

SYSTEM POLICY



CATHOLIC HEALTH EAST

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SUBJECT RELATIONSHIPS WITH VENDORS, CONTRACTORS AND THIRD PARTIES	
EFFECTIVE DATE March 7, 2004	DATE REVISED
APPROVED BY CHE Board of Directors	
RESPONSIBILITY Compliance Officer	

ARTICLE I – POLICY

Organizational Compliance and Ethics programs and Codes of Conduct across CHE require integrity in all business conduct. Integrity in the context of routine business relationships includes the avoidance of circumstances which unduly influence business decisions or be perceived as such. Such circumstances include instances of acceptance of gifts, meals, social and entertainment events and honoraria. Such relationships and circumstances may be in fact or be perceived as creating a financial or personal benefit to the employee, family member or personal friend which may improperly influence the decision making process.

It is the policy of this Corporation that employees in a position to affect business decisions of the organization avoid such circumstances. As this policy goal is common across the CHE System, policies on relations with vendors, contractors and third parties shall be adopted by CHE and by each RHC; applicable to each Component Corporation thereof consistent with the provisions set forth herein. This policy and the procedures set forth below identify prohibited circumstances; set forth guidelines for evaluating permissible circumstances and set forth a process for disclosure of circumstances or relationships that may give rise to a conflict of interest. This policy is supplemental to existing conflicts of interest policies of CHE and each of its Constituent Corporations. RHC adoption of the form of policy attached hereto (Attachment "A"), reasonably adapted to be applicable to each Component Corporation thereof or adoption of a policy with content substantially similar thereto will meet the intent and goal of this policy and such policy shall be submitted to CHE management for review and comment.

For purposes of this policy and those adopted pursuant hereto, "the Corporation" shall mean that Constituent Corporation(s) within CHE which employs the individual subject to the terms of the policy.

For purposes of this policy, "business decisions" are those decisions that involve the selection of vendors, contractors or third parties with whom the Corporation will contract for service or product purchase; further, including the recommendation thereof or negotiation of the terms of any such contract.

Policies adopted pursuant to this policy may adopt more restrictive financial thresholds but may not exceed the amounts specified herein.

ARTICLE II – PROHIBITED CIRCUMSTANCES

The following conduct/circumstances and relationships are prohibited.

1. No employee may serve as a paid consultant to any person or organization conducting or seeking to conduct business with the Corporation unless a written exception is granted by the President and CEO or designee prior to the commencement of such consulting relationship.
2. No employee may accept any gift in the nature of cash or cash equivalents from any person or organization conducting or seeking to conduct business with the Corporation.
3. No employee may solicit a personal gift, meal or invitation to a social or entertainment event from any person or organization conducting or seeking to conduct business with the Corporation.
4. Employees are prohibited from offering gifts, meals, social and entertainment events or honoraria to federal, state or local government representatives in situations where the offering of such would violate federal, state or local laws and regulations or give rise to the perception of a violation.
5. No employee with significant business decisional authority shall serve on the Board of Directors of any organization conducting or seeking to conduct business with the Corporation without the prior approval of the Corporation's President and CEO or designee.

ARTICLE III – PERMITTED CIRCUMSTANCES/RELATIONSHIPS

The following guidelines should be used by employees to guide their decision making processes. Any questions or uncertainty or further guidance about circumstances involving relationships with vendors, contractors and third parties should be directed to the employee's immediate supervisor or the Compliance Officer.

General Considerations

Every employee with business decision making authority or the ability to influence such decisions on behalf of the Corporation should be mindful of the following guidelines:

- This policy applies to anything given or received as a result of a business relationship for which there the recipient does not pay fair market value.
- Employees should avoid a pattern of accepting gifts, meals, or social and entertainment events from the same persons or companies. Employees should be cognizant of the frequency, cost and specific circumstances of accepting gifts from vendors and contractors.

