

## CORPORATE COMPLIANCE POLICY

Department/Category: <b>CONFLICT OF INTEREST</b>	Page <b>1 of 11</b>	Policy # <b>CCI 01.0011</b>
Title: <b>CONFLICT OF INTEREST</b>	Review of: <b>08/31/2011</b>	Version: <b>2.1</b>
		Effective Date: <b>09/01/2021</b>
		Next Review: <b>10/01/2021</b>

**SCOPE:** Applies to entities indicated below as well as their subsidiaries and affiliates

<input checked="" type="checkbox"/> <b>NM – Northwestern Memorial Hospital</b>	<input checked="" type="checkbox"/> <b>NM – Lake Forest Hospital</b>
<input checked="" type="checkbox"/> <b>NM – Northwestern Medical Group</b>	<input checked="" type="checkbox"/> <b>NM – Central DuPage Hospital</b>
<input checked="" type="checkbox"/> <b>NM – Regional Medical Group</b>	<input checked="" type="checkbox"/> <b>NM – Delnor Hospital</b>
<input checked="" type="checkbox"/> <b>NM – Kishwaukee Hospital</b>	<input checked="" type="checkbox"/> <b>NM – Valley West Hospital</b>
<input checked="" type="checkbox"/> <b>NM – Marianjoy Rehabilitation</b>	<input checked="" type="checkbox"/> <b>NM – Home Health &amp; Hospice</b>
<input checked="" type="checkbox"/> <b>NM – Palos Community Hospital</b>	<input checked="" type="checkbox"/> <b>NM – System Functions / NMHC Employees</b>
<input checked="" type="checkbox"/> <b>NM – Huntley Hospital / <input checked="" type="checkbox"/> NM – McHenry Hospital / <input checked="" type="checkbox"/> NM – Woodstock Hospital</b>	
<input checked="" type="checkbox"/> <b>NM – Other **See “Scope/Persons/Areas Affected” Section below**</b>	

### **I. PURPOSE:**

The purpose of this policy is to provide a clear statement of the position of NMHC (as defined herein) regarding Conflict of Interest. This policy provides guidance for identifying, disclosing and resolving Conflicts of Interest. It is also designed to protect the interests and assets of the Corporation.

### **II. POLICY STATEMENT:**

- A. Any and all Covered Persons within the Corporation are responsible for addressing all Conflicts of Interest and complying with the provisions of this policy. Requirements relating to specific types of Conflicts of Interest and specific procedures shall be set forth on Appendices to this policy as follows:
- B. Appendix A: Research-related Conflicts of Interest (applicable at CDH-Delnor Health System (as defined herein)).

### **III. DEFINITIONS:**

#### A. Conflict of Interest

1. A Conflict of Interest is defined as any situation in which any action or activity of a Covered Person could reasonably be expected to affect his or her independence of judgment with respect to the Corporation’s business. An Interest or Immediate Family Member/Personal Relationship (as defined below) does not necessarily constitute a Conflict of Interest. Under this policy, a person who has an Interest or Immediate Family Member/Personal Relationship has a Conflict of Interest only if the Chief Integrity Executive or appropriate Board or committee decides that a Conflict of Interest exists.

#### B. Corporation

1. Northwestern Memorial HealthCare and each of its current and future subsidiaries and affiliated corporations, including but not limited to Northwestern Memorial Hospital,

Northwestern Lake Forest Hospital, Northwestern Memorial Foundation, Northwestern Memorial Physicians Group, Northwestern Health Care Corporation and Lake Forest Health and Fitness Institute.

C. Covered Persons

1. Covered Persons means all directors, officers, members of committees with Board-delegated authority, employees and volunteers of the Corporation. It also includes members of Northwestern Memorial Hospital's ("NMH") medical staff or house staff who also: (1) hold any medical administrative positions (e.g. clinical department chairs, section and division chiefs, or special care unit directors); (2) have procurement responsibility or the authority to recommend such procurement; or (3) participate on boards or committees.

D. Board

1. Board means the Board of Directors of the Corporation.

E. CDH-Delnor Health System

1. CDH-Delnor Health System means CDH-Delnor Health System and entities wholly-owned or wholly-controlled by CDH-Delnor Health System. For purposes of this definition, "CDH-Delnor Health System" shall also include those entities partially-controlled by CDH-Delnor Health System (i.e. joint ventures) if, within a policy addressing joint ventures, the entities are expressly identified as being subject to this policy.

