Guidelines for Review and Approval of Conflicts of Interest

Office of Ethics and Compliance
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1. Introduction

A conflict of interest may occur when an employee’s personal investments, interests or associations interfere, or might interfere, with the employee’s use of his or her independent best judgment and responsibility to act in the best interest of Abbott.

Conflicts of interest occur in many different ways. Although no discussion of examples of conflicts could include all possible scenarios, below we (1) describe common types of conflicts of interest; (2) provide several examples of each type; (3) set forth potential actions that could be taken to minimize or eliminate the conflicts; and (4) state the approval requirements for employees who want to engage in an activity that may create a conflict.¹ Finally, at the end of this guide we provide an explanation of what steps employees and their managers should take when they want to take an action that might cause a conflict of interest, and how to get approval and document those steps.

2. Financial Conflicts of Interest

A. General Description

A financial conflict of interest exists when an Abbott employee has a material investment, ownership interest or other financial interest in a business entity that conducts or seeks to conduct business with Abbott, or is a competitor of Abbott.² Whether an investment, ownership interest or financial interest is “material” may depend on a variety of factors (including potentially what percentage of the employee’s assets are represented by the interest, and the percentage of the vendor or competitor owned by the employee), but ultimately is determined by whether the interest is so significant that it may influence the employee’s decisions on behalf of Abbott.

One of the risks to Abbott when an employee owns or invests in a supplier, customer, or competitor of the company is that the employee will use his or her position at Abbott to benefit the outside entity, at Abbott’s expense. Similarly, an Abbott employee’s outside interests could cause him or her to fail to take some action when it would be in Abbott’s best interest that the action be taken. For this reason, Corporate Purchasing Policy 40 requires that all suppliers be treated with “impartiality, objectivity, honesty, and without favor or preference based upon personal considerations.”

¹ Note that these guidelines address potential conflicts of interest only. Other portions of Abbott’s Code of Business Conduct and other company policies may apply to various examples discussed below, and these require separate analysis.

² For purposes of these Guidelines, “competitor” is defined as a company that offers products in the same group as Abbott, or like services.
B. **Examples**

1. **Example 1**
   
   i. Scenario: An Abbott Facilities Manager wants to invest in a small construction business that frequently submits bids on building and paving projects at an Abbott facility.

   ii. Concern: If an Abbott employee becomes a supplier, he or she may use his or her position at Abbott to award business to his or her company, even though other potential suppliers provide better goods or services, at a lower price.

2. **Example 2**

   i. Scenario: An Abbott Logistics Director wants to buy 33% of a pharmaceutical distribution company which purchases Abbott products.

   ii. Concern: If an Abbott employee becomes a customer, he or she may use his position at Abbott to obtain favorable pricing or terms of sale.

3. **Example 3**

   i. Scenario: An Abbott National Sales Manager wants to establish an Internet business that purchases and re-sells a brand of infant formula that competes with Abbott Nutrition’s business.

   ii. Concern: If an Abbott employee owns a competitor, he or she may use Abbott’s confidential information to benefit his or her company to the detriment of Abbott.

C. **Actions to Minimize or Eliminate the Conflict**

When an employee identifies a potential conflict of interest, he or she may take certain actions to minimize or eliminate the conflict. These steps should be discussed between the employee and the manager, and approved by all of those identified in Part D below (see part 8 for a discussion of how this should be done). Some examples of such steps are given below.

When the issue involves ownership of a supplier (Example #1), it is important to ensure that one person is not acting for both sides in the potential transaction. Thus, when an Abbott employee is an owner of a potential supplier:
• He or she must be excluded from any participation in choosing the supplier

• He or she must not be part of negotiations with the supplier

• He or she must not influence the scope of the supplier’s work

• He or she must not supervise the supplier

• He or she must not initiate or approve payments to the supplier

• Abbott employees who work directly or indirectly for the employee who owns the supplier must have the same restrictions

If measures can be put in place to ensure that the Abbott employee (or anyone who works for him or her) has no influence over Abbott’s relationship with the supplier, in many circumstances the potential conflict will be resolved.

Similarly, when an Abbott employee owns a customer of Abbott (Example #2), he or she cannot in any way be involved in setting the pricing or terms of sale for that customer, filling orders for that customer, or collecting payments from that customer.

Finally, it is never appropriate for an Abbott employee to have a material ownership interest in a competitor (Example #3).

The employee’s manager and all approvers listed below should agree upon what steps are needed in any particular circumstance. See part 8 for a discussion of the approval process.

