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 Effective Date: 2/25/2015

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## UNIVERSITY POLICIES & PROCEDURES

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Category: Administration

Title:

### **CONFLICTS OF INTEREST POLICY FOR THE BOARD OF TRUSTEES**

Applicability:

Thomas Jefferson University

Contributors/Contributing Departments:

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## CONFLICTS OF INTEREST.

### **Section 1. Purpose.**

The purpose of the conflicts of interest policy is to protect the University's interest when it is considering or acting upon an arrangement, contract, or transaction that might benefit the private interest of a Trustee or a member of a committee or subcommittee that exercises Board-delegated powers of the University or senior management. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit charitable corporations.

### **Section 2. Definitions.**

- (a) **“Covered Person”** – Any Trustee of the University, 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.
- (b) **“Family Member”** – A Covered Person's spouse, parents, siblings, children, or any other relative if the latter resides in the same household as the Covered Person.
- (c) **“Financial Interest”** – Any arrangement, contract, or transaction pursuant to which a Covered Person has, directly or indirectly, through business, investment or a Family Member: (i) an existing or potential ownership or investment interest in any entity with which the University has an arrangement, contract, or transaction; (ii) an existing or potential compensation arrangement with the University or with any entity or individual with which the University has an arrangement, contract, or transaction; or (iii) an existing or potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the University is negotiating an arrangement, contract, or transaction.

- (d) “**Nonfinancial Interest**” – Any arrangement, contract, or transaction pursuant to which a Covered Person is, or has a Family Member who is, (i) a member of a nonprofit entity with which the University has or is negotiating an arrangement, contract, or transaction; (ii) a trustee, director, officer, or executive of an entity with which the University has or is negotiating an arrangement, contract, or transaction; or (iii) a member of a committee or subcommittee that exercises board-delegated powers of an entity with which the University has or is negotiating an arrangement, contract, or transaction.

### Section 3. Policy.

- (a) Annually, each Covered Person shall submit a statement disclosing (i) all organizations in which the Covered Person holds an ownership or investment interest or in which the Covered Person has an interest as a partner (excepting ownership of 5% or less of the equity of a publicly traded organization); (ii) any arrangements from which the Covered Person receives compensation from an organization; (iii) all organizations in which the Covered Person has an interest as a member, trustee, director, officer, or executive; and (iv) whether any of those organizations is or has been involved in business transactions or arrangements with the University (“**Disclosure Statement**”).
- (b) Any Covered Person who, for any reason, acquires, develops, or holds, at any point, any Financial Interest or Nonfinancial Interest that the Covered Person did not disclose on the Covered Person’s most recent Disclosure Statement shall disclose such interest to the Office of University Counsel at the earliest practicable time.
- (c) The Board of Trustees (the “**Board**”) or the Committee on Internal Audit, Compliance and Risk of the Board (the “**Committee**”) or, with respect to matters being undertaken by an other committee or subcommittee that exercises Board-delegated powers of the University, such committee or subcommittee (in each case, as applicable, the “**Approving Body**”) shall determine, with respect to each arrangement, contract, or transaction being considered or acted upon by such Approving Body, (i) whether a Covered Person’s Financial Interest or Nonfinancial Interest presents a conflict of interest and (ii) whether an arrangement, contract, or transaction with respect to which a Covered Person has a conflict of interest is fair and reasonable to the University, in the University’s best interest, and in the interest of the communities that the University serves.
- (d) Presumptively, no Covered Person who has a conflict of interest with respect to any arrangement, contract, or transaction may vote as a member of an Approving Body with respect to such arrangement, contract, or transaction. A Covered Person who receives compensation, directly or indirectly, from the University is precluded from voting on matters pertaining to that individual’s compensation.

### Section 4. Required Action and Procedures for Approval.

- (a) Each Covered Person who has a Financial Interest or a Nonfinancial Interest with respect to an arrangement, contract, or transaction under consideration by an Approving Body and involved as a member of such Approving Body in assessment of such arrangement, contract, or transaction shall disclose all material facts regarding the Financial or Nonfinancial Interest to the Approving Body.
- (b) Upon disclosing his or her interest to the Approving Body, the Covered Person may make a presentation to the Approving Body and be available to answer any questions the Approving

Body may have. 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.

- (c) 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 a more advantageous arrangement, contract, or transaction from a person or entity that would not give rise to a conflict of interest.
- (d) If a more advantageous 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 arrangement, contract, or transaction (i) is fair and reasonable to the University and (ii) is in the University's best interest and in the interest of the communities served by the University. 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.
- (e) Other committees and subcommittees that exercise Board-delegated powers of the University shall refer to the Committee, and the Committee shall refer to the Board, consideration of any matters involving a potential conflict of interest of one or more Covered Persons serving on such committee or subcommittee or on the Committee, respectively, if necessary to assure due consideration for protection of the interests of the University. Matters of particular significance to the University shall in every case be referred to the Board.

**Section 5. Minutes.** The minutes of the Approving Body meeting shall set forth (a) the name of any Covered Person having a potential conflict; (b) the Approving Body's determination as to whether a conflict 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 vote.

**Section 6. Dissemination of Policy.** Each Covered Person shall receive a copy of this Policy and shall sign a statement affirming that the Covered Person has read and understands the Conflicts of Interest 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; and (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.

**Section 7. Disciplinary Actions.** Any Covered Person who fails to comply with this policy shall be subject to such disciplinary action as the Board or Committee may deem appropriate to protect the University's best interests.

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

**Review Date(s):** 11/10/2004

**Responsibility for maintenance of policy:**

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