

Policy Name: Conflict of Interest and Commitment

Policy Number: CG-07 (Compliance General)

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I. PURPOSE

The purpose of this Policy is to: (i) protect the interests of University HealthCare Alliance (“UHA”) when it contemplates entering into a transaction or arrangement that might benefit the private interest of an employee; (ii) provide a framework within which UHA expects employees to operate; and (iii) outline procedures for obtaining clarification on issues related to potential conflicts of interest or commitment.

All employees must promptly report situations that might create a conflict of interest as they become aware of such situations. In addition, all senior staff and management staff must submit a Conflict of Interest Disclosure Statement to the Vice President of Human Resources at the time of appointment and at least each calendar year thereafter.

II. POLICY

It is the policy of UHA to ensure that conflicts of interest or potential conflicts of interest involving employees are fully disclosed. UHA must avoid situations where employees have actual or apparent conflicts of interest between their UHA obligations and outside interests. Conflicts of interest can arise in many situations, and can often be managed so as to avoid any actual or apparent injury to UHA, but only if they are promptly and fully disclosed.

III. DEFINITIONS

A. Conflict of Interest

A conflict of interest can be considered to exist in any instance where the actions or activities of an individual on behalf of UHA also involve the obtaining of direct or indirect personal gain or advantage, or an adverse or potentially adverse effect on the interests of the individual.

B. Conflict of Interest Transaction

A conflict of interest transaction is a transaction where UHA and/or any entity directly or indirectly controlled by UHA (each an "Affiliate") is a party and in which the employee has a material financial interest in or fiduciary duty to another unaffiliated entity such that it could influence his or her action on the matter while acting on behalf of these organizations. Transactions between UHA and Stanford University, Stanford Hospital and Clinics or Lucile Salter Packard Children’s Hospital or their affiliates will not ordinarily create a conflict of interest, absent a material effect on a personal interest of an employee. Conflicts of interest can also arise in other instances.

C. Types of Conflicts of Interest

Although it is impossible to list every circumstance giving rise to a potential conflict of interest, the following will serve as a guide to the possible types of activities that might cause conflicts of interest

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and that should be fully reported. Full disclosure of any situation in doubt should be made so as to permit an impartial and objective determination.

1. Outside Interests

The personal interests of an employee may conflict with the interests of UHA if he or she, or any immediate family member of his or hers, by blood or marriage, is a person:

- a. Who solicits, bids, contracts, or supplies goods or services to UHA and/or to any of its Affiliates;
- b. From whom or to whom UHA and/or any of its Affiliates leases property or equipment;
- c. With whom UHA and/or any of its Affiliates is dealing or is planning to deal in connection with the purchase or sale of real property, investment securities or other property;
- d. Who has a significant ownership interest or a management position in other organizations or entities which compete with UHA and/or any of its Affiliates;
- e. Who has a material financial interest through ownership of stock or other type of equity interest in a person or company that is engaging in transactions with UHA and/or any of its Affiliates of the type listed in (a) through (d) above;
- f. Who has a material financial interest as a creditor of a person or company that is engaging in transactions with UHA and/or any of its Affiliates of the type listed in (a) through (d) above; or
- g. Who is an officer, serves on the Board of Directors, participates in management, or is otherwise employed by a person, company or organization that is engaging in transactions with UHA and/or any of its Affiliates, other than UHA's own Affiliates.

For purposes of (d) above, ownership of less than 1% of an organization is ordinarily not a significant ownership interest. For purposes of (e) and (f) above, ownership of stock through a mutual fund, CREF, or a similar diversified investment vehicle is ordinarily not a material financial interest.

2. Consultant Services

It may be a conflict of interest to have a relationship, financial or otherwise, with any company or organization that furnishes consulting or professional services to UHA and/or any of its Affiliates.

