



INSTITUTIONAL CONTRACTING POLICY

I. Purpose

The mission of the Universidad del Sagrado Corazón (“University”) is to educate persons in intellectual freedom and moral conscience who are willing to engage in the construction of a more authentically Christian Puerto Rican society—a community of solidarity, in justice and peace.

We are committed to conducting our operations in an ethical manner, while being responsible stewards of our assets and ensuring compliance with regulatory and legal obligations and requirements.

The University enters contracts that create legal obligations, and the members of the University community must comply with the terms and conditions of each contract on which they are working. It is our goal to enter contracts that provide high quality and valuable services, goods, and partnerships consistent with our mission, vision, and values. The University enters into contracts thoughtfully, since any binding agreement carries some level of statutory and legal responsibility for the institution, its resources, and its employees. Importantly, the dollar value of goods or services isn't what determines this responsibility — it's the nature of the activity or product itself. Section III.B of this Policy builds on this principle by providing a Risk Categorization Framework that guides and supports the review and approval process.

The purpose of this Institutional Contracting Policy (“Policy”) is to provide employees with a framework for understanding:

- the types of business engagements,
- the risk category and review process applicable to each engagement,
- the signature authority required before a contract may be executed on behalf of the University, and
- the ongoing monitoring of Third-Party performance for qualifying engagements through the annual performance evaluation described in the Institutional Contracting Procedure (“Procedure”).

The Glossary of Terms (“Schedule 1”) provides the definitions of the terms most used in this Policy and the Procedure for the Procedure.

II. Scope



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This Policy applies to all contracts entered on behalf of the University. For purposes of this Policy, a contract is defined as an agreement between two or more parties that contains the common understanding as to the essential terms, mutual obligations, and legal considerations (meaning that something of value—monetary or in-kind—is exchanged). The title of the document does not determine, nor does it govern, the relationship or the legal obligations.

III. Policy

A. Evaluation of the Proposed Business Engagement

The University Officer, or his or her designee, has a fiduciary duty towards the University and is responsible for using sound business judgment when making decisions that may have an impact on the University, whether actual or potential, direct or indirect, immediate or remote. In the exercise of his or her fiduciary duty, the University Officer, or his or her designee, must ponder and consider the following guiding questions:

- Is the proposed business engagement aligned with the University's mission, vision, and values?
- How is the proposed business engagement aligned with the University's strategic priorities?
- How is the business engagement aligned with the objectives of the proposing administrative office, academic unit, or student services unit?
- Are there any business risks and, if so, how are these handled?
- Is there an actual or potential conflict of interest and, if so, how is this cured?
- Does the proposed engagement require budgetary approval or a new or amended funding commitment?
- Does the proposed engagement involve the collection, use, storage, or sharing of personal, financial, health, or otherwise protected data?

B. Risk Categorization Framework

Consistent with the principle in Section I that the type of activity or product—not the overall expense—determines the potential risk, every contract is assigned one of the following three Risk Categories at intake. The assigned Category determines the depth of review, the reviewers who must be consulted, and the applicable signature authority described in the Procedure.

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Category	Nature of the Engagement	Illustrative Examples
I — Standard	University Contract Template used without material changes; routine, recurring, or low-complexity engagements with no unusual risk allocation.	Standard purchase of goods Routine honoraria Non-disclosure agreements on the University template MOUs with no financial commitment
II — Negotiated	Third-Party Contract Template, or a University Contract Template with material changes; engagements that require negotiation of terms but do not present the elevated risk factors of Category III.	Professional services agreements Grants and sponsored program agreements Instructional or affiliation agreements
III — Elevated Risk	Presents an elevated-risk factor regardless of contract value; requires additional review and, where applicable, President or Board involvement.	Liability waivers and indemnification of a third party Use of the University's name, logo, or trademark Real property leases, construction, and related change orders Loan and financing agreements Agreements involving minors or human-subjects research International agreements Data-sharing, cybersecurity, or personal-data exposure Federally sponsored projects

A contract that contains any Category III factor is assigned to Category III regardless of its dollar value or the presence of Category I or II characteristics elsewhere in the document. The General Counsel has final authority to assign or reassign a Risk Category.

