

**Hackensack University Health Network  
Governance Policy Manual**

**Conflict of Interest**

**Policy #:0001**

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**Policy:** The Policy of the Hackensack University Health Network and its Subsidiaries (the "Corporation") is to require that each individual subject to this Policy Statement promptly and fully disclose (in the manner provided herein) any actual, apparent or potential conflict of interest, and that the Corporation will not engage in any contract, transaction or arrangement involving a conflict of interest unless the "Disinterested" members of the Board (acting at a duly constituted meeting thereof with the advice of legal counsel) determine by a majority vote that appropriate safeguards to protect the charitable mission of the Corporation have been implemented

**Purpose:** To protect the interests of the Corporation when it is contemplating entering into a transaction or arrangement that has the potential for benefiting the private interests of a corporate officer, member of the Board, committee member or other "Interested Person" as defined below.

To assure that all individuals who, by virtue of their position, can influence Decisions affecting the business, operations, ethical and/or competitive position of the Corporation, perform their duties in an impartial manner free from any bias created by personal interests of any kind.

To clarify the duties and obligations of "Interested Persons" in the context of potential conflicts of interest and, further, to provide such "Interested Persons" with a method for disclosing and resolving potential conflicts of interest.

To supplement (not replace) any applicable State laws governing conflicts of interest applicable to New Jersey charitable, non-profit Corporations. To the extent that other Federal or State laws may impose more restrictive conflict of interest standards (including more extensive disclosures of actual or potential conflicts of interest), the Board of the Corporation shall modify the substantive and procedural terms of this Policy to assure compliance with such additional standards.

**Definitions:** ***Interested Person:*** For purpose of applying this Policy to any contract, transaction or arrangement involving the Corporation, the term "Interested Person" shall mean any person in a position to exercise substantial influence over the Corporation in the five year period ending on the date the proposed contract, transaction or arrangement is formally presented to the Board for approval. "Interested Person" includes (but is not limited to) any Governor, Trustee, Officer, Member of a committee with board-delegated powers, Members of the Executive Staff, Clinical Department Chairmen, Directors, Managers and Supervisors. The Board may also determine, based upon all the facts and circumstances and with the advice of legal counsel) that a person other than an "Interested Person" shall be treated as an "Interested Person" with respect to a particular contract, transaction or arrangement.

***Conflict of Interest:*** An Interested Person has a conflict of interest with respect to a contract, transaction or arrangement in which the Corporation (or would be, if approved) a party if the person has, directly or indirectly, through a business, investment, family or other relationship:

- An ownership or investment interest in any entity involved in such contract, transaction or arrangement;
- A compensation arrangement with an individual or entity involved in such contract, transaction or arrangement;
- A potential ownership or investment interest in, or compensation arrangement with, an individual or entity with which the Corporation is negotiating such contract, transaction or arrangement; or
- A fiduciary position (e.g., member, officer, director, committee member) with respect to an entity involved in such contract, transaction or arrangement.

In addition, a person has a conflict of interest in any existing or potential compensation arrangement between the Corporation and that person or any business, investment or family member related to that person. For purposes of this section, compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

**Procedure** ***Duty to Disclose:*** An “Interested Person” has a continuing obligation to disclose (in the manner provided in this Policy) the existence and nature of any actual, apparent or potential conflict of interest he/she may have. “Disclosure” means promptly providing a written description of the material facts of the actual, apparent or potential conflict of interest to the Governance Committee on the Conflict of Interest Questionnaire attached as an Exhibit to this Policy. Copies of the disclosure shall also be provided to the General Counsel. Such disclosure shall be made promptly any time an actual, apparent or potential conflict of interest arises and before the consummation of the contract, transaction or arrangement that is the subject of the potential conflict of interest.

***Determining Whether a Conflict Exists:*** At any time that an actual, apparent or a potential conflict of interest is identified to the Board, whether through the voluntary submission of a Disclosure Statement by an “Interested Person”, or by a disclosure by a person other than the subject “Interested Person”, the Governance Committee shall review the matter and determine whether a conflict of interest exists.

