands the policy;
- c) agrees to comply with the policy; and
- d) understands that the Corporation is a tax-exempt organization and that in order to maintain its tax exemption the Corporation must engage primarily in activities that accomplish one or more of its tax-exempt purposes.