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3. Gifts, Gratuities and Entertainment

It may be a conflict of interest to accept gifts, travel, excessive entertainment, loans, or other favors from any outside concern that does, or is seeking to do, business with, or is a competitor of UHA and/or any of its Affiliates under circumstances from which it might be inferred that such action was intended to influence or possibly would influence the individual in the performance of his or her duties. This does not include the acceptance of items of nominal or minor value that are clearly tokens of respect or friendship and not related to any particular transaction or activity of UHA and/or any of its Affiliates.

4. Inside Information

It is a conflict of interest to disclose or use information relating to UHA and/or any of its Affiliates' business for personal profit or advantage of any individual or his/her immediate family.

D. Other Areas of Conflicting Interest

The areas which can create conflict of interest situations listed in Section II.C above are examples only. This is not intended to be an exhaustive list of situations in which an employee may have a potential conflict of interest with UHA. Each individual must recognize other analogous areas in which a conflict may arise and must disclose these situations when he or she becomes aware of them.

E. Senior Staff

For purposes of this policy, Senior Staff include Directors and above.

F. Management Staff

For purposes of this policy, Management Staff include Senior Staff and all other employees with supervisory responsibilities.

G. Statutory Exemptions

Notwithstanding any other provision of this policy, an employee shall not be deemed to be interested in a transaction if it is excluded under the provisions of the California Nonprofit Corporation Law, including, but not limited to transactions of which the interested person has no actual knowledge and which does not exceed the lesser of \$100,000 or 1% of the corporation's gross receipts for the preceding fiscal year.

H. Conflict of Commitment

Conflict of Commitment may occur due to involvement by an employee in an outside business, community service activity, professional organization, or other activities which results in conflicts

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regarding allocation of time or energies, or concerning his or her primary professional responsibilities at UHA.

IV. PRINCIPLES

What constitutes an actual or potential conflict of interest often must be judged on a case by case basis. Moreover, the damage caused by conflicts of interest can often be mitigated or avoided if the organization is aware of the potential conflict. Consequently, all employees are required to disclose any activities or circumstances of which they are aware that create the potential for a conflict of interest or commitment. If the employee is aware of the potential conflict at the time of employment, he or she must disclose it then; otherwise, he or she must disclose the conflict as soon as it arises or the employee first becomes aware of it.

V. PROCEDURES

A. Senior Staff Requirements

1. Completion of Disclosure Statement

All Senior Staff, as defined by this policy, are required to complete and sign a Disclosure Statement, see Appendix B, at the time of appointment to a Senior Staff position and each calendar year thereafter, certifying that:

- a. They have read this policy, and
- b. They are in compliance with this policy and, in particular, have disclosed any potential conflict of interest or commitment of which they are aware.

2. Designation of Staff to Complete Disclosure Statements

Senior Staff will designate the non-management members of their staff who will be required to complete disclosure statements each calendar year due to the nature of their responsibilities and will be responsible for ensuring that those statements are completed. A Senior Staff member who believes that there may be an actual or potential conflict of interest will follow the procedures in Section V.B. All statements and relevant documents must be kept in the appropriate department for at least seven (7) years.

3. Review with Management Staff

Senior Staff are required to:

- a. Review this policy with their Management Staff each calendar year;

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- b. Ensure that all Management Staff, as defined by this policy, complete and sign a Disclosure Statement, see Appendix B, at time of appointment to a Management Staff position and each calendar year thereafter, certifying that:
 - (1) They have read this policy, and
 - (2) They are in compliance with this policy and, in particular, have disclosed any potential conflict of interest or commitment of which they are aware.
- c. Ensure that their Management Staff review the policy with employees in positions where potential conflicts of interest would be possible. Examples would be individuals who:
 - (1) Have significant responsibility for vendor or product selection and/or purchase, or are the primary departmental contact with vendors, which might result in offers of gifts or gratuities;
 - (2) Have significant involvement with outside organizations and/or professional organizations;
 - (3) Perform work as an independent consultant for other organizations.

