

II. Governance

Section 12 – Code of Conduct and Conflict of Interest Procedures

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12.01 Purpose and Objective

The purpose of this section of the Governance Manual is to establish and document guidelines for conduct required of all members of the Public Employees Pension Board (the Board). The guidelines have been developed to create and sustain a business culture that promotes sound decision-making by the Board.

The purpose of establishing conflict of interest procedures goes beyond ensuring compliance with minimum statutory requirements. They provide a workable process for identifying, minimizing and resolving conflicts of interest, in order that Board members may fulfill their fiduciary obligations effectively while maintaining their independence and integrity.

The following guidelines and procedures have been developed to ensure that Board members have a full understanding of the Board’s principles and values, and to assist Board members in determining appropriate business practices and behaviour.

The Board recognizes the need to review these guidelines and procedures on an annual basis, and has determined that all Board members are to acknowledge the guidelines and procedures by signing them upon appointment to the Board, each time they are amended, and in any event, no less than upon each annual review.

12.02 Definitions

The following interpretations will be applied in this document:

“Business relationship” means a contractual relationship, which could be expected to lead to a private interest in the affairs of an organization.

“Conflict of interest” means a conflict between the private interests and the official responsibilities of a member of the Board.

“Perceived conflict of interest” exists where there is an apprehension, which a reasonably well informed person could have, that a Board member has or may have a conflict of interests, even where there is no actual conflict.

“Private interest” means an interest in the subject matter or a relationship with the parties, impairing impartiality, open-mindedness and a sense of fairness.

“Reasonably well-informed person” means a hypothetical person who exercises the care, skill, diligence, and conduct that a reasonably prudent person would observe under a similar set of circumstances.

In the event, a policy or procedure in this document is applicable to the Chair, the Vice-Chair shall administer the procedure with respect to the Chair.

12.03 Application

These guidelines and procedures govern the operation and conduct of members of the Board in the execution of their duties and responsibilities under *The Public Employees Pension Plan Act* and *The Public Employees Pension Plan Regulations, 2015*.

12.04 Fiduciary Duties

These duties apply to the members of the Board in their capacity as trustees of the Public Employees Pension Fund (the Fund) and as administrators of the Public Employees Pension Plan (the Plan).

- *Duty of Loyalty*

The duty of loyalty requires members of the Board to act honestly and in good faith, and in the best interest of all Plan members. Furthermore, members of the Board must consider the effect of their individual actions on the integrity and credibility of the Board as a whole.

- *Opportunities Acquired Through Board Business*

Members of the Board must not take personal advantage of business opportunities of which they become aware in the course of carrying out their duties as Board members.

Similarly, confidential information obtained as a result of Board business must not be used for personal profit, or for the personal benefit of others.

- *Duty to Protect Confidential Information*

Board members must at all times keep confidential all information, proprietary material and records received by them in their capacity as members of the Board. Confidential information may only be disclosed if it is otherwise generally available to the public, if the disclosure is required by law, or if the disclosure is consistent with the purpose for which the information was obtained.

- *Post Service Restrictions*

Board members who cease to serve on the Board must continue to refrain from taking improper advantage of their previous position. Former members of the Board must continue to observe the duty to protect confidential information, unless they have received written authorization from the Chair of the Board to disclose the information. Furthermore, former members of the Board must not use confidential information or opportunities acquired as a result of Board business for personal gain, or for the personal benefit of others.

12.05 Duty of Care

In exercising their powers as trustees of the pension fund and administrators of the pension plan, it is the explicit duty of every member of the Board to exercise the care, skill and diligence that a reasonably prudent person would exercise in comparable circumstances.

In fulfilling this duty, members of the Board have a responsibility to ensure that they obtain expert advice to acquire the necessary information required to make informed decisions for the effective and timely operation of the Plan. Board decisions must be made pursuant to sound business practices respecting established policies and procedures.

Improper or ill-advised decisions can be costly to the Plan. Board members should undertake the training or educational opportunities necessary to ensure that they have a sufficient level of knowledge and understanding to fulfill their duties.

The Board has established its mission, and Board members should take actions which are consistent with the mission and the policies which support it.

Though the Board may delegate activities to its service providers, the Board retains responsibility for oversight of the Plan, and Board members should be engaged in reviewing the performance of the Plan and its success in meeting its goals.

12.06 Ethical Standards

Members of the Board should adhere to the following standards when exercising all of their duties and responsibilities:

- *Preferential Treatment*

Board members must not use their position to benefit persons or organizations in their dealings with the Plan if this may be perceived to result in preferential treatment to such persons or organizations.

