

SECTION: Board of Governors

DIRECTIVE: III-B-33

SUBJECT: Board – Conflict of Interest

AUTHORITY: Board of Governors

EFFECTIVE DATE			REVIEWED/REVISED DATE			POLICY	X	PROCEDURE
MON	DAY	YEAR	MON	DAY	YEAR			
09	24	2012				Applies to: Board Members, ex officio directors and all non-board members of committees		

PURPOSE

All directors have a duty to ensure that the trust and confidence of the public in the integrity of the decision-making processes of the Board are maintained by ensuring that they and other members of the Board are free from conflict or potential conflict in their decision-making. It is inherent in a director's fiduciary duty that conflicts of interest be avoided. It is important that all directors understand their obligations when a conflict of interest or potential conflict of interest arises.

POLICY

Directors and non-Board committee members shall avoid situations in which they may be in a position of conflict of interest. The by-laws contain provisions regarding conflict of interest that must be strictly adhered to.

In addition to the by-laws, the process set out in this policy shall be followed when a conflict or potential conflict arises.

DESCRIPTION OF CONFLICT OF INTEREST

A conflict of interest arises in any situation where a director's duty to act solely in the best interest of the corporation and to adhere to his or her fiduciary duties is compromised or impeded by any other interest, relationship or duty of the director. A conflict of interest also includes circumstances in which the director's duties to the corporation are in conflict with other duties owed by the director such that the director is not able to fully discharge the fiduciary duties owed to the corporation.

The situations in which potential conflict of interest may arise cannot be exhaustively set out. Conflicts can often arise in the following situations:

Transacting with the corporation – When a director transacts with the corporation directly or indirectly; when a director has a material direct or indirect interest in a transaction or contract with the corporation.

Interest of relative – When the corporation conducts business with suppliers of goods or services or any other party of which a relative or member of the household of a director is a principal, officer or representative.

Gifts – When a director or a member of the director's household or any other person or entity designated by the director, accepts gifts, payments, services or anything else of more than a token or nominal value from a party with whom the corporation may transact business (including a supplier of goods or services) for the purposes of (or that may be perceived to be for the purposes of) influencing an act or decision of the Board.

Acting for an improper purpose – When directors exercise their powers motivated by self-interest or other improper purposes. Directors must act solely in the best interest of the corporation. Directors who are nominees of a particular group must act in the best interest of the corporation even if this conflicts with the interests of the nominating party.

Appropriation of corporate opportunity – When a director diverts to his or her own use an opportunity or advantage that belongs to the corporation.

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Duty to disclose information of value to the corporation – When directors fail to disclose information that is relevant to a vital aspect of the corporation's affairs.

Serving on other corporations – A director may be in a position where there is a conflict of "duty and duty". This may arise where the director serves as a director of two corporations that are competing or transacting with one another. It may also arise where a director has an association or a relationship with another entity. For example – if two corporations are both seeking to take advantage of the same opportunity.

A director may be in possession of confidential information received in one board room or related to the matter that is or importance to a decision being made in the other board room. The director cannot discharge the duty to maintain such information in confidence while at the same time discharging the duty to make disclosure. The director cannot act to advance any interests other than those of the corporation.

DISCLOSURE OF CONFLICTS

A director who is in a position of conflict or potential conflict shall immediately disclose such conflict to the board by notification to the Chair or any Vice-Chair of the Board. If the Chair has a conflict, notice shall be given to the Vice-Chair. The disclosure shall be sufficient to disclose the nature and extent of the director's interest. Disclosure shall be made at the earliest possible time and, when possible, prior to any discussion and vote on the matter.

When (i) a director is not present at a meeting in which a matter that is a conflict of interest for him/her is first discussed and/or voted upon, or (ii) a conflict arises for a director after a matter has been discussed but not yet voted upon by the Board, or, (iii) a director becomes conflicted after a matter has been approved, the director shall make the declaration of the conflict to the Chair or Vice Chair as soon as possible and at the next meeting of the Board.

ABSTAIN FROM DISCUSSION

A director may make a general declaration of the director's relationships and interests in entities or persons that give rise to conflicts.

The director shall not be present during the discussion or vote in respect of the matter in which he/she has a conflict and shall not attempt in any way to influence the voting.

PROCESS FOR RESOLVING CONFLICTS AND ADDRESSING BREACHES OF DUTY

All directors shall comply with the requirements of the by-laws and this policy.

A director should be referred to the process outlined in this policy in any of the following circumstances:

1. Circumstances for Referral

Where any director believes that he/she personally, or another director:

- a) has breached his or her duties to the corporation;
- b) is in a position where there is a potential breach of duty to the corporation;
- c) is in a situation of actual or potential conflict of interest; or
- d) has behaved or is likely to behave in a manner that is not consistent with the highest standards of public trust and integrity and such behaviour may have an adverse impact on the corporation.

2. *Process for Resolution*

The matter shall be referred to the following process:

- a) Refer matter to Chair or, where the issue may involve the Chair, to any Vice Chair, with notice to CEO
- b) Chair (or Vice Chair, as the case may be) may either (i) attempt to resolve the matter informally, or (ii) refer the matter to either the Governance Committee or to any *ad hoc* sub-committee of the Board established by the Chair (or Vice Chair) that shall report to the Board.
- c) If the Chair or Vice Chair elects to attempt to resolve the matter informally and the matter cannot be informally resolved to the satisfaction of the Chair/Vice Chair, the director referring the matter and the director involved, then the Chair or Vice Chair shall refer the matter to the process in (b) (ii) above.

It is recognized that if a conflict or other matter referred cannot be resolved to the satisfaction of the Board (by simple majority resolution), or if the breach of duty has occurred, a director may be asked to resign or may be subject to removal pursuant to the by-laws and the *Corporations Act*.

PERCEIVED CONFLICTS

It is acknowledged that not all conflicts or potential conflicts may be satisfactorily resolved by strict compliance with the by-laws. There may be cases where the perception of a conflict of interest or breach of duty (even where no conflict exists or breach has occurred) may be harmful to the corporation, notwithstanding that there has been compliance with the by-laws. In such circumstances, the process set out in this policy for addressing conflicts and breaches of duty shall be followed.

It is recognized that the perception of conflict or breach of duty may be harmful to the corporation even where no conflict exists or breach has occurred, and it may be in the best interests of the corporation that the director be asked to resign.