

Elements of Governance®

Providing CEOs, board chairs, directors, and support staff with the fundamentals of healthcare governance

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Governance Policies: Roadmaps for Best Practices

3RD EDITION



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Elements of Governance®

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Elements of Governance® is designed to provide CEOs, board chairs, directors, and support staff with the fundamentals of not-for-profit governance. These comprehensive and concise governance guides offer quick answers, guidelines, and templates that can be adapted to meet your board's individual needs. Whether you are a new or experienced leader, the *Elements of Governance*® series will help supply you and your board with a solid foundation for quality board work.

About the Author

Michael W. Peregrine is a Partner, McDermott Will & Emery, LLP and Governance Institute faculty, represents corporations (and their officers and directors) in connection with governance, corporate structure, fiduciary duties, officer-director liability issues, charitable trust law and corporate alliances. Michael is recognized as one of the leading national practitioners in corporate governance law.

Michael is outside governance counsel to many prominent corporations, including hospitals and health systems, voluntary health organizations, social service agencies, colleges and universities, and health insurance companies. Clients seek Michael's counsel on matters relating to board conduct, structure, effectiveness, composition and controversy, as well as on internal and external/regulatory challenges to governance. He serves frequently as special counsel in connection with confidential internal board reviews and investigations. He regularly advises boards on complex business transactions, including more than 125 change-of-control transactions in his 39-year career.

Michael is well known as a thought leader in corporate governance. He authors monthly columns on corporate governance for *Corporate Counsel* magazine and for publications of The Governance Institute. He is a regular contributor on corporate governance topics to *The New York Times*' "Deal Book" feature; *Corporate Board Member*, *The Chronicle of Philanthropy*; *The Harvard Law School Forum on Corporate Governance and Financial Regulation*; *The Columbia Law School's Blog on Corporations and the Capital Markets*, the *New York University School of Law Compliance and Enforcement Forum* and *Law360*.

The Governance Institute

The Governance Institute provides trusted, independent information, resources, tools, and solutions to board members, healthcare executives, and physician leaders in support of their efforts to lead and govern their organizations.




The Governance Institute is a membership organization serving not-for-profit hospital and health system boards of directors, executives, and physician leadership. Membership services are provided through research and publications, conferences, and advisory services. In addition to its membership services, The Governance Institute conducts research studies, tracks healthcare industry trends, and showcases governance practices of leading healthcare boards across the country.



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Introduction

On behalf of The Governance Institute, I welcome you to this updated edition of a long-standing resource document. Our goal with this latest edition is to provide The Governance Institute’s members with specific materials that will respond to member requests for additional guidance on current governance materials.

The law has long recognized that the conscientious adherence to legal requirements, established principles of fiduciary conduct, and the pursuit of governance “best practices” are the best prophylactic to director liability. Or, put another way, the good-faith attention to recognized principles of effective governance as they have evolved will be favorably recognized by the law.

In that regard, the adoption and maintenance by the board of thoughtfully prepared governance policies and procedures, together with clear and succinct committee charters, can often be efficient means for assuring effective governance and supporting efficient exercise of fiduciary responsibilities.

There is no one-size-fits-all description of governance policies and procedures that should be adopted by non-profit hospital boards as matter of law or best practice. However, experience does provide guidance on the types of policies, and their scope, that would be useful for boards to consider putting in place.

Similarly, there is typically no mandated or pre-set list of board committees that should be created to support the work of the board—with certain exceptions under applicable law, regulation and accreditation/licensing principles.

Nevertheless, the template policies and committee charters presented in this updated edition reflect what experience suggests to be a useful framework for board consideration and adoption.

These documents (individually and collectively) are intended to reflect the board’s basic governance obligations, as well as how those obligations are to be carried out in certain critical areas, such as oversight of senior management, conflicts of interest, confidentiality, corporate opportunity, the decision-making process, the audit process, board and executive compensation, investment management, executive sessions, compliance oversight, diversity and inclusion, and much more.

As many board members are aware, the genesis of many of these documents can be traced to:

- The seminal Sarbanes-Oxley Act;
- Various iterations of corporate governance and responsibility principles that have evolved since that time; and
- Governance related law, regulation, and enforcement activity.

It is important to recognize that the basic goal of these corporate governance and responsibility themes are intended to maintain public and stakeholder trust in the integrity of a corporation’s governance practices, financial statements, and business conduct. Corporate governance and responsibility themes seek to set effective standards for governance accountability, independence, effectiveness, and transparency. These standards and resulting recommended governance practices reflect the tenet that it is the obligation of the board to diligently oversee management while, at the same time, adhering to the highest standards of integrity.

Corporate governance policies, such as the templates included in this publication, are seen as valuable tools by which diligent and well-intentioned directors can perform their functions effectively, without undermining their energy, autonomy, and responsibility.

Importantly, governance policies are also not intended to create an adversarial relationship between governance and management in a given situation. If that is the result, there may be more fundamental organizational problems afoot.

The template policies provided by The Governance Institute to its membership are just that—templates.¹ They are not intended to reflect the universe of governance policies that are appropriate, nor should they be interpreted as “officially sanctioned” under some industry or regulatory standard. Rather, they are one governance practitioner’s particular recommendation to non-profit boards, based upon experience and his evaluation of the current corporate governance/corporate responsibility environment generally, and in non-profit healthcare specifically.

The concept bears repeating: as it relates to corporate governance documents, one size most definitely won’t fit all. These templates must be made institution-specific and must be crafted to reflect specific applicable statutes and other legal restrictions. What works for one board might not work for another.

The ultimate message here is that a major portion of a prudent response by a non-profit board to expectations of effective governance and corporate responsibility is the adoption of institution-specific policies and to thoughtful articulation of the duties and responsibilities of board committees.

I would like to thank my assistant, Jeanie Johnson, my executive compensation partner Ralph DeJong—as well as Kathryn Peisert of The Governance Institute—for their contributions to this update.

Michael W. Peregrine
Partner
McDermott, Will & Emery

¹ Editable Word document template policies and charters included in this publication are posted for members at www.governanceinstitute.com/templates.

Corporate Governance Policy

BOARD POLICY NO.:	SUBJECT: Corporate Governance Policy
EFFECTIVE DATE:	CATEGORY: Board Policy

Purposes:

1. To guide the officers and members of the Board of Directors of [Name of Organization] in the execution of their fiduciary duties on behalf of [Name of Organization].
2. To help assure awareness by the officers and members of the Board of Directors of their basic fiduciary duties under state law, of the [charitable] Mission of [Name of Organization], and of the terms and conditions of the federal tax exemption granted [Name of Organization].
3. To help assure that the actions, decisions and conduct of the officers and members of the Board of Directors of [Name of Organization] are at all times consistent with their duties and obligations, and with the Mission of [Name of Organization].²

Policy:

1. *Mission.* [Insert here a synopsis of the core charitable mission of the organization].³
2. *The Directors' Role.* The Directors are responsible for the operation of [Name of Organization]; all corporate authority and affairs are to be managed by or under the direction of the Board of Directors. The Directors are not obligated to manage the day-to-day affairs of [Name of Organization] and may delegate that function to others, but must exercise reasonable and prudent oversight with respect to corporate officers, agents, and employees to whom such affairs are delegated. In the performance of its duties, members of the Board of Directors may act in reliance on information and reports received from senior management as well as professional advisors and consultants whom the Board of Directors regard as reliable and competent with respect to the subject matter at issue.
3. *Governance Commitment.* The Board of Directors, on behalf of the beneficiaries of the [charitable] Mission of [Name of Organization], will govern [Name of Organization] with a strategic perspective through a commitment to the sustainability of vision and values set forth in that Mission.
4. *Core Fiduciary Duties.* The Board of Directors will perform its prescribed role and commitment in a manner consistent with all relevant law, and with the following core fiduciary duties:⁴
 - a. *Duty of Care.* Each director is obligated to exercise the proper level of care in the decision-making process, by acting (a) in "good faith" (*i.e.*, in the absence of any personal benefit or self-dealing); (b) with that level of care that an ordinary prudent person would exercise in like circumstances (*e.g.*, the obligations to be

² Language should be consistent with state not-for-profit corporate law.

³ Consider reference to unified statement of charitable purposes if a health system under common control.

⁴ Requires consistency with interpretation of these duties under state law.

informed and to exercise reasonable inquiry); and (c) in a manner the director reasonably believes is in the best interests of [Name of Organization].

- b. *Duty of Loyalty.* Each director is obligated to exercise his/her obligations and powers in the best interests of [Name of Organization] and its Mission, not in his/her own interest or in the interest of another entity (regardless of whether it is charitable in nature) or person. Each director is obligated to affirmatively protect the interests of [Name of Organization] committed to his/her charge, and to refrain from doing anything that would cause injury to [Name of Organization], or to deprive it of profit or advantage which the director's skill or ability might bring to it, or enable it to make in the reasonable and lawful exercise of its powers. Each director is obligated to exercise an undivided and unselfish loyalty to [Name of Organization] and, in doing so, not to allow any conflict between duty and self-interest.
 - c. *Duty of Obedience.* Each director is charged with the obligation to further the Mission of [Name of Organization], to be faithful to its articulated purposes and goals, and to act in conformity with all laws affecting [Name of Organization].
5. *Manner of Governing.* The Board of Directors will exercise its governance obligations in part through recognition of the following principles:
- d. Operate in all ways mindful of its legal obligation to administer and govern [Name of Organization] solely in the interest of the persons intended to benefit from the purposes expressed in the Articles of Incorporation.
 - e. Enforce upon itself whatever operational order is needed to govern effectively. Order will apply to matters such as attendance, policymaking principles, respect of roles, preparedness, and ensuring the continuity of governance capability. Order will also apply to ensuring that the Board or individual Directors will refrain from engaging in the day-to-day management of [Name of Organization], which is the responsibility of the senior management of [Name of Organization]. Continual redevelopment will include annual orientation of members in the Board's governance process and periodic Board discussion of process development.
 - f. Direct, control, and inspire [Name of Organization] through the careful establishment of organizational policies reflecting [Name of Organization]'s Mission, values, and perspectives. A major focus will be on strategies of the Board of Directors' planning and their intended outcomes and potential impacts, as well as on the administrative means of executing these plans.
 - g. Cultivate a sense of group responsibility. The Board of Directors, not the staff, will be responsible for excellence in governing. The Board of Directors will be an initiator of policy, not merely a reactor to staff initiatives. The Board of Directors will use the expertise of individual members to enhance the ability of the Board of Directors as a body, rather than to substitute their individual judgments for the Board's values.
 - h. Monitor, evaluate, and address actual or potential conflicts of interest, consistent with the [Name of Organization] Conflicts-of-Interest Policy.
 - i. Monitor and discuss the Board's process and performance at least annually.

- j. Conduct itself in a manner which complies with all relevant laws and regulations. The Board of Directors will fulfill all of its legal and fiduciary responsibilities as required by state and federal statutes and regulations, and the Articles of Incorporation and Bylaws of [Name of Organization], as interpreted on its behalf by General Counsel of [Name of Organization] such outside counsel as may be retained to advise [Name of Organization].
 - k. Keep adequately informed about relevant issues and developments affecting its Mission.
6. *Board of Directors' Duties.* In addition to the core duties set forth above, and in accordance with standards of state corporate law applicable to the directors of charitable, non-profit non-public corporations, the Directors collectively shall perform and fulfill the following acts and duties (among others) in the manner in which persons of ordinary prudence, diligence, discretion, and judgment would act in the management of their own affairs. The Directors shall:
- a. Establish the policies, goals, and objectives of [Name of Organization] consistent with the Mission. The policies shall be established to ensure that the Directors' fiduciary obligations are met. Board established policies may include, but not be limited to, the following:
 - Conflicts of interest
 - Corporate opportunity
 - Confidentiality
 - Oversight of senior management
 - Officer and director travel and entertainment expenses
 - Audit and compliance committee
 - Corporate compliance
 - Management's duty to disclose and report
 - b. Oversee the implementation of [Name of Organization]'s policies and procedures and take all steps necessary to ensure that [Name of Organization] is being managed in a manner consistent with its Mission, and that its assets are being managed prudently and only for [Name of Organization] charitable, scientific, and educational purposes. All functions and decisions shall be measured against the Mission.
 - c. Establish substantive strategic policies affecting the administration of [Name of Organization] such as its healthcare and financial objectives and other major plans and actions.
 - d. Oversee the management of [Name of Organization]'s finances, including reviewing and approving annual budgets and financial statements, periodically reviewing financial results and projections, and establishing and implementing fiscal controls sufficient to assure that [Name of Organization]'s resources are expended only for [Name of Organization]'s purposes.
 - e. Select, regularly evaluate, fix the compensation of, and where appropriate, hire or replace, the CEO and other senior officers of [Name of Organization], including consideration of the CEO's record of fostering a strong compliance culture at [Name of Organization]. The specific organization of principal executives of [Name of Organization] is a matter that will be addressed by the CEO for approval, as applicable, to the Board, subject to applicable provisions of law.

