

December 31, 2018

Chapter-Level Commercial Sponsorship Policy

Dear GCC Colleague:

In response to a growing number of commercial sponsorships with GCC chapters, GCC Central and the Board of Trustees have issued this Final Opinion Letter outlining guidance and policies to assist local chapters in working with commercial sponsors.

In a nutshell:

- **All sponsored content must contain either of the below two disclaimers, as applicable;**
- Chapters are allowed to benefit from commercial agreements to advertise on GCC platforms or provide sponsored events, within reason;
- All funding resulting from these sponsorships should go to funding chapter events and initiatives;
- Chapters must now submit new proposed commercial contracts/agreements to Central Management for review before signing. This is to avoid predatory or unfair contracts and is ultimately set-up to protect you, the chapter officer, from onerous contracts. Send proposed contracts to compliance@gccglobal.org
- Certain types of sponsors (such as Chinese government agencies, or entities blacklisted by GCC) are generally prohibited. See below for details;
- Contracts and agreements made prior to January 1, 2019 are not subject to this review process, unless otherwise noted, but must contain the below two disclaimers; and
- Chapter officers must never personally benefit from commercial agreements.

Policy Details:

1. Scope of this Policy

This review policy is intended to cover collaborative agreements between GCC chapters and commercial or other sponsoring entities. GCC recognizes the potential need for chapters to attain funding via commercial sponsorships; this policy is intended to guide and regulate these sponsorships in order to ensure success and accountability for all

GCC stakeholders. This policy is intended to cover commercial sponsorship agreements, wherein a sponsoring entity provides funding to a chapter in exchange for advertising its products or services via said chapter's social media / marketing platforms, and/or to host a promotional event aimed at recruiting GCC members as customers or followers.

This policy is **not** intended to cover ad hoc, informal collaborations with commercial entities (such as a local restaurant providing free food in exchange for putting its logo on a poster, for example), nor is it intended to cover chapter events that are clearly educational in nature but feature a particular company's representatives as panelists or keynote speakers (such as a panel discussion featuring the CEO of OFO Bike, or a lecture on doing business in China provided by a representative of Starbucks, for example). Finally, unconditional corporate donations are not covered by this policy.

Unless specifically noted otherwise, this policy shall not apply to fundraising activities surrounding the Annual Summit, which are generally undertaken by the host chapter(s) and Central Management in collaboration.

2. **Review by Central Management**

Unless specifically noted, all new formal contractual agreements (including contracts, letters of intent, memorandums of understanding, and other formal partnership agreements) with sponsoring commercial entities must be submitted to Central Management for review prior to approval. The proposed contract will be reviewed by the President or his/her designated representative, a GCC-appointed legal consultant (when available), and a representative of the Board of Trustees.

This review process is intended to be quick and simple, and seeks to weed out potentially fraudulent or unfair contracts, and guard against conducting business with an Unacceptable Partner. **This process is primarily intended to protect your chapter and its officers!** Because GCC's chapters are not incorporated legal entities, under civil law in most jurisdictions, chapter officers are personally liable for the contracts they sign. It is in your best interest to ensure any contract or agreement you sign on behalf of your chapter is ultimately fair and equitable, and GCC Central Stands ready to help.

3. **Unacceptable Partners**

In addition to reviewing the potential commercial contracts themselves, Central Management shall conduct basic due diligence on the proposed sponsoring entity to determine any potential regulatory or reputational risks it may present, such as a history of fraud or corruption, or an adverse media reputation.

Additionally, Central Management will generally prohibit sponsorship agreements with Chinese state-owned entities or state investment vehicles. Unless specifically noted, all chapter-level sponsorship or commercial agreements with organs of the Central Chinese government (such as the Ministry of Foreign Affairs) are prohibited, with the exception of

sponsorship agreements conducted with a local host university's Confucius Institute, or from other university-approved entities that may indirectly receive government funding, Chinese or otherwise. Any additional proposed sponsorship or commercial collaboration with Chinese government or state-owned entities shall be subject to enhanced due diligence and further scrutiny by Central Management and the Board of Trustees.

