

<b>BOARD POLICY</b>		
<b>Original approval date:</b>	Aug 25, 2015	<b>CONFLICT OF INTEREST POLICY</b>
<b>Date of Policy:</b>	Aug 25, 2015	
<b>Last Review Date:</b>	Aug 27, 2018	
<b>Next Review Date:</b>	Aug 2020	
Owner: Governance Committee		<b>POLICY #G4</b>

## **PURPOSE**

The purpose of this policy is to establish clear guidelines for board members in respect of their conduct as members of the board and their fiduciary duties to Connect First Credit Union in regard to conflicts of interest. Connect First Credit Union recognizes that conflicts of interest may arise from time to time in the normal course of business, and this policy is intended to assist board members in identifying and disclosing a conflict of interest in an accountable and transparent manner.

## **POLICY STATEMENTS**

- (i) Connect First Credit Union is committed to the highest standards of governance and each individual board member commits to the highest standards of personal integrity.
- (ii) Connect First Credit Union expects that board members will act in the best interests of the credit union and its membership in accordance with their fiduciary duties as prescribed by law and the policies of the credit union adopted by the Board and membership from time to time. Board members are expected to be familiar with these duties and policies as well as the business affairs of the credit union in order to make appropriate decisions.
- (iii) Connect First Credit Union will establish and maintain a Conflict of Interest Policy which will lay out the credit union's expectations for identifying and disclosing a conflict of interest in an accountable and transparent manner.
- (iv) Connect First Credit Union expects that board members will take reasonable steps to ensure that they identify and avoid any situation where they may be placed in a real or apparent conflict between their private interests and the interests of the credit union.
- (v) Connect First Credit Union expects that board members will also take steps to avoid the *appearance* of a conflict of interest that might have the potential to interfere with their independent exercise of judgment, even where they believe that their actions as a board member would not be influenced.
- (vi) Connect First Credit Union recognizes that the range and complexity of the credit union activities are such that it is not possible to produce an exhaustive list which covers all situations and directors understand that the definitions under the Conflict of Interest Policy do not cover every specific scenario. Therefore, they use the spirit and intent behind the Conflict of Interest Policy to guide their conduct, and exercise care and diligence in the course of their work with the Credit Union.

## GUIDELINES

1. A Declaration of Conflict of Interest and a Conflict of interest/Related Party Transactions Disclosure Statement (as per Appendix C and Appendix D) will be reviewed and signed by new board members upon election or appointment to the Board.
2. The Declaration of Conflict of Interest and a Conflict of interest/Related Party Transactions Disclosure Statement is reaffirmed annually by the Governance Committee to ensure it remains current and relevant.
3. The Declaration of Conflict of Interest and a Conflict of interest/Related Party Transactions Disclosure Statement applies to all board members. All board members are required to review and attest to compliance with this Policy on an annual basis by signing the Declaration and Disclosure Statement.
4. When there is a change in their responsibilities within the credit union or in their personal circumstance, board members shall disclose in writing any relevant new or additional information about those interests as soon as possible. Such board member shall complete a revised Conflict of interest/Related Party Transactions Disclosure Statement, as applicable, within 15 days of any change in any information contained in it.
5. If the conflict of interest involves a contract or transaction in which a Related Party (defined in Appendix A) has an interest, such disclosure must comply with Article 77(1) (Credit Union Act). All board members are required to be fully familiar with the related party provisions (and in particular, which related party transactions are permitted under legislation) and to abide by them at all times.
6. It is the responsibility of each board member to disclose an actual or perceived conflict of interest that they think could be seen to have an influence on decisions or actions that they may make on behalf of the credit union. Board members are also required to disclose their membership(s) with credit union(s) to ensure that actual or perceived conflicts of interest are effectively managed.
7. Where an actual or perceived conflict of interest cannot be avoided, board members must take the appropriate steps to manage the conflict. To actively manage a conflict of interest, options include:
  - removing themselves from matters in which the conflict exists or is perceived to exist;
  - giving up the particular private interest causing the conflict; and,
  - in rare circumstances, resigning their position with the credit union.
8. For the purpose of the minutes of a meeting, board members must declare a conflict of interest, and excuse themselves from the meeting for the duration of the decision-making that is specific to that conflict. Furthermore, if the board member will not be present at the meeting, they should notify the Chair of the meeting that a conflict exists, and this should be reported for the purpose of the minutes. It is important to make the disclosure when the conflict first becomes known. If a board member does not become aware of the conflict until after a matter is concluded, they must still make the disclosure immediately