- f. Set limits on the means with which the CEO and [Name of Organization] staff operate by establishing principles of prudence and ethics, forming the parameters for all management and staff practices, activities, circumstances, and methods.
 - g. Monitor Board directives to the CEO and professional consultants retained by the Board to ensure implementation in accordance with such directives.
 - h. Hold the CEO and Senior Management Team accountable for ensuring compliance with applicable federal and state laws and regulations and court orders regarding the administration of [Name of Organization], and for minimizing exposure to legal action.
 - i. Monitor the preservation of the tax-exempt status of [Name of Organization] by ensuring that the CEO and Senior Management Team at all times are cognizant of and demonstrate continuing sensitivity to the requirements that (i) the conduct of [Name of Organization] and its affiliated tax-exempt entities and organizations must always be consistent with their IRC 501(c)(3) status; and (ii) that all activities of all taxable subsidiaries and affiliates of [Name of Organization] must not jeopardize the tax-exempt status of the exempt entities.
 - j. Represent the class of persons intended to benefit from the purposes set forth in the “Mission and Purposes” statement in the Articles of Incorporation of [Name of Organization], in determining and demanding appropriate organizational performance. To distinguish the Board’s own unique job from the jobs of its staff, the Board will concentrate its efforts on written governing policies which, at the broadest levels, address:
 - Governance Process: Specification of how the Board conceives, carries out, and monitors its own task.
 - Executive Boundaries: Constraints on executive authority which establish the prudence and ethical boundaries within which all executive activity and decisions must take place.
 - Board-CEO and Senior Management Team Relationship: How responsibilities are delegated and monitored; the Chief Executive Officer’s, and others’ roles, authority, and accountability.
 - Internal Audit: Guidance for independent appraisal and examination of all control functions within [Name of Organization], including functions of the Board of Directors.
7. *Chairperson’s Role.* The Chairperson’s primary role is the integrity of the Board’s process and, secondarily, representation of the Board to outside parties. The Chairperson is generally the Director authorized to speak for the Board (beyond simply reporting Board decisions).
- a. Board discussions will only be those issues which, according to Board policy, belong to the Board to decide. The Chairperson, assisted by staff, will develop the agenda for each Board meeting.
 - b. Deliberation will be fair, open, and thorough, but also efficient, timely, orderly, and kept to the point.

- c. The Board will offer the opportunity for input from individual employees or staff groups, including subsidiaries and affiliated organizations, which have expertise and interests specifically related to Board decisions and Board policies.
 - d. The authority of the Chairperson consists of making decisions that fall within the topics covered by Board policies on governance process and the relationship between the Board and CEO except where the Board specifically delegates portions of this authority to others. The Chairperson is authorized to use any reasonable interpretation of the provision in these policies.
 - e. The Chairperson shall chair Board meetings with the commonly accepted power of that position (*e.g.*, ruling, recognizing).
 - f. The Chairperson is an individual Director and has no authority to make decisions about policies. The Chairperson may meet individually with the CEO to discuss progress or issues of interest to the Board. The Chair and CEO will keep other Directors informed of significant issues discussed during these meetings.
 - g. The Chairperson may represent the Board to outside parties in announcing Board-stated positions and in stating Chair decisions and interpretations within the area delegated to him or her.
8. *Board Committee Principles.* Notwithstanding the basic obligations of the Directors as set forth in this Policy, the Board may delegate responsibility for certain matters to committees designated by the Board of Directors for such purposes:
- a. In establishing a committee, a distinction should be drawn between committees that exercise board designated functions and those that do not.
 - b. Committees of the Board of Directors shall take one of three forms:
 - *Standing Committees:* A permanent committee created to assemble information and make recommendations concerning a specific corporate activity (*e.g.*, Finance, Compliance, Audit, Nominations, and/or Investment Committees).
 - *Executive Committee:* A committee entitled to exercise most of the power which the Board of Directors would otherwise be entitled to exercise, and which is formed and operates consistent with bylaw and statutory direction; or
 - *Special Committee:* A committee formed to perform a specific or limited function, which may itself have limited board-designated powers or which may be advisory in nature.
 - c. The composition of a particular committee will depend in part on the specific role or focus of the committee, and on statutory provisions that may mandate a specific number (usually a minimum) of directors/members serving on the committee.

- d. Under no circumstances shall any committee be authorized to take any of the following actions:
 - Authorize corporate distributions;
 - Approve or recommend to the member dissolution, merger, or the sale, pledge, or transfer of all or substantially all of the corporation's assets;
 - Elect, appoint, or remove directors to fill vacancies on the board or any of its committees;
 - Fix the compensation of any committee member;
 - Adopt, amend, or repeal the bylaws or the Articles of Incorporation; or
 - Take action inconsistent with any resolution or action of the Board that provides that it may not be changed by action of a committee.
 - e. Board committees are to assist the Board of Directors in the performance of its duties. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation. Board committees are not to be created by the Board to advise staff.⁵
 - f. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes. Expectations and authority will be carefully stated in order not to conflict with authority delegated to the CEO.
9. *Board Committee Structure.* A committee is a Board committee only if its existence and charge come from the Board, regardless of whether Directors sit on the committee. The only Board committees are those which are set forth in the bylaws of [Name of Organization] or as established by resolution of the Board.

⁵ This should reflect state not-for-profit corporation law.

Conflicts-of-Interest Policy

NOTE: The preparation and adoption of a conflicts-of-interest policy is a significant exercise of board responsibility. Such a policy should reflect applicable state corporate, federal tax, and other applicable law, and well as the unique circumstances of the organization's corporate structure and organizational hierarchy. It should be implemented together with a conflicts-of-interest questionnaire required to be completed no less than annually by each officer and director.

BOARD POLICY NO.:

SUBJECT: Conflicts-of-Interest Policy

EFFECTIVE DATE:

CATEGORY: Board Policy

Purposes:

1. To protect the interests of the Corporation ([Name of Organization] and its subsidiaries) when it is contemplating entering into a contract, transaction, or arrangement that has the potential for benefiting the private interests of a "Covered Person," as defined below.
2. To assure that all individuals who, by virtue of their position, can influence decisions affecting the business, operations, ethical, and/or competitive position of the Corporation, perform their duties in an impartial manner, free from any bias created by personal interests of any kind.
3. To clarify the duties and obligations of "Covered Persons" in the context of potential conflicts of interest and, further, to provide such "Covered Persons" with a method for disclosing and resolving potential conflicts of interest.
4. To supplement (not replace) any applicable laws governing conflicts of interest applicable to charitable, non-profit corporations. To the extent that other Federal or state laws may impose more restrictive conflict-of-interest standards (including more extensive disclosures of actual or potential conflicts of interest), the Board of Directors of the Corporation shall modify the substantive and procedural terms of this Policy to assure compliance with such additional standards.

Policy:

1. The Policy of the Corporation is: (a) to require that each Covered Person promptly, fully, and on a timely basis comply with the disclosure requirements set forth in this Policy or in such other policies or procedures as may be developed by the Board or its delegates in accordance with this Policy; and (b) not to engage in any contract, transaction, or arrangement involving a conflict of interest unless the disinterested members of the Board of Directors (acting at a duly constituted meeting thereof) (with the advice of legal counsel) determine by a majority vote that appropriate safeguards to protect the charitable mission of the Corporation can be established and implemented.

As such, this Policy applies to: (a) Covered Persons; and (b) any contract, transaction, or arrangement involving the Corporation.

2. *Definitions.*

- a. *Covered Person.* Any director, officer, non-director member of a committee with governing board delegated powers, or other person in a similar position of authority over the Corporation is a Covered Person.
- b. *Conflict of Interest.* A “conflict of interest” exists when a Covered Person has a Covered Interest in a proposed contract, transaction, or arrangement to which the Corporation may be a party and with respect to which the Covered Person would otherwise be called upon to render a decision in that capacity.
- c. *Covered Interest.* A Covered Person has a Covered Interest with respect to a contract, transaction, or arrangement in which the Corporation is (or would be, if approved) a party if the person has, directly or indirectly, through a business, investment, or family member:
 - i. An ownership or investment interest in any entity involved in such contract, transaction, or arrangement;
 - ii. A compensation arrangement with an individual or entity involved in such a contract, transaction, or arrangement;
 - iii. A potential ownership or investment interest in, or compensation arrangement with, an individual or entity with which the Corporation is negotiating such contract, transaction, or arrangement; or
 - iv. A fiduciary position (e.g., member, officer, director, committee member) with respect to an entity involved in such contract, transaction, or arrangement, but only to the extent that such position involves a material financial interest of, or benefit to, such person.

For purposes of this section, compensation includes direct and indirect remuneration, consulting fees, board or advisory committee fees, honoraria, as well as gifts or favors that are substantial in nature.

A Covered Interest does not necessarily constitute a conflict of interest. Under Section 3(d), below, a Covered Person who has a Covered Interest may have a conflict of interest only if the disinterested members of the Executive Committee decide that a conflict of interest exists.

- d. *Family Member.* With respect to a Covered Person, “Family Member” means, as applicable, a spouse, brothers or sisters (by whole- or half-blood), spouses of brothers or sisters, ancestors, children, grandchildren, great-grandchildren, and spouses of children, grandchildren, and great-grandchildren.

3. *Procedures.*

- a. *Duty to Disclose.* A Covered Person must disclose the existence of any Covered Interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed contract, transaction, or arrangement.
- b. *Annual Questionnaire.* Each Covered Person shall completely, accurately, and within the required timeframe established by the Board [or the Executive Committee] submit the annual Conflicts-of-Interest Questionnaire as prepared and distributed by the Board [or Executive Committee].
- c. *Continuing Disclosures.* If, subsequent to completion of the Conflicts-of-Interest Questionnaire, any Covered Person becomes aware of a Covered Interest that could give rise to a conflict of interest with respect to a proposed contract, transaction, or arrangement involving the Organization, the Covered Person shall promptly make disclosure of the Covered Interest to the Board [or the Executive Committee].
- d. *Determining Whether a Conflict Exists.* The Executive Committee shall determine by a majority vote of disinterested directors whether the disclosed Covered Interest may result in a conflict of interest. The Executive Committee shall: (i) review responses to the Conflicts-of-Interest Questionnaire and any continuing disclosures that are made during the year; (ii) take such steps as are necessary to identify Covered Interests and review any so identified; (iii) make such further investigation as it deems appropriate with regard to Covered Interests disclosed or identified; and (iv) determine whether any such Covered Interest gives rise to a conflict of interest. The subject Covered Person shall not be present during any meeting in which the Executive Committee conducts its evaluation, except to answer questions of the Executive Committee as may be necessary. The Executive Committee may request additional information from all reasonable sources and shall involve the General Counsel in its deliberations. Once all necessary information has been obtained, the Executive Committee shall make a finding as to whether a conflict of interest indeed exists. Only disinterested committee members may vote to determine whether a conflict of interest exists. The subject Covered Person may not be present when this vote is taken.
- e. *Addressing the Conflict of Interest.* Once the disinterested members of the Board of Directors have determined that an actual conflict of interest exists with respect to a particular contract, transaction, or arrangement:
 - i. The disinterested members of the Board of Directors shall exercise due diligence to determine whether the Corporation could obtain a more advantageous contract, transaction, or arrangement with reasonable efforts under the circumstances and, if appropriate, shall appoint a non-interested person or committee to investigate alternatives to the proposed contract, transaction, or arrangement.

- ii. In considering whether to enter into the proposed contract, transaction, or arrangement, the Board of Directors or Executive Committee may approve such a contract, transaction, or arrangement only if the disinterested Directors determine by a majority vote that:
 - The proposed contract, transaction, or arrangement is in the Corporation's best interests and for the Corporation's own benefit; and
 - The proposed transaction is fair and reasonable to the Corporation, taking into account, among other relevant factors, whether the Corporation could obtain a more advantageous contract, transaction, or arrangement with reasonable efforts under the circumstances.
- iii. The disinterested members of the Board of Directors or Executive Committee may, in their discretion, require the Covered Person to leave the room while the proposed contract, transaction, or arrangement is discussed. The Covered Person shall leave the room while the matter is voted on and only disinterested Directors may vote to determine whether to approve the transaction or arrangement.