D. Approval Requirements

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3. Conflicts Involving Family Members

A. General Description

This type of conflict may happen when an Abbott employee conducts or seeks to conduct business on behalf of Abbott with a Family Member. Similar to financial conflicts, conflicts involving Family Members create a risk that an Abbott employee will “sit on both sides of the table” in a negotiation and may not act in the best interest of Abbott. Further, the Abbott employee may pass along (even unintentionally) confidential information. Thus, individual Abbott employees are barred from doing business on behalf of the company with companies owned directly or indirectly by their Family Members.

Employees should also consider carefully the same principles when doing business with personal friends and others with whom they have close relationships but do not meet the definition of Family Member. Although doing business on behalf of Abbott with a friend does not necessarily create a conflict of interest, there is a danger that gifts and other interactions in the context of the friendship will be perceived as inappropriate business interactions.

B. Examples

1. An Abbott Sales Representative wants to order on-site meals catered by his sister’s restaurant.

2. An Abbott Sales Representative wants to buy 200 boxes of Girl Scout cookies from her daughter for use as on-site snacks.

3. An Abbott Sales Director wants to sell Abbott products to his sister-in-law’s independent pharmacy.

4. An Abbott Pricing Manager wants to hire his sister-in-law as a consultant to advise on pricing trends of competitors.

5. An Abbott Manufacturing Technician wants to buy equipment from the company at which his stepson works so that his stepson can receive a commission on the sale.

6. An Abbott Regulatory Affairs Manager wants to hire her neighbor as a consultant to summarize new labelling requirements. After discussing the potential engagement, the neighbor drops off an expensive bottle of wine with a note that says “thanks for your support!”

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3 Per Corporate Human Resources Policy C-114, “Family Member” includes a spouse, domestic partner, parent, parent-in-law, sibling, sibling-in-law, child or son/daughter in law, or step parent, step sibling, step child or any member of a household.
C. **Actions to Minimize or Eliminate the Conflict**

As with all potential conflicts, the first step for an employee is to disclose the potential conflict. Conflicts involving Family Members can often be resolved by excluding the Abbott employee (and all who report directly or indirectly to him or her) from the decision of whether to do business with the Family Member and from any business interaction with the Family Member (e.g., negotiation of compensation/pricing for the Family Member, supervision of the Family Member’s work, approval of payment for the Family Member, etc.). Applying these standards would effectively bar the transactions described in Examples #1 and #2 above, and require other Abbott employees to coordinate the transactions in Examples #3, #4, and #5. As to Example #6, although the neighbor is not a Family Member, the offer of the gift creates a perception that the Regulatory Affairs Manager may make a decision based on considerations other than Abbott’s best interest. She should refuse the wine and ask another employee to choose the most appropriate consultant.

The employee’s manager and all approvers listed below should agree upon what steps are needed in any particular circumstance. See part 8 for a discussion of the approval process.

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4. **Corporate Opportunities**

A. **General Description**

If an Abbott employee becomes aware of a business opportunity that is in line with Abbott’s business or would be in competition with Abbott’s business, the Abbott employee must offer this business opportunity to Abbott before acting upon the opportunity personally. This is required whether the employee became aware of the business opportunity while doing his or her Abbott job or in a personal capacity.

B. **Examples**

A Business Development Manager learns that a small company developing a new contact lens solution is seeking a large investor. He may not notify the hedge fund in which he has invested of the
opportunity without first reviewing it with the appropriate individuals at Abbott.

C. Actions to Minimize or Eliminate the Conflict

All Abbott employees are obligated to tell the company about potential business opportunities involving companies in competition with Abbott’s business or that constitute a logical extension of Abbott’s business. There is no action that could minimize or eliminate this conflict. If, after analysis by the company, Abbott decides not to pursue the opportunity, the employee may do so in his or her personal capacity (as long as it doesn’t create another type of conflict, such as owning a business in competition with Abbott).

D. Approval Requirements

If an employee wants to pursue a business opportunity personally under these circumstances, he or she must get a written statement from the relevant DVP, division President, or functional equivalent stating that Abbott has reviewed and decided not to pursue the opportunity itself.

5. Serving on Boards or as Officers for Various Third Parties

A. General Description

An Abbott employee serving as a board member or officer for a vendor, supplier or other company doing business with Abbott may have a conflict of interest. Further, an Abbott employee serving as a board member or officer of a professional organization (e.g., American Dietetic Association, American Nurses Association), trade organization, hospital, or public or private body setting rules or standards applicable to Abbott’s business, may also have a conflict. Note that it will never be appropriate for an Abbott employee to serve as a board member or officer of a business that is a competitor of Abbott.

