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		PAGE:	1 OF 3

SUBJECT: CONFLICT OF INTEREST PROVISIONS FOR DIRECTORS & EXTERNAL¹ MEMBERS

Preamble

The following definitions and procedures support the Declaration of Conflict provision in the By-law, Article 6. As part of the annual board member declaration process (see Board policy 5 A-1), members are required to sign a form confirming that conflict provisions.

Definitions

“Conflict of Interest” includes, without limitation, the following four (4) areas that may give rise to a conflict of interest for the Directors of the Corporation, namely:

“Pecuniary or financial interest” – a Director is said to have a pecuniary or financial interest in a decision when the Director (or the Director’s Associates) stands to gain by that decision, either in the form of money, gifts, favours, gratuities or other special considerations;

“Undue influence” – participation or influence in Board decisions that selectively and disproportionately benefits particular agencies, companies, organizations, municipal or professional groups, or patients from a particular demographic, geographic, political, socio-economic or cultural group is a violation of the Director’s entrusted responsibility to the community at large;

“Adverse Interest” – a Director is said to have an adverse interest to the Corporation when the Director is a party to a claim, application or proceeding against the Corporation; or

“Personal Relationship” – a Director has or may be perceived to have personal interests that are inconsistent with those of the Corporation, creating conflicting loyalties.

“Associates” – in relation to an individual means the individual’s parents, siblings, children, spouse or common-law partner, and includes any organization, agency, company or individual (such as a business partner) with a formal relationship to the individual.

¹ An external member refers to community members on Board Committees, who are not directors of the Board, but are members of the Committee.

Procedure

- a)
 - i) The Conflict of Interest provision applies to every Director of the Corporation and its provisions apply at meetings of the Board of Directors and committees thereof.
 - ii) The Conflict of Interest provisions applies to every person who sits on a Board Committee ("External Member") with necessary changes to the points of detail.
- b) Subject to paragraph c), every Director/ external member who, either on their own behalf or while acting for, by, with, or through another, has any interest, direct or indirect, perceived or actual in any proposed matter, contract or transaction or a matter, contract or transaction with the Hospital shall declare their interest and the nature and extent of such interest at a meeting of the Directors or Committee at which the proposed matter, contract or transaction or a matter, contract or a transaction is the subject of consideration and shall not be present at, or take part in, the deliberations or vote on any question with respect to the proposed matter, contract or transaction or the matter, contract or transaction. The interests of any Associate of the Director/external member shall be deemed for the purposes of this By-Law to be an interest of a Director/external member.
- c)
 - i) A Director/external member of the Hospital may have interests with stakeholders of the Hospital which may appear to be a Conflict of Interest. The Board recognizes that where the perceived conflicts relate to non-profit stake-holders/partners that share common goals with the Hospital, that the benefits of having such members on the Board outweigh the potential difficulties relating to the perceived or actual Conflict of Interest.
 - ii) The benefits include:
 - (A) reflection of the operational reality of the inter-relationship that the Hospital has with key stakeholders/partners that is critical to the Hospital achieving its mission and vision;
 - (B) increased capacity of the Board because it leads to fuller and more informed deliberation on issues that have cross-organizational implications; and
- d) The disclosure requirements outlined in Article 6.1 of the By-Law state that disclosure shall be made:
 - i) at the meeting at which a proposed matter, contract or transaction is first considered if the Director is present, and otherwise, at the first meeting after the Director becomes aware of the contract, or transaction;
 - ii) if the director was not then interested in a proposed matter, contract, or transaction at the first meeting after such Director becomes so interested; or

- iii) if the Director becomes interested after a matter, contract or transaction is made, at the first meeting held after the Director becomes so interested.
- e) If a material matter, material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of the Corporation's activities, would not require approval by the Directors, a Director/external member shall, immediately after they become aware of the matter, contract or transactions, disclose in writing to the Corporation, or request to have entered in the minutes of meeting of Directors or Committee, the nature and extent of their interest.
- f) For the purposes of Article 6.1 of the KHSC By-law, a general notice to the Directors by a Director declaring that the person is a director or officer of or has a material interest in a body corporate, business firm or organization and is to be regarded as interested in any contract made therewith, is a sufficient declaration of interest in relation to any contract so made.
- g) A Director/ external member who has declared an interest in a proposed matter, contract or transaction or a matter, contract or transaction and who has otherwise complied with paragraphs 0 or b) hereof, shall not be accountable to the Hospital or its creditors for any profit resulting from such matter, contract or transaction. The matter, contract or transaction will not be voidable by reason only of the Director/external member belonging to the Board of Directors or of the fiduciary relationship established thereby.
- h) Every disclosure of interest under paragraphs 0 and b) hereof shall be recorded in the minutes of the meeting of the Board of Directors/Committee by the Secretary of the Board.
- i) The failure of a Director/external member to comply with paragraphs 0 or b) hereof does not itself invalidate any matter, contract or transaction or the proceedings in respect of any proposed matter, contract or transaction mentioned in paragraphs 0 or b), but the matter, contract or transaction, or the proceedings in respect of any proposed matter, contract or transaction are voidable at the instance of the Hospital.