

“The ETHOS of AFMC”

STANDARDS OF INTEGRITY



*Arkansas Foundation
for Medical Care*
www.afmc.org

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“The ETHOS of AFMC” **STANDARDS OF INTEGRITY**

Introduction

AFMC’s “Standards of Integrity” are the ethical and legal principles that are to be followed by all AFMC staff. Our commitment to maintaining the highest ethical standards begins with the obligation to operate in full compliance with laws, regulations, and policies. Even in the absence of a specific law or policy, we must adhere to our corporate “ethos” and act with integrity in all of our business decisions and practices.

The “Standards of Integrity” are an integral part of AFMC’s compliance initiative and applies to all trustees, officers, employees, and contractors. It is important that you take the time to read, understand, and if need be, ask questions.

It is everyone’s responsibility to:

- Apply AFMC’s “Ethos” in all business decisions;
- Understand the laws, policies, and standards applicable to our work;
- Never knowingly violate laws, regulations, policies or standards;
- Seek assistance from your supervisor, the Compliance Officer, program documentation, and/or your colleagues if there are questions about how policies are applied;
- Promptly report concerns regarding possible wrongdoing to management or the Compliance Officer, and
- Cooperate with investigations into concerns covered by laws and AFMC policies.

Understanding and complying with these standards benefits us all. It helps us:

- Increase reliability, trust, quality, and productivity;
- Strengthen legal compliance;
- Reduce future risk and liability;
- Reduce negative publicity, and
- Increase ability to respond to crisis.

However, if we violate these standards, there can be consequences. We can cause harm to ourselves, our co-workers, AFMC, members of the public and our environment. We can be disciplined and even lose our jobs. And for illegal conduct, we can be prosecuted. AFMC takes all instances of noncompliance seriously.

Definitions

Conflict of Interest: A situation when you, a family member, friend, or other associate is in a position to gain or lose personally, professionally, or financially from an action that is in conflict with the interest of the Corporation

Entity: A real being; existence. An organization or being that possesses separate existence for tax purposes. Examples would be corporations, partnerships, estates and trusts.

Integrity: As used in statutes prescribing the qualifications of public officers, trustees, etc., this term means soundness or moral principle and character, as shown by one person dealing with others in the making and performance of contracts, and fidelity and honesty in the discharge of trusts.

Inurement: Useful, beneficial; serving to the use or benefit of a person or thing.

Proprietary: (adj) Belonging to ownership; owned by a particular person; belonging or pertaining to a proprietor; relating to a certain owner or proprietor.

Remuneration: Payment; reimbursement. Reward; recompense; salary; compensation

Covered Persons: All employees, Board members, close relatives and Other Insiders.

Close Relative: Spouse, child (natural or adopted), parent and step-parent, in-laws (father, mother, brother and sister in-laws), grandchild, grandparent, brother or sister of a covered person, and any person with whom a covered person shares living quarters under circumstances that closely resemble a marital relationship or who is financially dependent upon the covered person.

Other Insiders: Individuals, such as former BOD members, members advisory boards or committees, former employees who, by virtue of their current involvement or their involvement within the past 12 months with AFMC, either have access to inside information that could place them within a conflict situation or could give the appearance of such persons having the ability to unduly influence AFMC. Depending on the facts and circumstances, an independent contractor or other outside party, or their employees may be an "other insider" where that person or entity has access to inside information.

Inside Information: Any material information that is identified as confidential and proprietary, pertaining to the business and affairs of the AFMC, whether related to a specific transaction or to matters pertaining to the AFMC's interests, activities, and policies.

Related Organization: Any organization in which a covered person directly or indirectly:

- a. owns or controls 5% or more of any voting security; or
- b. is a director, executive officer, executor, administrator, trustee, beneficiary, controlling partner, or otherwise serves in a fiduciary capacity or holds a substantial beneficial interest; or
- c. is a director, executive officer, executor, administrator, trustee, beneficiary, controlling partner, or otherwise serves in a fiduciary capacity or holds a substantial beneficial interest; or
- d. has legal or de facto power to control the election of a majority of directors; or
- e. has legal or de facto power to exercise a controlling influence over the management or policies.

"Organization" includes a corporation, partnership, trust, estate, joint venture, and unincorporated affiliation of any kind as well as public boards and commissions and not-for-profit organizations

Purpose and Accountability

AFMC employees are personally accountable for their decisions and actions. We each must follow a course of conduct that preserves and enhances AFMC's reputation for integrity and honesty. In order for ethical principals to be effective, it is critical that all employees understand organization policies, confidential issues, and apply those policies to their specific areas.

AFMC relies on the good judgment and values of its employees to implement the intent of these ethical principals when organization policies do not address a specific situation. If any employee is not sure how to approach an ethical dilemma, the employee can request guidance from the AFMC Compliance Officer.