Finally, Central Management may maintain a "blacklist" of sponsoring entities that have been found unacceptable either due to previous misconduct, fraud, or other reasons including reputational risk. Commercial collaboration with blacklisted entities is prohibited organization-wide.

4. **Objectives of Sponsorships**

Commercial sponsorships should only be undertaken by local chapters as a means of obtaining funding for chapter programming or providing additional resources to the chapter's members. GCC is a nonprofit organization, and thus has a regulatory and ethical mandate to spend its funds on advancing its core mission: *Building relationships that will change the world*. As such, all sponsorships or other commercial collaboration should be undertaken with this goal in mind.

It should be noted that **Central Management and the Board of Trustees do not encourage commercial sponsorship agreements**; such agreements and activities may distract from the organization's core mission. Rather, Central Management recognizes the reality that many chapters have already undertaken commercial sponsorship agreements, and thus a need for guidance and oversight has arisen. Chapters are encouraged to seek funding from traditional avenues, such as university allocations, corporate donations, student fundraising, and/or membership dues prior to resorting to a commercial advertising sponsorship agreement.

GCC is not an advertising platform, and chapters should not exist solely as vehicles to promote commercial interests. Rather, occasional, conservative uses of sponsored advertising or events should be used to supplement a chapter's programming and mission. **Advertising and commercial agreements should not be a chapter's primary source of funding.**

5. **Pre-Existing Agreements**

Unless otherwise decreed, any commercial sponsorship/partnership agreement signed by chapters prior to January 1, 2019 shall not be subject to the above-state review procedures. However, all commercial cooperation agreements, regardless of date signed or other factors, shall be subject to the below Disclaimer Language provisions.

6. Regulatory Compliance

As always, GCC chapters are required to abide by all applicable local laws and regulations, as well as the rules and regulations of their host university regarding student organization governance and conduct.

GCC chapter officers are prohibited from receiving rewards or personally benefiting from commercial agreements in any way. Chapter officers should not receive bonuses, kickbacks, gifts, or other rewards in exchange for organizing or approving a commercial sponsorship or collaborative agreement. As noted above, *all* funds arising from sponsorships or other agreements must be directed towards funding a chapter's programming and development.

7. **Disclaimer Language:** Incorporate either of the following in a clear, conspicuous location relative to the sponsored content. In a WeChat post, for example, include this either within the post itself, or as a comment immediately following the post. For an event, include the event disclaimer at the bottom of the poster or any other advertising materials, and in any emails or other posts promoting the event.

For Advertisements/Promotional Posts (i.e. WeChat, email, Facebook, etc.):

The preceding content is a paid advertisement provided by a commercial GCC sponsor. All funds generated by paid sponsorships are used for the purposes of funding chapter development and events. GCC is a non-partisan, non-profit organization and does not specifically endorse any of the products or services being offered by our sponsors.

For Promotional Events:

This event is funded in whole or in part by a commercial GCC sponsor. All funds generated by paid sponsorships are used for the purposes of funding chapter development and events. GCC is a non-partisan, non-profit organization and does not specifically endorse any of the products or services being offered by our sponsors.

8. Consequences of Noncompliance

Though GCC is a volunteer organization, Central Management and the Board of Trustees retain the ability to sanction chapters or individual members for continued noncompliance with this policy, particularly if noncompliant activity continues to occur despite explicit instructions from Central Management and/or the Board of Trustees. If a chapter is found to have violated the policy:

1. A representative of Central Management and the Board of Trustees will attempt to make contact with the noncompliant chapter and its leadership, and will issue a formal, written notice that evidence indicates a violation has occurred. The

chapter in question will then have an opportunity to respond to the notice, and may choose to dispute the findings.

2. Representatives of the Chapter and Central Management will discuss the situation and decide an appropriate plan of action for bringing the chapter back into compliance and mitigating future noncompliance.
3. Central Management will issue an internal memo outlining the incident and its resolution.