B. Examples

1. An Abbott Division Controller wants to serve on the board of directors of a charity which from time to time purchases healthcare products.

2. An Abbott DVP of Sales wants to serve as Abbott’s representative on the board of directors of an industry trade organization.

3. An Abbott Marketing Manager wants to serve on a committee of the Juvenile Diabetes Research Foundation established to draft guidelines for the marketing of diabetes treatments.
C. Actions to Minimize or Eliminate the Conflict

An Abbott employee serving as a board member or officer of a supplier or customer (Example #1) creates a risk that the Abbott employee will misuse Abbott confidential information, which may disadvantage Abbott. For example, an Abbott employee serving on the board of a charity that buys Abbott products could use his or her knowledge of Abbott pricing strategies to assist the charity in negotiating a lower price. An appropriate safeguard against such a possibility would include the employee’s agreement to remove himself or herself (and actual recusal when the circumstances arise) from any decision or discussion that involves Abbott, or Abbott’s competitors.

Membership on the boards of industry trade groups, professional organizations, and other rule setting bodies will often require a more careful factual analysis. Although generalizations are difficult, if the Abbott employee is serving on the board of an organization in his or her capacity as a representative of Abbott (Example #2), a conflict is less likely to exist. This scenario often arises in the case of trade groups in which the major competitors in the industry each are represented and the group itself has no independent interest beyond the collective interests of its members. Under such circumstances, the board member owes no obligation to the organization itself and no conflict is posed by voting and otherwise acting solely in the best interests of Abbott. Some trade groups may have interests independent of their members, however, in which case a conflict could exist, so careful consideration and approval is necessary.

When the Abbott employee is chosen for board membership in his or her personal capacity (Example #3), and not as a representative of Abbott, however, the employee may owe an obligation to vote and otherwise act in the best interests of the organization or its constituents. If those interests could conflict with Abbott’s interests, the potential for a conflict should be disclosed up front to both Abbott and the outside organization. The disclosure to the outside organization should include a statement that the employee’s first obligation is to Abbott and that he or she will refrain from acting on behalf of the outside organization in a way that is contrary to Abbott’s interests. The employee must then conduct his or her activities for the outside organization in compliance with this commitment. Please note that although this safeguard may protect Abbott’s interests in certain circumstances, it may not always be effective and a thorough analysis of the facts of each scenario is critical.

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4 Similarly, the individual owes certain obligations to the supplier or customer in his capacity as a board member or officer. Using his position at that company to benefit Abbott might violate those obligations.

5 The OEC Policy on Interactions with Competitors and other divisional policies and procedures may also apply under these circumstances, and should be consulted.
The employee’s manager and all approvers listed below should agree upon what steps are needed in any particular circumstance. See part 8 for a discussion of the approval process.

D. Approval Requirements for Board Membership or Officer Status

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6. Gifts, Payments or Other Inducements

A. General Description

An Abbott employee accepting a gift, meal, entertainment, or payment from a supplier, vendor or other business associate of Abbott creates a potential conflict of interest. Abbott employees may only accept gifts or benefits from these entities in accordance with Corporate Purchasing Policy 40 (CPP-40), or any applicable affiliate policy.

B. Examples

1. An Abbott Engineer enters a raffle at a supplier fair and wins a laptop from a potential vendor.

2. An Abbott QA Director is offered a watch as a birthday gift from the manager of a firm that performs product testing for Abbott.

3. An Abbott Public Affairs Director wants to accept a loan from the owner of a media relations firm that wants to perform consulting services for Abbott.

4. An Abbott attorney is invited to attend a sporting event in the luxury box of a law firm that performs Abbott legal work.

C. Actions to Minimize or Eliminate the Conflict

Abbott employees must comply with CPP-40, or the applicable affiliate policy. It will rarely be permissible to accept a gift from a supplier or business associate. CPP-40 would bar the gifts listed in Examples 1 through 3 above, and place certain constraints around the entertainment offered in Example #4. If an employee wants to accept a gift that he or she believes is outside of CPP-40 (e.g., from an Abbott supplier in an area unrelated to his job function who happens to be a personal friend), he or she should disclose the gift in writing to his or her manager.
D. Approval Requirements

An employee wishing to accept a gift within the scope of CPP-40, or an applicable affiliate policy, must obtain an exception to the policy.