To minimize the potential for any real or perceived preferential treatment of service providers to the Plan, no Board member shall engage in a business relationship with a service provider to the Board during the term of the Board member's appointment to the Board.

Further, no Board member shall be party to a business relationship with an individual or service provider that might reasonably be expected to seek to provide service to the Board.

Examples of such service providers include, but are not limited to, investment management firms and consulting firms active in the pension plan market.

- *Gifts, Benefits and Entertainment*

Board members should not accept gifts, benefits, entertainment or other personal favors, which would create, or appear to create, a favored position for persons or organizations doing business with the Plan.

Board members must not solicit or accept gifts, benefits, entertainment or other personal favors in exchange for, or as a condition of, the exercise of their duties or as an inducement for performing an act associated with the duties and responsibilities of their position.

Members of the Board may generally accept gifts, hospitality or other benefits, of nominal value, associated with the duties and responsibilities of their position, if such gifts, hospitality or other benefits:

- are within the bounds of propriety, a normal expression of courtesy, or within the normal standards of hospitality;
- would not bring suspicion on the Board member's objectivity and impartiality; and
- would not compromise the integrity of the Board.

- *Communication and Public Comment*

The Plan has the responsibility to communicate with its members and beneficiaries in a timely, accurate, and transparent manner. This communication is generally provided by the Plan, rather than by individual Board members.

In the instance where communication directly from the Board is necessary, public announcements or comments will be the responsibility of the Chair, unless approved otherwise by the Board.

Members of the Board must refrain from making media announcements or comments regarding the activities of the Board and the operation of the Plan, unless authorized by the Chair to do so. Board members must avoid making public comments which are likely to bring the Board into disrepute or adversely affect the operation of the Plan.

Board members must not intentionally misrepresent the Plan in any communications, including oral representations, electronic communications, or written materials, whether publicly disseminated or not.

- *Board Independence*

Although members of the Board are appointed by various appointing bodies and organizations, their primary duty and responsibility is to all members of the Plan. Board members must not serve the interests of specific groups, associations or organizations.

- *Compliance with Laws*

Members of the Board must at all times be aware of and comply with all laws, rules and regulations applicable to the Plan.

Members of the Board must conduct their personal affairs with integrity, and must report any violation of the Code of Conduct and Conflict of Interest Procedures, or any charge or conviction under the *Criminal Code* (Canada) or any statute that may apply, directly or indirectly, to the administration of the Plan:

- (a) where the violation, charge or conviction occurred prior to the appointment of the member to the Board, prior to the first meeting that the member of the Board attends;
- (b) where the violation, charge or conviction occurs after the appointment of the member to the Board, prior to the first meeting after it occurs.

Board Members must report criminal or other illegal or unethical conduct by any other Board member of which they may become aware, including any potential violations of the Code of Conduct and Conflict of Interest Procedures. Such reports shall be made at the earliest possible opportunity and in any case no later than the next following regularly scheduled Board meeting.

Reports are to be made to the Board Chair. Where the individual with the duty to report is the Board Chair, that individual shall report to the Vice-Chair.

The Chair (or Vice-Chair) may determine that the violation, charge or conviction renders the participation of the member in decisions of the Board inappropriate, and may exclude or restrict the member of the Board from participating in some or all of the decisions of the Board.

Subsection 15(1) of *The Trustee Act, 2009* provides the conditions under which a person becomes disqualified to act as a trustee. Specifically, a person becomes disqualified to act as a trustee if that person:

- a) Dies;
- b) Disclaims the trust or refuses to act as trustee;
- c) Lacks capacity;
- d) Is a minor;
- e) Is convicted of an offence involving dishonesty;
- f) Is an undischarged bankrupt;
- g) Resigns from the trust; or
- h) Is a corporate trustee that is not registered, if required by the law to be registered, or is not licensed, if required by law to be licensed.

Board members must report when they satisfy a condition, aside from item (a), which would disqualify them from acting as a trustee.

Reports are to be made to the Board Chair. Where the individual with the duty to report is the Board Chair, that individual shall report to the Vice-Chair.

The Chair (or Vice-Chair) shall report to the body or bodies appointing the Board member that the Board member is no longer qualified to be a trustee.

12.07 Conflict of Interest Procedures

These procedures apply to members of the Board with respect to their responsibilities as trustees of the pension fund, administrators of the Plan, and decision-maker with respect to disputes regarding the Plan.

Members of the Board shall not knowingly permit their interests, actual or perceived, monetary or otherwise, direct or indirect, to conflict with the proper exercise of their duties and responsibilities.

