

CHLNet Board Conflict of Interest and Disclosure

Owner: President & CEO

Approved by Board of Directors

Purpose

The purpose of this policy is to assist the Corporation's directors (board members) who are required to comply with CHLNet's Governing Documents (as defined below) as well as the rules established under the common law governing directors' duties. This document focuses specifically on directors' obligations and requirements with respect to any Conflict of Interest (as defined below) and related matters.

Introduction

In accordance with the *Canada Not-for-profit Corporations Act* ("NFP Act") CHLNet's directors are responsible for managing and supervising the activities and affairs of the Corporation.¹ In exercising their powers and discharging their duties, directors are required to:

- exercise at least the level of care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances; and
- act honestly and in good faith with a view to the best interests of the corporation.

Canadian courts have embedded those obligations with meaning. For instance, the duty to act honestly and in good faith – which is also described as the "fiduciary duty" – includes the duty to avoid Conflicts of Interest.

Policy

In exercising their powers and discharging their duties, directors shall act honestly and in good faith with a view to the best interests of the Corporation and shall not allow their personal interests or preferences to affect their conduct and decisions.

Directors should avoid Conflicts of Interest. This duty has been found by courts to survive a director's term of office. Further, directors should also avoid the appearance of Conflict of Interest.²

¹In accordance with the NFP Act, directors may designate officers and appoint as officers, persons of full capacity, specify their duties and delegate to them certain powers with respect to the management of the Corporation's activities and affairs. In this regard, CHLNet's Board has appointed a President & CEO, and so the Board acts primarily in a supervisory capacity.

²In accordance with CHLNet's articles, "directors shall serve without remuneration, and no director shall directly or indirectly receive any profit from his or her position as such, provided that a director may be reimbursed for

Directors shall disclose to the Corporation (see procedures below), in writing or by requesting to have it entered in the minutes of meetings of directors or of committees of directors, the nature and extent of any interest that they have in a material³ contract or material transaction, whether made or proposed, with the Corporation, if they

- are a party to the contract or transaction;
- are directors or officers, or individuals acting in a similar capacity, of a party to the contract or transaction;
- have a material interest whether direct or indirect in a party to the contract or transaction; or
- will personally benefit either directly or indirectly from the contract or transaction.

A director required to make a disclosure under this policy shall not vote on any resolution to approve the contract or transaction unless the contract or transaction is for indemnity or insurance as permitted by the NFP Act; or is with an affiliate.

Directors shall also disclose other real, potential, and perceived Conflicts of Interest (see procedures below). Situations where a Conflict of Interest might arise cannot be set out exhaustively, but generally arise in the following circumstances:

- (a) When a Board member has a conflict of “duty and duty”. This might arise when:
 - i. The Board member serves as a board member or officer of another corporation that is related to; has a contractual relationship with; can influence the Board of CHLNet policy; or has any dealings whatsoever with the Board of CHLNet; or
 - ii. The Board member is also a Board member or officer of another corporation related or otherwise, and possesses confidential information received in one boardroom that is of importance to a decision being made in the other boardroom. It can be untenable for a Board member to discharge the duty to maintain such information in confidence as a Board member of one corporation while at the same time discharging the duty to make disclosure as a Board member of the other.
- (b) When a Board member uses for personal gain information received in confidence only for the Board of CHLNet’s purposes. For example, information related to human resources, financial aspects of the Corporation, or related to services provided.

reasonable expenses incurred in performing his or her duties.” Moreover, director remuneration is an explicitly carved-out of the conflict-of-interest provisions of the Canada Not-for-profit Corporations Act. Instead, it is the common law in Ontario and the Charities Accounting Act that make it difficult/impossible to remunerate directors.

³ A conflict of interest is considered material if the conflict may be reasonably expected to influence either the decisions of the director or the recommendations and/or the decisions of the Corporation’s staff.

When a Board member or a member of the Board member's immediate family accepts gifts, payments, services, or anything else of more than token or nominal value from a party that hopes to transact business with the Board of CHLNet (including a supplier of goods and services) for the purposes or perceived purpose of influencing an act or decision of the Board. Board members shall not accept any financial or other benefits for fulfilling their duties and obligations as members of the Board of CHLNet other than provided for by legislation and Board of CHLNet policy.