In determining whether and when to require the Covered Person to leave the room during discussion of the proposed contract, transaction, or arrangement, the disinterested Directors shall balance the need to facilitate the discussion by having such person on hand to provide additional information with the need to preserve the independence of the determination process.

- f. *Violations of the Conflicts-of-Interest Policy.* If the Board of Directors or a committee has reasonable cause to believe that a Covered Person has failed to comply with the disclosure obligations of this Policy, it shall inform the Covered Person of the basis for its belief and afford the Covered Person an opportunity to address the alleged failure to disclose. After hearing the response of such person and conducting such further investigation as may be warranted under the circumstances, the Board of Directors shall determine whether such person has, in fact, violated the disclosure requirements of this Policy. If the Board determines that there has been a violation, the Board shall take appropriate disciplinary and corrective action which may include removal (if the Covered Person is a Board or committee member) or termination (if the Covered Person is an employee).
4. *Records of Proceedings.* The minutes of meetings of the Board of Directors and any committee with Board-delegated powers shall include:
 - a. The names of persons who disclosed or were otherwise found to have a Covered Interest relevant to any matter under discussion at the meeting, a general statement as to the nature of such interest (e.g., employment arrangement, equity interest, or board membership or officer position in another corporation), any action taken to determine whether a conflict of interest exists, and the Board or committee's conclusion as to whether a conflict exists.
 - b. The names of the persons present for the discussions and votes relating to the contract, transaction, or arrangement, a summary of the content of these discussions that contains the type of information regularly reported in Board or committee minutes and identifies whether any alternatives were considered, and a record of any vote taken in connection therewith.

- c. If appraisals (for tangible property) or third-party comparable data (for compensation) were considered by the Board or Committee, the nature and source of the data.
5. *Compensation.*
 - 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 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.
 - c. No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.
6. *Annual Statements.* Each Covered Person shall sign an annual statement that the Covered Person: (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 the Corporation is a charitable organization that must engage primarily in exempt activities; (f) agrees to report to the Executive Committee any change to matters previously disclosed on the Conflicts-of-Interest Questionnaire; and (g) states that the information provided in the Conflicts-of-Interest Questionnaire is true and accurate to the best of his or her knowledge and belief.
7. *Periodic Reviews.* To ensure that the Corporation operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:
 - a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
 - b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.
8. *Use of Outside Experts.* When conducting the periodic reviews as provided for in Section 7, the Corporation may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the governing board of its responsibility for ensuring that periodic reviews are conducted.

Conflicts-of-Interest Disclosure Questionnaire

*** ATTENTION ***

PLEASE READ CAREFULLY AND COMPLETE ALL QUESTIONS

PLEASE DO NOT LEAVE ANY SECTION BLANK

If an item does not apply, please indicate such by writing "None" or "N/A"

Name: _____

Employer or Principal Business Affiliation: _____

Principal Title or Position with: _____:

In accordance with the Conflicts-of-Interest Policy adopted by the Board of Directors of [Name of Organization] Health System, during the period in which I am a member of the Board of Directors of [Name of Organization] or of any of the governing boards or committees of its subsidiaries or affiliates, or during the period in which I serve as an officer or employee of [Name of Organization] or any of its subsidiaries or affiliates, I will:

Note: the following (or similar) provisions should be consistent with the organization's conflicts-of-interest policy, and officer/trustee Code of Ethics.

Fiduciary Duty

Remain a fiduciary to [Name of Organization] and act in good faith and in the best interests of [Name of Organization] at all times during which (a) I participate in or vote upon any matter involving the business activities of [Name of Organization], or (b) I represent [Name of Organization] among persons or organizations doing or interested in doing business with [Name of Organization].

Protection of Confidential Information

Not disclose to any person information that is confidential, proprietary or not generally known to the public, pertaining to the business and affairs of [Name of Organization] or any of its subsidiaries or affiliates, whether related to a specific transaction or to matters pertaining to [Name of Organization]'s interests and the operation of its integrated healthcare delivery system, either for the purpose of gaining advantage for one's self or permitting any other person to use that information for their benefit or the benefit of any other organization, except when specifically approved by [Name of Organization].

Gratuities and Gifts

Not accept or seek from any person or organization doing or interested in doing business with [Name of Organization] a gratuity, favor, benefit, loan, or gift of greater than nominal value (\$50 or more per year), nor accept any commission or payment of any kind in connection with work performed, services rendered, or supplies provided in a situation where [Name of Organization] is a party without the express consent of [Name of Organization].

Duty to Notify

Immediately notify the appropriate Board Chair, CEO, or General Counsel of the organization for which I serve [Name of Organization] of any circumstances that are or may appear to others to be an actual or potential conflict-of-interest situation, including those set forth in sections (i) through (iv) of the “*Covered Interest*” section in the Statement of Policy.

Activities of Family Members

To the extent I have actual knowledge, to immediately notify the Board Chair, CEO, or General Counsel of any circumstances that are or may appear to others to be a conflict-of-interest situation involving members of my family. Family members include my spouse, any child, stepchild, parent, step-parent, sibling, mother-in-law, father-in-law, daughter-in-law, son-in-law, brother-in-law, sister-in-law, and any person, other than a tenant or employee, sharing my household.

Non-Participation in Board Action When a Conflict Situation Exists

Excuse myself from any meeting and therefore take no part in discussions and decisions on any transaction or other matter before any board or committee of [Name of Organization] or any subsidiaries or affiliates of [Name of Organization] in which I or any of my family members have or may be perceived to have a conflict of interest.

Continuing Obligation to Report

I agree to report promptly to [Name of Organization] in writing or, if precluded due to the lack of time, orally to the appropriate [Name of Organization] board or committee, any future situation in which a possible conflict of interest regarding myself or any family member might arise.

Attestation

I hereby certify that I have read [Name of Organization]’s Conflicts-of-Interest Policy and that I understand the requirements of the Policy. To my knowledge and belief, neither I nor any family member is now, or has been since the date of the last Disclosure Statement filed by me, engaged in any activity which might create a conflict of interest with the Corporation or otherwise violate any of the guidelines contained in the Statement of Policy, except as explained in the accompanying written statement.

Listed in the following sections, to the best of my knowledge, are interests that I and my family members hold, or possible conflict-of-interest situations in which I or any of my family members may be involved, which could now or in the future lead to a conflict of interest with [Name of Organization] or any of its subsidiaries or affiliates. I understand that, with respect to the questions and disclosures below, family members include any child, stepchild, spouse, parent, step-parent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and any person (other than a tenant or employee) sharing my household.

PLEASE ANSWER ALL QUESTIONS AND DO NOT LEAVE ANY SECTION BLANK.

If the item does not apply, please indicate such by writing “None” or “N/A.”

1. Is any member of your family employed by [Name of Organization] or any affiliate of [Name of Organization]? If so, please provide their name, position, and location.
2. Do you have a family relationship or a business relationship with any other officer, director, or trustee of [Name of Organization]? If so, please describe.

Relationships with [Name of Organization] Competitors

3. Do you or any member of your family hold any ownership interest (other than nominal amounts of stock in publicly traded companies—defined as less than 5% of stock outstanding) in an organization located within [Name of Organization]’s service area that might compete with [Name of Organization] or [Name of Organization]’s affiliates? If so, please describe.
4. Do you or any member of your family have any employment or consulting relationship with an organization located within [Name of Organization]’s service area that might compete with [Name of Organization] or [Name of Organization]’s affiliates? If so, please describe.
5. Do you or any member of your family have any relationship with any other business activity that might compete with the business activities of [Name of Organization] or any of its affiliated organizations? If so, please describe.

Relationships with [Name of Organization] Vendors and Suppliers

6. Do you own a 10% or greater interest in or are you employed by an entity that has provided, or in the future reasonably could provide, goods or services to [Name of Organization]? If so, please describe your interest or employment including your % ownership in the entity.

7. Does a member of your family (as defined in the Policy) own a 10% or greater interest in or are they employed by an entity that has provided, or in the future reasonably could provide, goods or services to [Name of Organization]? If so, please describe including the family member names, the relationship of each family member to you, their interest or employment and their % ownership.

8. Do you serve as an officer, director, trustee, or member of an entity that has provided, or in the future reasonably could provide, goods or services to [Name of Organization]? If so, please describe.

9. Is a member of your family (as defined in the Policy) an officer, director, trustee, or member of an entity that has provided, or in the future reasonably could provide, goods or services to [Name of Organization]? If so, please describe including the family member names, positions, and entities.

10. Do you, or does a member of your family, have any consulting relationship with an entity that has provided, or in the future reasonably could provide, goods or services to [Name of Organization]? If so, please describe (and for a family member, please provide the family member's name and relationship to you), including the name of the entity and the nature of the consulting relationship involving you or a family member.

11. Could you or a member of your family receive any direct or indirect material benefit as a result of a transaction between [Name of Organization] and a client, vendor, or contractor? If so please describe.

12. Describe any business transactions or financial arrangements, including but not limited to vendor, employment, or independent contractor arrangements, that you (or any business in which you have a 35% or greater ownership interest) had with [Name of Organization] during the past year.

13. Indicate whether you, a family member, or an entity of which you own more than 35%, is an investor in any entity or venture in which [Name of Organization] or an affiliate also is an investor. If such a situation exists, please name the joint venture and indicate the percentage profits interest or capital interest that you have or that the family member or > 35% owned entity has.

Convictions

14. Have you, as the provider, supplier, or any owner of the provider or supplier, been convicted of a Federal or State felony offense that CMS has determined to be detrimental to the best interests of the program and its beneficiaries? Offenses include: Felony crimes against persons and other similar crimes for which the individual was convicted, including guilty pleas and adjudicated pre-trial diversions; financial crimes, such as extortion, embezzlement, income tax evasion, insurance fraud and other similar crimes for which the individual was convicted, including guilty pleas and adjudicated pre-trial diversions; any felony that placed the Medicare program or its beneficiaries at immediate risk (such as a malpractice suit that results in a conviction of criminal neglect or misconduct); and any felonies that would result in a mandatory exclusion under Section 1128(a) of the Act.

15. Have you received any misdemeanor conviction, under Federal or State law, related to: (a) the delivery of an item or service under Medicare or a State health-care program, or (b) the abuse or neglect of a patient in connection with the delivery of a healthcare item or service?

16. Have you received any misdemeanor conviction, under Federal or State law, related to theft, fraud, embezzlement, breach of fiduciary duty, or other financial misconduct in connection with the delivery of a healthcare item or service?

17. Have you received any felony or misdemeanor conviction, under Federal or State law, relating to the interference with or obstruction of any investigation into any criminal offense described in 42 C.F.R. Section 1001.101 or 1001.201?

18. Have you received any felony or misdemeanor conviction, under Federal or State law, relating to the unlawful manufacture, distribution, prescription, or dispensing of a controlled substance?

Exclusions, Revocations, or Suspensions

19. Have you received any revocation or suspension of a license to provide healthcare by any State licensing authority? This includes the surrender of such a license while a formal disciplinary proceeding was pending before a State licensing authority.

20. Have you received any revocation or suspension of accreditation?

21. Have you received any suspension or exclusion from participation in, or any sanction imposed by, a Federal or State healthcare program, or any debarment from participation in any Federal Executive Branch procurement or non-procurement program?

22. Have you received any current Medicare payment suspension under any Medicare billing number?

23. Have you received any Medicare revocation of any Medicare billing number?

Director Signature

Date

Print name

Director Independence Policy

BOARD POLICY NO.:	SUBJECT: Independence of Governing Board Members
EFFECTIVE DATE:	CATEGORY: Board Policy

Purposes:

1. To establish a definition by which the independence of members of the governing board can be determined on an [annual] basis by the [i.e., Governance] Committee of the Board of Directors.
2. To help assure that the organization is governed by a majority of board members who are independent with respect to their relationship to the business and executives of the corporation, and in so doing to support continued compliance with conditions of federal tax-exempt status, federal tax compliance, and state not-for-profit corporation law, principles of governance best practices for the non-profit sector.