Board members should familiarize themselves with the range of actions which may be taken to respond to a conflict of interest or ethical issue. Although not exhaustive, the following actions may be taken to remedy or avoid a possible conflict of interest or ethical issue.

- *Disclosure*

At the beginning of each Board meeting Board members are asked if they have, or know of, any actual, perceived, or possible conflicts of interest.

If a disclosure is made, the Board will discuss how to proceed with the disclosure. The disclosure will be recorded in the register (see below).

Members of the Board shall disclose in writing the nature and details of any actual, perceived or possible conflicts of interest, which could impair their ability to make unbiased decisions affecting the Plan. Such disclosure shall be made to the Chair or Supervisor, Governance and Legislation, Planner (the Supervisor) as soon as practicable after the conflict of interest has been discovered by the Board member. In the event that the member is the Chair, disclosure must be made to the Vice-Chair or Supervisor.

The Chair will table the matter at the next regularly scheduled Board meeting. The Chair, in consultation with the Board (excluding the member who is in conflict of interest), will determine the appropriate action under the circumstances.

Should a Board member discover an actual or perceived conflict of interest during the course of a Board meeting, the member must immediately declare the conflict of interest. The Chair, in consultation with the Board (excluding the member who is in conflict of interest), will determine the appropriate action under the circumstances.

- *Register*

The Director, Policy and Governance, Planner (the Director) shall maintain a register of all actual, perceived or possible conflicts of interest disclosed by members of the Board.

The register shall contain a description of each conflict of interest and the name of the Board member to whom the conflict of interest applies, the date upon which the conflict of interest arose and was subsequently disclosed by the Board member, and the manner in which the conflict of interest was dealt with by the Board.

- *Abstaining from Vote and Discussion*

Members of the Board who have disclosed a conflict of interest, or who are required to disclose an actual or perceived conflict of interest, shall not participate in any discussion, decision or vote relating to any transaction involving the aforementioned conflict of interest. Such members must consult with the Board to determine whether or not it is appropriate to leave the meeting during discussion of the matter.

Where a Board member has disclosed a conflict of interest, the member may continue to participate in the discussion, decision or vote, despite the conflict of interest, by obtaining prior approval from the Board. The approval to participate should be noted by the Director in the register.

- *Other Business Activities*

Members of the Board engaging in any other business activities, directly or indirectly, which may conflict with or are in competition with their duties and responsibilities as Board members, must make full disclosure of such activities to the Chair of the Board or the Supervisor.

Adhering to the *Disclosure* procedures in this section, a resolution to the matter will be undertaken by the Board. The Board should determine whether an actual or perceived conflict of interest exists, and the appropriate action under the circumstances.

The Chair will advise the Board member, who is in conflict of interest, to comply with one of the following options determined by the Board:

- discontinuation of the activity;
- appropriate action to remedy the situation; or
- consent to the activity.

In the event the Board member in conflict or perceived conflict is the Chair, the Vice-Chair shall advise the Chair to comply with the option determined by the Board.

- *Gifts, Benefits and Entertainment*

It is deemed a conflict of interest if, without the consent of the Board, a member of the Board accepts gifts, benefits, entertainment or other personal favours of more than token or nominal value from persons or organizations doing business with the Plan. Any person or organization offering such inducements must be advised to discontinue the practice immediately if a sustained business relationship is to continue with the Plan.

Similarly, Board members must not offer gifts or favours to persons or organizations in order to secure preferential treatment for the Plan. Inappropriate gifts or benefits that are received by members of the Board, which violate the Board's **Ethical Standards**, should be returned to the donor as soon as practicable. Where the donor may perceive the return of an inappropriate gift or benefit as offensive, for cultural or other reasons, the Board member must make full and immediate disclosure of receipt of the gift

or benefit. Such gift or benefit must be delivered to the Board, who will determine the suitable disposition of the item.

- *Transfer Between Investment Funds*

Where a member of the Board is also an active or inactive member of the Plan, the Board member shall have all investment options and opportunities that would otherwise accrue to any other Plan member. However, since Board members are in a position to make or to influence decisions affecting the investment of the Fund (as defined in the Act) or the investment options available to Plan members generally, and because Board members at times have access to information that is otherwise not generally available to Plan members, the act by a Board member of transferring account balances between investment funds, or of transferring funds into or out of the Plan, may give rise to an actual, perceived or possible conflict of interest.

Where a member of the Board intends to transact on account balances within the Plan, the Board member must obtain the written approval of the Chair prior to carrying out the transaction. In the event that the Board member is the Chair, such approval must be obtained from the Vice-Chair.

