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**Policy for Managing Conflicts of  
Significant Financial Interests**

**I. INTRODUCTION**

**A. GENERAL POLICY**

The principles articulated herein are intended to provide guidance in the management of formal relationships between employees of ("Company") and their external constituencies in order to ensure that the design, conduct, and reporting of sponsored research will not be biased by any conflicting financial interests. Under the Public Health Service (PHS) and National Science Foundation (NSF) final rules on **Objectivity in Research** (*Federal Register*, July 11, 1995), each investigator is required to disclose a listing of her/his significant financial interests, as well as those of his/her spouse and dependent children, that would reasonably appear to be affected by the research proposed for funding by the PHS or the NSF. If, after review of these disclosures, it is determined that the reported financial interests could directly and significantly affect the design, conduct, or reporting of the research, the Company will report the existence of such conflicting interests to the sponsor and act to protect the resulting research from bias owing to the conflict of interest. This policy statement is intended to satisfy current Federal rules for disclosure with regard to projects funded by the PHS or the NSF as well as State of California statutes involving conflict of interest situations.

**B. SCOPE**

This policy and the associated procedures are applicable immediately to all sponsored program activity at carried out by Company employees, consultants, scientists, trainees, technicians and other agents or research collaborators ("Company employees"). The policy and the associated procedures are derived from the final rules on **Objectivity in Research** promulgated by the PHS and the NSF that were published in the *Federal Register* of July 11, 1995. These procedures will be followed whenever or its employees submit a request for funding from any external agency, whether it is the PHS, the NSF or another Federal agency.

**C. RESEARCH AND THE MISSION STATEMENT**

The Mission Statement for states:

*The Company's Mission:*

Such Company research is facilitated and/or made possible through external funding from private as well as public sources. It is the Company's responsibility to assure the integrity of all aspects of such sponsored research while, simultaneously, taking care not to discourage the development of external funding opportunities. The purpose of this document is to identify situations where potential conflicts of significant financial interest are likely to arise and to establish a process whereby such conflicts are either avoided or at least managed equitably to the satisfaction of all concerned parties.

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## D. MANAGING CONFLICTS OF SIGNIFICANT FINANCIAL INTEREST

This document articulates Company policy on the management or elimination of conflicts of significant financial interest between outside constituencies and the associated funded activities carried out by Company. While this policy focuses upon avoiding, or at least managing, conflicts of significant financial interest, its primary purpose is to promote compliance with the standards of Objectivity in Research.

## II. DEFINITIONS

- A. *Conflict of Significant Financial Interest* is considered to occur whenever a Company employee, or a family member of the Company employee, has an existing or potential financial or other material interest that impairs, or appears to impair, the Company employee's independence and objectivity in the discharge of his/her responsibilities to and/or for the Company; or, alternatively, conflict of significant financial interest is considered to occur whenever a Company employee receives financial or other material benefit through inappropriate use of knowledge or information confidential to the Company.
- B. *Company Employee* is any individual employed on a full- or part-time basis by and is receiving, or will receive, compensation for such employment. (Includes Consultants, Agents and Research Collaborators of Company)
- C. *Investigator* is the principal investigator, co-principal investigators, or any other Company employee responsible for the design, conduct, or reporting of externally funded scientific research activities.
- D. *Family Member* includes the Company employee's spouse and children or other adults who qualify as dependents under the Internal Revenue Code definitions.
- E. *Project* implies any externally funded activity such as basic, applied, or developmental research, or other activity conducted by Company employees on behalf of the Company.
- F. *Significant Financial Interest* is any item of monetary value including, but not limited to: 1) salary or other payments for services rendered such as consulting fees; 2) equity interests such as stocks, stock options, or other ownership interests; and 3) intellectual property rights such as patents, copyrights, and royalties from such intellectual property rights. *Significant Financial Interest does not include:* 1) Company remuneration such as salary or royalties; 2) consulting fees from service on advisory committees or review panels for public or nonprofit entities; or 3) financial interest in business enterprises or entities where the value of such interests would not be anticipated to exceed \$10,000 per annum or represent more than a five per cent (5%) ownership interest. The value of such equity interests is to be determined on the basis of public prices or other reasonable measures of fair market value.
- G. *Negative Finding* means a determination has been made that no conflict of significant financial interest exists.
- H. *Positive Finding* means a determination has been made that a conflict of significant financial interest does exist and, therefore, appropriate administrative action will be required as given under III. D. below.

