

# THE CENTER FOR DISCOVERY

SUBJECT: Conflict of Interest

MANUAL: Corporate Compliance

SECTION: Section 6

**Purpose:** All employees and Board members of The Center for Discovery (“TCFD”) have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy is established to ensure that services and business activities are conducted in an objective manner and are not motivated by a desire for personal or financial gain. The Board of Directors is responsible for the implementation of the Conflict of Interest Policy.

**Policy:** It is the Policy of TCFD to ensure that decisions about TCFD operations are made to benefit the agency when contemplating a transaction or arrangement that could benefit an employee, administrative personnel, or Board Members.

1. Employees, administrative personnel, and Board members are required to disclose any actual or potential conflict of interest and seek guidance on how to handle the situation.
  - *Conflict of Interest:* Any situation in which financial or other personal considerations may compromise or appear to compromise (1) an employee’s or Board member’s business judgment; (2) delivery of services; or (3) ability for an employee to do his or her job. An actual or potential conflict of interest occurs when an employee or Board member is in a position to influence a decision that may result in a personal gain for that employee, Board member, or for an immediate family member as a result of business dealings. For the purpose of this Policy, an immediate family member is any person who is related by blood or marriage, or whose relationship with the employee or Board member is similar to that of persons who are related by blood or marriage. An immediate family member of a person includes:
    - The person’s spouse;
    - Natural or adoptive parent, child, or sibling;
    - Stepparent, stepchild, stepbrother, or stepsister;
    - Father-in-law, mother-in-law; son-in-law; daughter-in-law; brother-in-law; or sister-in-law;
    - Grandparent or grandchild; and
    - Spouse of a grandparent or grandchild.
2. Business dealings with outside entities should not result in unusual gain for those entities, TCFD, a Board member, or an employee. Unusual gain refers to gifts, bribes, product bonuses, special fringe benefits, unusual price breaks, and other windfalls designed to ultimately benefit the employer, the employee, or both or that would reasonably be determined to influence the employer, employee, or both.
3. The materials, products, designs, plans, ideas, and data are the property of TCFD and should never be given to an outside firm or individual without appropriate prior authorization from the Chief Executive Officer. Any improper transfer of material or

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disclosure of information, even though it is not apparent that an employee has personally gained by such action, is prohibited.

- TCFD will not enter into a related party transaction unless the Board affirmatively determines that the transaction is fair, reasonable, and in the best interest of the agency. A related party transaction means any transaction, agreement, or arrangement in which a related party has a financial interest. A related party is defined as: (i) 1. Administrative personnel (e.g., members of senior leadership) of TCFD or its related entities; (ii) any relative of any administrative personnel of TCFD or its related entities; or (iii) an entity in which any individual described in (i) or (ii) has a 35% or greater ownership or beneficial interest, or in the case of a partnership or professional corporation, a direct ownership interest in excess of 5%.

## **Regulatory References:**

Not-For-Profit Corporation Law § 715

## **Procedures:**

- Each employee will be provided with TCFD's Conflict of Interest Policy as part of the new hire orientation process. Each employee shall sign a statement that affirms that the employee:
  - Has received a copy of the Conflict of Interest Policy,
  - Has read and understands the Policy, and
  - Has agreed to comply with the Policy.
- Each Board member, administrative personnel, and member of a committee with Governing Board-delegated powers will be provided with TCFD's Conflict of Interest Policy and shall sign a statement at the time of hire, assignment, and/or Board approval that affirms that such person:
  - Has received a copy of the Conflict of Interest Policy,
  - Has read and understands the Policy, and
  - Has agreed to comply with the Policy.
- Employees must disclose any potential conflicts of interest upon hire and when a potential conflict arises. The Employee completes the Conflict of Interest Disclosure Statement form (attached to this Policy) to record an actual or potential conflict of

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interest upon hire and when a potential conflict arises. Completed forms are to be forwarded to and retained by the Corporate Compliance Officer (“CCO”).