B. Disclosure Procedures

- 1. Any staff member who has a potential conflict of interest or commitment shall disclose it promptly to his or her manager and describe the relevant circumstances in detail.
- 2. If the staff member's manager or director believes there is an actual or potential conflict of interest or commitment, or is unable to determine whether there is an actual or potential conflict, the issue should be reviewed with the manager's or director's responsible operating division leader and UHA Director of Human Resources to determine if a conflict exists and what should be the appropriate response to the staff member. The review should consider all the material facts of the case including:
 - a. The nature of the staff member's involvement or investment;
 - b. The other individual or company's relationship, if any, to UHA;
 - c. A brief description of the staff member's duties at UHA; and
 - d. Whether the conflict can be avoided (e.g., by having another staff member handle a transaction instead), or managed effectively (e.g., by having the manager directly oversee the staff member's work on the transaction).

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C. Framework for Evaluating Potential Conflicts of Interest

The following questions should be considered in judging whether a situation is a conflict of interest or a potential conflict of interest.

1. Does the situation have a direct relationship to, or effect on, UHA business?
2. Could the situation reasonably be perceived by others as having unduly influenced decisions or actions?
3. Would public or internal disclosure of the situation cause embarrassment to UHA or another party?
4. Would public or internal disclosure of the situation put UHA in a defensive public relations posture in explaining its actions?
5. Would the public view the situation as a common business practice?

D. Violations

Staff members who violate this policy may be disciplined up to and including termination. The UHA Vice President of Human Resources should be consulted regarding appropriate action.

E. Reporting Possible Violations by Others

UHA staff should report possible violations of this policy by others to their supervisors, the UHA Vice President of Human Resources or the UHA Director of Compliance. These reports will be treated confidentially.

F. Responsibilities of Management Staff

All Management Staff have an obligation to become familiar with, and to follow the provisions of this policy. All Senior and Management Staff have an obligation to counsel their staff regarding conflicts of interest and commitment.

G. Retention of Forms

Disclosure Statements and related documents are filed in the individual personnel files in the UHA Human Resources Department. Documents pertaining to disclosures by other staff are retained by the appropriate operating divisions and UHA Human Resources. Disclosure Statements should be maintained for as long as the personnel or department record is maintained.

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VI. RELATED DOCUMENTS OR POLICIES

A. UHA Conflicts of Interest and Commitment Disclosure Statement

VII. APPENDICES

A. Hypothetical Examples

B. Disclosure Statement

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Appendix A **Hypothetical Examples**

Vendor Entertainment: 1) A vendor now has a bid with UHA and is working long hours with the staff to implement the product - they take a break for dinner and the vendor picks up the tab; 2) The vendor throws a celebratory party for the staff when the project is completed; 3) During negotiations, the vendor invites the team to a party on the Hornblower Yacht; or 4) You are in negotiations with a vendor and they offer to pay for your travel and hotel to view their product.

Analysis: These examples show a wide range of possibilities when interacting with vendors. Any entertainment which is substantial, or which may give the appearance of undue influence must be avoided and disclosed.

Conducting Business with A Relative: A brother of a member of the staff owns a printing company and offers to work with the staff member to develop and print a training manual at a reduced price.

Analysis: Even if the staff member obtains prices from other firms and determines this one to be the lowest, a decision by the staff member to hire a relative's firm will give the appearance of a conflict of interest. The relationship must be disclosed and the decision as to whether to use that company should be made by someone else.

Personal Relationship: A manager, who is responsible for choosing products and vendors is living with a representative of one of the vendors, but that representative is not a "family member" as described in this policy.

Analysis: Because the situation may give the appearance of undue influence, the relationship would be disclosed prior to awarding the contract. Management should appoint someone else to make the final decision and be involved in negotiating the contract.

Use of UHA Resources for Personal Gain: 1) A staff member who teaches workshops at a local college asks a secretary to type lesson plans and copy materials to compile workbooks for students.

