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UNIVERSITY POLICIES & PROCEDURES

Category: Administration
Title: **CONFLICTS OF INTEREST POLICY FOR THE BOARD OF TRUSTEES, OFFICERS, AND SENIOR MANAGEMENT**
Applicability: Thomas Jefferson University
Contributors/Contributing Departments:

CONFLICTS OF INTEREST.

Section 1. Purpose.

The purpose of this Conflicts of Interest policy (“Policy”) is to protect the interests of Thomas Jefferson University (together with its controlled subsidiaries, the “University”) when it is considering or acting upon an arrangement, contract, or transaction that has the potential to benefit the private interest of a “Covered Person,” as defined below; and to assure that all institutional decisions are made solely to promote the best interest of the University without favor or preference based on personal consideration. To that end, the University shall not give priority or otherwise extend deference to a Covered Person in entering into an “Interested Party Transaction” (as defined below), or enter into Interested Party Transactions as a matter of regular course.

This Policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit charitable corporations.

Section 2. Trustee, and Officer, and Senior Management Responsibility

Each University Trustee, Officer, and Senior Manager has a fiduciary duty to act in the best interests of the University and to avoid conflict of interest or the appearance of conflict of interest with respect to exercise of their respective duties and responsibilities, and as such, is prohibited from individually attempting to influence internal business and policy decisions or using University confidential information except in the exercise of the individual’s fiduciary duties as a Trustee, Officer or Senior Manager.

Section 3. Policy.

- (a) In General. Each Covered Person has a duty when a Conflict of Interest does arise, or has the potential to arise, to immediately disclose the Conflict of Interest or potential thereof in accordance with this Policy.

- (b) Approval of Interested-Party Transactions. If after the appropriate disclosure of a Conflict of Interest or potential thereof, the University considers entering into an Interested-Party Transaction, each Covered Person having an Interest relating to the transaction must disclose all material facts and any such transaction as required under this Policy and the University's procedures.
- (c) Excess Benefit Transactions. The IRS Intermediate Sanction Rule, in general, subjects directors, officers, other key persons, as well as their Family Members and entities in which any of the aforementioned parties owns a greater than thirty-five percent (35%) interest (each, a "Disqualified Person"), to excise taxes if an excess benefit transaction has occurred.

An excess benefit transaction has occurred if the economic benefit provided by the University to a Disqualified Person, either directly or indirectly, exceeds the value of the consideration provided by the Disqualified Person to the University in return. Examples of excess benefit transactions include payment of excessive remuneration for services and a payment for goods or property that exceeds fair market value.

The University does not intend to engage in any excess benefit transactions. In the course of its review, the Approving Body will not approve a transaction or arrangement knowing that it would constitute an excess benefit transaction.

- (d) Compensation Decisions. A Covered Person who receives, or whose Family Member receives, compensation, directly or indirectly, from the University is precluded from voting on matters pertaining to that individual's compensation.
- (e) Relationships to Spin-Ins and Spin-Offs. No Covered Person may make a direct or indirect investment in a Spin-In or Spin-Off, or serve in the role of fiduciary or senior management of any Spin-In or Spin-Offs.
- (f) Senior Management Service on Boards. Members of senior management of the University may serve on the board (not as an officer or executive) of a for-profit organization (including any Spin-Off) in the health care or life sciences industry only if (i) the Board or Committee, or another Approving Body delegated by the Board or Committee, has determined that such service is, on balance, advantageous to the University, and approved, and (ii) any compensation paid for such board service is remitted to the University. Periodic monitoring may be required as appropriate to ensure conflicting loyalties and confidentiality requirements are being appropriately managed.
- (g) Professional Services from Trustees. The University shall not engage the professional services of Covered Persons who are lawyers, advisors, accountants, and other types of professional firms in which a Covered Person is affiliated in any manner if such Covered Person serves as a Trustee or senior executive of the University.
- (h) Trustee Related Investments. The University shall not make an investment of its assets of whatever nature in a fund for which a Covered Person serves as a fiduciary, general partner or controlling person.

Section 4. Disclosure Process.

