

Swedish Health Services Board of Trustees Conflicts of Interest Policy

PURPOSES:

1. To select Board Members in a manner that reduces the risks posed by Conflicts of Interest.
2. To protect the interests of Swedish Health Services (Swedish) when it is contemplating entering into a transaction or arrangement that has the potential for benefiting the private interests of a Board Member.
3. To assure that Board Members perform their duties in an impartial manner free from any bias created by personal interests of any kind.
4. To clarify the duties and obligations of Board Members in the context of potential conflicts of interest and to provide Board Members with a method for disclosing and resolving potential conflicts of interest.
5. To supplement (not replace) any applicable Washington state laws governing conflicts of interest applicable to charitable, non-profit corporations

POLICY:

The Board of Trustees has the obligation to select and maintain Board Members who, in the opinion of the Board, are best able to protect the interests of Swedish and the community it serves, to preserve the independence and integrity of Board decisions, and to assure that Board Members are able to act in the best interests of Swedish in those situations where personal interests conflict or appear to conflict with the best interests of Swedish. Board Members will at all times act in a manner consistent with the Duty of Loyalty and the Duty of Care. Board Members will be selected in a manner that minimizes the risks related to actual, apparent, or potential Conflicts of Interest. Board Members will promptly and fully disclose any actual, apparent, or potential Conflict of Interest and will comply with any decision of the Board of Trustees as to how the Conflict of Interest will be addressed. Swedish will not engage in any contract, transaction, or arrangement involving a Conflict of Interest unless the Board of Trustees determine that appropriate safeguards to protect the charitable mission of Swedish have been implemented.

DEFINITIONS:

- a. **Board Member.** Any member of the Swedish Health Services Board of Trustees and any member of a committee of the Board of Trustees with Board delegated powers.
- b. **Duty of Care.** Every Board Member will discharge his/her duties in good

faith and with the degree of care that an ordinarily prudent person in a like position would exercise under similar circumstances.

- c. **Duty of Loyalty.** Every Board Member must act with loyalty to Swedish, meaning that no Board Member may use his or her corporate position to make personal profit or gain other personal advantage. Board Members may not engage in transactions with Swedish that confer unfair gains or secret profits. Board Members may not personally take advantage of a business opportunity that is offered to Swedish, or to the Board Member by virtue of his or her position with Swedish, unless the Board determines (after a disinterested and informed evaluation) not to pursue that opportunity.
- d. **Conflict of Interest.** A person has a Conflict of Interest with respect to a contract, transaction, or arrangement in which Swedish is (or would be, if approved) a party, if the person has, directly or indirectly, through a business, investment, family, or other relationship:
- an ownership or investment interest¹ in any entity involved in such contract, transaction, or arrangement;
 - a compensation arrangement with an individual or entity involved in such contract, transaction, or arrangement;
 - a potential ownership or investment interest in, or compensation arrangement with, an individual or entity with which Swedish is negotiating such contract, transaction, or arrangement; or
 - a fiduciary position (e.g., member, officer, director, committee member) with respect to an entity involved in such contract, transaction, or arrangement.
 - a non-economic affiliation or relationship, directly (or indirectly, through a third party) with an individual or entity with which Swedish is negotiating or maintains a contract, transaction, or arrangement such that the affiliation or relationship could render the trustee incapable of making a decision with only the best interests of Swedish in mind.

In addition, a person has a Conflict of Interest with respect to any existing or potential compensation arrangement between Swedish and that person or any business, investment, or family member related to that person. For purposes of

¹ For purposes of this Policy, an “ownership or investment interest” does not include ownership of less than 10% of the securities (or of securities representing less than 10% of the net worth) or a publicly traded entity so long as the fair market value of the interest is less than 10% of the Board Member’s net worth at year end.

this section, compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

- e. **Family Member**. Parent, grandparent, spouse, domestic partner, child, grandchild, brother, sister, or the spouse's or domestic partner's parent, grandparent, child, grandchild, brother or sister.

PROCEDURES:

- a. **Recruitment of Board Members**. To provide diligence in identifying and limiting Conflicts of Interest, all potential Board Members will complete a Conflict of Interest Questionnaire. The Governance Committee will review the Questionnaire and any other information it deems relevant and will provide the Board of Trustees with a recommendation as to whether or not the individual should be approved as a Board Member. The existence of a Conflict of Interest will not necessarily preclude an individual from being appointed a Board Member; all the facts and circumstances will be considered by the Governance Committee in making its recommendations. Examples of factors that may be considered by the Governance Committee and may preclude individuals from serving as a Board Member are:
 - Individual is an owner, partner, employee, board member, or investor in a direct competitor of Swedish.
 - Individual is an employee of Swedish, or a family member is a senior executive officer for Swedish.
 - Individual receives compensation for ongoing services provided to Swedish.
 - Individual is an owner, partner, employee, board member, or investor of a vendor that is (a) receiving a substantial amount of revenue from Swedish or (b) the exclusive supplier of certain goods or services to Swedish.
 - Individual has a conflict of interest that cannot, in the reasonable opinion of the Governance Committee, be managed in manner that does not disrupt Board or Committee meetings or interfere with the individual's responsibilities as a Board Member.
- b. **Physician Board Members**. Swedish values the membership and participation of physicians who are members of the Swedish Medical Staff on its boards and board committees. Many members of the Medical Staff have, or are members of medical groups that have, businesses that compete with Swedish. Each physician Board Member, including the Chief of Staff, will disclose such competing businesses to the Board, along with any other actual,

apparent or potential Conflicts of Interest, and such disclosures will be evaluated and managed in accordance with this policy.