F. Compensation

1. Compensation includes direct and indirect remuneration, in cash or in kind (including royalties, consulting fees, speaking fees and research grants); provided, however, that compensation does not include gifts, meals, and business courtesies that are permitted under NMHC's policies with respect to gifts.

G. Interested Person

1. Any Covered Person, who has a direct or indirect Interest or Immediate Family Member/Personal Relationship, as defined below, is an Interested Person. If a person is an Interested Person with respect to NMHC or any of its subsidiaries, he or she is an Interested Person with respect to NMHC and all of its subsidiaries.

H. Immediate Family Member and Personal Relationship

1. Immediate Family Member - Immediate Family Members include a Covered Person's spouse and children. Immediate Family Members also include the following persons if they live with the Covered Person, the Covered Person manages their financial affairs, or the Covered Person is aware without inquiry that they hold the interest or position in question: the Covered Person's parents, siblings, grandchildren, and their spouses; the Covered Person's spouse's parents, siblings, children, grandchildren, and their spouses; and any other person. of significant influence
2. Personal Relationship - A Personal Relationship is a close personal or business connection with another individual of a bias-producing nature, i.e., a relationship that could cause the person to place the interests of that individual above the interests of the Corporation.

I. Interest

1. A Covered Person is deemed to have an Interest under any of the circumstances listed below:
2. The Covered Person has (or plans to have), directly or indirectly (i.e., through business investment, an Immediate Family Member, or a Personal Relationship), an ownership or investment interest (including stock options and profit sharing plans) in any entity with which the Corporation has, likely will have, or is negotiating a transaction or arrangement. An ownership or investment interest does not include an interest comprised solely of

publicly traded securities in a publicly traded company or publicly traded mutual fund, provided such interest does not exceed five percent (5%) of any class of shares or other publicly traded securities outstanding.

3. The Covered Person has (or plans to have), directly or indirectly (i.e., through business investment, an Immediate Family Member, or a Personal Relationship), a Compensation arrangement with any individual or entity with which the Corporation has, likely will have, or is negotiating a transaction or arrangement.
4. The Covered Person (or through an Immediate Family Member or Personal Relationship) is the party (or one of the parties) contracting or dealing with the Corporation.
5. The Covered Person (or through an Immediate Family Member or Personal Relationship) is affiliated with a competitor of the party proposing to contract or deal with the Corporation.
6. The Covered Person (or through an Immediate Family Member or Personal Relationship) is in the same or related business as the Corporation.
7. The Covered Person (or through an Immediate Family Member or Personal Relationship) has an influential interest in an entity contracting or dealing with, or in the same or related business as, the Corporation. This would include, by way of example, serving as a member, officer, director, board or committee member.
8. The Covered Person participated in any outside activity that could interfere significantly with the Covered Person's work time obligation to the Corporation.
9. The Covered Person (a) is in an employment relationship with, (b) is subject to the direction or control of, or (c) receives Compensation or other payment subject to approval by, a person who has an Interest in a transaction or proposed transaction with the Corporation.
10. The Covered Person approves a transaction providing benefits to a person with an Interest or a Personal Relationship with respect to a proposed transaction, which person in turn has approved or will approve a transaction providing economic benefits to the Covered Person.

J. NMHC

1. NMHC means Northwestern Memorial HealthCare and entities wholly-owned or wholly-controlled by Northwestern Memorial HealthCare (individually referred to herein as an "NMHC-entity," and collectively referred to herein as "NMHC"). For purposes of this definition, "NMHC" and "NMHC-entity" shall also include those entities partially-controlled by NMHC (i.e. joint ventures) if, within a policy addressing joint ventures, the entities are expressly identified as being subject to this policy.

