

Policy #3

Board Conflict of Interest

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Last Reviewed:

Amended:

OBJECTIVES:

To protect the KDO's interest when it is contemplating entering into a transaction, arrangement or decision that might benefit the private interest of a Board member.

DEFINITIONS:

1. INTERESTED PERSON

Any director who has a direct or indirect financial interest, as defined below, is an interested person.

If a director has an interest in a matter to be considered by the Board that is non-pecuniary, and, in the judgment of the director, this interest may be in conflict with their public duty to act impartially and in the interest of the KDO, the director will declare this conflict of interest, and be considered an interested person.

2.FINANCIAL INTEREST

A person has a financial interest if the person has, directly or indirectly, through business, investment, employment or family:

- An ownership or investment interest in any entity with which the KDO has, or may have, a transaction or arrangement; or
- A compensation arrangement with the KDO or with any entity or individual with which the KDO has, or may have, a transaction or arrangement; or
- A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the KDO is negotiating a transaction or arrangement; or
- A potential of consideration for employment by KDO.

Compensation includes direct and indirect remuneration as well as gifts or favours that are substantial in nature.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the Board decides that a conflict of interest exists. (See Guidelines, Item 2)

SCOPE:

Applicable to all Directors.

GUIDELINES:

1.DUTY TO DISCLOSE

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her actual or possible conflict of interest to the Directors considering the proposed transaction, arrangement or decision. If any Board member



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believes that an actual or possible conflict of interest (or appearance of conflict) exists for another Board member, and it has not been disclosed, they may raise a point of order to express their concern and initiate discussion, in accordance with these guidelines, to determine if a conflict of interest exists.

2. DETERMINING WHETHER A CONFLICT OF INTEREST EXISTS

After disclosure of the financial or other interest, or a point of order, the person shall leave the Board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members shall decide if a conflict of interest exists.

3. EXCLUSIONS

It is not a conflict of interest for a Board member to provide goods or services to the KDO, for compensation, if any, or all of the following conditions are satisfied as applicable:

- The interested person did not participate in or influence the decision to purchase the goods or services;
- For contracts, the contract was offered publicly and awarded based on pre-determined criteria; and
- Routine purchases on a day-to-day basis where the decision to purchase is not made or influenced by a Board member of the KDO.

4. PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST

- An interested person may make a presentation at a Board meeting, but after such presentation, that person shall leave the meeting during the discussion of, and the vote on, the transaction, arrangement or decision that results in the conflict of interest.
- After exercising due diligence, the Board shall determine whether the KDO can obtain a more advantageous transaction or arrangement with reasonable effort from a person or entity that would not give rise to a conflict of interest.
- If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board shall determine by a majority vote of the disinterested directors whether the transaction, arrangement or decision is in the KDO's best interest and for its own benefit and whether the transaction is fair and reasonable to the KDO and shall make its decision as to whether to enter into the transaction, arrangement or decision.
- In the case of consideration for employment by KDO, the person must temporarily withdraw from deliberation, voting and access to confidential KDO information.

5. RECORDS OF PROCEEDINGS

The Minutes of the relevant Board meetings shall contain:

- The names of the persons who disclosed or otherwise were found to have a financial or other interest in connection with an actual or possible conflict of interest, any action taken to determine whether a conflict of interest was present, and the Board's decision as to whether a conflict of interest in fact existed.
- The names of the persons who were present for discussions and votes relating to the transaction, arrangement or decision, the content of the discussion, including any alternatives to the proposed transaction, arrangement or decision, and a record of any votes taken in connection therewith.