

THE PERLEY AND RIDEAU VETERANS' HEALTH CENTRE (Perley Rideau)
BOARD GOVERNANCE
BOARD POLICY ON CONFLICTS OF INTEREST

Preamble

The issue of Conflicts of Interest, as it applies to the Board of Directors, concerns the need to ensure that each Director is, and is perceived to be, in a position to fulfil his/her duties for the Corporation (The Perley and Rideau Veterans' Health Centre) with objectivity, impartiality, and with the best interests of the organization in mind absent of interference from personal or self-interested conflict.

Discussion

Conflicts of interest can be varied and their resolution may be handled differently in different circumstances. The goal, however, is the same in each case. It is to ensure that self-interest or conflicting interests, real, potential or perceived, do not interfere with a Director's loyalty in representing Members' interests and the maintenance of their trust. This trust concerns not only the relationship amongst Directors, Members, and the Corporation but also concerns the promotion of public confidence.

The *Canada Business Corporations Act*, for example, expressly requires board directors who are party to a material or proposed contract with a corporation to disclose their interest in writing and, in certain circumstances, to refrain from participating in any related decisions. The legislation also expressly addresses issues of insider trading or trading with knowledge acquired as a member of a corporation's board.

In *Governing for Results: A Director's Guide to Good Governance*, Mel D. Gill defines a conflict of interest as a situation where a board member, members of his/her family, business partners or close personal associates may personally benefit, either directly or indirectly, financially or otherwise, from the member's position on the board.

Gill's recommendation for dealing with conflicts is, in large part, to require disclosure, although he acknowledges that full disclosure itself does not remove a conflict of interest but allows the board to manage its decision-making around the issue.

Section 11 of the Perley Rideau By-Laws currently reads as follows:

11. Conflict of Interest

- a. Every Director or Officer shall declare any conflict of interest with the Corporation and in particular his interest, direct or indirect, in any contract or arrangement or proposed contract or arrangement with the Corporation at a meeting of the Directors. (The emphasis is added)*
- b. Every Director or Officer who has a conflict of interest or any direct or indirect interest in a contract or proposed contract with the Corporation shall declare his interest at the meeting of Directors at which the question of entering into the contract is first taken into consideration or if the Director or Officer is not at the date of that meeting interested in the proposed contract, at the next meeting of Directors held after he becomes so interested, and in the case where the Director becomes interested in a contract after it is made, the declaration shall be made at the first meeting of the Directors after he becomes so interested.*

Like the *Canada Business Corporation Act*, section 11 of the Perley Rideau By-Laws emphasizes interest in contracts or proposed contracts that may give rise to conflict, thereby focusing more closely on pecuniary conflicts of interest. Nevertheless, the inclusion of the words “any” and “in particular” in paragraph 11 a. indicates that the section also addresses non-pecuniary conflicts of interest, that is where any benefit, pecuniary or not, could accrue from a Board decision to a Director, a member of a Director’s family or his/her employer, business partners or associates. It could include a decision of the Board whether to retain a consulting or law firm associated with a Director of the Perley Rideau or even a decision closely related to residents of the Perley Rideau if a Director’s family is a resident thereof.

Policy

Upon appointment as a Director of the Perley Rideau Board and annually thereafter at the first Board meeting following the Annual Meeting of Members of the Corporation each Director shall make a conflict of interest declaration.

Prior to any meeting of the Perley Rideau Board or of one of its Committees, a Director who has determined that any item on the agenda gives rise to a real, potential or perceived Conflict of Interest shall declare that conflict and complete a Specific Conflict of Interest Declaration.

Where in the opinion of the Board Chair or applicable Committee Chair that a Director has a real or perceived conflict of interest, that Director shall not participate in the deliberations of the Board/Committee related to the issue where the conflict exists.

Where in the opinion of the Board Chair or applicable Committee Chair there is doubt as to whether a Conflict exists, the matter will be put on the agenda of the Board (or Committee) and discussion of the potential conflict shall take place, a vote taken in the absence of the Director potentially in Conflict, as to whether a Conflict of Interest exists and if so, as to whether it warrants recusal of the Director from discussion of, and a vote on, the matter at issue.

Where a Conflict of Interest has been declared at a Board Committee on an issue that requires Board approval, the Declaration of Conflict of Interest shall be on the agenda of the Board meeting where the matter at issue is to be discussed and where recusal is required, the time the Director in Conflict of Interest has left and returned to the meeting shall be recorded in the minutes of the meeting.

There will undoubtedly be occasions where the significance of a real, potential, or apparent Conflict declared, when weighed against other issues, on balance, does not warrant recusal. On such occasions caution should be exercised and reasons recorded for proceeding without recusal.

Policy Implementation

Annual Conflict of Interest Declarations

Directors upon appointment and annually thereafter shall complete the following declaration:

Directors' Annual Conflict of Interest Declaration

I have reviewed my current activities, those reasonably known to me of my spouse, my immediate family members, employer and close business partners or associates as they may relate to the business of the Corporation (The Perley and Rideau Veterans' Health Centre), insofar as they could be viewed to affect my objectivity and impartiality as a Director of the Corporation.

I hereby certify that, to the best of my knowledge and judgment, I am not in a position of real, potential or apparent conflict of interest and undertake:

- 1) to inform the Chairman of the Board of Directors of the Corporation (or of its Committees) in writing of any change in circumstances or any unforeseen issues that arise in the course of the transaction of the Corporation's business that may give rise to real, potential or apparent conflict of interest on my part;*

- 2) *to refrain if required by the Board of Directors of the Corporation (or its Committees), from participating in the discussion or determination of the issue that has given rise to my declaration of a conflict of interest; and*
- 3) *not to disclose or otherwise misuse information for the purpose of personal benefit or the benefit of my spouse, immediate family members, employer or close business partners or associates to which I may be privy as a result of my position as a Director of the Corporation.*

 Signature of Director Date:

The Governance Committee shall review the Annual Conflict of Interest Declarations and shall recommend to the Board appropriate action required in light of the Declarations. Where a Board member has declared a conflict, the matter shall be put on the agenda of the Board, and discussion of the conflict shall take place and a vote taken on the appropriate action in the absence of the Director who has declared the conflict. The minutes of the meeting shall record the discussion, the results of the vote and the time that the applicable Director left and returned to the meeting.

Specific Conflict of Interest Declaration

A Director who has determined that any item on the agenda of a Board or Committee meeting gives rise to a real, potential or perceived Conflict of Interest shall make a Specific Conflict of Interest Declaration to the Chair of the Board or Committee as follows.

Directors' Specific Conflict of Interest Declaration

Re: Agenda Item: _____

I hereby bring the following to the attention of the Board (or of its Committees) as a personal interest (or that of my spouse, immediate family members, employer or close business partners or associates) that could be perceived as a Conflict of Interest:

Signature of Director Date:

The Chair of the Board (or Committee) who receives a Specific Conflict of Interest Declaration shall cause the Specific Declaration to be put on the agenda of the Board (or Committee) and discussion of the conflict shall take place and a vote taken on the appropriate action in the absence of the Director who has declared the conflict. The minutes of the meeting shall record the discussion, the results of the vote and the time that the applicable Director left and returned to the meeting.

The Secretary of the Corporation shall keep Conflict of Interest Declarations and records.

Approved by the Board of Directors on the 07th day of January, 2010

Chair of the Board