Covered Persons must adhere to the procedures with respect to their Interests and Conflicts of Interest as set forth on Schedule A, as amended from time to time.

In completing a Disclosure Statement, each Covered Person shall interpret the definitions of Interest, Financial Interest and Nonfinancial Interest in a reasonably broad manner and shall be expected to consult the Chief Legal Officer with respect to any questions relating to compliance with this Policy. In particular, the Covered Person shall be guided by the general principle that the purposes of this Policy are supported by the fullest possible disclosure of all forms of financial and nonfinancial relationships that could be considered by a reasonably prudent person to have the potential for affecting the decision making process of the Covered Person or of the University, regardless of whether such interests clearly fall within the definitions of Financial Interest or Nonfinancial Interest.

Any Covered Person who, for any reason, acquires, develops, or holds, at any point, any Interest that the Covered Person did not disclose on the Covered Person's most recent Disclosure Statement shall disclose such interest to the University's Office of Enterprise Compliance at the earliest practicable time.

When a Covered Person becomes aware that the University may be considering a contract, transaction or arrangement that may affect an Interest that the Covered Person holds, the Covered Person must disclose the existence of that Interest (i) to all members of the Approving Body considering the transaction during a meeting or (ii) to the Chair of the Board or the Chair of the Governance Committee.

Section 5. Procedure for Approval of Interested-Party Transactions.

- (a) An Interested-Party Transaction is not necessarily inconsistent with appropriate business practices, and does not necessarily violate a board member's fiduciary duty, so long as the University and Covered Persons follow the procedures in this Policy.

The University will not enter into any Interested-Party Transaction unless it is approved pursuant to the following process.

1. Each Covered Person with an Interest or a potential Interest in an Interested-Party Transaction must immediately disclose it, in accordance with disclosure procedures under this Policy. Upon such disclosure, with the Approving Body's review of a previously disclosed Interest, the Covered Person may make a presentation to the Approving Body and be available to answer any questions the Approving Body may have. The Approving Body may request additional information and shall involve the Chief Legal Officer in its deliberations in order to assure that the material facts as to the Interest and as to the arrangement, contract or transaction are known to the Approving Body.

2. The Covered Person shall then leave the meeting before the Approving Body determines whether a Conflict of Interest exists, and shall not participate in the Approving Body's consideration of that matter.
 3. If the Approving Body determines that a Conflict of Interest exists, the Approving Body shall determine, through a reasonable investigation that may be undertaken prior to the meeting, whether, with reasonable efforts, the University can obtain an alternative arrangement, contract, or transaction that would not give rise to a Conflict of Interest and that would not, on balance, be less advantageous to the University.
 4. If an alternative arrangement, contract, or transaction is not reasonably attainable to achieve the University's purposes, the Approving Body shall determine, by a majority vote of the disinterested members, whether the Interested Party Transaction (i) is fair and reasonable to the University, which determination shall be supported by a risk/benefit analysis benchmark or independent comparability data, including third-party analysis/appraisal when deemed appropriate or necessary by the Approving Body; (ii) is in the University's best interest and in the interest of the communities served by the University; and (iii) involves a Conflict of Interest that can be adequately managed.
 5. A Covered Person having a Conflict of Interest may be included for purposes of determining whether a quorum is present, but may not be allowed to vote on the matter or be present for the Approving Body's deliberations. The Approving Body shall consult with the Chief Legal Officer with respect to determination of members' disinterest for purposes of this paragraph.
 6. In making its determination, the Approving Body shall:
 - consider the reputational risks to the University of the Conflict of Interest;
 - consider the implications of any decisions it may make under this Policy on the application of fiduciary independence standards;
 - be guided by the general principles that the University shall not give priority or otherwise extend deference to Covered Persons in approving an Interested Party, and that the University should not, as a matter of regular conduct, enter into Interested Party Transactions;
 - receive a report from the executive who is the sponsor of the Interested Party Transaction documenting the considerations set forth in this Policy, including those considerations in paragraphs 3 and 4 above.
- (b) Conflict of Interest Management. If the applicable Approving Body determines that a Conflict of Interest exists and may be managed, the Approving Body shall, in consultation with the Chief Legal Officer, adopt a conflict of interest management plan by which the Approving Body shall monitor any Conflict of Interest determined to exist, particularly including any Conflict of Interest affecting an arrangement, contract or transaction approved by the Approving Body. The Covered Person shall agree in writing to the terms and conditions of the conflicts management plan as a precondition to approval of the Approving Body of such arrangement, contract or transaction.