The subject “Interested Person” shall not be present during any meeting in which the Governance Committee conducts its evaluation, except to answer questions of the Governance Committee as may be necessary. The Governance Committee may request additional information from all reasonable sources and shall involve the General Counsel in its deliberations. Once all necessary information has been obtained, the Governance Committee shall make a finding as to whether a conflict of interest indeed exists, and shall forward that finding to the Board for discussion and vote. Only “Disinterested” Governor/Trustees may vote to determine whether a conflict of interest exists. The subject Interested Person may not be present when this vote is taken.

***Addressing the Conflict of Interest:*** Once the “Disinterested” members of the Board have determined that an actual conflict of interest exists with respect to a particular transaction or arrangement:

- The “Disinterested” members of the Governance Committee shall exercise due diligence to determine whether the Corporation could obtain a more advantageous contract, transaction or arrangement with reasonable efforts under the circumstances and, if appropriate, shall appoint a “Disinterested” person or committee to investigate alternatives to the proposed contract, transaction or arrangement.
- In considering whether to enter into the proposed contract, transaction or arrangement, the Governance Committee may approve such a contract, transaction or arrangement only if the “Disinterested” Governor/Trustees determine by a majority vote that:
  - The proposed contract, transaction or arrangement is in the Corporation’s best interests and for the Corporation’s own benefit; and
  - The proposed transaction is fair and reasonable to the Corporation, taking into account, among other relevant factors, whether the Corporation could obtain a more advantageous contract, transaction or arrangement with reasonable efforts under the circumstances.
- The “Disinterested” members of the Governance Committee may, in their discretion, require the “Interested Person” to leave the room while the proposed contract, transaction or arrangement is discussed. The “Interested Person” shall leave the room while the matter is voted on; only “Disinterested” Governor/Trustees may vote to determine whether to approve the transaction or arrangement.

In determining whether and when to require the “Interested Person” to leave the room during discussion of the proposed contract, transaction or arrangement, the “Disinterested” Governor/Trustees shall balance the need to facilitate the discussion by having such person on hand to provide additional information with the need to preserve the independence of the determination process.

***Violations of the Conflict of Interest Policy:*** If the Board or a committee has reason to believe that an “Interested Person” has failed to comply with the disclosure obligations of this Policy, the Board shall inform that person of the basis for its belief and provide that person an opportunity to address the alleged failure to disclose. After hearing the response of such person and conducting such further investigation as may be warranted under the circumstances, the Board shall determine whether such person has, in fact, violated the disclosure requirements of this Conflict of Interest Policy. If the Board determines that there has been a violation, the Board shall take appropriate disciplinary and corrective action which may include removal (if the “Interested Person” is a Board or committee member) or termination (if the “Interested Person” is an employee).

***Records of Proceedings:*** The minutes of meetings of the Board and any committee with board delegated powers shall include:

- The names of person(s) who disclosed or were otherwise found to have actual, apparent or potential interests relevant to any matter under discussion at the meeting, a general statement as to the nature of such interest (e.g., employment arrangement, equity interest or board membership or officer position in another Corporation), any action taken to determine whether a conflict of interest existed, and the board or committee’s conclusion as to whether a conflict exists; and

- The names of the persons present for the discussions and votes relating to the transaction or arrangement, a summary of the content of these discussions that contains the type of information regularly reported in board or committee minutes and identifies whether any alternatives were considered, and a record of any vote taken in connection therewith.

***Annual Statement:*** Each “Interested Person” shall sign an annual statement that the “Interested Person” (a) has received a copy of this Policy; (b) has read and understands the Policy; (c) agrees to comply with the Policy; (d) understands that the Policy applies to committees and subcommittees; (e) understands that the Corporation is a charitable organization that must engage primarily in exempt activities; (f) agrees to report to the Governance Committee and the General Counsel any change to matters previously disclosed on the Conflict of Interest Questionnaire; (g) states that the information provided on the Conflict of Interest Questionnaire is true and accurate to the best of his or her knowledge and belief.

Reviewed: 08/07, 01/09