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### III. POLICY STATEMENT

#### A. MANDATORY DISCLOSURE OF SIGNIFICANT FINANCIAL INTERESTS

In accord with relevant Federal and State of California regulations, the Company is required to manage, eliminate, or reduce any potential conflicts of significant financial interest that may be inherent in the personal financial interests of an investigator. Company, therefore, requires investigators to disclose to the Company, any significant financial interest, including those of her/his family members, which would reasonably appear to be affected by the project being funded by external government agencies. Investigators are required to provide updated disclosure information during the time period in which the proposal is pending, annually during the time period of an award, or whenever new significant financial interests are obtained by the investigator.

#### B. IDENTIFICATION OF CONFLICTS OF SIGNIFICANT FINANCIAL INTEREST

In conjunction with the administrative review of applications for grants, the Director of Research, in conjunction with the Manager of Human Resources and the Manager of Corporate Legal Services will review each Financial Disclosure submitted and shall make the determination of whether or not a conflict of significant financial interest exists. If the Director of Research, Manager of Human Resources and Manager of Corporate Legal Services determines that no conflict of significant financial interest exists, the resulting negative finding will be filed in the Company's Legal and Human Resource files. For negative findings no further review is required.

#### C. APPEAL OF POSITIVE FINDINGS

Investigators may appeal a resulting positive finding to the President for a review of the conflict of significant financial interest determination reached by the Director of Research, Manager of Human Resources and Manager of Corporate Legal Services. The review of an appealed positive finding must be completed prior to the expenditure of any funds under an award. In reviewing positive findings, the President will be guided by the following principles: 1) Assure adherence to all relevant Company policies; 2) Give full consideration to the nature and extent of the financial interests in the relationship of the investigator, and/or the investigator's family members, with the external constituencies; 3) Give special consideration to the terms and conditions of sponsored project agreements that mitigate or complicate the given situation; and 4) Consult fully with the investigator and obtain additional information from the investigator, as deemed appropriate to the management of the apparent conflict of significant financial interest.

#### D. MANAGING POSITIVE FINDINGS OF SIGNIFICANT FINANCIAL INTEREST

Following the determination of a positive finding, or upon receipt of the review by the President, the Director of Research, Manager of Human Resources and Manager of Legal shall make a final determination involving one of the following administrative actions: 1) Accepting the sponsored project award; 2) Not accepting the sponsored project award; or 3) Accepting the sponsored project award subject to suitable modifications in the award documentation or in the investigator's, or his/her family's, affiliation with the external constituencies involved. Reasonable modifications under option 3) above might include one or more of the following actions: 1) Requiring that public disclosure of the identified financial interests be made; 2) Requiring that the data and research results be reviewed by independent reviewers identified by the President and the investigator; 3) Requiring that the research plan be modified; 4) Requiring that the investigator be disqualified from

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participation in a portion of the research; 5) Requiring that the investigator and/or her/his family member(s) divest certain significant financial interests related to the positive finding; or 6) Requiring that the investigator and/or his/her family member(s) sever relationships that create the conflict of significant financial interest.

E. COMPLIANCE

If an investigator who is required under this policy to file a conflict of significant financial interest disclosure fails to do so or fails to disclose a significant financial interest on the disclosure form, the investigator may be subject to company and legal procedures. If an unreported significant financial interest involves a research project administered by the Company, appropriate administrative action required by the funding agency will also be taken. The Company will promptly notify the funding agency if it is determined that the Company is unable to manage satisfactorily any conflict of significant financial interest. Intentional disregard for this policy, including non-adherence to the agreed upon management plan, shall constitute serious misconduct and may be the basis for further administrative or legal inquiry.