- (c) Elevation of Matters to the Committee and the Board. If deemed necessary by any Approving Body in order to assure due consideration for protection of the interests of the University, any Approving Body that is not the Board or the Committee may refer to the Committee, and the Committee may refer to the Board, consideration of any matters involving a potential Conflict of Interest of one or more Covered Persons serving on such Approving Body.
Approving Bodies other than the Board shall in every case refer to the Board matters of particular significance to the University.

Section 6. Minutes.

The minutes of the Approving Body meeting shall set forth (a) the name of any Covered Person having a potential Conflict of Interest; (b) the Approving Body's determination as to whether a Conflict of Interest existed, and all procedures addressing potential conflicts during the course of the meeting; (c) which members of the Approving Body were present for the discussion and vote; and (d) the content of the discussion, including any discussions or alternatives to the proposed arrangement, contract, or transaction that would eliminate any conflict of interest.

The minutes shall also state that any Covered Person having a potential Conflict of Interest did not vote and was not present during the deliberations or vote.

Section 7. Dissemination of Policy.

Each Covered Person shall receive a copy of this Policy upon his or her initial election, appointment, or hire, and shall sign a statement affirming that the Covered Person has read and understands this Policy. Thereafter, each Covered Person shall sign an annual statement that the Covered Person:

- (a) received a copy of the Conflict of Interest Policy;
- (b) has read and understands the Policy;
- (c) agrees to comply with the Policy;
- (d) understands that the Policy applies to the Board, the Committee, and all other committees and subcommittees having Board-delegated powers;
- (e) understands that the University is a Section 501(c)(3) organization and that, in order to maintain its tax-exempt status, it must continue to engage primarily in activities which accomplish one or more of its tax-exempt purposes; and
- (f) agrees to report all Interests as required.

Section 8. Disciplinary Actions.

If the Board or Committee has reasonable cause to believe a Covered Person has failed to disclose timely an Interest, it shall inform the Covered Person of the basis for such belief and afford the Covered Person an opportunity to explain the alleged failure to disclose.

If, after hearing the Covered Person's response and after making further investigation as warranted by the circumstances, the Board or Committee determines the Covered Person has failed to disclose timely an Interest, the Board shall require (and the Committee shall recommend to the Board) appropriate disciplinary and corrective action.

Any Covered Person who fails to comply with this Policy shall be subject to such disciplinary action up to and including dismissal or termination as the Board or Committee may deem appropriate to protect the University's best interests.

Section 9. Definitions.

- (a) "Approving Body" – The Board of Trustees of Thomas Jefferson University (the "Board") and the Executive Committee of the Board (the "Committee"); the board of trustees of each controlled subsidiary of the University and the executive committee of each such board; and, with respect to matters being undertaken by another committee or subcommittee that exercises board-delegated powers, such committee or subcommittee.
- (b) "Conflict of Interest" – A "Conflict of Interest" exists when a Covered Person has an Interest that (i) could compromise, or appear to compromise, the Covered Person's impartiality and ability to exercise independent judgment in the best interests of, or otherwise to perform the Covered Person's duties to, the University, or (ii) relates to a proposed or ongoing contract, transaction, or arrangement to which the University may be a party, and could reasonably be expected to affect whether, or on what terms, the University enters into or operates with respect the contract, transaction, or arrangement.
- (c) "Covered Person" – Any person covered pursuant to Article XIII of the University's bylaws, as amended from time-to-time, including a Trustee of the University, key strategic consultants, senior management of the University, and board members and senior management of the University's affiliates that are consolidated into the University's financial statements for financial reporting purposes, or a member of a committee or subcommittee that exercises Board-delegated powers of the University. Senior Management includes Vice Presidents (or comparable academic titles) and above, Chairs, Division Chiefs and Deans.
- (d) "Family Member" – With respect to a Covered Person, "Family Member" means, as applicable, a spouse or domestic partner; parents; siblings (by either or both parents, natural or adopted); children (whether natural or adopted); grandchildren or great grandchildren; spouses or domestic partners of siblings, children, grandchildren and great grandchildren; or any other relative residing in the same household as the Covered Person.