C. Contract Development, Review, and Approval Procedure



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While verbal engagements may be legally binding, all business engagements with the University must be in the form of a written contract. Contracts must be approved following the process established in the Procedure to: (a) limit potential liability and risks; and (b) avoid entering into a contract with unfavorable terms and conditions or terms that are contrary to the University's best interests.

Any amendment, renewal, or extension that modifies the term, price, scope, liability allocation, or other material provision of an executed contract must follow the same intake, review, and approval process set out in the Procedure.

D. Contracting Authority

The University's Bylaws establish that the University President has the power and authority to enter contracts on behalf of the University. The Board of Trustees and/or the President may delegate this authority to other University Officers and/or Authorized Signatories in the exercise of their duties and responsibilities. The designee, however, may not delegate his or her authority to another employee or agent without the President's prior written approval.

The Signatory Levels of Authorization Policy identifies the functional positions that are authorized to sign contracts on behalf of the University, cross-referenced by Risk Category in the Procedure. The President and/or the Board of Trustees retain the authority to designate a specific person or another position to sign a contract as an exception to the Signatory Levels of Authorization Policy when and if the President and/or the Board of Trustees deems it necessary and appropriate to serve the University's best interests. The *Signatory Levels of Authorization Policy* is accessible to the University community and the public in the University portal: https://mi.sagrado.edu/ICS/Docs_Institucionales/, and in the official webpage: <https://www.sagrado.edu/>.

The University may take disciplinary and/or legal actions in the event that an employee, faculty, student, contractor, or agent exceeds the scope of their authority or otherwise commits the University without a prior written authority.

E. Fiduciary Duty

University officers and members of the Board of Trustees have a legal obligation to act solely in the best interest of the University and placing the institution's welfare above personal, financial, or external interests including:



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- **Duty of Care:** Requires officers and board members to act in good faith, with the care of an ordinarily prudent person. This involves active preparation, attending meetings, asking hard questions, reviewing financial and academic data, and exercising independent judgment.
- **Duty of Loyalty:** Requires putting the University's interests completely ahead of any personal, professional, or political interests. It mandates strict disclosure of real or perceived conflicts of interest and maintaining confidentiality.
- **Duty of Obedience.** Requires ensuring that the University's operations, policies, and strategic choices remain strictly aligned with its core educational mission, bylaws, charter, and applicable federal, state, and local laws.

For examples of fiduciary duties, refer to Schedule 2, Section A.

F. Conflict of Interest

Members of the University community have a fiduciary duty to the University and must avoid not only a real conflict but also the appearance of a conflict of interest. The conflict of interest may be: (a) a financial interest, (b) an employment relationship, (c) an immediate family relationship, (d) a sentimental relationship, or (e) any other relationship or interest that may divide loyalties and/or undermine or compromise the judgment of any member of the University community.

A conflict of interest may exist when:

- A member of the University community, in the exercise of his or her duties, makes a decision and/or receives any type of benefit or compensation (monetary or in-kind) that may compromise his or her professional judgment. This fiduciary duty extends to the member's immediate family and/or an entity which employs or is about to employ any of them and/or any entity in which the employee or any member of the immediate family has a financial or other beneficial interest.
- A member of the University community participates in the selection, award, or administration of a contract or grant, including contracts subsidized with federal funds, where such participation creates an actual or potential, real or apparent, conflict of interest.



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- A member of the University community and/or his or her immediate family, or an entity which employs or is about to employ any of them, or any entity in which the employee or any member of the immediate family has a financial or other beneficial interest, has a financial or other interest in, or a tangible personal benefit from, an entity considered for a contract.

For examples of conflicts of interest, refer to Schedule 2, Section B.