- (c) When a Board member and their family, or a friend, will gain or be affected by the decision of the Board. For example, a Board member, a friend, or member of the Board member's family may benefit from a specific service or program that the Board of CHLNet is considering.

When directors have any discretion in choosing the people, organizations or corporations who benefit from CHLNet, they must use this power with complete fairness. The choices must be fair and must also appear to be fair.

Procedures

The agenda for a board meeting shall include an opportunity at or near the beginning of the meeting for whoever is chairing to inquire if directors have any Conflicts of Interest to declare. Further, the meeting material shall include the list of directors' disclosures that are on record at that time, and directors shall identify if and what revisions are required. It is important for directors to review the meeting materials in advance of each meeting and to consider any real, potential or perceived Conflicts of Interest.

Following their election or appointment to the Board, directors shall sign a declaration form (see Appendix A) confirming that they have read this policy.

Disclosure Procedures

Within 48 hours of being informed of their election or appointment as a director (or otherwise becoming a director of the Corporation in connection with an amalgamation), a director shall fully disclose to the Board of Directors in writing if any Conflict of Interest exists or is anticipated or could be perceived as such by others.

Where a Conflict of Interest exists or is anticipated, a director shall fully disclose the Conflict of Interest in writing to the Board of Directors. Disclosures shall be made in writing. However, disclosures made at a meeting of the Board of Directors or to a committee of the Board and recorded in the minutes of the meeting, shall be deemed to have been made in writing.

This disclosure shall either be made

- at the meeting at which a proposed contract or transaction is first considered; or
- if the director was not interested in the proposed contract or transaction at the time of the aforementioned meeting, then at the first meeting after the director becomes so interested; or

- if the director becomes interested after a contract or transaction is made, at the first meeting after the director becomes so interested; or
- if an individual who is interested in a contract or transaction later becomes a director, at the first meeting after the individual becomes a director.

If a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of the Corporation's activities, would not require approval by the directors or members, a director shall, immediately after they become aware of the contract or transaction, disclose in writing to CHLNet, or request to have entered in the minutes of meetings of directors or of committees of directors, the nature and extent of their interest.

In the event of an allegation of non-compliance with this Policy, the Board of Directors (or a committee thereof) may investigate into and determine the validity of such allegation and may take such steps or measures as the Board of Directors may, in its sole discretion, determines appropriate, including without limitation declaring that a director has not complied with this Policy.

Definitions

"Application Form" means generally, although is not limited to, an application or enrollment form, expression of commitment, bid, proposal, or similar document.

"Conflict of Interest" means generally any situation in which a director has a personal interest in the result of a decision made by CHLNet, or has or promotes an interest which results in, may potentially result in or may be reasonably perceived to result in:

- an interference with the objectivity with which the director is expected to exercise responsibilities and duties to and on behalf of CHLNet; and/or
- an advantage or material gain to the director and/or to other persons from whom the director is not at arm's length.

"Governing Documents" include legislation under which CHLNet exists and operates, its constating documents (articles and by-laws), funding/contribution agreements, and the internal governance polices. If any provision of this conflicts with the provisions of the Corporation's articles and/or its by-laws, the articles and by-laws shall prevail.

*CHLNet, Effective Date January 1st, 2024
Last reviewed: December 20, 2023
Next Review: Fall 2025*

Appendix A: Board Conflict of Interest Declaration Form

Introduction:

The directors (board members) of the Corporation are required to complete, sign, and deliver this declaration form to CHLNet’s CEO as confirmation that they have reviewed CHLNet’s Board Conflict of Interest Policy. Any questions concerning this form, or the Board Conflict of Interest Policy should be directed to the Board Chair and the CEO of CHLNet.

Declaration:

I declare that:

- 1) I have read Policy CHLNet Board Conflict of Interest and Disclosure.
- 2) I understand and acknowledge that my failure to comply with Policy CHLNet Board Conflict of Interest and Disclosure will be considered a breach of my obligations to CHLNet and may result in my removal from the Board (without limiting any other remedies that may be available to CHLNet).
- 3) I agree to cooperate in any investigation of alleged non-compliance with the Policy.

Name (Please print)

Signature

Date (YYYY/MM/DD)