

# **By-law No. 9**

## **Conflict of Interest By-Law**

### **Article 1: What is conflict of interest?**

**1.1** All directors, officers, committee members and employees must carry out their duties honestly, in good faith and in the best interests of the co-operative rather than in their personal interest. Directors understand that they must follow the co-op's by-laws and the operating agreement with the province regarding conflict of interest. This by-law also covers all persons in their households and all their relatives.

**1.2** A conflict of interest can happen when someone living in a co-op or an employee

- makes or takes part in a decision affecting the co-op's affairs, and
- the result of that decision gives the person a financial or other benefit which the rest of the co-op members do not have, or which only a few other members have. This financial or other benefit may be direct or indirect.

**1.3** Examples of conflict of interest are

- the co-op signs a contract with someone living in the co-op, an employee of the co-op, or a company in which they, their household members or relatives have a financial interest or stock;
- someone living in the co-op or an employee is involved personally in a procedure of discipline where they made the complaint, or where a household member, friend or relative is being disciplined;
- the board gives out on-call positions to friends or family without telling all members that positions are available.

There are other types of conflict of interest. The co-op should deal with them by using the principles contained in this by-law.

### **Article 2: Procedures**

**2.1** The facts of each case are different, and careful judgement is needed to decide whether there is a conflict of interest. Even a perception of conflict of interest could undermine the appearance of integrity and the credibility of the co-op's business practices and the government funding program.

Therefore, the board and members should follow the procedures below to determine if there is a conflict and to deal with the conflict if it exists.

**(a) When a director has or may have a conflict of interest**

When a director has or may have a conflict of interest:

the director must declare the conflict of interest, or possible conflict of interest, orally or in writing at or before the board meeting considering the matter. This declaration must be recorded in the minutes of the meeting. If the director does not declare a conflict of interest or a possible conflict of interest, but another director is aware of one, the other director should bring it up at the meeting.

The board then decides if there is a conflict of interest.

If the board decides that there is a conflict of interest the director cannot vote on the matter and must not be present at any of the parts of meetings when the matter is discussed.

There is a distinction to be made between an actual conflict of interest, and what may be perceived as a conflict of interest. Because board members are also members of the co-op and enjoy the same rights as other members, there may be times when certain issues present the appearance of a conflict of interest. At that time, the board member must declare that there is an issue that can be perceived as a conflict of interest and abstain from voting on this matter, but may be present at any parts of meetings when the matter is discussed.

**(b) Financial conflicts of interest**

This paragraph applies in addition to paragraph 2.1(a) if a director has or may have a financial conflict of interest.

The board can enter into the contract or agreement if the board believes that their decision is in the best interests of the co-op and is appropriate for a body that receives significant public funding.

Where there is a financial conflict of interest and the board enters into the contract they must report it at the next meeting of the members. The board must also be able to show how and why this conflict was unavoidable.

If the board does not enter into the contract or agreement the minutes must show this.

**(c) When a committee member has or may have a conflict of interest**

A committee must follow the same procedure as the board if a committee member has or may have a conflict of interest. The matter can be appealed to the board if there is a dispute. The board's decision is final.

**(d) When an employee has or may have a conflict of interest**

An employee who has or may have a conflict of interest must report it to the employee's supervisor and follow the supervisor's directions.

The manager/co-ordinator must report a conflict of interest to the staff liaison (if there is one) or to the president. The president or staff liaison will report it to the board. The manager/co-ordinator must follow the board's directions.

Where the co-op retains a management company, the company and all its personnel must follow the same procedures as an employee of the co-op.

Where there are officers of the co-op who are not directors, they must follow the same procedures as employees.

**(e) Members' conflicts of interest**

At members' meetings, all members can discuss and vote as they wish, even if they have a conflict of interest. However, members must declare the conflict of interest before taking part in the discussion. Members should try to act in the best interests of the co-op as a whole.

**2.2** These procedures are in addition to, and do not replace, the requirements of the *Co-operative Corporations Act*. (Section 98 attached: Schedule A).

**Article 3: Avoiding Conflict of Interest**

**3.1** The board will closely monitor its relationships, contracts, arrangements and agreements. It will not knowingly engage in any that may result in a conflict of interest unless the situation is resolved as in Article 2.

**3.2** The board will promote fair, open and objective business policies and practices in all its purchasing, contracting and hiring.

**3.3** The board and staff must follow the procedures set out in the Spending By-law.

## **Article 4: Payment of Directors**

- 4.1 Directors and officers serve without payment of any kind. However, they have the right to be paid for travelling or other expenses while doing business for the co-op as long as the expenses are reasonable. The board must authorize these expenses. These expenses must meet any guidelines and limits set by the board. Directors cannot receive compensation for lost income while doing business for the co-op.
- 4.2 Despite anything else in this by-law, directors and officers cannot enter into any contracts with the co-op other than contracts that are generally available to other members, such as occupancy or performance agreements.
- 4.3 Directors and officers hired by the co-op to a paid position must resign from office. This does not apply to being the on-call person for the equivalent of one day or less a week.

## **Article 5: Declarations**

- 5.1 All directors and staff must sign the Conflict of Interest Declaration (attached Schedule B). As well, all directors must sign the Director's Code of Conduct (attached Schedule C). Directors and staff will sign when they begin their term, and existing directors and staff will sign annually.

## **Article 6: Information to the Ministry**

- 6.1 The board must report to the Ministry the minutes of any meeting where the board decides to enter into a contract or agreement with a conflict of interest. The minutes must record the options the board considered and the board's decision. The minutes must also show how the board's decision was in the best interests of the co-op and is appropriate for a body that receives significant public funding.