**IV. GUIDELINES:**

- A. It is impossible to list all specific situations that constitute a Conflict of Interest and there are no substitutes for honesty and the exercise of common sense and good judgment. Individuals are encouraged to contact the local compliance department or the NMHC Chief Integrity Executive regarding any questions or potential disclosure situations which may be unclear to them.
- B. These are examples of activities that often indicate or give rise to a Conflict of Interest:
  1. Transacting business on behalf of the Corporation, upon terms and conditions which are not arms-length dealing and/or which are significantly less advantageous than competitively available for goods or services of like grade and quality.
  2. Accepting personal or business loans from vendors to the Corporation (other than banks or other lending institutions upon then prevailing terms and conditions).
  3. Acquiring or competing, directly or indirectly, for any property or other corporate opportunity which the Corporation is known to be considering or likely to consider.

4. Having or owning a beneficial interest, directly or indirectly, having a compensation relationship, or serving as a director, officer, partner, employee, member or consultant of any entity doing business or seeking to do business with the Corporation.
5. Serving or being asked to serve as a director, officer, partner, employee, member or consultant of any entity that is a competitor of the Corporation. (Membership on the medical staff of other hospitals is beyond the scope of this policy, as long as the physician complies with other portions of this policy.)
6. Accepting gifts, gratuities, or entertainment in cash or in kind (including free goods or vendors' services) from any present or potential vendor which is not allowable under NMHC's policies with respect to gifts.
7. Proposing to do business with any entity which employs or is controlled by a Covered Person's Immediate Family Member or person with whom the Covered Person has a Personal Relationship.

**V. PROCEDURE:**

- A. Potential Conflicts of Interest are required to be disclosed promptly whenever they occur.
  1. Employees of the Corporation who are also directors and officers shall make disclosure to the Chief Integrity Executive or local compliance department, unless the disclosure is solely in relation to a Board-related transaction, in which case the disclosure shall be made to both the Chief Integrity Executive or local compliance department and the affected Board or Board committee prior to any meeting of the Board or Board committee at which action on the transaction in question is to be taken.
  2. Directors and Board committee members shall make disclosure to the affected Board or Board committee prior to any meeting of the Board or Board committee at which action on the transaction in question is to be taken.
  3. Non-physician Covered Persons who are employees or volunteers shall make disclosure to the Chief Integrity Executive or local compliance department.
  4. Covered Persons who are physicians shall make disclosure to the Chief Integrity Executive or local compliance department, with a copy to their Department Chairman and Chief of Staff.
- B. The Chief Integrity Executive or local compliance department shall respond promptly and inform the appropriate Department Chairman and Chief of Staff, as circumstances warrant. The Chief Integrity Executive shall discuss such disclosures with the Senior Vice President and General Counsel, the President and Chief Executive Officer ("CEO") and/or the Chief Financial Officer ("CFO"), as appropriate.
- C. Accurate and full disclosure of all facts is required. No action or implementation may be taken on what is disclosed until receipt of a response or conflict management plan by the Chief Integrity Executive or local compliance department, but then only in accordance with such response. If disapproved, the action may not be taken.

Procedure with respect to all employees (including all employed directors and officers) and Covered Persons who are medical staff or volunteers:

1. Annual Certification:
  - a. Each employee and Covered Person who is a medical staff member or volunteer shall annually complete a certification which, among other things, affirms that such person:
    - i. Has received a copy of the Conflict of Interest policy;
    - ii. Has read and understands the policy;
    - iii. Has agreed to comply with the policy; and

