

**UPMC  
POLICY AND PROCEDURE MANUAL**

**POLICY: HS-EC1700 \***  
**INDEX TITLE: Ethics & Compliance**

**SUBJECT: Conflicts of Interest – General Obligations**

**DATE: October 26, 2012**

**I. POLICY**

It is UPMC's Policy to preserve integrity and independence in the exercise of professional and leadership judgment at UPMC. Conflicts of Interest can compromise such integrity and independence if not identified, assessed and either eliminated or appropriately managed. Therefore, all Covered Persons have a duty at all times to conduct UPMC's affairs and their association with UPMC, and to otherwise fulfill their obligations to UPMC, in an impartial and unbiased manner, in the best interests of UPMC and the individuals it serves, and in strict compliance with this Conflicts of Interest Policy.

The Ethics and Compliance Committee, Executive Compensation Committee and the Governance and Nominating Committee of the UPMC Board of Directors together have the ultimate responsibility for Policy implementation, compliance monitoring, and enforcement. The Governance and Nominating Committee oversees these matters as they pertain to UPMC Board members, the Executive Compensation Committee oversees these matters as they pertain to Executive Staff (i.e., the President & CEO and his direct reports), and the Ethics and Compliance Committee oversees these matters as they pertain to all other Covered Persons as defined herein. Each Committee may delegate responsibilities to the Chief Legal Officer, Chief Compliance Officer and such other staff as it deems appropriate, without delegating its overall oversight responsibility. Each Committee may, in consultation with the other Committees as appropriate, from time to time cause changes to this Policy to be adopted, and adopt procedures and guidelines that supplement and are consistent with those set forth in or required by this Policy and related policies, as it considers necessary and appropriate to fulfill its charge.

All Covered Persons shall cooperate with the applicable Committee and its delegates in the administration and enforcement of this Policy and such procedures and guidelines.

Links to policies referenced within this policy can be found in Section VIII.

**II. PURPOSE**

The purpose of this Policy is to set forth the responsibilities of Covered Persons with respect to disclosing, identifying, and documenting Interests in and with other organizations or individuals. This Policy is intended to supplement (not replace) any applicable state laws governing Conflicts of Interest applicable to charitable, nonprofit

corporations, and is to be read in conjunction with other related UPMC policies, including but not limited to the Policy on Conflicts of Interest Related to Clinical Research (HS-EC1701) and the Policy on Conflicts of Interest and Interactions between representatives of Certain Industries and Faculty, Staff and Students of the Schools of the Health Sciences and Personnel Employed by UPMC at all Domestic Locations (HS-EC1702), and any applicable Board policies that concern the same subject matter. Such policies can be obtained from the Corporate Secretary.

### III. SCOPE

#### a. Entities Covered by the Policy

For purposes of this Policy, “UPMC” includes UPMC and all of its managed or controlled affiliates. Affiliates not managed or controlled by UPMC are covered under this policy only to the extent specifically adopted by such affiliates.

#### b. Individuals Covered by the Policy

All of the following Covered Persons have a duty to comply with this Policy during the course of evaluating, negotiating, documenting, finalizing and approving any contract, transaction, relationship or activity that involves UPMC:

1. UPMC Board members and officers;
2. UPMC managers and employees (including but not limited to physician employees) who evaluate, negotiate, enter into or have material involvement in or otherwise influence the evaluation, negotiation or execution of agreements concerning the selection, procurement or offering of products or services, fundraising activities, business transactions, or research studies at UPMC, or hold any other position of influence or trust within UPMC; and
3. Non-employed members of the UPMC medical staff who also either: hold paid or unpaid UPMC medical administrative positions such as chairs of UPMC clinical departments, section and division chiefs, directors of special care units, directors of research or individuals who otherwise direct or materially influence research; or have UPMC procurement, fundraising, or business transaction responsibility or the authority effectively to recommend such activities; or hold any other position of influence or trust within UPMC.

Research Team Members, defined as individuals who conduct or participate in clinical research on UPMC’s premises or are under the oversight of UPMC (“Research”), provided that they are in a position to materially influence research, whether or not employed by UPMC, are also subject to conflict of interest requirements. The requirements

applicable to these individuals are outlined in UPMC's Policy on Conflicts of Interest in Clinical Research (HS-EC1701).

#### **IV. WHAT IS A CONFLICT OF INTEREST?**

In general, a potential for a Conflict of Interest arises when UPMC or a Covered Person holds an Interest that may compromise or have the appearance of compromising the integrity or independence of a Covered Person's or UPMC's professional or leadership judgment.

