

MCBRIDE COMMUNITY FOREST CORPORATION

**BOARD OF DIRECTORS CODE OF CONDUCT
AND CONFLICT OF INTEREST POLICY**

Policy Title: Board of Directors Code of Conduct and Conflict of Interest Policy

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PURPOSE

Directors on the board of directors of the McBride Community Forest Corporation ("MCFC") are representatives of MCFC and the way they conduct themselves will determine how others (customers, suppliers, contractors, employees and community members) view MCFC. It is imperative that the highest standards of honesty, integrity, impartiality, and professionalism are maintained by the directors when acting as directors and conducting MCFC's business.

Under the *Business Corporations Act* of British Columbia (the "BCBCA") directors have two main duties:

- To *act honestly and in good faith with a view to the best interests of the company*. This is referred to as the fiduciary duty. Under this duty, a director must act honestly, which includes being truthful, open and above board and without conflict of interest. A director must act in the best interests of the company, and not for any collateral or improper purpose, and must not advance his or her own personal interests at the expense of the company. A director must maintain the confidentiality of information obtained by virtue of his or her office. A director must not take maturing business opportunities that the company is actively pursuing.
- To exercise *the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances*. This is referred to as the duty of care.

The purpose of this Policy is to establish clear guidelines for directors of MCFC in respect of their conduct as directors and their fiduciary duties to MCFC in regards to conflicts of interest and confidentiality. This Policy is not meant to be exhaustive, and MCFC will continue to establish guidelines, codes of conduct or policies on various matters as and when it is deemed appropriate. Existing guidelines, codes of conduct or policies continue to be in effect, except where modified by this Policy. This Policy is subject to the BCBCA, its regulations, the Notice of Articles and Articles of MCFC, and any other laws or regulations that are applicable from time to time in respect of the conduct of directors in British Columbia.

SECTION 1 **DEFINITIONS**

1.1 For the purposes of this Policy:

“**Board**” means the board of directors of MCFC;

“**BCBCA**” means the *Business Corporations Act* of British Columbia, S.B.C. 2002, c. 57, as amended;

“**director**” includes an officer of a company;

“**Family Member**” means spouse (including common-law or same sex spouse), child, father, mother, brother, sister, grandparent, grandchild, legal guardian or ward, son-in-law, daughter-in-law, brother-in-law, sister-in-law, father-in-law, and mother-in-law. This definition also includes stepfamilies e.g. stepchild, stepbrother, etc.;

“**MCFC**” means McBride Community Forest Corporation; and

“**Policy**” refers to this Board of Directors Code of Conduct and Conflicts of Interest Policy.

SECTION 2 **DUTIES AND RESPONSIBILITIES OF DIRECTORS**

2.1 **Duties and Responsibilities**

Subject to this Policy and the BCBCA, directors of MCFC will:

- (a) act honestly and in good faith with a view to the best interests of MCFC;
- (b) exercise the care, diligence and skill of an objectively reasonable and prudent person;
- (c) act ethically and with integrity;
- (d) act in a professional, courteous and respectful manner;
- (e) deal fairly with all of MCFC’s stakeholders;
- (f) comply with all applicable laws and regulations;
- (g) comply with MCFC’s Notice of Articles, Articles, guidelines, policies, codes of conduct and Board decisions;
- (h) not use MCFC’s property or their position as director for personal advantage;
- (i) not accept from or give to stakeholders gifts or other benefits other than modest gifts or benefits as a matter of general and accepted business practice provided such gifts or benefits do not involve cash or negotiable instruments and are properly accounted for in accordance with this Policy;

- (j) not use any information obtained by them in their capacity as directors in a manner that would be harmful to MCFC's interests;
- (k) act in a manner that improves and preserves the goodwill of MCFC;
- (l) disclose any perceived, actual or potential conflict of interest in respect of any matter before the Board or a committee of the Board and refrain from any discussion, voting or otherwise influencing a decision on such matter;
- (m) keep information regarding the affairs of MCFC acquired by virtue of their position as director confidential, except if such information is clearly with the public domain, or when authorized by the Board or where legally required to disclose such information; and
- (n) not use confidential information of MCFC obtained by virtue of their position as director for their own direct or indirect personal advantage.

SECTION 3 **CONFLICT OF INTEREST GUIDLINES**

3.1 General

A director must avoid conflicts of interest with MCFC. A director is a fiduciary of MCFC and as such must not enter into engagements in which the director's personal interests conflict with those of MCFC. A director must not profit at the expense of MCFC or divert or take opportunities or benefits away from MCFC. A director may not compete for a business opportunity in which MCFC is interested even if MCFC cannot complete the deal or take advantage of the opportunity.