- iv. Has disclosed any matters required to be disclosed under the policy.
  - b. Timely and accurate completion of this certification by Covered Persons is essential for the effective administration of this policy.
2. Disclosure and Reporting
- a. Duty to Disclose:
    - i. In connection with any actual or possible Conflict of Interest, an Interested Person must disclose the existence of his or her Interest or Immediate Family Member/Personal Relationship to the Chief Integrity Executive or local compliance department prior to engaging in any Corporation process that might be affected. He or she must be given the opportunity to disclose all material facts to the Chief Integrity Executive or local compliance department.
  - b. Duty to Report
    - i. All Covered Persons have an obligation to report any situation where they believe a Conflict of Interest may exist or which they believe to be a violation of this policy. Reports may be made anonymously. Such reports shall be made as promptly as possible to the Chief Integrity Executive or local compliance department and shall be confidential.
3. Determining Whether a Conflict of Interest Exists
- a. After disclosure of the Interest or Immediate Family Member/Personal Relationship and all material facts, the Chief Integrity Executive or local compliance department will investigate the matter to determine whether a Conflict of Interest exists
4. Procedures for Addressing the Conflict of Interest
- a. If the Chief Integrity Executive or local compliance department determines that a Conflict of Interest exists, or that there is an appearance of a Conflict of Interest, the Chief Integrity Executive or local compliance department shall determine an appropriate response, including but not limited to the Interested Person recusing himself/herself from any participation in and/or decision-making regarding the proposed action or disclosing certain information to patients.
  - b. The Chief Integrity Executive or local compliance department shall, in reviewing a disclosure under this policy and determining whether a Conflict of Interest exists, determine an appropriate response to a Conflict of Interest, and investigate a reported violation of this policy, involve whatever investigative resources are deemed necessary and appropriate, including, without limitation, the Internal Audit Department and/or Security Department and consultation with the General Counsel or designee, as needed. Further, the Chief Integrity Executive shall report to the Audit Committee of the NMHC Board of Directors a summary of the actions taken pursuant to this policy on a periodic basis or as otherwise requested. All Covered Persons have an obligation to cooperate in such investigations.
5. Violations of the Conflicts of Interest Policy
- a. In a case of a reported alleged violation of this policy, the Chief Integrity Executive or local compliance department will investigate the matter.
  - b. If the Chief Integrity Executive or local compliance department has reasonable cause to believe that a Covered Person has failed to disclose an actual or possible Conflict of Interest, the Chief Integrity Executive or local compliance department shall inform that Covered Person of the basis for such belief and afford that Covered Person an opportunity to explain the alleged failure to disclose. The Chief Integrity Executive will inform the applicable Vice President of the results of any such dialogue.

- c. If, after receiving the response of the Covered Person and making such further investigation as may be warranted in the circumstances, the Chief Integrity Executive or local compliance department determines that the Covered Person has in fact failed to disclose an actual or possible Conflict of Interest, or violated this policy in any other way, appropriate disciplinary and/or corrective action shall be taken by the applicable Director or Vice President in consultation with the Chief Integrity Executive or local compliance department.
- D. Procedure with respect to all directors, officers and Board committee members with Board-delegated authority:
  1. Annual Disclosure
    - a. Each director, officer, and member of a committee with Board-delegated authority shall annually complete a disclosure survey which affirms that such person:
      - i. Has received a copy of the Conflict of Interest policy;
      - ii. Has read and understands the policy;
      - iii. Has agreed to comply with the policy; and
      - iv. Has disclosed any matters required to be disclosed under the Conflict of Interest policy and agrees to promptly update his/her survey if the relationships, interest and/or affiliations change; and
      - v. Understands that the Corporation is a charitable organization and that in order to maintain its tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
    - b. Timely and accurate completion of this disclosure by Covered Persons is essential for the effective administration of this policy.
  2. Questions
    - a. Any director, officer or board committee member may raise a question about any Covered Person's possible Conflict of Interest at any time. The director, officer or board committee member may express his/her concern at any Board or committee meeting, or may notify the Chair of the Board or the Chief Integrity Executive of his/her concern.
  3. Duty to Disclose
    - a. In connection with any actual or possible Conflict of Interest, an Interested Person must disclose the existence of his or her Interest or Immediate Family Member/Personal Relationship and must be given the opportunity to disclose all material facts to the directors and members of the committees with Board-delegated authority considering the proposed transaction or arrangement.
  4. Determining Whether a Conflict of Interest Exists
    - a. After disclosure of the Interest or Immediate Family Member/Personal Relationship and all material facts, and after any discussion with the Interested Person, he/she shall leave the Board or committee meeting while the determination of whether a Conflict of Interest exists is discussed and voted upon. The remaining Board or committee members shall decide if a Conflict of Interest exists.
  5. Procedures for Addressing the Conflict of Interest
    - a. An Interested Person may make a presentation at the Board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of and the vote on the transaction or arrangement resulting in the Conflict of Interest.

