

BOARD OF TRUSTEES POLICY MANUAL

No. 7

SUBJECT: CONFLICT OF INTEREST

POLICY

- **Section 1: Definitions**

The following definitions are applicable to terms used in this Policy:

- *Affiliate* – any organization that controls, is controlled by, or is related by common control to St. Luke's Health Network, Inc. or St. Luke's Hospital of Bethlehem, Pennsylvania together referred to in this document as St. Luke's University Health Network (Network).
- *Board Committee* – any committee that has specific authority, delegated to it by the Network Board of Trustees (Board) or the Bylaws of the Network, to recommend the Board take final action relative to the charitable, business or clinical aspects of the Network or its Affiliates.
- *Compensation* – any remuneration, direct or indirect, including any gifts or favors (except those of nominal value), whether made to a person or to any of his/her Immediate Family Members.
- *Conflicting Interest* –
 - Service as a member, shareholder, owner, partner, trustee, director, officer, employee, independent contractor or agent of any organization or entity that either:
 - ✓ Competes, or is likely to compete, with the Network or any Affiliate, or
 - ✓ Is involved, or is likely to become involved, in any litigation or proceeding adverse to the Network or any Affiliate.
 - A business relationship between any Trustee and/or Senior Management Personnel with another Trustee and/or Senior Management Personnel whereby:
 - ✓ One individual is employed by the other individual in a sole proprietorship, or by an organization with which the other individual is associated as a trustee, director, officer, key employee or greater than 35 percent owner;
 - ✓ One individual is transacting business with the other individual in a transaction or transactions that exceed a total of \$10,000 at terms other than those which are generally offered to the general public (e.g. a discounted or non-FMV transaction);

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- ✓ The two individuals are each a director, trustee, officer or greater than 10 percent owner in the same business.
- A relationship whereby any Trustee or Senior Management Personnel is an Immediate Family Member of another Trustee and/or Senior Management Personnel.
- *Financial Interest* –
 - A present or potential ownership or investment interest in any entity with which the Network or any Affiliate has, or is reasonably likely to have, a business transaction or arrangement;
 - A present or potential employment, ownership or other Compensation arrangement with any entity or individual with which the Network or any Affiliate has, or is reasonably likely to have, a business transaction or arrangement;
 - Receipt of Compensation from the Network or any Affiliate (other than such person's compensation as a Senior Management Personnel) by a person or any entity; or
 - Receipt of a grant, loan, or other financial assistance (including provision of goods, services or use of facilities) by a person or entity from the Network or any Affiliate.

Note: Notwithstanding the above information, a person is deemed to have Financial Interest in accordance with this definition relating to an entity only if such person or his/her Immediate Family Member holds an ownership or investment interest equal to, or exceeding, 5 percent in either the capital or voting rights of an entity or if such person or his/her Immediate Family Member serves as an officer, director or key employee.

- *Immediate Family Members* – a person's spouse, siblings, parents, children, grandchildren and spouses of such individuals.
- *Interested Person* – any person who has a Financial Interest or Conflicting Interest.
- *Person Covered by this Policy* – Every Trustee, every officer of the Board, every member of any Board Committee, all Senior Management Personnel, and any Chief or Chairperson of any Clinical Department of the Network.
- *Senior Management Personnel* –The President/CEO of the Network, or any President or Chief Operating Officer of any of its Affiliates, any managers who report directly to the President/CEO, Vice Presidents or Associate Vice Presidents of the Network, all Chiefs or Chairpersons of any Clinical Department of the Network or any other personnel so designated by the President/CEO.

- *Trustee* – refers to all Board Trustees, duly elected, appointed or *ex officio*, pursuant to the Network Bylaws.
- **Section Two: Duty to Disclose Financial and Conflicting Interests**

Every Person Covered by this Policy will submit, in writing at least annually, to the President/CEO a Conflict of Interest Disclosure Statement listing all Conflicting and Financial Interests which will be shared with the Chairperson of the Board. Statements must be resubmitted with any necessary changes each year or as any additional Conflicting or Financial Interests arise. The Chairperson of the Board shall become familiar with all such Disclosure Statements to guide his/her conduct should a conflict arise. The Vice Chairperson of the Board and the President/CEO of the Network shall also become familiar with the Disclosure Statement filed by the Chairperson of the Board. The Chairperson of the Board will share with each Chairperson of a Board Committee the Statements submitted by members of the Board Committee.
- **Section Three: Procedure to be Followed at Meetings**

Whenever the Board or a Board Committee considers a transaction or arrangement with any organization, entity or individual in which a Person Covered by this Policy has a Conflicting or Financial Interest, the following will occur:

 - If the Interested Person is present, the Interested Person must disclose the Conflicting or Financial Interest to the Board and/or the affected Board Committee. If the Interested Person is not present, the Board Chairperson or the Chairperson of the affected Board Committee must disclose the Financial or Conflicting Interest to the Board and/or the affected Board Committee.
 - If the Interested Person is present, the Board Chairperson or the Chairperson of the Board Committee may ask the Interested Person to leave the meeting during discussion of the matter that presents the potential conflict. If asked, the Interested Person will leave the meeting, although he/she may make a statement or answer any question on the matter before leaving.
 - The Interested Person will not vote on the matter that presents the potential conflict. The Board or Board Committee must approve the matter that presents the potential conflict by a majority vote of the persons present at a meeting that has a quorum. The Interested Person's attendance will count for purposes of determining whether a quorum exists.

In addition, if an Interested Person is a member of the Board and has a Financial Interest in a transaction or arrangement, the following should be observed in addition to the provisions described above:

- If appropriate, the Board Chairperson may appoint a person, other than an Interested Person, or a committee to investigate alternatives to the proposed transaction or arrangement.
- In order to approve the proposed arrangement, the Board must first find, by a majority vote of the Trustees present at the meeting, without the vote of the Interested Person, that the proposed arrangement is in the Network's best interest and is of benefit; that the proposed arrangement is fair and reasonable to the Network; and that, after reasonable investigation, the Network cannot obtain a more advantageous arrangement with reasonable efforts under the circumstances.

- **Section Four: Minutes of Meetings**

Whenever the Board or a Board Committee is considering a transaction or arrangement with an organization, entity or individual in which a Person Covered by the Policy has a Conflicting or Financial Interest, minutes of all Board and Board Committee meetings relating to the matter must include the following:

- The names of the persons who disclosed Conflicting or Financial Interests, the nature of the Conflicting or Financial Interests and whether the Board determined a conflict of interest existed; and,
- The names of the persons who were present for discussion and votes related to the transaction or arrangement; the content of these discussions, including any alternatives to the proposed transaction or arrangement; and a record of the vote.

- **Section Five: Dissemination and Acknowledgement of Policy**

- This Policy will be distributed to all Persons Covered by this Policy.
- Each Person Covered by this Policy will sign an annual statement that the person:
 - Received a copy of the Policy;
 - Has read and understands the Policy;
 - Agrees to comply with the Policy;
 - Understands the Policy applies to the Persons Covered by this Policy; and,
 - Understands the Network and its Affiliates are organized to advance charitable purposes and that, in order to maintain tax-exempt status, the Network and its Affiliates must continuously engage primarily in activities that accomplish one or more tax-exempt purposes.

- **Section Six: Penalties for Non-Compliance**

Failure to comply with this Policy may constitute grounds for removal from office and, in the case of Senior Management Personnel, termination of employment, and/or, in the case of Chiefs or Chairpersons of any Clinical Departments within the Network, removal from such position.