The University Officer, or his or her designee, and the Third Party must comply with the *Procedure for the Disclosure of a Conflict of Interest* is accessible to the University community and the public in the University portal: [https://mi.sagrado.edu/ICS/Docs Institucionales/](https://mi.sagrado.edu/ICS/Docs_Institucionales/), and in the official webpage: <https://www.sagrado.edu/>.

Members of the University community who have or may have an actual or potential, real or apparent conflict of interest must disclose such conflict to the Internal Auditor; provided that if the disclosing party is the President of the University, the Internal Auditor or a trustee, the conflict must be disclosed to the Board of Trustees or the Board committee entrusted with such responsibility.

The Procurement Office is responsible for monitoring any potential conflict of interest in the procurement process to ensure equitable and fair competition before entering into purchasing contracts with University members, their family members, or any other individual who would be perceived as having a potential conflict of interest pursuant to the *Policy for the Procurement of Goods and Services* and the Procurement of Goods and Services Procedure are accessible to the University community and the public in the University portal: [https://mi.sagrado.edu/ICS/Docs Institucionales/](https://mi.sagrado.edu/ICS/Docs_Institucionales/), and in the official webpage: <https://www.sagrado.edu/>.

Contracts, whether on University Contract Templates or Third-Party Contract Templates, shall include a conflict-of-interest clause unless otherwise authorized by the University President or the General Counsel.

G. Contract Retention

The Responsible Unit or Office must maintain a physical or electronic copy of the contract, signed, and fully executed original with all its exhibits, schedules, and supporting documents, and must maintain an electronic copy in the University's



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centralized electronic repository for a period of seven (7) years counting from the contract's termination date.

IV. Questions About this Policy

Questions regarding the scope and interpretation of this Policy should be directed to the Compliance, Audit, and Institutional Integrity Office at: cumplimiento@sagrado.edu.

V. Reporting Violations

Violations of this Policy should be directed to the Compliance, Audit, and Institutional Integrity Office at: cumplimiento@sagrado.edu.

Any violations of this Policy will be addressed in accordance with the University's policies and procedures. Universidad del Sagrado Corazón reserves the right to interpret this Policy in its administration, implementation, and enforcement. If there is any ambiguity in any provision of this Policy, the University reserves the discretion to interpret it in accordance with the purpose for which it was established, the impact to the University's operations, and good faith, unless otherwise provided by law.

A handwritten signature in blue ink, reading "Gilberto J. Marxuach Torrós".

Gilberto J. Marxuach Torrós

President

Date: October 21, 2026



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Schedule 1 - Glossary of Terms

For purposes of this Policy and the Institutional Contracting Procedure, these terms have the following meaning and apply both in singular and plural.

1. Annual Performance Evaluation — means the periodic review, described in Section V of the Procedure, of a Third-Party's performance, pricing, compliance, and risk profile under an ongoing contract, used to inform renewal, renegotiation, or termination decisions.
2. Authority — means the delegated responsibility and authority to enter into a contract on behalf of the University.
3. Authorized Signatory - means a member of the management group designated in writing by the President of the University or a University Officer to sign a contract.
4. Contract — means any legal instrument between the University and a third party, which may be a person or legal entity, whereby one party agrees to give something or provide some service to the other party, usually in exchange for a monetary or in-kind payment. Contracts are binding and obligate the contracting parties.
5. Contract Intake Form — means the standardized form, submitted on paper, through the University's electronic platform, or in another format designated by the University, through which the Responsible Unit or Office initiates the review of a contract.
6. Contract Owner - means the University employee that is responsible for the execution of the contract and the day to day performance of the third-party's services, work or transactions that is the object or purpose of the contract.
7. Responsible Unit or Office — means the unit or office that is responsible for the contract's execution.
8. Risk Category — means the classification (Category I, II, or III) assigned to a contract under Section III.B based on the nature of the engagement, which determines the applicable review depth, required reviewers, and signature authority.
9. Third-Party — means a person or legal entity that is not employed by the University who provides goods or services to the University in exchange for compensation (monetary or in-kind), a benefit, or without compensation (e.g., consultants, contractors, subcontractors).
10. Third-Party Contract Templates — means the contracts prepared by a Third Party.