9. Where a conflict of interest is deemed to exist that board member should take no part in any discussion or voting with respect to the matter creating the conflict of interest and not attempt to influence, in any way, the board's, or any officer's or employees', dealing with the matter creating the conflict of interest.
10. A board member will not be excused from compliance with this policy or any other rule of law relating to conflicts of interest on the basis that the board member did not realize that a conflict of interest existed or might arise.
11. The Governance Committee is responsible for the administration of the Conflict of Interest Policy. The Governance Committee receives, reviews and ensures the confidentiality of all disclosures and ensures that any actual or perceived conflict of interest is avoided or effectively managed. As well, the Board Chair and Chair of Governance will provide advice and manage concerns and complaints concerning potential conflicts of interest within the credit union.
12. Breaches of conflict of interest will be reported to the Governance Committee for information purposes or for action. In addition, breaches requiring disciplinary action will be in accordance with the Connect First Credit Union Code of Conduct and Ethics, the Board Member Individual Accountability Policy (G9) and the laws of Alberta.
13. Connect First Credit Union takes its responsibilities within the Conflict of Interest Policy very seriously and any serious breach of this Policy may be grounds to suspend the board member from attending meetings and/or lead to a recommendation to the Board to consider removing the member from the Board.
14. Beyond the definitions provided in Appendix A and the examples provided in Appendix B of this policy, there are other types of conflict of interest situations that may arise. Board members must seek guidance from the Board Chair and/ or Governance Committee if in doubt as to whether a situation is, or may appear to be, or could reasonably be expected to become, a conflict of interest or from the Governance Committee Chair if the situation itself involves the Board Chair.

## **MONITORING AND REPORTING**

Completed Declaration – Conflict of Interest and Conflict of Interest/Related Party Transactions Disclosure Statements will be kept by the Board resource in a secure place. Adherence to this policy will be monitored through reports provided by management to the Governance Committee.

## **APPLICABLE STANDARDS/RELATED LINKS**

Alberta Credit Union Act – Articles 50, 52, 54, and 77  
CUDGC Standard G-7: Establish Standards of Business Conduct and Ethical Behaviour  
Connect First Credit Union Policies:  
Appendix A of the Directors Code of Conduct & Ethics Policy (G3)  
Section 6.0 of the Board Credit Risk Oversight Policy (R1)

## APPENDIX A – Definitions

### **Conflict of Interest:**

A “**conflict of interest**” arises where a board member has a duty, or a direct or indirect actual or apparent interest, that comes into conflict with, or is sufficient to influence or appear to influence, the performance of the board member’s duties owed to Connect First Credit Union.

A “**potential conflict of interest**” arises if there is a situation that could reasonably be expected to become a conflict of interest.

An “**apparent**” interest/conflict is where there is not technically an actual interest/actual conflict, but where it might appear to an outsider that there is a conflict of interest. The "appearance of a conflict of interest" occurs when a reasonably well informed person properly could have a reasonable perception that a director is making decisions on behalf of the Credit Union that promote their personal interests or those of another with whom they have an affiliation.

An “**indirect interest**” may arise through a relative, friend, firm supplier or any other personal relationship, positions or close associations in social groups such as sports clubs, cultural groups, business networks, political parties or other such related organizations. While there may be no direct financial gain or loss, there may be a vested interest. It is also important to note that an indirect interest also includes any prejudice towards an individual or group. These interests are deemed to pose a conflict as even a well-meaning person’s judgement may be impaired when situations involve family, friends, and affiliations, or situations where prejudice may exist.

A “**pecuniary interest**” may arise where a board member, whether directly or indirectly is in a position to financially gain or lose from a decision, or could adversely affect the reputation or earnings of the organization.

**Related Party:** The *Credit Union Act* contains comprehensive legislation with regard to non-arm’s length transactions. The definition of a related party is designed to include any person or corporation who is in a position to exercise influence over management decisions of the Credit Union, or to benefit unduly from management decisions. Specific related parties are identified as **(Sec 2, Act unless otherwise noted):**

- a) any corporations controlled by persons mentioned above and corporations in which Directors or officers hold or beneficially own more than 10% of the voting shares;
- b) corporations in which the Credit Union has a 10% or greater interest;
- c) corporations with which the Credit Union has entered a joint venture or partnership; and
- d) an incorporated trust more than 10% of the voting shares of which are controlled by the Credit Union.

