

Board Policy Manual for Emerson Health System, its Affiliates and Emerson Hospital

Board Policy No. 6

Subject: Conflict of Interest

Effective Date: March 27, 2007
Updated: May 26, 2009, December 21, 2010, May 24, 2011, November 27, 2012, May 28, 2013

Policy Statement

Purposes

Covered Persons (as defined below), who are subject to this Conflict of Interest Policy, have a duty of loyalty to the Corporation. This requires them to discharge their duties unselfishly, in a manner designed to benefit the corporate enterprise and not the individual personally. They have a “duty to disclose” in situations that may present a potential for divided loyalties or conflict with the Corporation’s mission, as well as a duty to avoid competition with, and appropriation of the assets of, the Corporation.

This Conflict of Interest Policy is adopted for Emerson Health System and its Affiliates, including Emerson Hospital (collectively, the “Corporation”). This Conflict of Interest Policy is adopted in order to assure: (i) a uniform conflict of interest policy for Covered Persons, including Immediate Family Members (as defined below) and (ii) effective communication and decision making regarding potential conflicts of interest. This Policy is intended to supplement, but not replace, any applicable federal or state laws governing conflicts of interest applicable to nonprofit and charitable corporations or the fiduciary duties of corporate officers and Covered Persons.

Definitions

As used in this policy, the term

- i. “Covered Person” refers to Directors and Officers of the Corporation; senior management of the Corporation; other employees of, or physicians associated with, the Corporation who are in a position regularly to attend meetings of any of the boards of the Corporation (the “Board”) or any Board committee; voting members of any Board committee; and any other person that the Board may designate as a “Covered Person”.
- ii. “Affiliate” means any entity controlled by or under common control with Emerson Health System or Emerson Hospital.
- iii. “Immediate Family Member” includes a spouse, parent, sibling or child of a Covered Person, or the spouse of any of the foregoing, or any other person living in the same household as a Covered Person but who is not a domestic employee. This definition is not intended to exclude the possibility that actions of other family members of a Covered Person, not specifically cited in this definition, could pose potential conflicts of interest subject to this Policy.
- iv. “Financial Interest” exists when a Covered Person or an Immediate Family Member has, directly or indirectly, through business, investment or family: (1) an ownership or investment

interest in any entity with which the Corporation has a transaction or arrangement; (2) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement; or (3) a potential ownership or investment interest in, or compensation arrangement with an entity or individual with which the Corporation is negotiating a transaction or arrangement. A Financial Interest does not include ownership of less than one percent (1%) of the publicly traded stock of any entity with which the Corporation has a transaction or arrangement.

Policy

General Principles

Covered Persons have an obligation to: (i) protect decisions involving the Corporation against conflicts of interest; (ii) maintain the confidentiality of information obtained through service as a Covered Person; (iii) assure that the Corporation acts for the benefit of the community as a whole rather than for the private benefit of any individual; and (iv) fully disclose any personal business opportunities that are competitive with the Corporation or in which the Corporation is known to have an interest. In the furtherance of these obligations, all Covered Persons shall exercise the utmost good faith in all transactions touching upon their duties to the Corporation. In their dealings with and on behalf of the Corporation, they will be held to a strict standard of honest and fair dealing. Covered Persons are also obliged to disclose any potential conflict of interest known to them that arises from the interest and activities of any of their Immediate Family Members.

Failure to comply with this Policy may disqualify a person from serving in a capacity that qualifies him or her as a Covered Person, or, if already serving in such position, may result in disciplinary action up to and including dismissal, subject to the terms of any applicable employment agreement or, in the case of a Covered Person who is a member of a Board, he or she may be removed in accordance with the applicable Bylaws.

Permitted Interested Transactions

1. The Corporation may purchase goods or services from or otherwise contract with an entity in which a Covered Person or an Immediate Family Member has a direct or indirect financial interest (a Covered Person-affiliated entity), provided that a majority of the non-interested Directors of the Board has determined that:

a. The terms of the transaction are fair and reasonable and competitive with what the Corporation could receive from a non-Covered Person-affiliated entity using due diligence and reasonable efforts;

b. The transaction is otherwise in the best interests of the Corporation;

c. The nature of the involvement of the Covered Person or Immediate Family Member in the Covered Person-affiliated entity has been fully disclosed in accordance with this Policy; and

d. The interested Covered Person has not voted on the transaction nor been counted toward a quorum at any meeting held to act on the transaction.

