

The Clinton Foundation

Outline for Staff Meeting Re: Corporate Review

Date and Time: TBD

- I. As you know, Simpson Thacher has conducted a corporate review of the Foundation and its relationship with its affiliates.
 - A. The Board and management believed that the 10th anniversary of the Foundation was an opportune time to review the Foundation's policies and operations. Organizations move through life cycles, and it is common for an organization to operate in a more informal manner in its early days. As the organization grows and becomes more complex, it is common to review the organization's operations to implement more robust governance and operating procedures.
 - B. The Simpson review started on October 27, 2011. Simpson conducted 38 interviews from November 1 through November 17. We sought to interview the senior leadership of the Foundation (staff directors and above) as well as others who identified themselves as having thoughts to share to help shape best practices. Interviewees were asked, among other things, to rate the effectiveness and efficiency of the Foundation's operations, the effectiveness of the process determining operational priorities, and the effectiveness of the budget and employee review processes; where they saw the Foundation in ten years; who they saw as having substantial influence over the Foundation; potential conflicts of interest; and what changes in operating or governance they might recommend. We would like to thank everyone who participated in this process.
 - C. After reviewing Foundation documents and policies as well as conducting these interviews, Simpson shared its advice and guidance in several areas, including the structure and operations of the Board and management, strategic planning, and internal controls. Simpson also recommended areas for further review. The Foundation Board, John Podesta, Victoria Bjorklund, and Jennifer Reynoso met to discuss Simpson's preliminary recommendations on November 23.
 - D. We wanted to share an overview of the results of this review with you.
 - E. Interviewees uniformly praised the effectiveness of the Foundation and its affiliates, noting the enormous amount they have accomplished over a ten-year period, including building the Presidential library in Little Rock, the number of people receiving life-saving drugs through CHAI, the agreements negotiated by the Alliance with the beverage companies, and the commitments made through CGI.

- F. Interviewees also shared with Simpson, and Simpson shared with the Board, certain constructive criticisms. These included:
- the need for the Foundation to develop the infrastructure necessary to support a best-in-class organization;
 - the need for greater Board and management oversight;
 - the need for more strategic and budgetary planning; and,
 - the need for clearer policy guidance and enforcement to manage potential conflicts of interest.

- G. Simpson made the following recommendations, among others:

1. Board.

- a. Hold more frequent Board meetings, either in person or by telephone.
- b. Judiciously add more directors knowledgeable in the areas in which the Foundation is active.
- c. Consider establishing an audit committee to select, retain, evaluate, and terminate the independent auditor; periodically review the terms of the auditor's engagement; oversee the auditor's engagement; review the annual audit report; review the adoption and implementation of internal controls; review any whistleblower complaints involving financial matters; and review any potential conflict-of-interest transactions.
- d. Consider appointing a Board Chair who would, among other things, work with the CEO to plan and set the agenda for Board meetings.
- e. Involve the Board in strategic planning, including pre-approving major new program initiatives and material changes to existing programs. Have the Board periodically evaluate the effectiveness of existing programs and initiatives.

2. Management

- a. Hire a [Foundation President] who reports to the CEO and is based in New York on a full-time basis.
- b. Hold regular staff meetings as well as management training for all managers.

- c. Have management work with the Board on strategic and budgetary planning.

3. Potential Conflicts of Interest.

- a. The Foundation has a Conflict-of-Interest Policy applicable to directors, officers, and key employees and a separate policy for other employees. Publicize and conduct training to familiarize employees about these policies and how they are implemented.
- b. The Foundation has a longstanding policy regarding outside employment. In general, the Foundation's Code of Conduct provides that employees wishing to obtain employment outside of the Foundation must first secure the approval of their immediate supervisor, which may be granted or denied in the supervisor's sole discretion, after consultation with the Director of Human Resources. Publicize and conduct training to familiarize employees about these policies and how they are implemented.
- c. In general, hold regular training sessions regarding Foundation policies. Set the tone at the top and encourage a culture where policies are understood and compliance is the norm.
- d. Ensure that staff is aware of reporting lines and that managers at all levels are aware of their responsibility to enforce policies. Establish clear pathways to obtain clarification when needed in applying policies to specific situations.
- e. Educate the Board and staff as to proper and timely disclosure of conflicts of interest. Instruct officers and managers to educate staff as to provisions of the employee conflicts policy and how to raise conflicts with managers as conflicts arise.
- f. Adopt a clear gift acceptance policy and procedures to ensure that all donors are properly vetted.
- g. Have all CGI "comp Memberships" vetted by CGI Management to ensure that all such Membership offers advance the interests of CGI.

4. Internal Controls

- a. Have the [President] work with the CFO and the Foundation's auditor to review and propose to the Audit Committee improved internal controls. Have the recommended changes presented to the full Board for approval.

- b. Educate staff as to Foundation expense policies and expense reimbursement procedures.
 - c. Have CFO or designee review expense reports to ensure that they comply with Foundation policies.
- H. The Foundation is now working on planning and implementation. We will update you regularly as we move forward.

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Outline for Staff Meeting Re: Personnel Changes

Date and Time: TBD

- I. We have some personnel news.
 - A. Laura Graham will be taking a new position [with the Foundation/with the President] [insert title]. We look forward to continuing to work with Laura in this capacity, and we wish Laura much success in this new position.
 - B. The Foundation has opened a search for [the new position of President]. This position will be based in New York and will report to the Board of the Foundation, and we hope to have this position filled by [insert date].
 - C. Certain people who currently work both for the Foundation and the President will be moving over to serve the President personally on a full-time basis. These people are: [insert names and positions].
 - D. As many of you know, last year Doug Band, together with his partners Declan Kelly and Paul Keary, formed a company called Teneo. In addition, Justin Cooper has joined Doug at Teneo. Doug and Justin will no longer be working for the Foundation. We congratulate Doug and Justin on their new positions with Teneo, and we wish them much success in the future.