



Board Policy: Director and Officer Conflicts of Interest Policy

Committee Owner: Audit Committee

Effective Date: 8/19/2022

Subject: The conflicts of interest policy for directors and officers.

- I. This conflicts of interest policy is intended to protect Bethesda's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of Bethesda. This policy is intended to supplement but not replace any applicable state or federal laws governing conflicts of interest applicable to nonprofit and charitable corporations.
- II. Definitions.
 - A. "Interested person" means any director, principal officer, or member of a committee with Board delegated powers who has a financial interest, as defined below. If a person is an interested person with respect to any corporation in which Bethesda has a membership or controlling interest, or which has such an interest in Bethesda, then he or she is an interested person with respect to all such corporations.
 - B. "Financial interest." A person has a financial interest if the person has, directly or indirectly, through business, investment or family:
 1. An ownership or investment interest in any entity with which Bethesda has a transaction or arrangement, or
 2. A contractual or compensation arrangement with Bethesda or with any entity or individual with which Bethesda has a transaction or arrangement, or
 3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Bethesda is negotiating a transaction or arrangement.

- C. A financial interest is not necessarily a conflict of interest. As noted below, a person who has a financial interest may have a conflict of interest only if the appropriate Board or committee decides that a conflict of interest exists.
- D. "Compensation" includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

III. Procedures

- A. Duty to Disclose. An interested person must with reasonable promptness disclose the existence of any financial interest and all material facts to the chairperson of the Audit Committee.
- B. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, the Audit Committee shall meet to consider the issue. After any discussion with the interested person, he or she shall leave the Audit Committee meeting while the determination of a conflict of interest is discussed and voted upon. If the interested person is a member of the Audit Committee, he or she shall be counted in determining the presence of a quorum, but shall not be entitled to vote on the issue.
- C. Procedures for Addressing the Conflict of Interest.
 - 1. An interested person may make a presentation at the Audit Committee meeting, but after such presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.
 - 2. The chairperson of the Audit Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - 3. After exercising due diligence, the Audit Committee shall determine whether Bethesda can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
 - 4. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Audit Committee shall determine by a majority vote of disinterested directors whether the transaction or arrangement is in Bethesda's best interest and for its own benefit and whether the transaction is fair and reasonable to Bethesda, and shall make its decision

as to whether to enter into the transaction or arrangement in conformity with such determination.

D. Violations of the Conflicts of Interest Policy.

1. If the Audit Committee has reasonable cause to believe that a director has failed to disclose a financial interest, it shall refer the matter to the Governance Committee for review and investigation, which should ordinarily include affording the member an opportunity to explain the alleged failure to disclose.
2. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Governance Committee determines that the member has in fact concealed a financial interest, it shall recommend appropriate disciplinary and corrective action, which may include removal, to the Board of Directors. In that event, the Board of Directors shall forthwith hold a vote to determine appropriate disciplinary and corrective action.

E. Records of Proceedings. The minutes of the Audit Committee when addressing these issues shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Audit Committee's decision as to whether a conflict of interest in fact existed.
2. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

F. Annual Acknowledgement. Each director, officer and member of a committee with Board delegated powers shall annually sign a Conflict of Interest acknowledgement of the substance of this policy. This shall be done for all directors near the beginning of every calendar year, and for newly elected directors when they join the Board. Compliance with this requirement shall be reported to the Audit Committee. Any potential conflicts of interest disclosed should be immediately referred to the Audit Committee for review. Management shall retain the data that evidences this process.

G. Application to Any Other Bethesda Controlled Corporations. This policy also applies to any other charitable corporation that has as its officers and/or Board of directors a controlling number of specified Bethesda directors or officers. All interested persons acting as a director, principal officer, or member of a committee with Board delegated powers of such corporations shall be subject to and comply with the provisions of this policy.