In some cases, ethical principles and other organization policies may also apply to those acting on behalf of the organization such as advisors, contractors, and consultants. If applicable, these individuals will be notified in writing which principles and organization policies apply, through confidentiality agreements, employment offer letters, and Board of Director job descriptions. Those who are considered non-employees include:

- Physician Reviewers
- Abstractors
- Consultants
- Advisors
- Board of Directors
- Vendors

Benefits of Avoiding Actual or Apparent Conflict of Interest:

- 1) Demonstrates that accountability will be achieved within the organization

- 2) Demonstrates a willingness to use resources wisely; and
- 3) Provides an increased level of trust from state, county, public and private organizations

Conflict of Interest

Introduction

It is the responsibility of each employee and Board member to avoid any situation which involves or may involve a conflict between their personal interest and the interest of AFMC. As in all other facets of their duties, employees and Board members dealing with customers, suppliers, contractors, competitors or any person doing or seeking to do business with the company are to act in the best interest of the company. Although relatively easy to identify when it has actually affected an outcome, conflict of interest is often more complex when it remains just a potential threat to an outcome. A conflict of interest has many aspects-both financial (direct and/or indirect) and non-financial, as well as individual and organizational. The notion of conflict of interest is widely used but may entail different meanings. Many times there are conflicting interests and conflicts of interest. The former may occur in any situation where competing considerations are presumed to be legitimate. Conflicts of interest can be characterized by individual occupying dual roles which should not be performed simultaneously. Arkansas Foundation for Medical Care (AFMC) provides guidance for understanding conflict of interest concepts through the following information.

Ways in which a conflict of interest may arise:

- Being employed by or acting as a consultant to, a competitor or potential competitor, supplier or contractor, regardless of the nature of the employment, while you are employed with AFMC.
- Doing business or competing with companies for which a friend or family member works, or has an ownership interest.
- Hiring or supervising friends, family members or closely related persons.
- Serving as a Board member for an outside company or organization.
- Accepting gifts, discounts, favors or services from a customer/potential customer, competitor or supplier, unless equally available to all AFMC employees.
- Taking company products home without a valid business purpose.
- Using company equipment (i.e. telephones, computers, copies, fax machines, or personal digital assistants) or office supplies for more than limited or incidental personal use.

Determining whether a conflict of interest exists is not always easy to do. Employees with a conflict of interest question should seek advice from management. In the event a manager/director is uncertain as to the appropriateness of disclosing a particular matter, they should consult with the Compliance Officer, who in turn, may elect to consult with the Conflicts Review Committee. Such information, as well as information provided on any annual disclosure form, should be held in confidence except when the governing

committee determines, after consultation with the interested person, that it is in the AFMC best interest to disclose.

Disclosure

Each employee and Board member shall make prompt and full disclosure in writing to the Compliance Officer of any potential situation which may involve a conflict of interest. The best way to avoid a conflict of interest is to disclose any relationships others might misinterpret. This includes any relationships with other employees, customers, suppliers and competitors. You should raise questions about possible conflicts of interest and disclose these kinds of situations to the Compliance Officer as they arise. Violation of this policy may lead to disciplinary action, up to and including termination.

Disclosure Statement

Upon hiring or appointment to the Board, each AFMC employee and Board member shall sign a disclosure statement. This disclosure statement shall also list all outside employment. Each AFMC employee and Board member is required to update this statement as outside involvement changes, but at least yearly.

Procedures for Determining a Conflict of Interest:

- AFMC Compliance Officer to determine if a potential or actual conflict of interest exists and should be disclosed
- Consultation with Conflicts Review Committee
- Utilize a third party person to investigate alternatives

Once a potential or actual conflict of interest is reported, the Compliance Officer and the Conflicts Review Committee will determine whether the conflict is material and, if so, whether remedial actions will be taken or whether the conflict will be waived.

Course of Action

When a conflict of interest is disclosed, the Compliance Officer will develop a written management plan. A copy of this management should be maintained and updated accordingly by the Compliance Officer. (i.e. Management Plan for a Conflict of Interest in the Workplace Form). In all cases, conflicts of interest or circumstances giving rise to the appearance of a conflict must be disclosed in advance of initiating the activity giving rise to the conflict. In developing responses to such conflicts, every effort will be made to avoid the conflict. In cases where it is not possible to completely avoid a conflict or the appearance of a conflict, reasonable efforts will be made to mitigate the effects of the conflict. At a minimum, the recommended course of action will ask the individual involved in the conflict to disclose the situation to the relevant parties and recuse themselves from any involvement in decisions pertaining to the conflict or the appearance of conflict. Before the conflict is disclosed and while the request for approval of a proposed course of action is pending or being considered, the individual involved in the conflict will refrain from participating in the questionable activity and/or withdraw from any discussion of or decision on the matter.

Report to the Board of Directors

All conflicts reviewed by the Compliance Officer will provide a written report to the Board of Directors or designated committee. The report will include the nature of the conflict, parties involved, and the disposition of conflict along with a copy of the developed management plan.

Work Outside of AFMC

AFMC staff members are expected to devote their work activities primarily to functions of AFMC. They may, however, engage in extramural activities on their own time, provided that such activities do not detract from the performance of their duties and responsibilities of AFMC. Extramural activities means any work not performed as an AFMC employee, whether or not compensated. Staff members who want to perform outside work during their scheduled work time will be required to take accrued vacation and/or leave without pay. Extramural activities performed during AFMC work time, may result in termination. Example: An employee who has rental properties should not perform any duties related to that business while on AFMC time.