2. Covered Persons may take advantage of personal business opportunities for themselves or for Immediate Family Members that, to the best of their knowledge, may be of interest to, competitive with, or impact the interests of, the Corporation only if:

a. The Covered Person has fully disclosed the opportunity in accordance with this Policy;

b. The opportunity has not arisen out of any use of confidential or proprietary information of the Corporation; and

c. A majority of the non-interested Directors of the Board has determined that the Corporation has no present interest in availing itself of the opportunity and that the Covered Person or Immediate Family Member may take advantage of the opportunity.

Any Covered Person may contact the General Counsel through the Compliance Officer, the Chairman of the Corporation's Board ("Chairman") or the President and Chief Executive Officer (the "CEO") to discuss whether a personal business opportunity represents a potential conflict of interest.

Potential Conflicts

Although it is impossible to list every circumstance giving rise to a possible conflict of interest, the following will serve as examples of the types of activities and relationships that might give rise to such a conflict and that should be reported in a detailed and timely fashion to the CEO or to a person designated from time to time by said CEO with the approval of the Board. Any Covered Person may contact the General Counsel through the Compliance Officer, Chairman or CEO for guidance in evaluating concerns about potential conflicts of his or her own, of an Immediate Family Member, or of anyone else.

1. Other Healthcare Affiliations

To serve as a volunteer or paid trustee, director, officer, partner, employee, consultant, agent, or advisor of or to any competing hospital, medical clinic or healthcare facility or organization not affiliated with the Corporation.

2. Outside Interests and Opportunities

a. To hold, directly or indirectly, a financial interest in any outside company, organization or concern that the Covered Person has reason to believe makes payments to or receives payments from the Corporation (whether on account of goods, loans or other transactions), or that provides services in competition with the Corporation.

b. To compete, directly or indirectly, with the Corporation in the purchase or sale of property or any property right, interest or service.

c. To accept or take advantage of a business opportunity that the Covered Person knows or has reason to know may be of interest to or competitive with the Corporation.

3. Gifts and Entertainment

To accept a gift, entertainment, or other material benefit whose value exceeds an annual

aggregate amount of \$250, from any person or concern that does, or is seeking to do, business with, or is a competitor of, the Corporation. Such limit shall not apply to a gift, entertainment or other material benefit from any person or concern that does, or is seeking to do, business with, or is a competitor of, the Corporation that is provided in connection with a fundraiser that supports a public charity, including the Corporation or its Affiliates (e.g. Emerson golf tournament) provided that any such gift, entertainment or other material benefit does not exceed \$500 and is disclosed to the Compliance Officer.

4. Inside Information

To disclose or use information relating to the Corporation's business for personal profit or advantage, or to divulge confidential information in advance of official authorization of its release.

5. Non-economic affiliation or relationship

To be influenced by a non-economic affiliation or relationship, directly (or indirectly, through a family member or other third party) with an individual or entity with which the Corporation is negotiating or maintains a contract, transaction, or arrangement such that the affiliation or relationship could render the director incapable of making a decision with only the best interests of the Corporation in mind.

6. Covered Person-Affiliated Vendors – Relationships with the Corporation

A Covered Person-affiliated vendor providing goods or services to the Corporation shall conduct all business relating to the administration of its contract or other arrangement with the Corporation through the usual channels for administration of the Corporation's contracts, and the affected Covered Person shall scrupulously refrain from utilizing such Covered Person's position as a Covered Person to introduce, negotiate, conduct, or arbitrate contractual matters.

Disabling Guidelines

Under the following circumstances, a Covered Person may not be seated as a Director, should consider resigning, or may be subject to removal:

1. Engaging in repeated, intentional failure to disclose a conflict of interest;
2. Engaging in a single but significant, intentional failure to disclose a conflict of interest;
3. Intentionally violating the Corporation's Confidentiality Policy or Code of Conduct;
4. Engaging in any external conduct that the Board considers may adversely impact the Corporation;
5. Serving as a board member, partner, investor or employee of a direct competitor to the Corporation; but not if the Covered Person or Immediate Family Member is a physician whose office practice includes routine services also offered by the hospital, such as laboratory or imaging services; For the purpose of this exception, routine office practice services do not include any services that are subject to clinic licensure by the Massachusetts Department of Public Health pursuant to M.G.L. c. 111, § 51, or 105 CMR 140.000
6. Speaking publicly against positions of the Board or the best interests of the Corporation;

7. Subsequent to his or her appointment as a Director, becoming a non-physician employee of the Corporation or having an Immediate Family Member become a senior executive of the Corporation; In this context, "employee" refers to an actual hospital employee (i.e., hospital pays his/her wages, withholds taxes, provides unemployment and workers' compensation insurance, etc.). "Employee" does not include an independent contractor of the hospital or an employee/shareholder of an independent contractor of the hospital.

