



**Probity Review as requested by
the Chair of the Board of Directors,
International Peace Institute**

December 21, 2020

The Board of Directors
International Peace Institute
777 United Nations Plaza
New York, NY 10017

Dear Board of Directors,

I have been requested by the Board to investigate and advise on a number of matters outlined below. The investigation involved:

- i. Interviewing relevant IPI staff, including the Acting President & CEO, the Senior Director of External Relations, and the Senior Director of Finance & Administration;
- ii. Reviewing relevant records and documents, including those set out specifically below;
- iii. Taking into account information provided by Mr. Rød-Larsen to the IPI board, including in response to questions at its meeting on 29 October 2020;
- iv. Reviewing existing and previous versions of policy documents, including the IPI Conflict of Interest Policy, Employee Handbook Fraud Policy, Ethics Policy and Whistleblower Policy
- v. Review IPI's audited financial statements; and
- vi. Reviewing the findings of the KPMG Forensic Review.

The individual questions that formed part of my review, and my opinions and advice, are dealt with separately below.

Clifford Perlman
Treasurer

1. Whether Mr. Rød-Larsen's solicitation of donations from Epstein's foundations, as well as his personal loan and engagement with Epstein were in contravention of any law or regulation, or any IPI policy existing at the time, including the IPI Conflict of Interest Policy.

Under a strict reading of the Conflict of Interest Policy and other policies and charters of IPI as they existed in 2013, Mr. Rød-Larsen did not violate the wording of those policies. While there are many ways to interpret the Conflict of Interest Policy, a literal reading of the policy would not lead the reader to believe that the loan from Epstein had to be disclosed to the Board. In my opinion, however, this did not excuse Mr. Rød-Larsen from his duties as both President and Director. Common sense would dictate that the loan should have been approved by IPI as it could have an effect on future donations from a substantial donor, especially if Mr. Rød-Larsen had a financial conflict with Epstein. Moreover, the fact that Epstein was a registered sex offender would obviously put IPI's reputation at risk. Both of these facts make the loan a mistake. It should also be noted that Mr. Rød-Larsen was also an employee of IPI. Section 4 of the Employee Handbook (Section 1) states "Do not borrow money from a client unless the client's business involves lending money." This seems to pertain to entities that hire IPI to perform services (i.e., clients), but it is a hint regarding IPI's attitudes toward using connections developed through IPI to borrow money and should have been heeded by Mr. Rød-Larsen.

The board, at its meeting on 6 November 2020, adopted a much tighter and broader Conflict of Interest Policy which is used widely by many different charities. Although that policy does not deal directly with reputational risk issues, the new Gift Acceptance Policy adopted by the Board in December 2019 (when these donations were first brought to their attention) does. In addition, the Board plans to update the Conflict of Interest policy once more to also deal directly with reputational risk issues.

2. The extent of Epstein’s personal engagement with IPI, including his engagement on the Mongolian Advisory Board and his involvement with the 2017 special performance of Oslo. In particular, whether any other IPI staff may have acted in contravention of any policy existing at the time.

I have been told that Mr. Epstein’s foundation gave donations to IPI, but I see no evidence that these donations were used to benefit Mr. Epstein. Furthermore, as far as I can tell, no law or policy, of which I am aware, was violated by IPI. There are few laws that limit the donors from which US charities can receive funds. Charities are barred from receiving funds from known terrorists as set forth on certain State Department watchlists and are barred from knowingly involving themselves in any illegal activity. Setting aside any reputational risk or moral objections by the board or other donors, there was no legal reason barring the donation received by IPI. Furthermore, there is no legal mandate to return the funds or donate them to another organization after IPI discovers that the money came from an immoral source. However, having first become aware of these donations in late 2019, it was at the IPI board’s own initiative that the organization decided to donate an equivalent sum to programs that support victims of human trafficking and sexual assault.

According to Mr. Rød Larsen, Mr. Epstein was invited on to the Mongolian Advisory Board by IPI at the request of the Government of Mongolia which funded the project, and I understand Mr. Epstein’s participation only extended to one teleconference in January 2014. In any event, the final report by KPMG shared with me, as well as IPI’s findings, state specifically that there were no funds paid to Mr. Epstein or any of his affiliated entities by IPI, including any funds for participating in the Mongolian Advisory Board, so I do not see how any policy of IPI could have been violated in that regard. Similarly, my understanding, from Mr. Rød-Larsen’s response to a question from the board during its meeting on 29 October 2020, is that Mr. Epstein may have contacted IPI’s offices including meeting with him on one occasion in New York. Again, this, in itself, is not a breach of a policy, nor is it unusual for donors to visit the charities to which they give grants.

Because Mr. Rød-Larsen’s accomplishments with regard to the Oslo Accords, were memorialized in a play that eventually made it to Broadway, IPI decided to host an event to promote awareness of IPI in the United Nations community and possibly raise funds. It appears that Mr. Rød-Larsen had made arrangements to

have the performance underwritten by private donations. In New York, special performances of Broadway plays to benefit charities are common. Furthermore, fundraising events underwritten by donors are also common, and charities are lucky to have these donors aid them. It appears here that the underwriter was one of Mr. Epstein's foundations. Three general donations were received after the event that year which helped offset the cost of the event. After speaking with IPI staff, I found no evidence that Mr. Epstein had used the event for any personal benefit. He attended the event, but had no control over the invitation list, and his name did not appear anywhere in association with the event (e.g., invitations, programs).

I have spoken with IPI financial staff regarding the sale of a Manhattan apartment owned, and then sold, by IPI, given the large sums involved. Closing documents show that all net proceeds were given to IPI.

Lastly, other than Mr. Rød-Larsen potentially not acting in the best interest of IPI as set forth above, I have interviewed the IPI employees that are responsible for IPI's fundraising and financial accounting and found no evidence of any employees or fiduciaries acting in contravention to any policy or procedure of IPI.

3. How IPI's existing policies and procedures could be strengthened further, noting the adoption in December 2019 of a new Gift Acceptance Policy and in November 2020 of an updated Conflict of Interest Policy.

Over the past year, IPI has undertaken to revise many of its policies to tighten up areas which might allow for donations from donors that can bring more harm than good to the organization. Its new Gift Acceptance Policy, adopted in December 2019 when the board was first made aware of the donations in question, was the biggest step in that direction. Its recently updated Conflict of Interest Policy will be updated once more to directly address reputational risk and any business dealings with donors or their affiliates. In addition, IPI and its counsel have recently updated IPI's Ethics Policy, Whistleblower Policy, and Anti-Fraud Policy, and will also be providing education for its staff and Board regarding the recognizing of conflicts and red flags going forward.



NEW YORK
521 Fifth Avenue, 30th Floor
New York, NY 10175

212 | 889.0575 phone
212 | 743.8120 fax