- b. The Chairman of the Board or the committee shall, if appropriate, appoint a disinterested person or a committee of disinterested persons to investigate alternatives to the proposed transaction or arrangement.
  - c. After exercising due diligence, the Board or committee shall determine whether the proposed transaction is fair and reasonable to the Corporation, taking into account, among other relevant factors, whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a Conflict of Interest.
  - d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a Conflict of Interest, the Board or committee shall determine by a majority vote of the disinterested persons whether the transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.
6. Violations of the Conflicts of Interest Policy
- a. If the Board or committee has reasonable cause to believe that a member has failed to disclose an actual or possible Conflict 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 response of the member and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the member has in fact failed to disclose an actual or possible Conflict of Interest, or violated this policy in any other way, it shall take appropriate disciplinary and/or corrective action.
7. Records of Proceedings
- a. The minutes of the Board and all committees with Board-delegated authority shall contain:
    - i. The names of the persons who disclosed or otherwise were found to have an Interest or Immediate Family Member/Personal Relationship in connection with an actual or possible Conflict of Interest, the nature of the Interest or Immediate Family Member/Personal Relationship, any action taken to determine whether a Conflict of Interest was present, and the Board's or committee's decision as to whether a Conflict of Interest existed; and
    - ii. 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 such transaction or arrangement.
8. Compensation Committee
- a. A voting member of the Board who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
  - b. A physician who is a voting member of the Board and receives compensation, directly or indirectly, from the Corporation for services is precluded from discussing and voting on matters pertaining to that member's and other physicians' compensation. No physician or physician director, either individually or collectively, is prohibited from providing information to the Board of Directors regarding physician compensation.
  - c. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for

services is precluded from voting on matters pertaining to that member's compensation.

- d. Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

## **VI. PENALTIES FOR VIOLATION:**

- A. Violations of this policy may subject the person involved to disciplinary action. Directors or officers of NMHC may be disciplined up to and including removal from office and discharge. Employees may be disciplined up to and including discharge. Volunteers may be disciplined up to and including termination of their volunteer services. Covered physicians may be disciplined up to and including loss of medical administrative positions, compensation and/or all NMHC procurement authority, as appropriate. Consistent with any provisions of the Medical Staff Bylaws as may be applicable, in extreme cases, violations of this policy by covered physicians may subject them to the loss of their Medical Staff appointment.
- B. Violations of this policy include, but are not limited to:
  1. Failing to disclose potential Conflicts of Interest fully, accurately, or in a timely manner as described in this policy and/or initiating action on a disclosed matter prior to receiving the approval of the Chief Integrity Executive.
  2. Failing to timely and accurately complete and/or failing to attach any information required for the certification of compliance described in Section V.
  3. Failing to report and/or failing to timely report known apparent violations of this policy as required under Section V.
  4. Failing to cooperate in an investigation of any report of an apparent violation of this policy as required under Section V.
  5. Making a false report of a violation.
- C. In addition to the above penalties, NMHC may pursue all legal and equitable remedies as may be appropriate.

## **VII. PERIODIC REVIEWS:**

- A. Consistent with Internal Revenue Service guidelines on conflicts of interest and to ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as a tax exempt organization, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:
  1. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
  2. Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.
  3. Whether partnership and joint venture arrangements and arrangements with management service organizations and physician hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

4. Whether agreements to provide health care and agreements with other health care providers, employees, and third party payers further the Corporation's charitable purposes and do not result in inurnment or impermissible private benefit.
- B. Use of Outside Experts
1. In conducting the periodic reviews provided for in Section VII, the Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

**VIII. RELEVANT REFERENCES:**

None

**IX. POLICY UPDATE SCHEDULE:**

This policy is reviewed or updated every five (5) years or more often as appropriate.

**X. APPENDICES:**

None

**IX. APPROVAL:**

Responsible Party: Jennifer Wooten Ierardi  
Chief Integrity Executive

Reviewers: Office General Counsel  
Corporate Governance  
Sourcing and Procurement  
Director, Corporate Compliance & Integrity

Committee NMHC Audit Committee, August 24, 2011  
NMHC Board Quality Committee, July 26, 2019

Approval Party: Dean Harrison  
President & CEO  
Northwestern Memorial HealthCare  
Electronic Approval: 09/29/2016

**X. REVIEW HISTORY:**

Revised: 10/01/1997  
Revised: 08/16/2011  
Revised: 04/12/2007 – NMH 1.20 ADM  
Revised: 08/14/2016 – Addition of NM-CDH, NM-Delnor and NM-Kishwaukee  
Revised: 01/18/2017 – Addition of Marianjoy Rehabilitation – no content changes  
Reviewed: 09/01/2021 – Palos Inclusion