8. A non-physician Director on the Board of the Corporation serving as an owner, partner, employee, board member, or investor of a vendor (professional services, financial institution, or other business) receiving a substantial amount of revenue from the Corporation, defined as greater than \$200,000 or 2 per cent of the annual revenues of that vendor in the immediately preceding calendar year.

In the event a Covered Person has not yet been seated as a Director, the Chairman of the Board shall determine if the Covered Person is disqualified from serving on the Board following consultation with the Board's Governance Committee.

Procedure

1. As soon as any potential conflict of interest arises, or any situation occurs about which a Covered Person has a question as to whether it might constitute a conflict of interest under this Policy, the Covered Person having the real or potential conflict of interest (the "Affected Covered Person") shall make full disclosure to the CEO so as to permit an impartial and objective determination of whether a real or potential conflict of interest does exist. The CEO shall consult with the Affected Covered Person and with such other individuals as he or she may deem appropriate.

2. If after such consultation the CEO deems a real or potential conflict of interest to exist, then he or she may require that the Affected Covered Person, among other things, disclose the real or potential conflict of interest to the particular Board and refrain from voting on the matter on behalf of the Corporation.

3. If the Affected Covered Person is in the senior management or leadership ranks of the organization, he or she shall disclose the conflict to their immediate supervisor in writing on the attached form annually and as it occurs. Such supervisor shall evaluate the potential conflict of interest by consulting with their Vice President or President and the general counsel if needed. If a conflict of interest is deemed to exist, the manager will refrain from decision-making on the particular issue and the Vice President or President will lead the affected decision-making process.

4. Such Affected Covered Person shall not vote or use his or her personal influence on the matter and shall not be counted in determining a quorum at any Board or committee meeting on the matter even where permitted by law. The minutes of the Board or committee meeting at which the matter is discussed and decided shall identify the name of the Affected Covered Person, the nature of the real or potential conflict, the fact that a full and accurate disclosure was made, the names of the persons present for the discussion, the content of the discussion, including any alternatives to the proposed transaction or arrangement that were considered, a record of the vote taken, an assurance that the Affected Covered Person abstained from voting and an accurate statement that a quorum was present without including the Affected Covered Person in the count. At the request of the Board or committee, or of any Covered Person, the Affected Covered Person shall be excused from, and shall absent himself or herself from, any portion of any meeting during

which the transaction or arrangement is to be discussed and voted upon.

5. The foregoing requirements shall not be construed as preventing an Affected Covered Person from briefly stating such Covered Person's position on the matter nor from answering pertinent questions of other Covered Persons since such Covered Person's knowledge may be of great assistance in enabling the Covered Persons to fulfill their fiduciary duties to the Corporation.

6. In addition to making ongoing disclosures of potential conflicts of interest, Covered Persons must make any and all potential conflicts of interest a matter of record through an annual procedure, which is described below:

a. Not later than thirty (30) days prior to the annual meeting of the Emerson Health Systems corporation (or at such other time as the Board may determine from time to time), the CEO shall, in writing, advise each Covered Person of this Policy, provide a copy of this Policy, and request that each Covered Person complete and submit to the CEO a Disclosure Form relating to any possible conflicts of interest. The Disclosure Form may be modified from time to time by the Board. The Disclosure Form currently in effect as of the date of adoption of this Policy is attached hereto as Exhibit 1. A listing of the current vendors providing goods and services to the Corporation in excess of \$50,000 annually will accompany the form each year.

b. Each Covered Person shall submit the completed Disclosure Form prior to the date of the annual meeting of the EHS corporation (or within such other period as the Board may determine from time to time).

c. The CEO shall review all Disclosure Forms. It is understood that the Disclosure Forms shall be used only to the extent necessary for the administration and verification of this Policy and shall be kept confidential to the extent allowed by law.

d. Completed Disclosure Forms are available for review by any Director or Officer of the Corporation by contacting the General Counsel through the Compliance Officer, or the CEO.

e. The CEO will report annually and as necessary to the Board of Directors a summary of the conflict issues reported in the Disclosure Forms.

f. The duty to make disclosure is an ongoing obligation; it is not fully discharged upon completion and submission of the annual questionnaire. The Covered Person is obligated to disclose updates to the information contained in the submitted questionnaire when he/she subsequently becomes aware of an interest that requires disclosure. Furthermore, the typical questionnaire is general in nature and cannot be expected to prompt information about specific contracts, transactions, or arrangements with which the non-profit is, or may ultimately, be involved.

7. Every two years the Board shall review standard relationships with financial institutions, insurance firms and other entities that have a presence in the locality of the Corporation and that provide services to the Corporation to assure that each such relationship is in the best interests of the Corporation and is otherwise consistent with the terms of this Policy.