- Business decision making by employees should be based solely upon the Corporation's best business interests.
- Employees should not use their employment or other status within the Corporation to seek personal gain from those doing business with or seeking to do business with the Corporation, nor accept such gain if offered.
- Employees who negotiate or award contracts or who influence the allocation or placement of business should avoid the appearance of favoritism/partiality or other conduct that has the potential to adversely affect the Corporation's reputation for impartiality and fair dealing. The recommended course of action should be to refuse a gift, social and entertainment events, or meals from a supplier when the Corporation is involved in the process of choosing or reconfirming a supplier or under circumstances that would create an impression that offering gifts, social and entertainment events, or meals is a way to obtain the Corporation's business.
- As not all gifts, meals, social and entertainment events, and honorarium are inconsistent with the integrity of the Corporation's business processes, employees should use judgment and consult with his/her immediate supervisor as to whether a gift, meal, or social and entertainment events might be compromising or unreasonable under the circumstances.
- Any gift, social and entertainment events, or meal that is reoccurring must be approved by the employee's immediate supervisor. If a supervisor has any doubt about the propriety of a proposed gift, meal, or social and entertainment event, he/she should consult the Corporation's Compliance Officer or other designated individual.
- Employees will annually document in their financial/personal interest reports any gifts, social and entertainment events, or meals that exceed the policy's specified threshold amount.
- Gifts, social and entertainment events, or meals in any form that would likely result in a feeling or expectation of personal obligation on the part of the Corporation should not be extended or accepted.

Specific Issues. The following are conditions established for the acceptance of gifts, meals, social and entertainment events, educational opportunities, charity events, and honoraria. The conditions also establish when disclosure is required.

Gifts. Gifts offered to employees from current or potential business associates may be accepted under the following conditions:

- The value does not exceed \$100 annually. Such gifts may include items of small value, such as coffee cups, tee-shirts or pens from third parties given for promotional purposes. If the cost of the gift does not exceed the guidelines, but

could give an appearance of an attempt to influence a business decision or a conflict of interest, the employee should disclose it to his/her supervisor.

- Perishable or consumable gift that is given to the department is generally acceptable. In these cases, appropriateness should guide acceptance.

Social or Entertainment Events. Invitation to employees from current or potential business associates to attend a social or entertainment event in order to further develop their business relationships may be accepted under the following specific conditions:

- Business discussions or the development of business relationships will occur.
- The event will not exceed a value of \$100 per employee.
- If it is later determined that the event did exceed the \$100 per employee limit, then the employee will disclose this fact in a reasonable amount of time to his/her immediate supervisor and identify it in an annual written disclosure.
- The benefit the employee receives will not be calculated into current or future decisions with the business associate.

Vendor Sponsored Events. Invitations to employees from current or potential business associates to attend training and educational opportunities that include travel and overnight accommodations at no cost to the employee or to the Corporation may be accepted under the following conditions:

- The amount of time at the event that is spent on recreation and/or entertainment should be proportionately less compared to the time devoted to substantive educational or training matters.
- The event venue is more educational than recreational.
- In no case, may the business associate pay for the travel expenses of an employee's spouse or guest.
- Prior to accepting any such invitation, supervisor should approve it in writing.

Meals. Meals offered to employees from current or potential business associates and occurring in connection with business discussions or the development of business relationships may be accepted under the following conditions:

- If it is modest, infrequent and as far as possible on a reciprocal basis.
- The meal will not exceed \$100 per employee. If it is later determined that the meal cost exceeded the \$100 threshold, the employee should disclose this to his/her immediate supervisor and identify it in an annual written disclosure.

Charitable Fund Raising Events. Employees and all those who represent the Corporation may accept invitations by vendors to charitable fund raising events under the following conditions:

- The vendor offers the invitation through the Department of Philanthropy (Fund Development) and attendance is reviewed by the CEO, or his/her designee.
- Attendance at a fund raising event sponsored by a vendor of the Corporation should not be limited to one representative of the Corporation on an ongoing basis, but should be shared to fully represent the organization.
- The monetary value of the invitation, which includes a donation value of the event, should not exceed \$250.
- Gifts solicited on behalf of the Corporation should be coordinated with the Department of Philanthropy/Fund Development.

Honoraria. Unless otherwise agreed by the Corporation, honoraria received as part of carrying out business or community service in the name of the Corporation must be endorsed over and/or paid directly to the organization.

ARTICLE IV – DISCLOSURE PROCESS

Employees who have significant decision making authority on behalf of the Corporation or who are in a position to influence such decisions shall 1) notify their immediate supervisor or Compliance Officer of any relationship or circumstance which may create a real or potential conflict of interest; and 2) remove themselves from the decision making process related to the specific interest. Appropriate documentation of the report and action taken to preserve the integrity of the process shall be maintained by the supervisor.

Employees shall annually report to their supervisor in writing each occasion where a gift, meal or social and entertainment event from any one vendor exceeded the maximum value as set forth in this policy. All such annual employee disclosure statements will be reviewed by supervisory personnel for actions consistent with this policy.

Failure to comply with this policy may subject the individual to disciplinary action consistent with Human Resource policies.

A summary of this policy will be provided to all employees, included in the employee handbook and described at new employee orientation. This policy will be provided to vendors/contractors and other entities engaged in business with the Corporation.

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