3.2 BCBCA Requirements

The BCBCA sets out procedures that directors must follow in respect of conflicts of interest. These are minimum requirements and this Policy is meant to supplement and complement such procedures. The Board expects directors to be familiar with and comply with the BCBCA conflict of interest procedures and in addition to comply with the conflict of interest provisions set out in this section.

The conflict of interest provisions of the BCBCA, which are also found in the Articles of MCFC, are mainly concerned with the following two items:

- A director who is a party to or has an interest in a contract or proposed contract with MCFC must disclose such interest and obtain the approval of the Board or the shareholders by special resolution otherwise he or she may be subject to account for any profit made in respect of such contract. The interest or contract has to be material to one or more of the parties.
- A director who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director must disclose the nature and extent of the conflict to the Board promptly after such individual becomes a director or if already a director, after that person commences to hold that office or possess that property, right or interest. The conflict has to be material and there has to be a real possibility of conflict, not just a mere possibility.

It may be necessary after disclosure to obtain the approval of the shareholders to avoid having to account for any profit.

3.3 **General Principals**

- (a) A director both before and while holding office as a director must disclose potential, real or perceived conflicts of interest as soon as the matter arises and before the matter is discussed at the Board or committee level.
- (b) If a director is uncertain as to whether there is a conflict of interest, he or she can seek the advice and guidance of the chair of the Board, the General Manager or Chief Financial Officer of MCFC or the Board itself.
- (c) If there is any question or doubt about whether or not a director is in a conflict of interest, the Board may in an in-camera meeting make that determination by majority vote. The director who has the potential conflict of interest may not attend such meeting or vote at it.
- (d) Directors who are aware of a perceived, real or potential conflict of interest on the part of another director have a responsibility to bring that matter forward to the director in question, and in the event the matter is unresolved at that level, to the Chair of the Board or the General Manager or Chief Financial Officer of MCFC.
- (e) A director is deemed to have a conflict of interest in a matter if he or she has a direct or indirect pecuniary interest in the matter.

3.4 **Disclosure of Conflicts of Interest**

- (a) This section applies to directors in relation to:
 - (i) Board meetings; and
 - (ii) meetings of any committee established by the Board for the purpose of conducting MCFC business.
- (b) If a director attending a meeting considers that he or she is not entitled to participate in discussion of a matter or to vote on a question in respect to a matter due to a conflict of interest, the director must declare this and state the general nature of why he or she considers this to be the case.
- (c) After making a declaration under subsection 3.4(b), the director must not do anything referred to in section 3.5.
- (d) As an exception to subsection 3.4(c), if a director has made a declaration under subsection 3.4(b) and, after receiving legal advice on the issue, determines that he or she was wrong respecting his or her entitlement to participate in respect of the matter, the director may:
 - (i) return to the meeting or attend another meeting of the same body;

- (ii) withdraw the declaration by stating in general terms the basis on which the director has determined that he or she is entitled to participate; and
 - (iii) after this, participate and vote in relation to the matter, but remaining subject to this Policy.
- (e) When a declaration under subsection 3.4(b) or a statement under subsection 3.4(d) is made the person recording the minutes of the meeting must record:
- (i) the director's declaration or statement;
 - (ii) the reasons given for it; and
 - (iii) the time of the director's departure from the meeting room and, if applicable, of the director's return; and

unless a statement is made under subsection 3.4(d), the person chairing that meeting or any following meeting in respect of the matter must ensure that the director is not present at any part of the meeting during which the matter is under consideration.

3.5 **Restrictions on participation if in conflict**

- (a) This section applies if a director has a conflict of interest referred to in subsection 3.4(b), regardless of whether the director has made a declaration under subsection 3.4(c).
- (b) The director must not:
 - (i) remain or attend any part of a meeting referred to in section 3.4(a) during which the matter is under discussion;
 - (ii) participate in any discussion of the matter at such a meeting;
 - (iii) vote on a question in respect of the matter at such a meeting; or
 - (iv) attempt in any way, whether before, during, or after such a meeting, to influence the voting on any question in respect of the matter.
- (c) A director who contravenes this section is disqualified from continuing to hold office as a director of MCFC and will be expected to resign unless the contravention was done inadvertently or because of an error in judgment made in good faith.

3.6 **Restrictions on Inside Influence**

- (a) A director must not influence or attempt to influence, directly or indirectly, a decision, recommendation, or other action to be made or taken:
 - (i) at a meeting referred to in subsection 3.4(a); or
 - (ii) by another director or an employee of MCFC.

- (b) A director who contravenes this section is disqualified from continuing to hold office as a director of MCFC and will be expected to resign.