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11. University Community — means the University's faculty, officers, trustees, employees, students, consultants, vendors, and contractors.
12. University Contract Templates — means the contracts prepared by the University's General Counsel.
13. University Officer — means the University employee to whom the University President may delegate his authority to sign a particular contract.

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Schedule 2 - Fiduciary Duty and Conflict of Interest

Section A - Examples of Fiduciary Duties

1. **Duty of Care** involves overseeing both the financial health of the institution and ensuring the quality of academic programs. University officers are expected to:

- **Being Informed**, know about the University's mission, operations, and environment including staying current on institutional issues, and understanding the broader context in which the institution operates.
- **Active Participation**, attend meetings, ask questions, and engage in thoughtful discussion.
- **Sound Judgment**, make decisions based on a careful balancing of interests—considering the needs of students, faculty members, staff, and the community, as well as the University's long-term sustainability.
- **Courage**, to make difficult, unpopular, or high-stakes decisions (such as program restructuring or financial turnarounds) necessary to protect the University's long-term health.

2. **Duty of Loyalty** requires one to act in the best interests of the University rather than in their own interests or those of another person or organization and act with integrity.

- **Avoiding Conflicts of Interest**, disclosing any personal interest and recusing from decisions that might represent a personal benefit.
- **Exercising Independence**, make decisions free from undue influence, whether from political, corporate, or personal interests.
- **Maintaining Confidentiality**, protect sensitive information to preserve the integrity of deliberations and University's reputation.

3. **Duty of Obedience** ensures that the University operates in furtherance of its mission, vision, and values and stated purposes emphasizing on effective internal controls to achieve compliance with applicable laws and to identify and address problems such as fraud, misuse of funds, or regulatory violations.

- **Uphold the Mission**, all actions and decisions must be aligned with the mission and governing documents of the University.
- **Ensure Legal and Ethical Compliance**, adhering to applicable laws and regulations (for example, accreditation, athletics, and labor standards).



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- **Review and Update Mission Statements**, reevaluate the University's mission periodically and amend as necessary to reflect changing circumstances or legal requirements while maintaining the University's independence.

Section B - Examples of Conflict of Interest

1. Academic and Teaching Conflicts

- **Nepotism and Family Evaluation**, grading, supervising, or serving on an evaluation committee for a family member, spouse, or close personal friend.
- **Romantic or Sexual Relationships** when a professor maintains a romantic or sexual relationship with a student.
- **Private Tutoring** charging a student for private tutoring services in a class where the instructor also sets and grades the official exams.
- **Forced Material Purchases** requiring students to buy a textbook, lab manual, or self-authored work from which the instructor receives direct royalties or financial profit.

2. Financial Conflicts

- **Misuse of University Assets** using University laboratories, equipment, staff, or confidential data to run a private commercial enterprise or outside business.
- **Vendor Favoritism** selecting or recommending a specific equipment supplier, construction firm, or service provider because a family member or business partner works there.
- **Familial Ties** when a University officer or evaluation committee member awards a contract to a company owned by a spouse, sibling, or close relative.
- **Gifts and Hospitality** when an employee responsible for selecting a vendor accepts expensive dinners, trips, tickets, or gifts from a supplier bidding on a project.
- **Writing Specifications and Bidding** when a consultant or contractor helps write the technical requirements or terms of reference for a project, and then bids on the resulting execution contract.
- **Dual Employment or Side Gigs** when an employee works a second job, consults, or holds a position with an outside entity that competes with the



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University, and/or when the employee misuses the University's assets including the time that should be dedicated to the University.

- **Financial Stake** when an employee (spouse, next of kin or friend) holds stock, shares, or a financial investment in an entity that is submitting a proposal for a contract award.