



# POLICY & PROCEDURE

**Subject: Conflict of Interest**

**Policy**       **Procedure**      **Reference Number:** [Policy # 2-2005]

**Control Owner:** Governance Committee

**Approval Authority:** APAC Board

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## Summary of this Policy

The purpose of this policy is to protect APAC (the Organization) tax-exempt interest when it is contemplating entering into a transaction or arrangement that might benefit the private or personal interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to non-profit and charitable organizations.

### 1. Definitions

a) **Interested Person**

Any director, principal officer, or member of a committee or sub-committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

b) **Financial Interest**

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- i. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- ii. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- iii. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Section 2, Paragraph b, of this policy stipulates that a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

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## 2. Procedures

### a) Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

### b) Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

### c) Procedures for Addressing the Conflict of Interest

- i. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- ii. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- iii. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- iv. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

## 3. Violations of this Policy

- a) If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b) If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

## 4. Meeting Minutes or Summaries

The minutes of the governing board and all committees with board delegated powers shall, whenever applicable, contain:

- a) The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine

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whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.

- b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

## 5. Compensation

- a) A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c) No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.
- d) Corporate or Affiliate members of APAC, who receive compensation from the Organization, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No such member, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

## 6. Code of Conduct Certification

Each director, principal officer and member of a committee, with governing board delegated powers shall annually sign a statement of ethical conduct which affirms such person:

- a) Has received a copy of the conflicts of interest policy,
- b) Has read and understands the policy,
- c) Has agreed to comply with the policy, and
- d) Understands the Organization is charitable, non-profit in nature, and in order to maintain its federal tax exemption it must engage primarily in activities, which accomplish one or more of its tax-exempt purposes as defined by the Internal Revenue Services (IRS).

## 7. Periodic Audit

To ensure APAC operates in a manner consistent with charitable purposes, in accordance to IRS regulations, and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews of this policy and its associated effects, shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a) Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b) Whether partnerships, joint ventures, and arrangements with other organizations conform to APAC's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further

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charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

## **8. Use of External Auditors or SME's**

When conducting the periodic reviews as provided for in Section 7 above, the Organization may, but need not, use outside advisors or Subject Matter Experts. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

**Effective Date:** September 2005 (Retroactive)

**New**

**Replaces** [Policy X-XXX dated \_\_\_\_\_]