3.7 Exceptions from Conflict Restrictions in Relation to Pecuniary Interests

- (a) Subject to this Policy and the BCBCA, sections 3.4 to 3.6 do not apply in one or more of the following circumstances:
 - (i) if the pecuniary interest of the director is a pecuniary interest in common with residents of the Village of McBride in general;
 - (ii) if the matter relates to remuneration, expenses, or benefits payable to one or more directors in relation to their duties as directors of MCFC; or
 - (iii) if the pecuniary interest is so remote or insignificant that it cannot reasonably be regarded as likely to influence the director in relation to the matter.

3.8 Use of Insider Information

- (a) A director or former director must not, for the purpose of gaining or furthering a direct or indirect pecuniary interest, use information or a MCFC record that:
 - (i) was obtained in the performance of duties associated with the director's office; and
 - (ii) is not available to the general public.

3.9 Restrictions on Contracts and Benefits

- (a) Subject to subsection 3.9(b), a director or former director must not, directly or indirectly enter into a contract or accept a benefit that is awarded, approved, or granted by the Board.
- (b) Subject to the BCBCA conflict of interest procedures, subsection 3.9(a) does not apply in one or more of the following circumstances:
 - (i) if, in the case of a former director, 6 months have passed since he or she last held a position on the Board or committee established by the Board to do MCFC business; or
 - (ii) if the contract or benefit is awarded, approved, or granted on conditions that are the same for all contracts similarly awarded by MCFC or for all persons similarly entitled, as applicable.

3.10 Acceptance of Gifts

- (a) No director, or any of his or her immediate family, may give or accept any substantial gifts or favours other than normal sales promotion items or occasional meals. Common sense and judgment should be used in determining the appropriateness of a gift. Payment of trips, hotel rooms, and entertainment expenses of significant value are not acceptable.

- (b) Where situations involving interpretations of this section of this Policy arise, the General Manager or Chief Financial Officer of MCFC should be consulted. Where a benefit arises under circumstances not clearly outside the scope of this Policy, a determination that the Policy is not applicable may be made only by the Board.
- (c) All gifts considered substantial must be reported to the General Manager or Chief Financial Officer of MCFC.

3.11 Dealing with Family Members

- (a) Directors who exercise a regulatory, inspectional, or other discretionary control over others shall, whenever possible, disqualify themselves from dealing with Family Members with respect to those functions. Where it is not possible to avoid the exercise of discretionary powers in these circumstances, the matter must be brought to the attention of the Board for a decision as to how to proceed.

SECTION 4 CONFIDENTIALITY

- 4.1 Directors have a fiduciary duty to keep confidential company information acquired by them by virtue of their position as a director of MCFC. Directors should presume any such information is confidential unless it is clearly within the public domain or otherwise authorized to be disclosed by the Board. Information obtained by a director in his or her capacity as a director at a closed or in-camera Board meeting or otherwise received on a confidential basis with respect to matters concerning the Board or MCFC's activities should be presumed to be confidential. Only those matters that are clearly within the public domain, by public announcements or due to the circumstances involved (e.g. a meeting open to the public), should be discussed by a director outside the boardroom.
- 4.2 Directors must safeguard information contained in the records of MCFC, whether in written, electronic, or other forms against improper access and may disclose such information only to persons having a lawful right to such information.
- 4.3 Confidential information about MCFC, its customers, suppliers, contractors or employees must not be divulged to anyone other than persons who are authorized to receive such information. When a director is in doubt as to whether certain information is confidential, no disclosure should be made without first obtaining approval to do so from the General Manager or Chief Financial Officer of MCFC.
- 4.4 Confidential information obtained as a result of a director's duties with MCFC is not to be used for the purpose of furthering any private interest, or as a means of making personal gains. In the course of carrying out his or her duties as director, a director may become aware of personal and confidential information. MCFC depends on directors to keep private any such information.
- 4.5 Information pertaining to finances, including financial statements or records, business activities and plans of MCFC, or future policy directives of MCFC, is considered the property of MCFC. Use of such information for personal advantage or private speculation is strictly forbidden.
- 4.6 Directors may access MCFC information to which they are entitled to access only for MCFC business. Directors may access information only as required to perform their legitimate business

functions as directors, and must safeguard all information to which they have access against inappropriate and unauthorized access by others. It is not acceptable to leave documents containing confidential information on work surfaces or other areas where it might be seen by unauthorized individuals. This may jeopardize the security of such information.

DECLARATION

I, _____, hereby declare that I have read, understood and agree to comply with MCFC's attached Board of Directors Code of Conduct and Conflict of Interest Policy and will immediately resign my position in the event that I breach such Code of Conduct and Conflict of Interest Policy or the Board determines I have committed a breach and has asked me to resign.

Signature: _____

Date: _____

Witness: _____

Date: _____