**Related Party Transactions** extend to (a) a director of Connect First Credit Union, (b) the spouse or children of such director of Connect First Credit Union, (c) an entity of which such director is a director or officer (or the equivalent) or in which such director owns or controls, directly or indirectly, more than 50% of the votes attached to the voting securities of that entity and (d) any other person or entity that is a Related Party within the meaning of the Credit Union Act.

Guidelines and process regarding **Related Party Loans and Guarantees for Directors** are detailed within the section 6.0 of the Board Credit Risk Oversight Policy (R1).

## **Appendix B – Recognizing a Conflict of Interest**

Below are examples to assist directors in recognizing where a conflict of interest may arise. This is not intended to be an exhaustive list.

- Notifying an individual, group or association of any business information where they may benefit from that information is a conflict of interest and may even be deemed a breach of the Code of Conduct.
- Pursuing competing business interests to Connect First Credit Union, for example, entering into or diverting a business opportunity from Connect First Credit Union for personal gain/loss is a conflict of interest.
- Directors that own or hold interest in an outside company that sells goods and services should refrain from participating in decision making if Connect First Credit Union is entering into a transaction or contract with that company.
- Individuals operating as a realtor or mortgage broker outside of work hours are to exercise caution to avoid influencing a client and should disclose their employment with Connect First Credit Union.
- Taking a position as a director, employee (or equivalent position) or Advisory Board member of (or a person acting in a similar capacity for) any entity that competes with Connect First Credit Union or any of its subsidiaries or affiliates.
- Being a director, employee (or equivalent position) or Advisory Board member of (or a person acting in a similar capacity for) any entity that is a party to a proposed or current contract or transaction with Connect First Credit Union or any of its subsidiaries or affiliates.
- Having a material interest, whether through share ownership or otherwise, in any party to a proposed or current contract or transaction with Connect First Credit Union or any of its subsidiaries or affiliates.
- Accepting any gift or hospitality of material value offered by reason of a person's position as a director of Connect First Credit Union.
- Initiating legal, regulatory or public relations action against the Board as a whole or specific members of the Board while still an active Board member
- Knowingly approaching members of Connect First Credit Union in respect of business activities other than the business activities of Connect First Credit Union and its subsidiaries or affiliates.
- Involvement with an organization that represents a special interest group or that carries out activities that, having regard to the purpose of this Policy and the role of a director of Connect First Credit Union, would reasonably be considered to conflict with the values and goals of Connect First Credit Union or the duties of a director. For example, involvement in a consumer advocacy group adverse to financial institutions may represent a conflict of interest or involvement in a group whose mandate is inconsistent with the values of the Credit Union.

**Appendix C – Declaration – Conflict of Interest**

**DECLARATION – CONFLICT OF INTEREST**

I hereby declare that I have read, understand and agree to abide by the Connect First Credit Union Conflict of Interest Policy G4. I have reviewed the definitions regarding conflict of interest and I agree to disclose to Connect First Credit Union any existing or potential conflict.

\_\_\_\_\_  
Board Member Name (Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Board Member Signature

\_\_\_\_\_  
Witness Name (Print)

\_\_\_\_\_  
Witness Signature

**Appendix D – Declaration - Related Party Transactions**

**CONFLICT OF INTEREST  
RELATED PARTY TRANSACTIONS DISCLOSURE STATEMENT**

I have read and understand the Connect First Credit Union Conflict of Interest Policy G4 and have reviewed the definitions regarding conflict of interest and related party. I consider the following to constitute (a) a potential conflict of interest/related party transaction; OR (b) consider none of the statements relevant to my personal situation (as identified by N/A)

Describe the nature of the personal involvement and situation (include immediate family members, if appropriate). If none, please indicate “N/A”.

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Describe the potential conflict of interest. If none, please indicate “N/A”.

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***Chair/Vice Chair direction as to further action regarding disclosed conflict***

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List any/all related parties (includes a spouse, relative living with you, or a corporation in which you or your spouse hold a 10 % or greater interest). If none, please indicate “N/A”.

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Name (Print)

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Signature

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Date