The Chair (or Vice-Chair, as the case may be) should determine whether an actual, perceived or possible conflict of interest exists, and the appropriate action under the circumstances. Such action may be:

- determining that no actual, perceived or possible conflict exists, in which case the Board member may proceed with the transaction as proposed; or
- determining that an actual, perceived or possible conflict exists, in which case the Board member may not proceed with the transaction either indefinitely during that Board member's tenure on the Board or until such a time as the Chair (or Vice-Chair) is of the opinion that the actual or perceived conflict no longer exists.

All such requests by Board members and any resulting transactions among investment funds carried out by Board members are to be reported to the Director for the purposes of recording the transactions in the Conflict of Interest Register.

The Chair (or Vice-Chair) shall have the discretion to report the transaction to the Board. Such discretion may be exercised:

- immediately upon granting the requisite approval;
- at the next or any subsequent Board meeting; or
- at such later time as it may become evident to the Chair (or Vice-Chair) that the best interests of those to whom the Board owes fiduciary obligations would be served by such disclosure.

12.08 Consequences of a Breach

In the event of a breach of the Code of Conduct and Conflict of Interest Procedures, or a failure to remedy or disclose an actual or perceived conflict of interest, the consequences of such infractions should reflect the nature, magnitude and seriousness of the breach.

The following are examples of possible consequences, which the Board may consider, when dealing with a breach of the Code of Conduct and Conflict of Interest Procedures:

- The Board may inform the Board member's appointing body of the breach;
- The Board member may be offered the opportunity to resign from the Board;
- The Board may recommend to the appointing body to terminate the appointment of the Board member to the Board;
- The Board member may be required to make full restitution to the Board of any personal gain acquired as a result of the breach, for disposition by the Board;
- The Board may consider taking legal action against the Board member; and
- If the Board member is in breach of the law, the Board will report the Board member's action to the proper authorities.

In the event that the Board member in breach of this policy is the Chair, the Board may consider the additional step of revocation of the Chair's appointment.

This list of consequences is not exhaustive, and does not preclude any other course of action, which the Board may deem appropriate under the circumstances.

12.09 Avoidance of Bias

These procedures apply to members of the Board with respect to their responsibilities as decision-makers with respect to disputes regarding the Plan.

Members of the Board shall not knowingly permit any relationship or other circumstances, either in the past or the present, to be perceived as a possible reason for the member to hold a bias either in favour or against a party with respect to whom a decision is to be made.

Board members should familiarize themselves with the range of actions that may constitute a potential bias issue, and the actions that might be taken to respond to the issue. A potential bias issue may arise as a result of circumstances such as:

- the member has a personal or business relationship with a party;
- the member is a member of an organization in which the party is also a member;
- the member has information about the party which has not been placed before the other members of the Board as part of the decision-making process;
- the member has expressed views in public respecting the subject matter of the decision; or
- the member has communicated directly with one of the parties respecting the subject matter of the decision.

This list is not exhaustive.

If a member of the Board is aware of any circumstances which might give rise to a bias issue, the member must disclose the circumstances to the Chair of the Board or the Supervisor at the earliest opportunity. In the event that the member is the Chair, disclosure must be made to the Vice-Chair or Supervisor. The Chair may:

- remove the member from the panel of members that are making the decision;
- if the Chair is of the opinion that the circumstances may not warrant removal of the member, the Chair shall disclose the circumstances to the parties and provide them with an opportunity to make representations to the Board with respect to the ability of the member to participate in the hearing; and
- the Board shall determine the extent, if any, to which the member may participate in the hearing.

A member cannot be removed from the panel where doing so would mean that a quorum of members would not be present. A member is not required to disclose a relationship that is inherent in the manner of the member's appointment, such as being a member of the Plan or a member or employee of a body that is entitled to appoint a member of the Board.

12.10 Board Member’s Acknowledgement

I ACKNOWLEDGE that I have read and considered the Code of Conduct and Conflict of Interest Procedures for members of the Public Employees Pension Board, and as a member of the Board, agree to conduct myself in accordance with the Code of Conduct and Conflict of Interest Procedures as it applies to members of the Board.

I UNDERTAKE to affirm in writing that I have read, understood and will comply with the most recent version of the Code of Conduct and Conflict of Interest Procedures for members of the Public Employees Pension Board.

Roger Brandvold

Charlene Gavel

Darcia Connelly

Ryan Dionne

Jim Engel

Mason Kaun

Nancy Seman

Mac Trost

Christine Virostek

12.11 History

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