- c. **Conflict of Interest Questionnaire.** On an annual basis, each Board Member will complete and sign a Conflict of Interest Questionnaire disclosing all actual, apparent or potential Conflicts of Interest. The Questionnaire will include an annual statement that the Board Member (a) has received a copy of this Policy; (b) has read and understands the Policy; (c) agrees to comply with the Policy; (d) understands that the Policy applies to committees and subcommittees; (e) understands that Swedish is a charitable organization that must engage primarily in exempt activities; (f) agrees to report to the Board Chair or the Chair of the Governance Committee any change to matters previously disclosed on the Conflict of Interest Questionnaire; (g) states that the information provided in the Conflict of Interest Questionnaire is true and accurate to the best of his or her knowledge and belief.
- d. **Ongoing Duty to Disclose.** A Board Member has a continuing obligation to disclose the existence and nature of any actual, apparent, or potential Conflict of Interest he/she may have, by promptly providing a written description of the actual, apparent, or potential Conflict of Interest to the Board Chair using the Conflict of Interest Questionnaire. A copy of the Questionnaire will be provided to the Chair of the Governance Committee and to the General Counsel. Such disclosure will be made promptly any time an actual, apparent, or potential conflict of interest arises and before the consummation of any contract, transaction, or arrangement that is the subject of the potential Conflict of Interest.
- e. **Determining Whether a Conflict Exists.** The Governance Committee will review all Conflict of Interest Questionnaires. The Governance Committee may request additional information to review and will involve the General Counsel in its deliberations. The Governance Committee will make a finding as to whether an actual, apparent or potential Conflict of Interest exists, and will forward that finding to the Board of Trustees for discussion and vote. The Governance Committee will also make recommendations as to how the Conflict of Interest should be addressed, as discussed in section “f” below. Only Active Trustees who are considered Independent Community Members (as that term is defined in Article III.2(c) of the Bylaws of Swedish Health Services) may vote to determine whether a Conflict of Interest exists and to approve any recommendations as to how the Conflict of Interest will be addressed. The subject Board Member may not be present when this discussion and vote is taken.

- f. **Addressing Actual, Apparent or Potential Conflicts of Interest.** If the Governance Committee determines that an actual, apparent or potential Conflict of Interest exists, the Governance Committee will recommend to the Board how the Conflict of Interest should be addressed. By way of example, the Governance Committee's recommendations may include but not be limited to (a) a Board Member must leave the room while a proposed contract, transaction, or arrangement giving rise to a Conflict of Interest is discussed; (b) a Board Member should abstain from voting or should leave the room when the matter giving rise to the Conflict of Interest is voted on; (c) a physician Board Member should not receive any proprietary Swedish material relating to a service if the physician or the physician's medical group has a competing service; and, (d) a Board Member should be removed from the Board of Trustees or Board committee because a Conflict of Interest cannot be effectively addressed. All such recommendations will be subject to Board approval as discussed in section "e" above.
- g. **Review of Actions Taken.** If it is determined that a Board Member has participated inappropriately in a discussion or vote on a matter in which the Board Member has a Conflict of Interest, the Board (without the participation of such Board Member) will review the matter to determine whether Swedish could have obtained a more advantageous contract, transaction, or arrangement with reasonable efforts under the circumstances. If appropriate, the Board may appoint a non-interested person or committee to investigate alternatives to the proposed contract, transaction, or arrangement. In considering whether to enter into the proposed contract, transaction, or arrangement, the Board may approve such a contract, transaction, or arrangement if it determines that the proposed contract, transaction, or arrangement is in Swedish's best interests and for Swedish's own benefit; and is fair and reasonable to Swedish, taking into account, among other relevant factors, whether Swedish could obtain a more advantageous contract, transaction, or arrangement with reasonable efforts under the circumstances.
- h. **Violations of the Conflict of Interest Policy.** If the Board has reason to believe that a Board Member has failed to comply with this Policy, the Board of Trustees will inform that person of the basis for its belief and provide that person an opportunity to address the alleged failure. After hearing the response of such person and conducting such further investigation as may be warranted under the circumstances, the Board of Trustees will determine whether such person has, in fact, violated this Policy. If the Board determines that there has been a violation, the Board will take appropriate disciplinary and corrective action, up to and including removal from membership on the Board or Board Committee.

- i. **Records of Proceedings.** The minutes of meetings of the Board and Board Committees will identify any person attending the meeting who has a Conflict of Interest with respect to any matter before the Board or committee and the action taken to address the Conflict of Interest (e.g., the individual left the room during discussion of the matter giving rise to the Conflict of Interest and the individual did not vote on such matter.)

Approved by Governance Committee January 16, 2006
Approved by Board of Trustees January 24, 2006