Policy:

1. The Board of Directors of the Corporation shall at all times consist of a majority of members determined on an [annual] basis by the Governance Committee of the Board to be “independent.”
2. Subject to revisions in applicable law, a member of the Board of Directors of the Corporation shall be determined to be “independent” if all four of the following circumstances apply at all times during the Corporation’s tax year:
 - a. The board member was not compensated as an officer or other employee of the Corporation or a related corporation identified on the attached Exhibit A. [Specifically identified related organizations]. **Note: for religiously sponsored organizations, there is a specific exception relating to men and women religious.**
 - b. The board member did not receive total compensation or other payments exceeding \$10,000 during the Corporation’s tax year from the Corporation or the organizations listed on Exhibit A as an independent contractor, other than reimbursement of expenses under an expense reimbursement plan that satisfies the federal tax law expense reimbursement requirements of business connection, substantiation and returning amounts that exceed substantiated expenses or as reasonable compensation for services provided as a board member.
 - c. Neither the board member, nor any family member (as defined in Exhibit B) of the member was involved in a transaction with the Corporation (whether directly or indirectly through affiliation with another organization) that is required to be reported on the Corporation’s Form 990, Schedule L, as Transactions with Interested Persons.

- d. Neither the board member, nor any family member of the member, was involved in a transaction with a taxable or tax-exempt related organization of a type and amount that would be reportable on Schedule L (Form 990 or 990-EZ) if required to be filed by the related organization.
3. The Governance Committee of the Board, working in consultation with the Corporation's General Counsel and its Independent Auditor, shall apply this standard to the director nomination and election process to assure annual compliance with the terms of this Policy. In so doing, the Governance Committee shall solicit from its General Counsel and Independent Auditor examples of the application of this independence standard, in order to facilitate the Committee's understanding of the purposes and intent of this Policy.
- NOTE: This policy is intended to track the definition of "independent voting member of governing body" contained in part in the Glossary section of the Form 990 instructions. The Corporation should also review applicable state non-profit corporate law and for the presence of any relevant non-profit corporate-based statute relating to "independent," "disinterested," or similar classification and adjust this policy accordingly. Some corporations may prefer to adopt, for corporate governance purposes, a definition of independence that is closer to that which is adopted by self-regulatory entities such as the NYSE.***

Corporate Opportunity Policy

BOARD POLICY NO.:	SUBJECT: Corporate Opportunity
EFFECTIVE DATE:	CATEGORY: Board Resolution

Purposes:

1. To enhance the awareness of members of the Board of Directors as to the legal and ethical issues associated with their engaging in a transaction which the Director should reasonably know may be of interest to [Name of Organization] (a "Corporate Opportunity Transaction").
2. To establish a process by which Corporate Opportunity Transactions are disclosed to the Board of Directors in sufficient detail and advance notice to allow the Board to take appropriate action with respect thereto.

NOTE: Cross refer to policies "Conflicts of Interest" and "Confidentiality."

Policy:

1. A Director shall be determined to have breached his/her Duty of Loyalty to [Name of Organization] by participating in a Corporate Opportunity Transaction, without making adequate prior disclosure to the Board of Directors and providing [Name of Organization] with a first option to participate on the same terms, in lieu of the Director's own participation.
2. The elements of a related breach of the Duty of Loyalty (and of this Policy) may be present when the officer or director is presented with a business opportunity (i.e., a Corporate Opportunity Transaction) which:
 - a. Is a matter [Name of Organization] has the financial means to undertake;
 - b. Is "in the line of [Name of Organization]'s business" and may be of particular advantage to it;
 - c. Falls within the present or (reasonably expected) future plans of [Name of Organization]; and
 - d. Has a character such, that by appropriating the opportunity, the personal interest of the director will be brought into conflict with the interest of [Name of Organization].
3. The implicated director or officer shall have the affirmative obligation to promptly present in writing the details of the Corporate Opportunity Transaction to the Board of Directors before proceeding therewith.
4. The Board of Directors (or designated Committee thereof) shall be responsible for evaluating all Corporate Opportunity Transactions of which it is made aware. The initial burden of proof shall be on the Board of Directors or [other] challenging party to demonstrate that the "business opportunity" pursued by the implicated officer/director constitutes a "corporate opportunity." If that burden is satisfied, the burden shifts to the implicated officer/director to justify the equitable nature of the transaction.

5. In evaluating “corporate opportunity” claims, the Board of Directors (absent the implicated officer/director and any other directors not disinterested as to the issue) shall consider the following factors, among others:
 - a. Is the corporate opportunity an activity closely associated with the current or anticipated business of [Name of Organization]?
 - b. Was [Name of Organization] denied an opportunity in which it had a tangible interest or expectancy?
 - c. Was the officer or director’s action with respect to the opportunity “fair” under all relevant facts and circumstances?
 - d. Is there any reasonable, foreseeable harm to [Name of Organization] from allowing the implicated officer or director to pursue the specific Corporate Opportunity Transaction?
 6. The Board of Directors shall be authorized to approve a Corporate Opportunity Transaction, of which they have been notified in advance pursuant to this Policy, if (i) the material facts of the Corporate Opportunity Transaction (including the interest therein of the implicated officer or director) are disclosed or made known to the Board; (ii) the Board has evaluated the Corporate Opportunity Transaction in a manner consistent with paragraph 5 of this Policy; and (iii) the Corporate Opportunity Transaction has been approved by a majority vote of the disinterested members of the Board, who have determined that there is no reasonable, foreseeable harm to arising from allowing the implicated director or officer to pursue the Corporate Opportunity Transaction.
- NOTE: The Policy could be expanded to allow the Board to ratify Corporate Opportunity Transactions subsequently brought to the Board’s attention by the implicated officer/director.***
7. Regardless of whether a Corporate Opportunity Transaction is approved by the Board of Directors as provided herein, a director or officer (a) may not use his/her fiduciary position with [Name of Organization] to restrict the ability of [Name of Organization] to compete with his/her competing enterprise; and (b) is forbidden from organizing another enterprise for the primary purpose of competing with [Name of Organization].
 8. Any individual subject to this Policy who knowingly (as determined by the Board) fails to disclose an actual, apparent, or possible Corporate Opportunity Transaction in accordance with this Policy, or who pursues a Corporate Opportunity Transaction without obtaining Board approval as called for by this Policy, may be subject to the following disciplinary and corrective action, as determined by the Board:
 - a. Removal, in accordance with the governance documents of [Name of Organization], if the individual is a member of the Board of [Name of Organization] or committee thereof.
 - b. Dismissal from employment of [Name of Organization], if the individual is employed by [Name of Organization].
 - c. Termination of any agency relationship by the President/CEO of [Name of Organization], if the individual is an agent of [Name of Organization].
 - d. Injunction against the use of inside or confidential information.
- Furthermore, [Name of Organization] reserves the right to seek monetary damages from any individual determined to be in breach of this Policy.

Confidentiality Policy

BOARD POLICY NO.:	SUBJECT: Confidentiality
EFFECTIVE DATE:	CATEGORY: Corporate Bylaws

Purposes:

To assist the Board of Directors of [Name of Organization] in the Board's exercise of oversight, by establishing confidentiality obligations of Board Members and officers of [Name of Organization] to protect and preserve the confidentiality of corporate information, including, but not limited to, proprietary, trade secret, personal, privileged, or otherwise sensitive data and information (collectively, "Confidential Information").

Policy:

1. Board Members and Officers shall be given access to Confidential Information for corporate purposes only and may not use or disclose Confidential Information for any purpose other than to conduct the business of [Name of Organization] in a manner consistent with its charitable mission and corporate compliance plan.
2. Board Members and Officers shall not disclose, share, copy, or transmit Confidential Information to those not authorized to receive it.
3. At all times, Board Members and Officers shall protect the integrity, security, and confidentiality of Confidential Information which they may have access to or come into contact with which could be used in any reasonable way to negatively impact [Name of Organization], its reputation, strategic position, or operations.
4. Information shall not be considered Confidential Information if it: (i) is publicly known other than through acts or omissions attributable to the disclosing party; (ii) as demonstrated by prior written records, is already known to the disclosing party at the time of the disclosure; (iii) is disclosed in good faith to a recipient party by a third party having a lawful right to do so; (iv) is subject of written consent of [Name of Organization] authorizing disclosure; or (v) was independently developed by the disclosing party without reference to [Name of Organization]'s Confidential Information.
5. Any action by a Board Member or Officer in violation of this policy may subject such individual to disciplinary action, including removal from the Board and/or termination, as is determined by the Board or Committee with specific delegated powers.
6. Board Members and Officers should be referred to the General Counsel of [Name of Organization] for any questions they may have with respect to the application of this Policy in general or whether a particular item is Confidential Information, in particular.

Outside Business Activities Policy

BOARD POLICY NO.:	SUBJECT: Outside Business and Other Activities of Board and Senior Management
EFFECTIVE DATE:	CATEGORY: Board Policy

Purposes:

1. To encourage participation by the Senior Management Team in outside business and other activities (e.g., board and volunteer service) (collectively, “Outside Activities”) when doing so is (a) supportive of the Mission of [Name of Organization]; (b) does not interfere with the performance of an individual’s duties and obligations to [Name of Organization]; and (c) does not create a “conflict of interest,” as that term is defined in [Name of Organization]’ Conflicts-of-Interest Policy.
2. To establish a procedure by which the Board of Directors may monitor participation in Outside Activities by the Senior Management Team, and to implement a specific approval process regarding the same, to preserve and protect the charitable mission and public reputation of [Name of Organization].
3. To acknowledge the potential for controversy, and reputational harm to [Name of Organization] and its missions, that could arise in the event that a member of the Senior Management Team was determined to be participating in an activity outside of the scope of his/her employment with [Name of Organization], which participation was inconsistent with the missions of, or full-time employment service to, [Name of Organization].
4. To facilitate a resolution of challenges that may occur when participation in outside business activities materially interferes with the performance of his or her duties and obligations to [Name of Organization].

Policy:

1. *Outside Activities.* A Covered Person shall not participate in Outside Activities that conflict with, or could create the appearance of conflict with, employment at [Name of Organization] without the express written approval of the Board of Directors of [Name of Organization]. Any compensation payable to a Covered Person from an Approved Outside Activity shall belong to said Covered Person unless (a) such Covered Person is serving in the Approved Outside Activity due to his or her position with or an Affiliate of [Name of Organization] (e.g., a Board position dedicated to whomever is at that time serving as CEO);⁶ or (b) if doing so would be inconsistent with applicable law and regulations governing [Name of Organization], as determined in the view of the General Counsel.

6 This is often a complicated issue which in and of itself should require careful board analysis and tax planning.

2. *Definitions.*

- a. *Covered Persons.* This Policy shall apply to the Senior Management Team⁷ of (i) [Name of Organization], (ii) any corporation or other legal entity for which [Name of Organization] serves as sole or controlling member or “controlling” (i.e., greater than 50%) shareholder or partner; and (iii) any corporation or other legal entity for which the legal entity described at 2(a)(ii), above serves as sole or controlling corporate member or controlling shareholder or partner. [The term “Covered Persons” shall also include any Family Member of a member of the Senior Management Team, with “Family Member” having the meaning set forth in the [Name of Organization] Conflicts-of-Interest Policy.]⁸
 - b. *Outside Activities.* An “Outside Activity” for purposes of this Policy, shall include service as a director, trustee, officer, committee member, employee, independent contractor, consultant, advisor, agent, or similar position with another organization (regardless of whether the organization is charitable or for-profit in nature). The Policy shall not be construed to prohibit or discourage volunteer service in the ordinary course; only such outside activity (volunteer or not) which by its nature would interfere with a Covered Person’s regular duties with [Name of Organization], present a conflict of interest, or would otherwise be inconsistent with the Mission and charitable purpose of [Name of Organization].
 - c. *Approved Outside Activity* shall mean an Outside Activity that has been disclosed to, and approved by, the Board of Directors of [Name of Organization]. No Covered Person may use any confidential or proprietary information concerning [Name of Organization] or an Affiliate of [Name of Organization] in connection with an Approved Outside Activity. Any Outside Activity that predates the adoption of this Policy shall require timely disclosure to the Board but shall not require approval. Any concern with a preexisting Outside Activity will be addressed on a case-by-case basis.
3. *Disclosure of Outside Activity.* It shall be an affirmative obligation of each Covered Person to submit to the Board of Directors of [Name of Organization] (c/o General Counsel) a Request for Approval of Outside Activity if such Activity may create a conflict or the appearance of a conflict prior to accepting any Outside Activity. The submission shall be made consistent with the attached disclosure statement and made a part of this Policy.
 4. *Criteria for Board Consideration.* In evaluating a Request for Approval of Outside Activity, the Board of Directors of [Name of Organization] shall consider the following factors, among others:
 - a. The specific nature, terms, and conditions of the proposed Outside Activity;
 - b. The anticipated time commitment from the Outside Activity and whether it creates the potential to interfere with the regular duties of the Covered Person (to [Name of Organization]);

⁷ This may need clarification.

