

**TITLE: Conflict of Interest****MANUAL: BOARD OF DIRECTORS****SECTION: N/A****APPROVED BY: BOARD OF DIRECTORS****PURPOSE:**

All Directors have a duty to preserve the integrity of the decision-making processes of the Board of Directors by ensuring that they are free from actual, potential, or perceived conflicts of interest.

It is inherent in a Director's fiduciary duty that conflicts of interest be avoided and, where unavoidable, be properly disclosed and managed in accordance with applicable legislation, NHSN's By-laws, and this policy.

**POLICY:**

Directors, officers, and non-Director Board Committee members shall avoid situations in which they may be in a position of actual, potential, or perceived conflict of interest.

In addition to the conflict of interest provisions set out in:

- *The Not-for-Profit Corporations Act, 2010 (ONCA);*
- *The Public Hospitals Act;*
- NSHN By-law No. 2024-1 (including provisions respecting Director duties and conflict of interest);

the process set out in this policy shall be followed when a conflict or potential conflict arises.

**APPLICATION**

This policy applies to all Directors, including ex-officio Directors, and non-Director members of Board Committees.

**DESCRIPTION OF CONFLICT OF INTEREST:**

A conflict of interest arises where a Director's duty to act solely in the best interests of the Corporation is compromised, impeded, or may reasonably be perceived to be compromised by another interest, relationship, or duty.

Conflicts generally arise in the following situations:

**1. Transacting with the Corporation**

- Direct or indirect material interest in a contract or transaction.
- Acting in a dual capacity ("wearing two hats").

**2. Interest of a Relative or Household Member**

- Where the Corporation conducts business with an entity in which a relative or household member has a material interest.

### 3. Gifts or Benefits

- Acceptance of gifts, payments, services, or benefits of more than nominal value from a party with whom the Corporation transacts or may transact business.

### 4. Acting for an Improper Purpose

- Exercising powers motivated by personal, political, or professional interests rather than the best interests of the Corporation.

### 5. Appropriation of Corporate Opportunity

- Diverting for personal use an opportunity that properly belongs to the Corporation.

### 6. Conflict of Duty (“Duty and Duty”)

- Serving on another board or holding a role that creates competing fiduciary obligations.

### 7. Failure to Disclose Material Information

- Withholding information relevant to a vital aspect of the Corporation’s affairs.

### **DISCLOSURE OF CONFLICTS:**

A Director who is in a position of actual, potential, or perceived conflict shall immediately disclose the nature and extent of the interest:

- At the meeting where the matter is first considered;
- At the first meeting after the Director becomes interested;
- If the interest arises after approval, at the first meeting following that change.

Disclosure shall be made to:

- The Board Chair; or
- The Vice-Chair where the Chair has the conflict.

Officers and non-Director Committee members shall disclose conflicts in accordance with the timing requirements set out in ONCA and this policy.

### **CONTINUING DISCLOSURE:**

Directors may provide a general written disclosure of relationships or interests that may give rise to recurring conflicts.

### **LEAVE THE MEETING AND DO NOT VOTE:**

A Director who has declared a conflict:

- Shall not participate in discussion;
- Shall not attempt to influence the matter;
- Shall leave the meeting during deliberation;
- Shall not vote on the matter.

The declaration and withdrawal shall be recorded in the minutes.

Exceptions apply only where permitted under ONCA (e.g., indemnity or insurance matters)

## **REFERRAL AND RESOLUTION PROCESS:**

A director may be referred to the process outlined below where any director believes that they or another director:

- A breach of duty has occurred;
- A potential conflict exists;
- A Director has behaved inconsistently with fiduciary standards;

the matter shall be referred to the Chair (or Vice-Chair if the Chair is involved), with notice to the CEO.

The Chair or Vice-Chair may:

- Attempt informal resolution; or
- Refer the matter to the Executive Committee or a special committee.

If unresolved informally, referral to Committee is mandatory.

The Board shall determine the matter by majority resolution.

Where a breach is confirmed and cannot be satisfactorily resolved, a Director may be asked to resign or may be subject to removal pursuant to the By-laws and ONCA.

## **PERCEIVED CONFLICTS:**

Even where no actual conflict exists, perceived conflicts that could reasonably undermine public confidence shall be addressed using the same process.

In appropriate circumstances, resignation may be requested to protect the integrity of the Corporation.

## **AMENDMENT:**

This policy shall be reviewed at least every three years and may be amended by resolution of the Board of Directors.

## **REFERENCES:**

Ontario Hospital Association, *Guide to Good Governance*, 4th Edition: Chapter 6: Duties and Obligations of Individual Directors.

North Shore Health Network. (2024). *Administrative and Professional Staff By-Law 2024-1*

*Not-for-Profit Corporations Act, 2010 (Ontario)*

*Public Hospitals Act (Ontario)*