

**Hackensack University Health Network
Governance Policy Manual**

Independence of Governors

Policy #: 0010

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Purpose_ To support the Board in their desire to assure on-going compliance with the Internal Revenue Service standards for tax exception and implement best practices for governance as established by the Panel on the Non-Profit Sector by defining the composition of the board and certain key committees relative to the independence of governors.

Definitions **Independent Members:** To assure the exercise of independent judgment by the membership and protect against the perception of risk created when individuals have a material financial or personal relationships with the organization and/or its executive leadership, Independent members should not:

- Be compensated by Hackensack University Health Network and its Subsidiaries (the "Corporation") as an employee, officer or independent contractor;
- Have their compensation determined by individuals who are compensated by the Corporation;
- Receive, directly or indirectly, material financial benefits from the Corporation except as a member of the charitable class served by the Corporation. Material financial benefit is defined as payments, to either the Board Member or a business owned or controlled by the Board member, exceeding \$10,000 for services provided to the Corporation (other than compensation or expense reimbursement as a Board member) or
- Be related to (as a spouse, sibling, parent, or child), or reside with any individual described above.

Disinterested Members: In keeping with the IRS rebuttable presumption of reasonableness test, members are considered disinterested only if he/she:

- Is not an executive participating in or benefiting financially from the compensation arrangement, and is not a family member as to any executive;
- Is not an employee subject to the direction and control of any executive participating in or benefiting financially from the compensation arrangement;
- Does not receive compensation or other payments subject to approval by any executive participating in or benefiting financially from the compensation arrangement;
- Has no material financial interest affected by the compensation arrangement; and
- Does not approve a transaction providing financial benefits to any executive participating in or benefiting financially from the compensation arrangement who in turn has approved or will approve a transaction providing financial benefits to the member.