Analysis: This example is clearly a misuse of UHA resources - both staff time and supplies.

Primary Professional Loyalty: A part-time UHA employee accepts a part-time position in another medical foundation.

Analysis: Decisions in these cases are difficult because a part-time employee has a right to work for two organizations. However, in this case, there is probably too great a potential for conflicts regarding professional loyalties to allow this arrangement.

Conflicts Regarding Time: A supervisor is elected to the national board of a non-profit professional association. A great deal of time must be spent in attending a wide variety of meetings and conducting the general business of the association. This is a prestigious honor and a visible position, which is of some benefit to UHA. However, the supervisor needs a great deal of assistance from others in the department to get the work done in her absence.

Analysis: Whether this kind of situation is acceptable will have to be decided on a case-by-case basis, weighing the advantages to UHA against the work requirements of the unit, the effect on co-workers in the department and any negative budgetary effect. Staff must understand that their first obligation is to UHA. The same principle applies to second jobs or to other substantial outside interests, which negatively affect performance, no matter how worthwhile the endeavors.

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Appendix B

Disclosure Statement

Name: _____

Pursuant to the Conflicts of Interest and Commitment Policy (requiring disclosure of certain interests, a copy of which has been furnished to me) I hereby state that I or members of my immediate family, which includes spouse, dependent children or domestic partner (herein after referred to as "immediate family"), had/have the following affiliations or interests and had/have taken part in the following transactions that when considered in conjunction with my position with or in relation to University HealthCare Alliance ("UHA") and its Affiliates, might possibly constitute a conflict to interest or have the appearance of impropriety. (**Check NONE where applicable.**) (Attach a separate sheet if necessary.)

1. **Outside Interests:** Identify the interests, other than investments, of yourself or your immediate family with any person who: (1) solicits, bids, contracts, supplies goods or services to UHA and/or to any of its Affiliates; (2) from whom or to whom UHA and/or any of its Affiliates leases property or equipment; or (3) with whom UHA and/or any of its Affiliates is dealing or is planning to deal in connection with the purchase or sale of real property, investment securities or other property.

NONE

2. **Financial Interests or Investments:** List and describe, with respect to yourself or your immediate family, all investments that might be within the category of: (1) material financial interests such as significant ownership or a management position in other organizations which compete with UHA and/or any of its Affiliates; (2) a material financial interest through ownership of stock or other type of equity interest in a person or company that is engaging in transactions with UHA and/or any of its Affiliates; or (3) a material financial interest as a creditor of a person or company that is engaging in transactions with UHA and/or any of its Affiliates.

NONE

3. **Outside Activities:** Identify any outside activities, where you or your immediate family are an officer, serves on the Board of Directors, participates in management or is otherwise employed by a person, company or organization that is engaging in transactions with UHA and/or any of its Affiliates, other than UHA's own affiliates.

NONE

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4. **Consultant Services:** Identify any relationship (financial or otherwise) with any company or organization which furnishes consulting or professional services to UHA and/or any of its Affiliates.

() NONE

5. **Gifts, Gratuities and Entertainment:** List and describe, with respect to yourself or your immediate family, all gifts, gratuities, loans, etc. from any outside concern that does, or is seeking to do, business with, or is a competitor of UHA and/or any of its Affiliates.

() NONE

6. **Inside Information:** By my signature below, I certify that neither I, nor any member of my immediate family, has disclosed or used information relating to the business of UHA and/or any of its Affiliates for the personal profit or advantage of myself or any member of my immediate family. I hereby agree to report to the Vice President of Human Resources any change in the responses to each of the foregoing questions which may result from changes in circumstances before completion of my next Conflict of Interest Disclosure Statement.

Signed: _____

Name: _____

Title: _____

Date: _____

Please return this form to:

University HealthCare Alliance
Vice President, Human Resources
855 Oak Grove Avenue
Menlo Park, California 94025