⁸ This could be controversial (i.e., an outreach).

- c. The extent to which the Outside Activity, if approved, would further the Mission of [Name of Organization] (including but not limited to whether the Outside Activity, if approved, would further the professional development of the Covered Person or enhance the reputation of [Name of Organization]);
 - d. The nature of the compensation to the Covered Person (if any) from the Outside Activity;
 - e. Whether the Outside Activity, if approved, would create a potential conflict of interest for the Covered Person under the Conflicts-of-Interest Policy;
 - f. Whether the Outside Activity, if approved, would require that the Covered Person use materials, facilities, or resources of [Name of Organization] in the performance thereof;
 - g. The results of the most recent performance evaluation of the Covered Person (as may be applicable); and
 - h. Such other factors as the Board may determine relevant.⁹
5. *Continuing Obligation.* It shall be the continuing obligation of the Covered Person to immediately disclose to the Board any material change in the form or nature (including but not limited to change in scope of duties, change in form of compensation, and change in focus of the business activity) in an Approved Outside Activity.
6. *Violation.* Conduct by a Covered Person contrary to this Policy shall constitute a breach of terms of employment (or the independent contractor relationship, as the case may be) and may lead to disciplinary action (including, in situations deemed by the Board as “egregious,” separation from employment with [Name of Organization]).

⁹ Consider the need for reporting and oversight/monitoring by the Chief Compliance Officer.

Oversight of Senior Management Policy

BOARD POLICY NO.:	SUBJECT: Oversight of Senior Management
EFFECTIVE DATE:	CATEGORY: Corporate Bylaws

Purposes:

1. To assist the Board of Directors of [Name of Organization] in the Board's exercise of oversight, by requiring the Board to monitor the performance of its Chief Executive Officer [and other senior management employees]¹⁰ and make due inquiry into the general practices, activities, and decisions of [Name of Organization], when it is appropriate to do so, to ensure that they are lawful, prudent, and in compliance with commonly accepted business and professional ethics.
2. To assist the Board in its efforts to ensure that [Name of Organization], its management and employees conduct the business of [Name of Organization] in a manner consistent with the charitable mission and purposes of [Name of Organization].

Policy:

1. The Board has a basic duty to monitor the affairs of [Name of Organization] in the best interests of [Name of Organization], its employees, and the community it serves.
2. In fulfilling its duty of oversight, the Board may rely in good faith on reports and other information provided by senior management and outside advisors with respect to the practices, activities, decisions, and performance of [Name of Organization].
3. In discharging its oversight duties, the Board may rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared by one or more officers or employees of [Name of Organization] that the Board reasonably believes to be reliable and competent in the matters presented.
4. The Board may rely in good faith on the books and records of [Name of Organization] and has the right to inspect all such books and records and is expected to maintain an awareness of significant corporate developments.
5. The Board has the right to inspect facilities of [Name of Organization] as reasonably appropriate for the performance of their duties.
6. Each member of the Board is entitled to be given notice of all meetings of the Board in which a director is entitled to participate.
7. Each member of the Board shall receive copies of all Board meeting minutes.
8. The Board shall satisfy itself that an effective system is in place for periodic and timely reporting to the Board or relevant Board committees on matters relevant to the Board.

¹⁰ May require review and coordination of CEO to avoid role confusion.

9. These oversight responsibilities do not require the Board or its individual Members to supervise or investigate each aspect of [Name of Organization]'s day-to-day operations or to ferret out potential wrongdoing.
10. The Board and its individual Members are required to make reasonable inquiry of senior management and other employees when unusual circumstances arise and when there is reason to suspect that violations of law or business ethics have or will occur.
11. As part of its oversight responsibilities, the Board is required to generally monitor the performance of senior management. This monitoring will include, but not be limited to:
 - Ensuring legal and ethical conduct by senior management and other employees;
 - Approving [Name of Organization]'s strategic direction and evaluating its progress;
 - Selecting, evaluating, rewarding, and if necessary, removing the CEO;
 - Ensuring that appropriate senior management succession plans are in place; and
 - Establishment and enforcement of an effective corporate compliance plan.
12. Any Board Member who fails to report or cause to be investigated suspected wrongdoing by [Name of Organization], its senior management or other employees may be subject to removal from the Board.¹¹
13. Subject to coordination with senior management and reasonable time and manner constraints, Board members shall be given access to members of senior management and other employees of [Name of Organization] and to [Name of Organization]'s legal counsel and other advisors.
14. As part of its oversight obligations, and to preserve the "independence" of corporate governance, the Board shall:
 - Hold regular meetings in "executive session" (i.e., outside the presence of any senior executive officer); and
 - Hold regular "executive session" meetings with the corporate general counsel to review matters regarding legal compliance.
15. The Board shall communicate to, and regularly confirm with, the senior executive officers of the corporation the expectation of the Board that the senior executive officers have an obligation to regularly disclose to the Board (or a committee of directors) information and analysis relevant to the Board's decision-making and oversight responsibilities.

¹¹ This is a critical concept (i.e., board members who have legitimate, credible concern regarding the conduct regarding competency of individual officers/senior executives need to bring that concern to the attention of the full board or appropriate committee).

Lines of Authority between Board and Management Policy

BOARD POLICY NO.:	SUBJECT: Lines of Authority between Board and Management
EFFECTIVE DATE:	CATEGORY: Corporate Bylaws

Purposes:

1. To provide clarity on the division of responsibility between the [Name of Organization] Board of Directors (“Board”) and its Senior Management Team (“Management”);¹² i.e., an understanding between the two constituencies on matters which (i) merit Board action (and those that are principally the responsibility of Management), and (ii) enhance the sustainability of the [Name of Organization] Mission and the exercise of informed and good faith corporate governance.
2. To support the Board’s determination of whether and the extent to which its action is required or recommended on a particular matter, the Board may also adopt non-exclusive “levels of authority” for [Name of Organization].
3. This Policy assumes that Board/Management lines of authority generally, and division between authorization and review in particular, may often be subjective in nature. Accordingly, it is inherent in this Policy that the process to identify and implement lines of authority will require substantial discretion, and will benefit from periodic Board and Management review to adapt to change.

Policy:

1. *Matters for Which Board Authorization is Required.* Board authorization is required for the following matters:
 - a. Powers reserved to the Board under state nonprofit corporation law, subject in all respects to [insert statutory name, citation],¹³ including:
 - i. Amendment of Bylaws [cite]
 - ii. Application of any part of capital surplus for reduction of a corporate deficit or any other proper corporate [cite]
 - iii. Change in the number of directors [cite]
 - iv. Filling a vacancy in the number of directors [cite]
 - v. Appointment to committees [cite]
 - vi. Election of officers; removal of officers; fill vacancy in office [cite]

¹² You may wish to define.

¹³ This should track relevant provision of state non-profit corporation.

- vii. Determination of right to indemnification and advance expenses [cite]
 - viii. Approval of contracts or transactions in which a director has an interest [cite]
 - ix. Call special meetings of the members [cite]
 - x. Amendment of charter [cite]
 - xi. Amendment to change the name of the [cite]
 - xii. Restatement or reinstatement of charter [cite]
 - xiii. Approve receipt of assets in an asset transfer [cite]
 - xiv. Consolidation, merger, transfer of its assets or acquisition of its stock in a share exchange [cite]
 - xv. Approval of a merger with a 90%-or-more-owned subsidiary [cite]
 - xvi. Abandonment of a proposed merger, consolidation or share exchange [cite]
 - xvii. Dissolution [cite]
 - xviii. Acting as trustees of the corporation's assets for purpose of liquidation pursuant to voluntary dissolution or forfeiture [cite]
- b. Other powers not expressly provided by law but set forth in the corporate bylaws of [Name of Organization] ("Bylaws"), including:
- i. Adopt a conflicts-of-interest policy (Bylaws §_____)
 - ii. Review conflicts-of-interest disclosure forms (Bylaws §_____)
 - iii. Develop a contract and payment policy (Bylaws §_____)
 - iv. Form Board committees (Bylaws §_____)
 - v. Approval of the annual report (Bylaws §_____)
 - vi. Provision of corporate seal (Bylaws §_____)
 - vii. Evaluate board performance (Bylaws §_____)
- c. Powers over corporate affiliates as reserved to the System parent organization (as set forth in the bylaws of such affiliates from time to time);¹⁴
- d. Powers and obligations set forth by federal law applicable to the boards of health system parent organizations;¹⁵
- e. Powers and obligations set forth under the Internal Revenue Code and Treasury Regulations applicable to health system parent organizations;¹⁶

¹⁴ May require close review of reserve of powers and affiliate relationships.

¹⁵ General counsel should be consulted on interpretation.

¹⁶ *Ibid.*

- f. Approval of the annual operating and capital budgets;
- g. Approval of any incurrence of debt or other borrowing for an amount greater than 1% of net assets as measured at the end of the prior fiscal year;
- h. Approval of any acquisition, purchase, sale, disposition, or encumbrance of real property in excess of 1% of net assets as measured at the end of the prior fiscal year;
- i. Approval of any single expenditure for an amount greater than 1% of net assets as measured at the end of the prior fiscal year;
- j. Approval of any acquisition, purchase, sale or other disposition of any entity, or any material assets of any entity for an amount greater than 1% of net assets as measured at the end of the prior fiscal year;
- k. Approval of any material additions, expansions, revisions, or deletions of a healthcare service;
- l. Selection of the independent auditor;
- m. The adoption or modification of executive compensation policies;
- n. Approval of extraordinary filings (such as certificate of need filings) to regulatory agencies.

2. *Matters for Which Formal Discussion and Review with the Board is Required.*

These matters generally include major management decisions that fall short of the threshold for Board approval yet which may be critical to the Board's exercise of oversight and supervision of management team effectiveness.¹⁷

- Approval of major "high level" policies applicable to [Name of Organization];
- Major transactions and/or other materially important business agreements, the terms of which fall short of the threshold for Board approval yet are integral to the implementation of the strategic plan (i.e., financing agreements, material license agreements and leases);
- Adopting or amending employee benefit plans;
- Responses to legal, compliance, and regulatory challenges that relate to general Board oversight matters; and
- The commencement of negotiations of transactions which may ultimately require Board approval.

¹⁷ This list should be the byproduct of thoughtful discussion between board and executive leadership.

Management Duty to Disclose Policy

BOARD POLICY NO.:	SUBJECT: Management Duty to Disclose
EFFECTIVE DATE:	CATEGORY: Corporate Bylaws

Purposes:

1. To assist the Board of Directors of [Name of Organization] in the Board's exercise of oversight by requiring the Chief Executive Officer and other key management employees to report to the Board, and to periodically report to the Board, the practices, activities, and decisions of [Name of Organization] to ensure that they are lawful, prudent, and in compliance with commonly accepted business and professional ethics.
2. To assist the Board in its efforts to ensure that [Name of Organization], its management and employees conduct the business of [Name of Organization] in a manner consistent with the charitable mission and purposes on [Name of Organization].

Policy:

1. The senior executive leadership team [define] has an obligation to report to the board or a committee thereof, on a timely and sufficient basis, information and analysis relevant to board members' decision-making and oversight responsibilities.
2. The CEO, President, Chief Financial Officer, and General Counsel of [Name of Organization] shall be available to the Board at each of its regular meetings, and at meetings of its Executive and other Committees, as requested.
3. Management reports shall include, but not be limited to, the following:¹⁸
 - Financial performance of [Name of Organization], including any actual or anticipated threats to corporate assets;
 - Relevant trends in the marketplace or regulatory environment in which [Name of Organization] conducts its operations;
 - Changes in the assumptions upon which any Board policy has been established;
 - Actual or anticipated legal action against [Name of Organization] or adverse media coverage;
 - Actual or anticipated non-compliance with any policy of the Board; and
 - Opinions from a variety of employees, external points of view, and options to permit the Board to make informed choices.
4. The [Chief Executive Officer] [Senior Management Team] shall have an affirmative duty to regularly advise the Board on corporate matters, including but not limited to the following:¹⁹

¹⁸ These items should be the byproduct of thoughtful discussion by board and executive leadership.

