



THE BOARD OF DIRECTORS OF  
STANFORD HEALTH CARE  
POLICY ON CONFLICTS OF INTEREST

I. General Consideration

Directors/Committee Members shall at all times act in a manner consistent with their fiduciary responsibilities to Stanford Health Care (“SHC”) and shall exercise care that no detriment to SHC results from conflicts between their interests and those of SHC. In addition, Directors/Committee Members shall be sensitive to the appearance of conflict of interest, even if no actual conflict exists.

This policy addresses requirements for certain proposed transactions between a Director/Committee Member, or an entity in which a Director/Committee Member has a material financial interest, and SHC. It also addresses requirements when a Director/Committee Member holds a directorship or similar position in another entity with which SHC does business. The policy provides for an annual confirmation by Directors/Committee Members that they, to the best of their knowledge, have complied, and will use their best efforts to comply in the future, with these requirements.

II. Interested Transactions

SHC will not, without the approval described in Sections III and IV hereof, enter into any Interested Transactions.

As used herein, the term “Interested Transaction” shall mean any transaction with SHC in which a Director/Committee Member or a member of his or her “Immediate Family” has a material financial interest, direct or indirect, provided that the following shall not be deemed to be Interested Transactions:

- (i) the rates or charges involved in the transaction are determined by competitive bids or the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;
- (ii) the transaction involves services as a bank or depository of funds, transfer agent, registrar, or trustee under a trust indenture or similar services, and the transaction is at standard rates and terms offered to the general public;
- (iii) the amount involved in the transaction does not exceed \$100,000 and the transaction is one in which the Director/Committee Member has only an indirect interest and does not exercise management supervision;
- (iv) the Director's/Committee Member's interest in the transaction arises only:
  - (a) from his or her position as a director of another corporation or organization that is a party to the transaction;
  - (b) from the direct or indirect ownership by the Director/Committee Member, or a member of his or her Immediate Family of less than a 10% equity interest in another entity that is a party to the transaction; or
  - (c) from both such position and ownership;
- (v) the Director's/Committee Member's interest in a transaction arises solely from his or her position as a limited partner in a partnership; or
- (vi) the Director's/Committee Member's interest arises solely from the holding of an equity interest, or an interest as a creditor, in another entity in which SHC does business and the transaction is not material to such other entity.

As used herein, the term "Immediate Family" shall mean the spouse of the Director/Committee Member, the minor children or other dependents of the Director/Committee Member, and other related persons occupying the same home as the Director/Committee Member.

An interested Director/Committee member who is aware that such an Interested Transaction is contemplated shall notify the Chair of the Board of the proposed transaction sufficiently in advance so that the Board can be provided with full analysis and information regarding the Interested Transaction before acting on it.

### III. Approval Required

SHC shall not enter into any Interested Transactions unless, after diligent investigation made by or on their behalf, a majority of the Directors then in office (without the interested Director/Committee Member voting on the matter) determines, and adopts a resolution stating, that the transaction is for the benefit of, and is fair and reasonable to, SHC, and that it appears that SHC cannot obtain a more advantageous arrangement with reasonable effort under the circumstances.

### IV. Approval by the Chair of the Board

If it is not reasonably practicable to obtain approval of the Board prior to SHC entering into the Interested Transaction or series of Interested Transactions, the Chair of the Board (or in the absence of the Chair, any Vice Chair) may approve in advance the Interested Transaction or Interested Transactions if the determinations outlined in Section III are made by such person, after due investigation of the transaction. At its next meeting, the Board, if it determines by a majority of the Directors then in office (without the interested Director/Committee Member voting on the matter) that such determinations are correct, will ratify such action by adopting a resolution so stating.

### V. Transactions with Non-Stanford Affiliated Entities With Which a Director/Committee Member is in a Similar Relationship (absent a material financial interest in the transaction)

If a Director/Committee Member is present at a Board or committee meeting at which approval or ratification of a transaction is sought and if such Director/Committee Member is a director in a similar relationship with a non-Stanford affiliated entity which is or will be the other party to the transaction, the Director/Committee Member will disclose to the Board or committee the Director's/Committee Member's relationships with such entity, and will not vote on a motion to approve or ratify the transaction. (If, in addition, the transaction is an Interested Transaction, the provisions of Sections III and IV hereof will apply.)

Transactions between SHC and Stanford University, Lucile Packard Children's Hospital Stanford ("LPCH"), or other Stanford Affiliated entities will not ordinarily create a conflict of interest, absent a material effect on a personal interest of a Director/Committee Member. Accordingly, Directors/Committee Members of SHC who also serve as Trustees of Stanford University or as Directors of LPCH may generally vote on transactions between SHC and Stanford University or LPCH. Such Directors/Committee Members are acting in a fiduciary capacity to SHC when they vote as part of the SHC Board of Directors and should approve such a transaction only if they find it to be just and reasonable to SHC.

**VI. Annual Statement by Director/Committee Member**

Annually, each Director/Committee Member will complete a statement provided by SHC staff confirming the Director/Committee Member has, to the best of his or her knowledge, complied, and will use his or her best efforts to comply in the future, with this policy.

**VII. Further Advice**

Directors and Committee Members having questions about this policy and its application are invited to consult with the Office of the General Counsel.



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Annual Statement of Compliance

I have reviewed the Conflicts of Interest Policy for the Stanford Health Care Board of Directors. To the best of my knowledge, I have complied with the Policy during the past twelve months, and I will use my best efforts to comply with the Policy in the future.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_