8. This Policy shall be reviewed at least every two years by the Board. Each new Covered Person shall be advised of the content of this Policy prior to appointment as a Covered Person and shall be required to file the then effective Disclosure Form prior to assuming his or her Covered Person position.

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Board Policy Number: 6

Conflict of Interest

**Effective Date of Form: March 27, 2007
Updates: May 26, 2009, December 21, 2010**

Exhibit 1: Disclosure Form

**PLEASE RETURN BY January 15th TO: OFFICE OF THE PRESIDENT,
EMERSON HEALTH SYSTEM, INC.
133 ORNAC
CONCORD, MA 01742**

***Please attach additional pages if needed to fully list any information requested.
Failure to complete and return this form is considered a violation of this policy.***

My Name: _____

I hereby affirm that I have received a copy of the Conflict of Interest Policy of Emerson Health System, Inc. and its Affiliates (the "Corporation") requiring disclosure of certain interests, that I have read and understand the Policy, and that I agree to comply with its terms. In addition I hereby affirm my understanding that the Corporation is a charitable organization and that, in order for it to maintain its federal tax exemption, it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Consistent with the purposes and intentions of the Policy, I hereby state that, to the best of my knowledge, I and my Immediate Family Members have the following affiliations or interests and have taken part in or are now taking part in the following transactions that, considered in conjunction with my position with or relation to the Corporation, may constitute a conflict of interest (please state "none" where applicable):

1. **Business Affiliations.** Please list below any entities in which you or any Immediate Family Member has a Financial Interest. A "Financial Interest" exists when a you or an Immediate Family Member has, directly or indirectly, through business, investment or family: (1) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement; (2) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement; or (3) a potential ownership or investment interest in, or compensation arrangement with an entity or individual with which the Corporation is negotiating a transaction or arrangement. A Financial Interest does not include ownership of less than one percent (1%) of the publicly traded stock of any entity with which the Corporation has a transaction or arrangement

Name of Business: _____

Description of Transaction: _____

Amount of Transaction: _____

2. **Other Healthcare Affiliations.** Please list below the name and city of any healthcare company or facility for which you or any Immediate Family Member serves as a volunteer or paid director, trustee, officer, partner, employee, consultant, agent or advisor and the capacity in which you or such Immediate Family Member so serves:

3. **Non-Economic Relationships:**

A. Please identify any other non-economic relationship (e.g., professional, charitable, and familial relationships) that may be sufficiently material as to potentially interfere with the exercise of independent judgment in carrying out the responsibilities of a Director of the Corporation. This would include serving together with another Emerson Covered Person on another business or not-for-profit board, or engaged jointly in a partnership or venture. You do not need to disclose privileged relationships (i.e., attorney-client, doctor-patient, clergy-parishioner.)

Name of other Covered Person:

Name of other organization or business:

Description of relationship:

B. Please list any grants or assistance that you, any family member or any entity in which you have an ownership interest received from the hospital during the most recent fiscal year. Include awards, prizes, scholarships, fellowships, internships, cash, services, goods, or use of facilities.

C. Please identify any purchase or sale of property or property right, interest or service, made or proposed to be made by you or any Immediate Family Member, that, to the best of your information and belief, might be deemed to have been made in competition with the Corporation:

D. Please identify any business opportunity that you or any member of your immediate family know or have reason to know may be of interest to or competitive with the Corporation:

4. **Gifts, Gratuities and Entertainment:** I hereby certify that neither I nor, to the best of my

knowledge, any Immediate Family Member has accepted, is accepting or will accept any gift, gratuity, or entertainment from any outside concern that does, or is seeking to do business with or is a competitor of, the Corporation, with a value in excess of \$250, except as listed below:

5. **Inside Information:** I hereby certify that neither I nor, to the best of my knowledge, any Immediate Family Member has disclosed or used, is disclosing or using, or will disclose or use information relating to the Corporation's business, except as listed below. If none, please so state. For purposes of making this certification, "information" shall be deemed to mean the information identified in the Confidentiality Agreement that you have executed as a Covered Person in accordance with the terms of the Confidentiality Policy.

6. **Other:** Please list any other activities in which you or any Immediate Family Member is engaged that might be regarded as constituting a potential conflict of interest with the Corporation:

If you are involved in activities or have business relationships that do not appear to be addressed by the queries above, any Covered Person may contact the General Counsel of the Corporation, through the Compliance Officer, for guidance. Please include with this disclosure statement a description of the activities and relationships and your concerns.

I hereby agree to report promptly to the President and Chief Executive Officer of the Corporation, or his or her designee, any situation or transaction that may arise during the forthcoming year that constitutes a conflict of interest or a potential conflict of interest.

Signature

Date:

Printed Name