¹⁹ *Ibid.*

- a. Submit monitoring data required by the Board in a timely, accurate, and understandable fashion.
 - b. Make the Board aware of relevant trends, anticipated adverse media coverage, and material external and internal changes involving [Name of Organization], particularly changes in the assumptions upon which any Board policy has previously been established.
 - c. Advise the Board if, in the CEO's opinion, the Board is not in compliance with its own corporate governance policies, particularly in the case of Board behavior which is detrimental to the working relationship between the Board and the CEO.
 - d. Present information in appropriate and efficient manner and assure that the information and advice to the Board has no significant gaps in timeliness, completeness, or accuracy.
 - e. Provide mechanisms for official Board communications.
 - f. Engage with the Board as a whole except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the Board.
 - g. Report in a timely manner an actual or anticipated noncompliance with any policy of the Board.
 - h. Present or have presented to the Board a diversity of policy-related opinion and perspective from the senior management team and [medical] staff.
5. All management reports to the Board shall be timely, complete, accurate, and shall be presented in a clear and concise manner.
 6. The General Counsel of the Corporation shall be actively involved in advising the Board on matters pertaining to the Board Members' decision-making and oversight responsibilities. The senior executive leadership of the corporation should recognize and fulfill an obligation to disclose to the general counsel information and analysis relevant to the ability of the general counsel to advise the board on its oversight responsibilities, particularly as they relate to legal compliance matters.

Oversight of Corporate Compliance Policy

BOARD POLICY NO.:	SUBJECT: Oversight of Corporate Compliance
EFFECTIVE DATE:	CATEGORY: Resolution

Purposes:

1. To assist the Board in effecting its oversight obligations with respect to maintenance by [Name of Organization] of compliance plans that meet the criteria for “effectiveness” set forth in the U.S. Sentencing Guidelines.
2. To facilitate the overall effectiveness of the corporate compliance program of [Name of Organization].

Policy:

1. The Board of Directors shall have an affirmative obligation to act in good faith to assure that [Name of Organization]:
 - a. Maintains corporate compliance plans and procedures designed to prevent and detect possible legal violations potentially revolving [Name of Organization].
 - b. Such compliance plans reasonably meet with the definition of “effectiveness” set forth in the U.S. Sentencing Guidelines;
 - c. Senior and middle management of [Name of Organization] is supportive of the corporate compliance plans; and
 - d. The corporate compliance plans are supported by sufficient resources in terms of personnel, financial budget, access to outside advisors and consultants, and internal corporate/administrative infrastructure.
2. In carrying out this obligation, the Board shall assure that:
 - a. The compliance plans are based upon the specific legal requirements with which [Name of Organization] is required to comply;
 - b. The individual compliance plans are overseen on a day-to-day basis by a member of senior management with specific obligations for compliance plan oversight (e.g., the Chief Compliance Officer);
 - c. The compliance plans comply with applicable guidelines and federal agency standards for the provision of an effective means by which employees may report conduct internally;
 - d. The compliance plans and any related corporate codes of conduct are applied organization-wide;
 - e. Appropriate compliance infrastructure (e.g., authority and allocation of responsibility) has been established;

- f. The compliance plans have established measures to prevent legal violations;
 - g. The compliance plans have established measures to respond to suspected legal violations; and
 - h. The compliance plans themselves are audited on a reasonable time basis to ensure that the plans are consistent with applicable law and regulation.
3. An Agenda item should be established for regularly scheduled Board meetings that will provide the Board with the opportunity to question members of senior management as to the administration and operation of the corporate compliance plans, and the corporate secretary should document in the meeting minutes the related dialogue.

Audit and Compliance Committee Charter

BOARD OF DIRECTORS OF: [NAME OF ORGANIZATION]

I. Purpose

The [Name of Organization] (the “Company”) seeks to produce financial statements that fairly present the Company’s financial condition and operations, to exercise due diligence to prevent and detect criminal conduct, and to otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

This Audit & Compliance Committee is formed for the purpose of supporting the role of the Board of Directors of the Company (“Board”) in connection with (a) the oversight of the company’s financial reporting process; systems of internal controls; external and internal audit functions; and (b) compliance with laws and regulations applicable to the Company’s operations and its code of conduct and Ethics and Compliance Program. **NOTE: Expand as may be appropriate to include other responsibilities, e.g. oversight of risk management activities and adjudication.** The Committee is intended to serve as a conduit to the Board in connection with these and other tasks.

II. Committee Structure and Operations

A. **Authority.** The Board has delegated to the Committee all powers and authority that are necessary or appropriate to fulfill its duties and obligations hereunder, including, without limitation: (i) to retain any independent counsel, experts, or advisors that the Committee believes to be necessary or appropriate; (ii) to conduct or authorize investigations into any matters within the scope of the duties and responsibilities delegated to the Committee; and (iii) carry out any other responsibilities consistent with this Charter, the purposes of the Committee, corporate bylaws, any applicable statutes, regulations, ordinances, or similar laws.

NOTE: Questions of whether and to what extent the Board shall delegate authority to the Committee is a policy question for corporate governance.

B. **Membership.** The Audit & Compliance Committee shall consist of members selected by the Chair of the Board, but in no instance shall consist of less than [seven] members of the board of directors.

NOTE: the specific composition of the committee, the extent of independence of its members, and the experience of committee members, are also policy issues and may indeed be subject to state law or licensure requirements.²⁰

C. **Meetings.** Regular meetings of the Committee shall be held at least once during each fiscal quarter. The Committee has the authority to establish its own

²⁰ The Panel on the Nonprofit Sector recommends that at least 75 percent of this committee be independent directors; The Governance Institute encourages 100 percent to be the aspirational goal.

rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of organizational bylaws that are applicable to the Committee. Special meetings of the Committee, for any purpose, may be held when called by the Chairperson or by written request of any member of the Committee.

- D. **Performance Review.** The Committee shall conduct an annual performance evaluation of the Committee, including a review of the compliance of the Committee with this Charter. The Committee shall also annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
- E. **Reporting.** The Committee shall prepare and present to the Board an annual report on its activities and major decisions, and intermittent reports as deemed appropriate by the Committee Chairperson.
- F. **Delegation.** In fulfilling its responsibilities, the Committee is entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.
- G. **Staffing.** The Committee will be staffed for purposes of management support by the Chief Compliance Officer, the Chief Legal Officer (or his/her designee), and the Internal Auditor (or his/her designee) and by such other representatives of management as the Committee deems necessary in consultation with the Company's CEO.

III. Committee Duties and Responsibilities

- A. **As to Audit Matters.** The Committee shall perform the following in connection with the Company and its component parts:
 - i. Appoint and exercise oversight of the activities of an internal auditor for the Company and its Affiliates;
 - ii. Approve, and exercise oversight of the annual internal audit program for the Company and its Affiliates, and evaluate information from internal auditors on the status of financial reporting and controls;
 - iii. Recommend to the [Board] [Executive Committee] for approval the adoption of, and/or changes to, accounting policies and principles for the Company and its Affiliates;
 - iv. Recommend to the [Board] [Executive Committee] for approval the selection, engagement (including compensation, terms) and if necessary termination of the independent external auditors of the Company and its Affiliates;
 - v. Exercise oversight of the independent external auditors of the Company and its Affiliates, and recommend the external audit report and opinion letter for final approval by the [Board] [Executive Committee];
 - vi. Recommend to the [Board] [Executive Committee] for approval any non-audit services provided by the auditor for the Company and its Affiliates, including tax services;

- vii. Evaluate information from internal and external auditors of the status of financial reporting and controls for the Company and its Affiliates;
- viii. Approve check signing, funds transfer, and contract signing authorities for the Company and its Affiliates; and
- ix. Perform all such other duties as authorized by the [Board] [Executive Committee] incident to preserving the Company's relationship with the outside auditor, and providing oversight of the company's annual financial statement audit and internal controls over financial reporting.

IV. As to Compliance Matters. The Committee shall perform the following in connection with the Company's ethics and compliance programs and activities:

- a. Establish and oversee the implementation, maintenance, and monitoring of an effective ethics and compliance program, the processes used to develop and implement the program, the status of ethics and compliance activities, and the implementation of management action plans in response to significant ethics and compliance issues, according to the standards set forth in the guidelines established by the United States Sentencing Commission, the Department of Justice and other relevant regulatory authorities.
- b. Review and approve on an annual basis an analysis of the key legal and compliance risks identified by the Chief Compliance Officer in consultation with the General Counsel and the mitigation strategy developed to address such risks.
- c. Remain informed of current developments in the Company's regulatory environment and of legal and regulatory requirements applicable to Company affairs.
- d. Establish and maintain a regular line of communication between the Committee and each of the Compliance Officer and General Counsel that provides the Committee with timely information concerning the compliance risks of the Company.
- e. Receive and review periodic reports from the Corporate Compliance Officer, including a quarterly report summarizing compliance related activities undertaken by the Company during the year and a review of the effectiveness of the Ethics and Compliance Program, including its structure, processes, and outcomes.
- f. Recommend Ethics and Compliance Program-related education as may be advisable for Committee members, for the Board and other Board Committees.
- g. Report at least twice annually, or more frequently as may be necessary, to the [Board and/or Executive Committee] on the ethics and compliance oversight activities of the Committee and the effectiveness of the Ethics and Compliance Program and recommend for approval by the [Board] such actions or measures as the Committee deems appropriate to improve effectiveness.
- h. Ratify the hiring, termination, and compensation of the Chief Compliance Officer and the General Counsel.
- i. Assure the proper coordination of responsibilities and activities of the Chief Compliance Officer and the General Counsel.
- j. Review and approve the appropriate strategy and approach to promoting the Ethics and Compliance Program throughout the Company and its Affiliates.

Director Engagement Policy

BOARD POLICY NO.:	SUBJECT: Director Engagement
EFFECTIVE DATE:	CATEGORY: Board Policy

Purposes:

1. To establish a level of expectation with respect to the engagement and commitment of individual members of the [Name of Organization] Board of Directors in the performance of their fiduciary obligations to [Name of Organization] and its Mission;²¹
2. To support the exercise of informed, good-faith decision making and oversight by members of [Name of Organization] Board of Directors, and their ability to serve as a resource for the Senior Management Team in implementing measures to support and sustain the [Name of Organization] missions; and
3. To enhance the effectiveness of the [Name of Organization] Board of Directors and the quality of Board service and participation.

Policy:

1. *Time Commitment.*
 - a. Service on the Board of Directors of [Name of Organization] requires significant time and attention, given both the Mission of [Name of Organization] and its nature as a highly regulated corporation. Certain roles, such as Committee Chair and Board Chair, carry an additional time commitment beyond that of Board and Committee service. Individuals serving as [Name of Organization] directors shall be expected to spend the time needed and meet as frequently as necessary to discharge their responsibilities properly.
 - b. Each [Name of Organization] director should be committed to the responsibilities of board service, including the need to commit substantial time and energy to the role.
2. *Exercise of Duties.* Each director shall consider as part of engagement in their role the consistent exercise his or her duties as described more fully in the policies and procedures of the Board, including but not limited to the Corporate Governance Policy and the Conflicts-of-Interest Policy.
3. *Supporting Board Performance.*

In connection with the Purposes established by this Policy, the [Name of Organization] Governance and Nominating Committee shall also endeavor to:

- a. Evaluate, through such means as the Committee may determine, the individual Director's, Board's, and Committees' performance on a regular basis;

²¹ Coordinate with any related statements or provisions in any organizational or board code of ethics/conduct.

- b. Evaluate the desired board and committee-level composition and structure, including board refreshment, expertise and skill sets, independence and diversity (as may be set forth from time to time in other [Name of Organization] Board policies);
- c. Review corporate governance guidelines and Committee workloads and charters, and revise them as necessary to support effective board and Committee operations;
- d. Work with the [Name of Organization] Senior Management Team to assure that Directors are provided with the information that is critical to making sound decisions on strategy, compensation, and capital allocation;
- e. Work with the [Name of Organization] Senior Management Team to provide the Directors with regular educational sessions (through whatever venues are deemed useful) by internal and external experts to help assure that the Directors have the information and expertise they need to satisfy their duties in the current environment; and
- f. Promote a collegial relationship among and between the [Name of Organization] Senior Management Team and the members of the [Name of Organization] Board and its committees, in order to prompt frank and robust discussion and support the board's role as strategic partner to management, evaluator, and monitor.