7. Outside Employment and Consulting

A. General Description

Abbott employees are expected to give Abbott their full time and attention during the times they are scheduled to work for Abbott. Outside employment or consulting may create a conflict of interest.

B. Examples

1. An Abbott first shift Manufacturing Technician and an Abbott Sales Representative want to take second jobs as retail sales clerks between 6 pm and 10 pm. This is more likely to pose a conflict for the Sales Representative if it would interfere with his or her ability to attend dinner presentations, speaker events, or other evening activities required by his or her Abbott job.

2. An Abbott Chemist wants to serve as a consultant to a company that supplies raw materials to Abbott.

3. An Abbott Engineer wants to serve as a consultant to a former employer for purposes of obtaining a patent on an invention he made while employed by the former employer.

4. An Abbott attorney wants to advise another Abbott employee concerning his or her rights under his or her employment agreement with Abbott.

C. Actions to Minimize or Eliminate the Conflict

Outside employment must not interfere with or distract from Abbott work duties. The risk is greater for more senior Abbott employees or employees in certain job functions. As with several other types of conflicts, any measures agreed upon between the employee and his or her manager should include a written disclosure by the employee of the type of the outside employment and working hours, along with a promise to make another disclosure if either the demands of the outside job or his or her Abbott job change in a significant way in the future. In addition, any time the employee’s manager perceives a conflict, he or she may reopen the discussion.

As to consulting, in addition to the time demands of the activity, the employee’s manager and required approvers should consider whether the substance of the consulting work creates a conflict. In Example #2
above, a conflict could exist if the Abbott Chemist’s consulting work for
the supplier involves projects related to the materials that will be sent
to Abbott. Similarly, the Abbott Engineer in Example #3 may have a
conflict if his consulting work assists a competitor to obtain a patent
that could cover an Abbott product. For these reasons, a minimum
requirement would include disclosure by the employee of the subject of
his or her intended consulting work, and an agreement not to consult on
subjects that could affect Abbott.

Finally, increased attention is needed when the Abbott employee’s
client is also an Abbott employee or former employee, or the subject
matter of the consulting in some way involves Abbott. In Example #4, no
safeguard could permit an Abbott attorney to advise another Abbott
employee about his or her employment agreement with the company.
Abbott professionals in the compensation and benefits, human
resources, tax, and finance areas may face similar scenarios.

The employee’s manager and all approvers listed below should agree
upon what steps are needed in any particular circumstance. See part 8
for a discussion of the approval process.

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8. Procedure for Reporting

When an employee believes that he or she may have a potential
conflict, his or her first step is to discuss the circumstances with his or
her manager. His or her manager will then consult with OEC and/or
Legal as needed, and together they will decide whether a conflict would
exist if the desired action is taken. If it is decided that no conflict
would exist, the employee may take the proposed action.

If a conflict would exist, the next step is for the employee and manager
(with the help of OEC, if necessary) to consider possible actions that
would minimize or eliminate the conflict. If no such actions are possible
(e.g., if the employee wants to take a job with a competitor), the
employee may not take the desired action.

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6 In this example, the employee may have entered a contract, prior to joining Abbott, obligating him to perform the consulting work. The Abbott Legal Division should be consulted under such circumstances.
If the employee and manager think of actions that they believe sufficiently protect Abbott, they must complete the form attached to this document as Exhibit A and circulate it in accordance with the approval requirements above. Only when the form is fully approved may the employee take the desired action.

The completed and approved form should be attached to a disclosure made through http://speakup.abbott.com. OEC will track all such approvals to ensure, should an issue later arise, that all relevant information is available. Having a written record of the approvals protects both the employee and Abbott.

The annual Conflicts of Interest Certification is designed to identify conflicts of interest not previously approved by management and reported to OEC through http://speakup.abbott.com.
EXHIBIT A

CONFLICT OF INTEREST QUESTIONNAIRE

Employee’s Name:               Date:
Job Title:                     Division/Department:
Manager:                       Country:

1. Description of potential conflict of interest:

2. Conditions or limitations (if any) that may minimize or eliminate the conflict of interest:

Approval(s)

☐ The proposed activity/investment may occur under the following conditions:

☐ A conflict of interest exists and the activity/investment should not be permitted.

__________________________________________________________
Approver                        Date

__________________________________________________________
Additional Approver (if necessary) Date