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Disclosure of Significant Financial Interests Form

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

Title: \_\_\_\_\_

Grant Proposal Title: \_\_\_\_\_

Intended Government Funding Agency: \_\_\_\_\_

Name of Constituent Organization/Institution in which you claim a Significant Financial Interest:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City) (State) (Zip)

Describe in detail the nature of your financial interest or role in the Constituent Organization or institution with respect to the following:

1. Describe your significant financial interest in the organization (other than \_\_\_\_\_) that is directly related to your research interest (or would be affected by your research) or directly relates to a business decision you are participating in. \_\_\_\_\_

"Significant Financial Interest" means anything of monetary value, including but not limited to, salary or other payments for services (e.g., consulting fees or honoraria); equity interests (e.g., stocks, stock options or other ownership interests); and intellectual property rights (e.g., patents, copyrights and royalties from such rights).

The term does not include:

- (1) salary, royalties, or other remuneration from the applicant institution;
- (2) any ownership interests in the institution, if the institution is an applicant under the SBIR Program;
- (3) income from seminars, lectures, or teaching engagements sponsored by public or nonprofit entities;
- (4) income from service on advisory committees or review panels for public or nonprofit entities;
- (5) an equity interest that when aggregated for the Investigator and the Investigator's spouse and dependent children, meets both of the following tests: does not exceed \$10,000 in value as determined through reference to public prices or other reasonable measures of fair market value, and does not represent more than five percent ownership interest in any single entity; or
- (6) salary, royalties or other payments that when aggregated for the investigator and the investigator's spouse and dependent children over the next twelve months, are not reasonably expected to exceed \$10,000.

2. Describe your involvement or financial interest that is, or could be perceived to be, in conflict with the discharge of your duties at \_\_\_\_\_

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**Screening Form for Identifying  
Conflicts of Significant Financial Interests**

Name: \_\_\_\_\_ Department: \_\_\_\_\_  
(Investigator)

Title/Status: \_\_\_\_\_ Other Affiliate or Status: \_\_\_\_\_  
(Employee, Consultant)

Grant Proposal Title: \_\_\_\_\_

Intended Government Funding Agency: \_\_\_\_\_

1. Do you have a *significant financial interest* in a commercial organization (other than that is directly related to your research interest (or would be affected by your research) or directly relates to a business decision you are participating in? )

*For this purpose "significant financial interest" means an interest which annually exceeds \$10,000 in value (such as salary, consulting fees, fees for seminars, lectures, royalties or intellectual property rights) or an ownership interest or Stock Option(s) in the organization which exceeds 5% when aggregated with the interests of your spouse and dependent children. (Excluding any remuneration from )*

2. Do you have some involvement or financial interest that is, or could be perceived to be, in conflict with the discharge of your duties at \_\_\_\_\_ ?  Yes  No
3. Do you have a consulting or other financial relationship with a non-governmental external sponsor/donor of your research?  Yes  No
4. Do you have a managerial role in or an opportunity for personal gain through a *significant financial interest* in a company in a field of your research or a company that does business with \_\_\_\_\_ ?  Yes  No
5. Do you or any member of your family have any other relationships, commitments, or activities that might, in your good faith judgment, present or appear to present a conflict of interest with your research activities?  Yes  No
6. Do you currently have, or will this proposal lead to the award of, external funding for research in a subject area in which you also have a *significant financial interest* in any external activity such as a managerial or ownership role in a company or an opportunity to receive *significant financial interest*?  Yes  No

If you answer yes to any of the above questions, you will be asked to disclose in further detail any Significant Financial Interest. Italicized phrases are defined in the Policy for Managing Conflicts of Significant Financial Interests at

**Affirmation:** *In submitting this form, I affirm that the above information is true and accurate and, further, that I accept responsibility for being familiar with the Policy for Managing Conflicts of significant Financial Interests at*

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

Approved \_\_\_ Disapproved \_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_