An employee may not use AFMC's time, resources or employees for non-AFMC employment activities. For example: A manager should not ask his assistant to type a document for a "side business".

Board Memberships for Other Companies

You may serve on the board of directors of another organization if your role does not affect your ability to perform your job for AFMC. If the other company has a business relationship with AFMC, you must be completely removed from any decisions made that would involve AFMC and the other business. To make sure such activities do not cause a conflict of interest or other problem with your position at AFMC, you should disclose this information to the AFMC Compliance Officer.

Gifts & Solicitation

AFMC's gift policy embraces a "rule of reason." As a general rule:

- You may accept gifts of nominal value (under \$100), such as promotional items (pens, notepads, mugs) given in the regular course of business. But, you should not accept small gifts on a regular or continual basis.
- When possible, share gifts with others within the company or recycle for future needs.
- Do not accept gifts of money or cash equivalents.
- When giving gifts, make sure they do not appear to be attempts to obligate or influence the recipient.
- Do not offer any gift, favor, travel, or entertainment if it is against the policy of the recipient's organization. Many companies have policies that do not allow any gifts.
- When in doubt, check with the AFMC Compliance Officer.

Offering or taking bribes, kickbacks, payoffs, or other unusual or improper payments to obtain or keep business is unethical, illegal, and strictly forbidden.

Honorariums

Employees may be asked to speak at outside organizations on behalf of AFMC, during AFMC work hours. If so, any honorariums or other compensation received for these speaking engagements are to be turned over to be shared with other employees or turned over to AFMC for recycling.

Employees who are speaking to an outside organization on their own time, may accept honorariums if it is not in conjunction with their position at AFMC.

Charitable Activities

If you take part in community activities not sponsored by AFMC, you must make it clear that your views and actions are your own. Also, your activities outside the workplace should not interfere with your work at AFMC.

Employees may place pamphlets or sign-up sheets in the kitchen or break areas for charitable event fundraising purposes, but must not approach or pressure a fellow employee to participate.

AFMC may permit employees to schedule breaks to allow participation in events such as blood drives. In some instances, AFMC may sponsor collection of money for charities or for cases of particular hardship. An employee has the right to choose not to participate in AFMC sponsored charities

Political Activities

No employee may contribute on behalf of AFMC or use AFMC's name, funds, people, property, or services to support political parties or candidates unless allowed by law and approved in advance by AFMC.

You must not ask a fellow employee to express a political view that goes against his or her personal view. You also must not ask a fellow employee to contribute to a political action committee, political party or candidate.

Confidential and Proprietary Information

Integral to AFMC's business success is our protection of confidential company information, as well as nonpublic information entrusted to us by employees, customers, and other business partners. Confidential and proprietary information includes such things as pricing and financial data, customer names/addresses or nonpublic information about other companies, including current or potential supplier and vendors. We will not disclose confidential and nonpublic information without a valid business purpose and proper authorization.

Accurate Public Disclosures

AFMC shall provide comprehensive and timely information to the public, the media, and all stakeholders and be responsive in a timely manner to reasonable requests for information. All information about the organization will fully and honestly reflect the

policies and practices of the organization. Basic informational data about the organization, reviews and compilations, and audited financial statements will be posted on the organization's website or otherwise be made available to the public. All financial, organizational, and program reports will be complete and accurate in all material respects.

Program Evaluation

The Board and staff of AFMC shall regularly review program effectiveness. The organization is committed to improving program and organizational effectiveness by using the information obtained through routine/annual evaluations. Updates will be made to the disclosure statement and company policies in order to stay consistent with evolving laws and contractual agreements.

Procedure for Reviewing and Managing Conflicts

A member of the staff involved in a conflict or appearance of a conflict will disclose and bring the matter to the attention of the AFMC Compliance Officer. Each request for approval of a proposed course of action will describe in detail the particular activity in question that gives rise to the conflict or appearance of conflict, the reasons why the proposed course of action should be approved, and any special circumstances surrounding the situation

The Conflicts Review Committee will review and approve, approve with modifications, or disapprove the recommended course of action. If a conflict involving an employee or member of the Board of Directors is brought to the attention of an AFMC staff member, the staff member will immediately notify the Compliance Officer.

Report to the Board of Directors: All conflicts reviewed by the Compliance Officer and the Conflicts Review Committee will be reported to the Audit Committee of the Board of Directors. The report will include the nature of the conflict, parties involved, and the disposition of the conflict.

Conclusion

Adhering to the Conflict of Interest policy and this standard operating procedure is a condition of association with the AFMC as an employee, Board member, or Chapter Trustee/Advisor. Violations of the Conflict of Interest policy and this procedure may be grounds for dismissal as an employee or severance from the Board of Directors or a Chapter Board/Advisory group. The Audit Committee of the AFMC's Board of Directors and the General Counsel will review and assess the Conflict of Interest policy and this standard operating procedure and their implementation on a regular basis and notify employees, Board members, and Chapter Trustees/Advisors of any changes and/or revisions.