An Interest may include a Financial Interest (e.g., a compensation arrangement, ownership interest) or an Associational Interest (e.g., an uncompensated position on the board of directors or the scientific advisory board of an entity). The mere existence of such an Interest does not necessarily result in a Conflict of Interest. However, it is required that any such Interest is disclosed by the Covered Person and evaluated by the applicable Committee or its delegates before UPMC or a Covered Person holding the Interest becomes involved in a decision or activity that could be biased by the Interest.

Conflicts of Interest fall in three principal categories: Individual Conflicts of Interest, Institutional Conflicts of Interest and Imputed Conflicts of Interest.

- i. Individual Conflicts of Interest arise from Financial or Associational Interests held personally by a Covered Person or a Covered Person's Family Member<sup>1</sup> in or with an outside entity or individual.
- ii. Institutional Conflicts of Interest arise from Financial or Associational Interests held by UPMC itself, directly or indirectly, in or with an outside entity.
- iii. Imputed Conflicts of Interest arise from direct or indirect Individual Financial or Associational Interests held by a Covered Person. These Interests are imputed to UPMC by virtue of the Covered Person's responsibilities and duties within UPMC.

#### **V. DISCLOSURE AND IDENTIFICATION OF INTERESTS**

The following requirements and procedures have been developed to enable UPMC to identify, evaluate, eliminate or manage Financial or Associational Interests that can compromise or create the appearance of compromising integrity and independence in the exercise of professional and leadership judgment in the context of UPMC's affairs.

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<sup>1</sup> Includes: (1) a Covered Person's spouse/cohabitant partner and children/stepchildren; and (2) the following persons if they live with the Covered Person, the Covered Person manages their financial affairs, or the Covered Person is aware without inquiry that they hold the interest or position in question: (a) the Covered Person's parents/stepparents, siblings, grandchildren, and their spouses/cohabitant partners; and (c) the Covered Person's spouse's/cohabitant partner's parents/stepparents, siblings, children/stepchildren, grandchildren, and their spouses/cohabitant partners.

a. **Disclosure of Individual Interests**

All information disclosed by Covered Persons during the disclosure and review process described herein will be confidential, except as necessary to implement this Policy or as otherwise required by law. The following sets forth the disclosure requirements for all Covered Persons.

1. Initial Disclosure. Upon becoming a Covered Person, each Covered Person must disclose all Individual Interests that he/she holds, or expects to hold in the future, in the manner outlined in UPMC's on-line Conflict of Interest Disclosure Statement, which may be accessed through My Hub.
2. Annual Disclosure. All Covered Persons must disclose, by April 15th of each year, any Individual Interests that they currently hold, or expect in the near future to hold, in the manner outlined in the Conflict of Interest Disclosure Statement, which may be accessed through My Hub.
3. Continuing Disclosures. If, during the course of any given year, a Covered Person becomes aware of a new actual or potential or otherwise undisclosed Individual Interest, the Covered Person must promptly and appropriately update the Conflict of Interest Disclosure Statement.
4. Disclosure Prior to Participation in Decision or Activity. Regardless of whether an Interest has been disclosed in a Conflict of Interest Disclosure Statement, a Covered Person must, prior to participation in any decision-making process, disclose to his or her supervisor or in the case of the chief executive officer or a Board member, to the Board or Committee Chair, any Interest s/he holds that could be viewed as having the potential to influence his or her decision-making judgment.

For purposes of illustration, all Covered Persons must disclose any Interest that arises in connection with a decision by the UPMC Board or one of its committees if s/he is a member of the Board or such committee.

Disclosures by Board members that contain Interests arising in connection with a decision by the UPMC Board or one of its committees shall be made in writing to the Corporate Secretary. Disclosures by employees that contain Interests arising in connection with a decision by the UPMC Board or one of its committees will be subject to approval by the Covered Person's supervisor or the Board or applicable Committee Chair and, if approved, sent to the Chief Compliance Officer for review, evaluation, and approval in accordance with processes developed by the Committee from time to time.

5. Other Disclosure of Interests Held by UPMC or other Covered Persons. Except as herein provided, each Covered Person must report to the Chief Compliance Officer any Interests held by UPMC or a Covered Person of which s/he becomes aware if s/he has reason to believe they have not

otherwise been disclosed. Upon receiving such a report, the Chief Compliance Officer will follow the procedures set forth in the preceding paragraph and any other applicable procedures required by this Policy (e.g., entering the Interest into the Watchlist) or by other policies, procedures and guidelines established by the Committee from time to time. Interests concerning Board members shall be reported to and managed by the Corporate Secretary.