Solicitation of Employment and Business Policy

BOARD POLICY NO.:	SUBJECT: Solicitation of Employment and Business
EFFECTIVE DATE:	CATEGORY: Board Policy

Purposes:

This policy ("Policy") is enacted to assist the Board of Directors ("Board") in its efforts to:

1. Protect the charitable interests of when it is contemplating entering into a contract, transaction, or arrangement, including an employment decision, that has the potential to benefit the private interests of a Covered Person, as defined below;
2. Preserve impartiality, and protect against bias, in decision making and oversight, with regard to (a) proposed contracts, transactions, or other business or financial arrangements involving [Name of Organization]; and (b) decisions with respect to hiring and compensating [Name of Organization] employees;
3. Clarify the duties and obligations of members of the Board of [Name of Organization] and a broader defined group of "Covered Persons"²² (as defined herein), in the context of (a) the recommendation of Family Members (as defined below) of Covered Persons for employment opportunities with [Name of Organization]; and (b) the solicitation of [Name of Organization] business opportunities by Covered Persons; and
4. Support existing [Name of Organization] policies and procedures with respect to (a) corporate compliance and internal legal controls; (b) independence of governing board members; and (c) [Name of Organization] board members and others serving as vendors to [Name of Organization].

This Policy is intended to be read together with existing [Name of Organization] governance policies with respect to Conflicts-of-Interest (Policy No. _____) and any organizational policy on directors serving as vendors.

Policy:

1. While not necessarily illegal, improper, or inconsistent with fiduciary duties (a) the recommendation of a Covered Person's Family Members (as defined below) for employment opportunities with [Name of Organization]; and/or (b) the solicitation of [Name of Organization] business opportunities by Covered Persons can raise issues of conflict of interest, legal compliance and the appearance of inappropriate business and governance conduct, for both [Name of Organization] and a particular Covered Person and his or her Family Members.

²² Maintain consistent definitions throughout policies.

2. Accordingly, and except as otherwise as provided herein, Covered Persons shall refrain from directly soliciting or similarly contacting members of the [Name of Organization] Senior Management Team, or other applicable members of [Name of Organization] management, with respect to (i) the recommendation of Family Members (as defined below) of Covered Persons for business or employment opportunities with [Name of Organization]; and (ii) the solicitation of [Name of Organization] business opportunities by Covered Persons (other than in response to a specific oral or written request by [Name of Organization]).
3. Board members, in particular, are required to direct all proposals, questions, or recommendations regarding business relationships between [Name of Organization] and third parties (regardless of whether there is a potential conflict) to the Audit & Compliance Committee (“ACC”) Chair, or his/her designee, who will be responsible for directing the business relationship to the appropriate department or manager for review and recommendations. Once the Board Member’s initial referral is made, that individual shall recuse himself or herself from any further consideration of the proposal, unless further assistance is requested of the Board Member by the ACC Chair or the designee.

Definitions:

1. A “Covered Person” shall mean any member of the Board, a member of a committee of the Board, officer, or an employee of the corporation (including subsidiaries) at the VP level or above.
2. With respect to a Covered Person, “Family Member” means:
 - a. The Covered Person’s spouse;
 - b. A brother, sister, aunt, uncle, cousin, parent, grandparent, child, grandchild, great-grandchild (whether biologically related or through adoption), or corresponding in-law or step relation of the Covered Person or Covered Person’s spouse; or
 - c. The spouse of an individual listed in (b), above.

Diversity and Inclusion Committee Charter

BOARD OF DIRECTORS: [NAME OF ORGANIZATION]

I. Purpose

[Name of Organization] embraces and seeks to promote the gender, race, ethnicity, sexual orientation, physical ability, as well as the religious, political, and cultural views, of [Name of Organization] and its organizational constituency.

This Diversity and Inclusion Committee is formed for the purposes of converting such goals and objectives into specific initiatives, and to more broadly promoting a culture of diversity and inclusion throughout [Name of Organization].

The Committee shall thus be responsible, in addition to any responsibilities assigned to it by the Board of Directors, for evaluating, fostering, and advancing [Name of Organization]'s vision, mission, and core values relating to cultural competency, diversity, and inclusion. As part of these responsibilities, the Committee will (i) monitor [Name of Organization]'s engagement and other practices with minority and women-owned business enterprise practices; and (ii) coordinate its activities as necessary with the Board's [Governance/Development] Committee and [Name of Organization]'s Human Resources Department.

II. Committee Structure and Operations

A. **Authority.** The Board has delegated to the Committee all powers and authority that are necessary or appropriate to fulfill its duties and obligations hereunder, including, without limitation: (i) to retain any independent counsel, experts, or advisors that the Committee believes to be necessary or appropriate; (ii) to conduct or authorize investigations into any matters within the scope of the duties and responsibilities delegated to the Committee; and (iii) carry out any other responsibilities consistent with this Charter, the purposes of the Committee, corporate bylaws, any applicable statutes, regulations, ordinances, or similar laws.

NOTE: Questions of whether and to what extent the Board shall delegate authority to the Committee is a policy question for corporate governance.

B. **Membership.** The Diversity and Inclusion Committee shall consist of members selected by the Board Chair, but in no instance shall consist of less than three members of the Board of Directors.

NOTE: The specific composition of the committee, and the experience of committee members, are also policy issues.

C. **Meetings.** Regular meetings of the Committee shall be held at least once during each fiscal quarter. The Committee has the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of organizational bylaws that are applicable to the Committee. Special meetings of the Committee, for any

purpose, may be held when called by the Chairperson or by written request of any member of the Committee.

- D. **Performance Review.** The Committee shall conduct an annual performance evaluation of the Committee, including a review of the compliance of the Committee with this Charter. The Committee shall also annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
- E. **Reporting.** The Committee shall prepare and present to the Board an annual report on its activities and major decisions, and intermittent reports as deemed appropriate by the Committee Chairperson.
- F. **Delegation.** In fulfilling its responsibilities, the Committee is entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.
- G. **Staffing.** The Committee will be staffed for purposes of management support by the Chief Legal Officer (or his/her designee) and the Chief Human Resources Officer (or his/her designee) and by such other representatives of management as the Committee deems necessary in consultation with the [Name of Organization] CEO.

III. Committee Duties and Responsibilities

- A. **General Duties.** The Committee shall perform the following in connection with [Name of Organization] and its component parts:
 - 1. Promote concepts of diversity, inclusion, and social awareness at all [Name of Organization] organizational levels and in all hiring, employee evaluation, and advancement/talent development practices.
 - 2. Recommend and otherwise support the adoption of policies and procedures at governance and management levels intended to support matters of diversity and inclusion within [Name of Organization].
 - 3. Monitor [Name of Organization] engagement and other practices with minority and women-owned business enterprise practices and make recommendations as appropriate to assure that diversity and inclusion principles are carried forward within the System.
- B. **Specific Duties.** The Committee shall also perform the following specific duties in connection with the operation of the System and its component parts:
 - 1. Support the identification of candidates for positions on the Board of Directors of [Name of Organization], as well as for members of the Senior Executive Leadership Team, that are consistent with advancing [Name of Organization]'s vision, mission, and core values with regard to cultural competency, diversity, and inclusion. In this regard the Committee acknowledges that (i) diversity along multiple dimensions, including diversity of thought, is critical to a high-functioning board; and (ii) diverse background and experiences on corporate boards, including those of directors who represent the broad diversity of American society, strengthen the performance of the Board of Directors and promote [Name of Organization] mission goals.

2. Coordinate the extension of diversity and inclusion principles with all key board committees and with [Name of Organization] executives responsible for matters of employment, employee relations, talent development, workforce culture, and similar organizational departments.
3. Coordinate the inclusion of diversity and inclusion principles within all principal corporate, Board, operational, compliance, and human resources policies and procedures as may be applicable.
4. Make recommendations to the Board with respect to matters brought to the Committee's attention by any means.
5. Address such other matters as may be assigned by the Board that are consistent with the Committee's core role of exercising oversight matters of diversity and inclusion within [Name of Organization] and its component parts.
6. Pursue such other actions and initiatives consistent with the purposes of [Name of Organization] and of this Committee, as directed by the Board Chair, or by the Committee Chair with the ratification of the Board Chair.

Dated: _____

Executive and Physician Compensation Committee Charter

BOARD OF DIRECTORS: [NAME OF ORGANIZATION]

I. General

The Executive and Physician Compensation Committee (“Committee”) is a duly appointed committee of the Board of Directors (“Board”) of [Name of Organization]. [FOR SYSTEMS: [[Name of Organization]] is the parent corporation for a system of wholly or majority-controlled primarily not-for-profit corporations that provide or facilitate the provision of healthcare services (each an “Affiliate”).] [Name of Organization] and its Affiliates are referred to in this Charter collectively as [Name of Organization] .

II. Purpose

The Committee shall discharge certain responsibilities of the Board relating to: (a) compensation of senior executive employees of [Name of Organization]; (b) compensation provided to physicians employed by [Name of Organization]; and (c) benefits provided only, or at an enhanced level, to senior executive employees and/or employed physicians of [Name of Organization].

III. Definitions

- A. A **Disinterested** member of the Committee means a member of the Board (or other person who is appointed to the Committee in accordance with applicable state corporate law) who does not have a “conflict of interest” with respect to a compensation or benefits arrangement that is subject to Committee review. A Committee member does not have a “conflict of interest” with respect to the compensation or benefits arrangement being reviewed only if the member:
- i. Is not a Disqualified Person participating in or economically benefiting from the arrangement, nor is a Family Member (as defined below under “Disqualified Person”) of a Disqualified Person participating in or economically benefiting from the arrangement;
 - ii. Is not in an employment relationship subject to the direction or control of any Disqualified Person participating in or economically benefiting from the arrangement;
 - iii. Does not receive compensation or other payments subject to approval by any Disqualified Person participating in or economically benefiting from the arrangement;
 - iv. Has no material financial interest affected by the arrangement; and
 - v. Does not approve a transaction providing economic benefits to any Disqualified Person participating in the arrangement, who in turn has approved or will approve a transaction providing economic benefits to the member.

- B. **Disqualified Person** means a person, with respect to a compensation or benefits arrangement subject to Committee review, who was in a position to exercise substantial influence over the affairs of [Name of Organization] at any time during the five-year period ending on the date of the compensation or benefits arrangement being reviewed. The term **Disqualified Person** shall include any **Family Member** of such a person, which includes only the person's spouse, brothers and sisters (by whole- or half-blood), spouses of brothers and sisters, ancestors, children (including legally adopted children), grandchildren, great-grandchildren, and spouses of children, grandchildren and great-grandchildren. The Committee shall apply this definition of **Disqualified Person** to make a reasonably good faith determination as to who is likely to be treated as a Disqualified Person and in implementing the provisions of this Charter.
- C. **Rebuttable Presumption of Reasonableness** means the presumption, as provided for in IRS intermediate sanctions regulations, that compensation and benefits provided by a tax-exempt organization with respect to Disqualified Persons are reasonable, which presumption applies when a body consisting entirely of Disinterested members of the Board (or who are legally permitted to be named to a committee of the Board) satisfies the review, approval and documentation requirements described in the IRS intermediate sanctions regulations for the presumption.
- D. **Section 4958** means the intermediate sanctions rules and IRS regulations and other official guidance under Section 4958 of the Internal Revenue Code of 1986, as amended, and as such rules and guidance are amended or revised from time to time.

IV. Membership

- A. The Committee shall consist of at least [Name of Organization] members of the Board, and other individuals approved by the Board for Committee membership, provided that a majority of the Committee members at all times are members of the Board. **[Add any additional requirements here to assure that the Committee is authorized under state non-profit laws to act on behalf of the Board. We have added here a common requirement, namely that a majority of the Committee consist of Board members.]**
- B. All Committee members must be Disinterested with respect to compensation and benefits matters subject to Committee review and approval. If any matter comes before the Committee for review and approval, and a member of the Committee is not Disinterested with respect to that matter, the interested Committee member shall declare his or her interest to the other members of the Committee before deliberation and voting with respect to that matter, and the interested Committee member shall be physically excused from the portion of the meeting in which he or she has the disqualifying interest. Any questions regarding the Disinterested status of a Committee member shall be resolved by consultation with the [Name of Organization] General Counsel, the [Name of Organization] Chief Compliance Officer, or outside legal counsel to [Name of Organization].