- (e) **“Interest”** – Any Financial Interest or Nonfinancial Interest that either (i) relates to any arrangement, contract, or transaction that the University has, is negotiating, or might be expected to have or negotiate, or (ii) otherwise could affect the Covered Person’s ability to make a decision in the best interest of, or otherwise to perform the Covered Person’s duties to, the University.

“Financial Interest” – Any existing or potential ownership, investment, or compensation interest held by a Covered Person, directly or indirectly, through business or investment relationship, or a Family Member. For purposes of this definition, (i) ownership of 1% or less of the equity of a publicly traded organization, and indirect ownership interests held through mutual funds, are not considered to constitute ownership or investment interests, and (ii) compensation includes direct and indirect remuneration, consulting fees, board or advisory committee fees, honoraria, as well as gifts or favors that can reasonably be considered substantial in nature.

“Nonfinancial Interest” – Any existing or potential non-economic relationship, involvement, formal or informal, held by a Covered Person or a Covered Person’s Family Member either in another entity, or in relation to another individual that could call into question the Covered Person’s ability to make a decision with solely the best interests of the University in mind. A Nonfinancial Interest may, for example, include membership in, or service as a trustee, director, officer, executive, committee member, or advisory board of another organization.

An Interest does not necessarily constitute a Conflict of Interest. A Covered Person who has an Interest will be deemed for purposes of this Policy to have a Conflict of Interest only if the Approving Body determines that a Conflict of Interest exists. Furthermore, the determination of a Conflict of Interest under this Policy shall not, in and of itself, constitute a breach of fiduciary duty by a Covered Person.

- (f) **“Interested-Party Transaction”** – Any contract, transaction or arrangement with a Covered Person, an entity in which the Covered Person has an Interest, or with respect to which a Covered Person’s Family Member has an Interest.
- (g) **“Spin-In”** – A third party entity, other than a Spin-Off, that has entered into any contract, transaction or arrangement with the University whereby the University provides expertise or know-how to the entity to further enhance an entity product, service or process in exchange for equity securities or royalties from the entity. Unless special circumstances exist, the conduct of traditional sponsored research or clinical trials is not the type of contract, transaction or arrangement which creates a Spin-In.
- (h) **“Spin-Off”** – An entity (i) created by the University, (ii) controlled by the University, or (iii) driven largely by intellectual property licensed from the University.

Revision Date(s): 11/10/2004, 4/10/2014, 2/25/2015, 12/12/2019

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Responsibility for maintenance of Policy: Office of Legal Affairs

Attachment(s): Schedule A

(Signature on File)

Approved by:

H. Richard Haverstick, Jr.
Chair, TJU Board of Trustees

Schedule A.

Disclosure Procedures

Initial and Annual Disclosure. Upon appointment in the role of Covered Person, and on an annual basis thereafter, each Covered Person shall submit a statement disclosing any Interests held by such Covered Person and their Family Members (“Disclosure Statement”). The Disclosure Statement must include information detailing:

1. All organizations in which the Covered Person or, to their knowledge, their Family Members hold an ownership or investment interest or in which the Covered Person has an interest as a partner (excepting ownership of 1% or less of the equity of a publicly traded organization, and indirect ownership interests held through mutual funds);
2. Any arrangements from which the Covered Person or, to their knowledge, their Family Members receive compensation from an organization;
3. All organizations in which the Covered Person or, to their knowledge, their Family Member has an interest as a member, trustee, director, officer, or executive;
4. Whether any of those organizations is or has been involved in business transactions or arrangements with the University; and
5. Other information requested by the University.