**b. Maintaining and Querying the Watchlist to Track and Identify Interests**

i. Maintaining the Watchlist to Track Interests Established and Disclosed

All Individual Interests disclosed pursuant to this Policy, and all Institutional Interests created as a result of the establishment or consummation of a relationship or transaction, will be input into or mapped to the electronic Watchlist by the UPMC Ethics and Compliance Department. The Watchlist will be the primary tool used to track and cross-check all types of Interests for purposes of identifying, assessing and managing potential Conflicts of Interest.

a. Querying the Watchlist to Identify Interests

Each UPMC department or business unit shall designate a limited number of individuals responsible for querying the Watchlist in connection with proposed material transactions or relationships that originate from such department or business unit. (Examples of material transactions are set forth at Attachment A, which may be amended from time to time). Prior to commencing the decision-making for a contemplated transaction or relationship, the Covered Person with principal responsibility for making the decision or managing the decision-making process, shall instruct one such individual to query the Watchlist to identify whether Individual and/or Institutional Interests exist with respect to the entities or individuals involved in the proposed transaction or relationship. For purposes of illustration, the Watchlist must be queried to (a) identify an Individual Interest held by a member of a Board committee that will be involved in the decision-making process; or (b) identify an Institutional Interest held by UPMC itself in a non-UPMC entity from whom UPMC proposes to acquire products or services or to receive a major charitable gift, or with whom UPMC plans to co-invest in a joint ventures or other investment transactions.

The Covered Person shall submit a report of Interests identified through this query, along with a description of the contemplated transaction or relationship, to Ethics and Compliance Office at [conflicts@upmc.edu](mailto:conflicts@upmc.edu) for review, evaluation, and approval in accordance with processes developed by the applicable Committee from time to time. These reports can be generated directly from the

Watchlist. Note: while all Watchlist reports should be cleared by the Ethics and Compliance Office before a transaction is consummated, certain Watchlist “hits” will be flagged with an indicator that identifies a relevant Board-member interest or a relationship that is already subject to a conflict management plan. Transactions that trigger these types of “hits” will require special clearance by the applicable Committee of the Board. Such clearance can be facilitated by either the Corporate Secretary or the Ethics and Compliance Office.

## **VI. REVIEW AND EVALUATION PROCESS**

Using the information from the Watchlist and any supplemental disclosures made pursuant to this Policy and related policies, procedures and guidelines, the applicable Committee will, either directly or through its delegates, investigate and assess all Interests implicated by a contemplated transaction or relationship, and will determine whether any such Interest gives rise to a Conflict of Interest. If the applicable Committee or its delegates determine that a contemplated transaction or relationship gives rise to a Conflict of Interest, then UPMC and/or the Covered Persons with responsibility for the decision-making process, may not move forward with such decision unless and until the applicable Committee or its delegates has completed the review and assessment, granted final approval, established a Conflict Management Plan (where appropriate), and taken all such other steps as required by this Policy and other applicable policies and procedures. Conflicts Management Plans will be subject to standards and guidelines adopted by the applicable Committee from time to time. The key purpose of a Conflicts Management Plan will be to prevent decision-making with respect to the establishment and implementation of a contemplated transaction or relationship from being influenced by a Conflict of Interest.

In evaluating a potential Conflict of Interest, the applicable Committee and its delegates will consider whether the relationship at issue is in the best interests of UPMC, is fair and reasonable to UPMC, and is at least as advantageous to UPMC as any alternative relationships. Covered Persons who wish to proceed with a proposed relationship may be asked by the applicable Committee or its delegates to produce evidence to support the Committee’s consideration, including but not limited to appraisals and independent valuations of fair market value of the relationship, information regarding comparable between unrelated parties, offers from comparable competing entities, and/or studies of comparable compensation arrangements.

If any member of a Board or Board committee has a Conflict of Interest with respect to a proposed contract, transaction, relationship, arrangement or activity, he or she must not be present during any meeting in which the Committee conducts its evaluation, except to answer questions of the Committee and to provide information the Committee needs for its deliberations. Such Covered Person will in no event be present during the deliberations and vote of the Committee. If any member of the Ethics and Compliance, Executive Compensation or Governance and Nominating Committee holds the Interest being considered by that Committee, then the Chairman of the Board of Directors may appoint one or more qualified individuals to take the place of the affected Committee

member and to serve on the Committee for the purpose of reviewing the matter. (Any such reconstituted Committee will have all rights, authority and obligations of the reviewing Committee).