V. Duties and Responsibilities

The Committee shall have the following duties and responsibilities:

A. Review and Approve Executive Compensation and Benefits Philosophy and Programs

1. Review and revise the [Name of Organization] executive compensation philosophy for the following [Name of Organization] executives: Chief Executive Officer, Executive Vice Presidents, Senior Vice Presidents, and Vice Presidents (collectively, the **Executives**), on at least an annual basis. The executive compensation philosophy may specify the percentile of market data at which the total compensation of a fully experienced Executive is intended to fall, in the absence of other facts and circumstances (i.e., the “default position” for total compensation relative to the market). While this Charter places responsibility on the Committee for the review and approval of compensation and benefits provided to Executives, this is not intended to serve as a legal conclusion that each such Executive is or should be treated as a Disqualified Person for Section 4958 purposes.
2. Determine periodically, and articulate in the executive compensation philosophy, the market and peer groups against which [Name of Organization] Executives are compared in assessing the reasonableness of total compensation and benefits provided to the Executives.
3. Oversee the administration of any [Name of Organization] executive incentive compensation program in which Executives participate.
4. Review and approve the annual incentive goal structure applicable to Executives then participating in any [Name of Organization] executive incentive compensation program.
5. Periodically review all components of [Name of Organization]’s executive compensation program, including base salary, incentive compensation, executive benefits, professional development programs, and perquisites for Executives, to verify that all such components are properly coordinated and achieve their intended purposes, and to make necessary and appropriate modifications to the executive compensation program from time to time, based on such periodic review.
6. Review and approve [or make recommendations to the Board with respect to] the amendment, termination, replacement and/or payments with respect to any incentive compensation plan or program for participating Executives.

B. Review and Approve Executive Compensation Determinations

1. Review at least annually and revise as appropriate the incentive compensation program applicable to specified Executives, including the identification of the executives who will participate in such plans.
2. Review and approve the annual performance evaluation of each Executive participating in any executive incentive compensation plan or program, as such performance relates to the achievement of the goals and objectives under such incentive compensation plan or program.
3. To the extent required to establish the Rebuttable Presumption of Reasonableness, annually review and approve the total compensation to be provided to each Executive, including base salary, incentive compensation, deferred compensation, and all other benefits and perquisites, and assure that such total compensation is consistent with the then-current [Name of Organization] executive compensation philosophy.

Alternatively, provided that the Committee will have taken the steps necessary to qualify for the Rebuttable Presumption of Reasonableness, the Committee may approve the range of total compensation to be provided to each Executive other than the CEO, and may authorize the CEO to determine the compensation to be provided to each such Executive within the approved range, provided further that (a) the Committee has determined that, in its opinion, total compensation within the approved range would result in the payment of no more than reasonable compensation to the applicable Executive, and (b) any recommendation by the CEO of compensation for an Executive that would fall outside the range approved by the Committee shall be reviewed and approved by the Committee before the effective date of the recommended adjustment to such compensation. **[Final version of this charter should take one of these two approaches in paragraph 3 – the Committee approves all Executive compensation, or the Committee approves data and gives the CEO the authority to make compensation adjustments within an approved range, or each approach would apply as to certain subsets of the Executives.]**

4. To the extent considered by the Committee to be necessary or advisable, engage outside professional advisors (such as attorneys and compensation consultants) to provide objective and impartial compensation and market comparability data, to express an opinion on total compensation reasonableness of each applicable Executive, or both. The Committee shall have sole authority to retain and terminate any such professional advisor, to require the level of independence of each such professional advisor as the Committee deems appropriate, and to approve the professional advisor's fees and other retention terms, and each such professional advisor shall have a direct and primary reporting relationship to the Committee.

C. Review and Approve Physician Compensation and Benefits

1. In its role of reviewing and approving physician compensation and benefits, the Committee shall have the following primary responsibilities:
 - i. Review and approve physician compensation strategies developed by [Name of Organization] management, consistent with [Name of Organization]'s mission, culture, and business needs;
 - ii. Assure that the physician compensation program properly balances the needs of [Name of Organization], the medical staff, and the community, according to [Name of Organization]'s mission and strategy;
 - iii. Fulfill the Board's fiduciary responsibilities relative to assuring competitive and reasonable physician compensation, in accordance with the organization's policies, market compensation levels, legal requirements for charitable organizations, and all applicable federal and state legal and regulatory requirements; and
 - iv. Provide appropriate communication on physician compensation and the work of the Committee to the full Board.
2. Adopt, and review and modify from time to time, a physician compensation philosophy for the organization that describes, among other things, the manner in which the organization and the Committee determine the fair market value of compensation, including but not limited to the market data used by the Committee to support the fair market value of compensation.
3. As a matter of policy, the Committee shall review and approve, in a manner designed to qualify for the Rebuttable Presumption of Reasonableness, the total compensation and benefits to be provided prospectively to any employed physician who is in a clinical or administrative leadership position, whose annualized total compensation exceeds or may exceed the amount of (\$ _____), whose compensation is likely to be reported annually on the [Name of Organization] Form 990 return, or who could be treated as a Disqualified Person. Because all employed physicians are potential Disqualified Persons, the policy of the Committee shall be to review and approve the total compensation and benefits provided to employed physicians as though they are Disqualified Persons, and all such employed physicians are referred to in the remainder of this Charter as the **Physicians**.
4. In reviewing and approving the total compensation and benefits of Physicians, the Committee may establish and periodically modify review and approve "tiers." The review and approval process shall consist first of the physician compensation model or plan applied generally to all Physicians. The review and approval process then shall identify potential exceptions to the approved model or plan that would be approved automatically or would have to undergo additional review by the Committee on a facts and circumstances basis.

5. Periodically review the components of [Name of Organization]’s physician compensation program and any compensation model, including base salary, any incentive compensation components, physician benefits, professional development programs, and perquisites, to verify that they are properly coordinated, achieve their intended purposes and are reasonably calculated to pay each Physician total compensation that is consistent with fair market value, and make necessary and appropriate modifications to the physician compensation program from time to time, based on such periodic review.
6. To the extent considered by the Committee to be necessary or advisable, engage outside professional advisors (such as attorneys and compensation consultants) to provide objective and impartial compensation and market comparability data, to express an opinion on total compensation reasonableness of each applicable Physician, or both. The Committee shall have sole authority to retain and terminate any such professional advisor, to require the level of independence of each such professional advisor as the Committee deems appropriate, and to approve the professional advisor’s fees and other retention terms, and each such professional advisor shall have a direct and primary reporting relationship to the Committee.
7. It is expressly acknowledged that the Committee is not responsible for the hiring and termination of Physicians, which is the responsibility of [Name of Organization] management.

D. Act to Assure Compliance with Applicable Laws and Regulations

1. Adopt policies and procedures designed to assure that the compensation determination for each Executive or each Physician is made in a manner that will qualify for the Rebuttable Presumption of Reasonableness.
2. Assure that compensation information for Executives and Physicians (as applicable) is appropriately disclosed as required by applicable IRS and other regulations, through (a) annual review and discussion of disclosure requirements with outside counsel for executive compensation matters or with tax or other expert advisors to the Committee, (b) review of Form 990 compensation disclosures for all [Name of Organization] entities, and/or (c) discussion with the Executive(s) responsible for Form 990 compensation disclosures.

E. Meetings and Communications with [Name of Organization] Management

1. Request and obtain from [Name of Organization] management or from other sources appropriate information relevant to the matters presented to the Committee for review and approval.
2. Meet periodically (and at least annually) with the CEO and with the [Name of Organization] General Counsel to discuss and review executive and physician compensation criteria and material employee benefit issues applicable to Executives and to Physicians.

VI. Meetings

The Committee shall meet as often as may be deemed necessary or appropriate in its reasonable judgment, and in any event no fewer than _____ times per year, either in person or telephonically, and at such times and places as the Committee shall determine. The Committee shall report its minutes from each meeting to the Board, or shall provide such other summary of its meetings and decisions as shall be determined from time to time by the Board Chair. The Committee Chair may call special meetings of the Committee as necessary, upon advance written notice received by each Committee member in a manner and with such timing as complies with [Name of Organization] Bylaws for a special Committee meeting.

VII. Procedures

- A. **General.** The Committee Chair shall establish such rules as may from time to time be necessary or appropriate for the proper conduct of the business of the Committee. The Committee shall be assisted in fulfilling its duties by a support staff person, who shall be the [Name of Organization] or other person designated by the Committee or by the [Name of Organization] Board of Directors. Such support staff person shall serve as secretary of the Committee, unless the Committee Chair designates another individual as secretary. The Secretary of the Committee shall be responsible for preparing and maintaining minutes of all Committee meetings (which shall be prepared, reviewed and approved in a manner that is intended to qualify for the Rebuttable Presumption of Reasonableness).
- B. **Scope of Committee Review.** The Committee shall be responsible for the review and approval of every form of compensation, benefit, perquisite, allowance, tax adjustment, severance pay arrangement and contractual benefit provided to an Executive or to a Physician, regardless of the form in which such item would be provided, and regardless of the contingencies that may apply to the provision of such item. The Committee shall receive at least annually a “tally sheet” or similar summary that describes the amount or value of each item of compensation, benefit, perquisite, allowance, tax adjustment, severance pay arrangement and contractual benefit, whether or not contingent, provided to each Executive and to each Physician.
- C. **Establishing Rebuttable Presumption of Reasonableness.** All Committee determinations regarding total compensation and benefits of any or all Executives and Physicians shall be made in such manner as to avoid any such compensation constituting private inurement (under Section 501(c)(3) of the Internal Revenue Code) or an “excess benefit transaction” under Section 4958. The process by which the Committee shall make compensation and compensation-related determinations shall be designed and implemented in a manner intended to qualify for the Rebuttable Presumption of Reasonableness, which shall include the following procedural components:
 1. **All Committee Members Participating in any Compensation Determination Must Be Disinterested.** No Committee member shall participate in or be present during discussions pertaining to a compensation determination with respect to any Executive or Physician unless the Committee member is Disinterested.

2. **Obtain and Rely Upon Appropriate Comparability Data.** In making compensation determinations for any Executive or Physician, the Committee shall obtain and rely on appropriate objective comparability data to make a determination that the total compensation and benefits to be paid to such individual is reasonable and consistent with fair market value for the services provided. For compensation decisions, such data may include compensation levels paid to similar individuals holding similar executive positions in similarly situated organizations, or to physicians of a similar specialty or subspecialty, as determined by an independent compensation consultant; written offers of employment or contract from competing organizations; and data pertaining to any special circumstances affecting a determination of fair market value, such as the availability of similar specialty skills or services in the [Name of Organization] market area; and independent compensation surveys prepared by recognized independent firms. The market data shall be constructed in a manner that results in an appropriate comparison of compensation to the market (e.g., [Name of Organization] Executive base salary and annual incentive compensation shall be compared to market data that includes both base salary and annual incentive compensation).

3. **Documentation of Basis for Determination.** The Committee shall document in its minutes the basis for its determination that the compensation of each Executive or Physician is reasonable and does not provide an excess benefit to such individual (under Section 4958) or compensation to such Physician in excess of fair market value. Such minutes shall include the following: (a) the material terms regarding the total compensation to be paid to such individual (including goals required to be met for incentive compensation payments, if applicable); (b) the Committee's knowledge of the material facts regarding the total compensation paid to such individual; (c) that the compensation amount is being approved for the benefit of [Name of Organization] and not of the individual (with support for such a conclusion); (d) that the total compensation amount is fair and reasonable to [Name of Organization]; (e) the date the compensation amount or the transaction was approved; (f) the names of the Committee members present during the discussion of the matter acted on by the Committee; (g) how each Committee member voted, and the names of the Committee members who did not participate due to a conflict of interest; (h) the comparability data relied on by the Committee and the source of such data; and (i) where the compensation as approved fell outside the range of market data provided, the rationale of the Committee for its conclusion that the total compensation provided to such individual nevertheless is reasonable within the disinterested judgment of the Committee, and consistent with fair market value. The minutes containing such documentation shall be prepared for review and approval as soon as reasonably practicable after the applicable meeting (but in no event later than sixty (60) days after such meeting or the date of the next meeting of the Committee, whichever is later), and shall be reviewed and approved by the Committee within a reasonable time thereafter.

VIII. Annual Committee Self-Evaluation

The Committee shall conduct an annual performance evaluation of itself, including a review of the compliance of the Committee with this Charter. The Committee shall also annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval. Such assessment shall be conducted with the assistance of an outside compensation consultant or other expert in executive and/or physician compensation processes for a tax-exempt organization.

IX. Reporting

The Committee shall report on its activities at the next meeting of the Board following each Committee meeting. The Committee shall also report to the Board from time to time on any significant issues and developments concerning executive and physician compensation standards for tax-exempt entities in general or for tax-exempt healthcare entities in particular.

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