Continued noncompliance and willful violation of this policy following Central Management intervention may result in any or all of the following sanctions, per the discretion of Central Management and the Board of Trustees:

1. Written warning issued to chapter and chapter leadership;
2. Reduction or elimination of funding the chapter may receive from Central Management;
3. Blocking chapter or members from participating in certain GCC-wide events, such as Annual Summit;
4. Delisting and expulsion of chapter from GCC organization; and
5. Contacting relevant authorities at host university to seek remedy for continued violations.

Additionally, under extreme circumstances, if a chapter's conduct is illegal, particularly unethical, or threatens the overall success of GCC organization-wide, Central Management may seek injunctive relief through the courts or whatever other mechanism is available.

Hypothetical Examples:

Examples of informal arrangements **not requiring** Central Management review:

- A local Chinese restaurant agrees to donate food for a chapter event in exchange for having its logo placed on the poster and its name and website mentioned by the event organizer during introductory remarks.
- A GCC Chapter organizes an event featuring the COO of Amazon China to discuss Amazon's business strategy in China and the challenges it has faced.
- A GCC Chapter invites a noted individual as an event speaker. The speaker intends to sell signed copies of his book after the event, and agrees to provide the chapter with a percentage of the cash proceeds.

- A local GCC chapter is organizing a panel event regarding the Chinese economy. Another university-registered entity, such as the Confucius Institute, offers to co-sponsor the event and split the cost of the food.
- A multinational corporation makes a \$1,000 donation to a chapter without a contract or expectation of receiving advertising or promotion in return, save for displaying said corporation's logo on relevant materials, placing a stack of pamphlets on a table at an event, or other similarly passive branding activities.

Examples of sponsorship / collaboration agreements **requiring Central Management review:**

- A Chinese travel agency proposes giving a GCC chapter \$500 per semester in exchange for said chapter posting a certain number of ads for the company on its social media platforms.
- A study abroad startup offers to pay the costs (such as food) to host a GCC event that will be organized and promoted by the chapter, but the primary purpose of the event is advertising and publicizing the company, and recruiting potential customers.
- A Chinese education company agrees to provide a special discount code to GCC chapter members in exchange for the chapter posting ads for the company on its social media platforms.

Scenarios of **prohibited or discouraged activities**, or pitfalls to watch out for:

- A career placement company approaches a GCC chapter and wishes to publish ads on the chapter's WeChat account in exchange for \$500 per semester. The company then reaches out to the chapter's president and programming director and indicates it will give them a \$25 gift card as a personal bonus for every GCC member that signs up with the company as a result of the ad campaign.
- An education tutoring company offers to pay \$750 in exchange for posting ads in a GCC chapter's WeChat and newsletter. The contract calls for posting at least three new ads per day, and the WeChat page soon is filled mostly with the company's ads, with only occasional GCC-related posts. When the chapter tries to post fewer ads, the company threatens to sue for violating their agreement.
- A social media startup reaches out to a GCC chapter, offering \$450 to post ads in the chapter's WeChat page. The startup insists on having total editorial control over the ads' content. The ads are quickly found to be misleading, poorly written, or controversial. The chapter's publicity director complains to the sponsor, but the sponsor threatens to sue the chapter if it stops posting its ads per the contract.
- A Chinese language tutoring company offers to organize events for GCC members and will provide funding for food and other event costs, in exchange for the chapter

promoting the event. The company seems reluctant to provide details of the event's content, and insists that all attendee questions be screened in advance. The chapter's event coordinator Googles the company's name and finds numerous online comments accusing it of being a "scam company" involved in multilevel marketing schemes.

- A GCC chapter president in a large city is approached by a representative of the local Chinese consulate. The representative tells the chapter president that the consulate is interested in organizing a cultural event at the consulate to discuss the benefits of the Belt and Road Initiative. Because the event is to take place within the consulate, only Chinese nationals may attend; further, all audience questions must be screened in advance. The consulate offers to donate \$500 to the GCC chapter in exchange for promoting the event via WeChat and email.
- A GCC chapter president is in the process of launching a startup company that sells discounted products via WeChat. The chapter president suggests organizing a GCC event talk about his new company and the services it offers.

Remember, you can always contact a representative of GCC Central, or email compliance@gccglobal.org if you have any questions regarding commercial sponsorship agreements. We are here to help!