## **VII. VIOLATIONS OF THIS POLICY**

Each Covered Person has an obligation to report to the Chief Compliance Officer or a member of the Committee any situation s/he believes to be a violation of this Policy.

If the applicable Committee or its delegates have reasonable cause to believe that a Covered Person has failed to make a disclosure required by this Policy or has otherwise failed to comply with this Policy, it/they will inform the Covered Person of the basis for such belief and afford such person an opportunity to make the disclosure. If, after hearing the response of the Covered Person and making such further investigation as may be reasonable and warranted in the circumstances, the Committee or its delegates determine that the Covered Person has in fact failed to make the disclosure, it/they may take appropriate disciplinary action (e.g., removal of a director or officer from his or her position, termination of employment, ineligibility to participate in research studies, and sanctions under applicable medical staff bylaws).

Covered Persons are encouraged to contact the Chief Compliance Officer or the Chief Legal Officer or either of their designees regarding any questions concerning their obligations under this Policy.

## **VIII. POLICIES REFERENCED WITHIN THIS POLICY:**

[HS-EC1701 Conflicts of Interest Related to Clinical Research](#)

[HS-EC1702 Policy on Conflicts of Interest and Interactions between representatives of Certain Industries and Faculty, Staff and Students of the Schools of the Health Sciences and Personnel Employed by UPMC at all Domestic Locations](#)

**SIGNED:** W. Thomas McGough, Jr.  
Senior Vice President, UPMC and Chief Legal Officer

**ORIGINAL:** October 1, 1999

**APPROVALS:**

Policy Review Subcommittee: October 11, 2012

Executive Staff: October 26, 2012

**PRECEDE:** October 10, 2011

**SPONSOR:** Senior Vice President, UPMC and Chief Legal Officer

Attachemnt

**\* With respect to UPMC business units described in the Scope section, this policy is intended to replace individual business unit policies covering the same subject matter. In-Scope business unit policies covering the same subject matter should be pulled from all manuals.**

## Attachment A

### EXAMPLES OF DECISIONS THAT TRIGGER OBLIGATION TO QUERY THE WATCHLIST

- I. All Decisions Made by the UPMC Board of Directors**
- II. All Corporate Fundamental Change Transactions (Joint Ventures, Mergers, Acquisitions, Dispositions, Recapitalizations, etc.)**
- III. Supply Chain<sup>2</sup>**
  - A. Decisions to purchase through Requested Vendor Justification process
  - B. Decisions to enter into non-GPO or non-competitively bid purchasing contract
- IV. International and Commercial Services / Strategic Business Initiatives**
  - A. All transactions not otherwise specified herein
- V. Medical and Health Sciences Foundation**
  - A. Event Sponsorships by corporations: \$10,000+
  - B. Non-event gifts from corporations: \$5,000+
  - C. Donations from individuals: \$100,000+
- VI. Clinical Trials Office**
  - A. All research agreements
- VII. Grants and Contracting**
  - A. All grant agreements and subcontractor agreements
- VIII. Investments through Treasury**
  - A. All decisions to hire fund managers
  - B. All direct investments into private equity, venture capital and hedge funds

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<sup>2</sup> Decisions made by Value Analysis Teams are subject to separate VAT conflict of interest approval processes. However, disclosures made by VAT members will be mapped into the Watchlist.



**IX. Continuing Medical Education**

- A. Sponsorships from “Industry” as defined by UPMC’s “Policy on Conflicts of Interest and Interactions between Representatives of Certain Industries and Faculty, Staff and Students of the Schools of the Health Sciences and Personnel Employed by UPMC at all Domestic Locations” (HS-EC1702)

**X. HC Pharmacy<sup>3</sup>**

- A. Decisions to enter into non-GPO or non-competitively bid pharmaceutical/pharma supply purchasing agreements
- B. Purchases that take place without a written agreement

**XI. Real Estate**

- A. All real estate acquisitions/dispositions
- B. All real estate lease agreements

**XII. Services Agreements that exceed \$100,000 in value**

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<sup>3</sup> Decisions made by the System Pharmacy and Therapeutics Committee are subject to separate P&T conflict of interest approval processes. However, disclosures made by P&T members will be mapped into the Watchlist.