4. Administrative personnel (members of senior leadership), the Chief Executive Officer, and Board members must complete a Conflict of Interest Disclosure Statement upon hire or prior to being seated (voted on for approval) and annually thereafter in order to report any actual or potential conflict of interest. Such annual statement shall not exempt any key employee, officer, or Board member from disclosing a potential conflict of interest pursuant to Procedure #11 below. The CCO shall provide copies of all completed Conflict of Interest Disclosure Statements by administrative personnel, the Chief Executive Officer, and Board members to the President of the Board.
5. An employee or Board member with questions or concerns about a potential conflict of interest will promptly address the issue with appropriate administrative personnel and/or the CCO. Administrative personnel will consult with the CCO before responding to a concern or question about a potential conflict of interest.
6. Board Members, the Chief Executive Officer, and administrative personnel are expected to avoid actions that could be perceived or interpreted as being in conflict with the best interest of the agency.
7. Actual or potential conflicts of interest must be disclosed to appropriate administrative personnel and the CCO. Employees who may be involved in any business transaction in which there is an actual or potential conflict of interest will promptly notify their immediate supervisor and CCO; the CCO will promptly notify the Chief Executive Officer and the President of the Board.
8. The completed Conflict of Interest Disclosure Statements are reviewed by the CCO and Chief Executive Officer and, if necessary, appropriate actions and adjustments are made to avoid possible conflicts of interest. The CCO will report significant concerns regarding the Conflict of Interest Disclosure Statements to the Corporate Compliance Committee and the President of the Board.
9. The CCO will maintain a written record of any report of potential conflict of interest and of any adjustments made to avoid potential conflicts of interest.
10. The President of the Board, after receiving information about a potential conflict of interest, will take such action as is necessary to ensure that the transaction is completed in

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the best interest of TCFD without the substantive involvement or influence of the person with the potential conflict of interest.

11. Administrative personnel, and Board members who have a direct or indirect interest in a related party transaction must disclose, in good faith, such interest to the Board or Committee considering the transaction and the material facts concerning such interest.
12. Administrative personnel, and Board members who have a direct or indirect interest in a related party transaction may not be present or otherwise participate in any Board or Committee deliberations or voting concerning the transaction; however, such individuals may present information concerning a related party transaction prior to the commencement of deliberations or voting.
13. Prior to entering into a related party transaction, the Board or Committee must consider alternatives, to the extent available, that would not be a related party transaction.
14. The Board or Committee must approve the related party transaction by not less than a majority vote of those present at the meeting.
15. The Board or Committee must contemporaneously document, in writing, the basis for its approval of the related party transaction, including its consideration of alternatives to the related party transaction.
16. Board members with conflicts will absent themselves from the discussion/deliberation and vote on the item/circumstance that the Board member has identified as a conflict. The meeting minutes shall indicate when the member left the room, that the discussion and vote, if any, occurred, and then that the member was invited to return to the meeting. If any member with a conflict does not excuse themselves from the meeting, the President of the Board shall ask the member to leave the room. The existence and resolution of the conflict, if any, must be documented.
17. Board members are strictly prohibited from any attempt to influence the discussion, deliberations, or vote on any subject that relates to the member's conflict.

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18. Employees must seek guidance and approval from appropriate administrative personnel prior to pursuing any business or personal activity that may constitute a conflict of interest.
19. Outside employment may not interfere with the employee's ability to perform their job with TCFD.
20. The CCO shall document the existence and resolution of any conflict in TCFD records, including putting in the minutes of any meeting at which a conflict was discussed and voted upon.
21. The CCO will investigate any violations of this Policy.

**Sanction Statement:** Non-compliance with this policy may result in disciplinary action, up to and including termination.

**Compliance Statement:** As part of its ongoing auditing and monitoring process in its Corporate Compliance Program, TCFD will review this policy based on changes in the law or regulations, as TCFD's practices change, and, at minimum, on an annual basis. Additionally, this policy will be tested for effectiveness on an annual basis or more frequently as identified in accordance with TCFD's Corporate Compliance Program. Testing will include but is not limited to ensuring that the policy is appropriately followed; the policy is effective; the policy has been disseminated to all affected individuals, as well as notified of any updates or changes.

Tracking of the criteria above and results of this testing will be completed by the CCO, or designee. Additionally, results will be reported to the Corporate Compliance Committee and Board of Directors on a regular basis.

**Record Retention Statement:** TCFD will retain this policy and all subsequent revisions, and any related documentation will be retained for a period of, at minimum, six years.

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