

## Directors Conflict of Interest Policy

Approved: March 3, 2023

Reviewed: November 21, 2022

### 1.1 PURPOSE

The Board of Directors (the “**Board**”) of Central 1 Credit Union (“**Central 1**”) recognizes that board members must meet a high standard of ethical, moral and legal conduct to merit the trust that the members of Central 1 have placed in them and to uphold Central 1’s reputation in the industry. The purpose of this Directors Conflict of Interest Policy (“**Policy**”) is to set the standards for directors’ conduct and to ensure that conflict of interest situations are managed appropriately and resolved fairly and efficiently. This Policy applies to all members of the Board of Central 1.

The Policy is consistent with and supports Central 1’s Code of Conduct. It is intended to supplement, but not replace, any provincial and federal laws governing conflicts of interest applicable to credit unions, including, without limitation, the Financial Institutions Act (BC) (“**FIA**”) and the Credit Union Incorporation Act (BC) (“**CUIA**”).

### 1.2 OVERVIEW

The integrity of Central 1 depends on ethical behaviour throughout the organization, and in particular, on fair, well-informed decision-making. The ability to make a decision is sometimes affected by other personal or business interests. Such conflict of interest situations are common and cannot simply be eliminated but must be managed appropriately. Directors must ensure that any personal or business interest does not conflict with the duties and responsibilities owed to Central 1. Directors are required to be familiar with their duties and the requirements under this Policy.

### 1.3 STANDARDS OF CONDUCT

Directors have a fiduciary duty to act in the best interests of Central 1 which is grounded in basic principles of honesty, good faith, stewardship and accountability. The standards of conduct are set out in the Directors Terms of Reference.

### 1.4 DEFINITION OF CONFLICT OF INTEREST

Directors must ensure that they identify and appropriately manage any actual, potential or perceived conflict of interest that might influence their decisions in their capacity as directors of Central 1.

A conflict of interest is a situation in which the personal interest (including business interests) of a director conflicts, might conflict or might be perceived to conflict, directly or indirectly, with their responsibilities to Central 1. Personal interest refers to an individual’s self-interest (e.g. to achieve financial profit or avoid loss, or to gain another special advantage or avoid a disadvantage); the interests of the individual’s immediate family or business partners; or the interests of another organization in which the individual holds a position (voluntary or paid). A perceived conflict occurs when a reasonable person may expect that an individual’s personal interest may influence such individual’s actions at Central 1. Poor management of a conflict of interest, including a perceived conflict, can result in reputational damage for Central 1; therefore, transparent reporting of conflict of interests is essential for good governance.

In the event a director has any questions as to whether they or another director has, may have or may be perceived to have a conflict of interest, that director should promptly consult the Board Chair, the chair of the committee that the director serves on (the “**Committee Chair**”) or the Corporate Secretary.

Outside Business Interest: A director must not hold a material interest in any business that conflicts with their responsibilities to Central 1. The Board does not believe that its members should be prohibited from serving on the boards of other organizations so long as these commitments do not materially interfere with and are not incompatible with their ability to fulfill their duties as a member of the Board of Central 1. Directors who are also directors and officers of other entities (whether for-profit or not-for-profit enterprises and whether affiliated with Central 1 or not) may find themselves in a conflict of interest when there is a conflict between the interests of Central 1 and the other entity. As directors have a fiduciary duty to act in the best interests of each entity of which they are directors, holding a directorship for more than one entity may place directors in an untenable position. Directors who believe they may be, may potentially be, or may be perceived to be in a conflict of interest should seek advice from the Board Chair or Corporate Secretary and may also want to seek independent legal advice. If the conflict is irreconcilable, it is possible that such director may need to resign from one or both entities.

## Directors Conflict of Interest Policy

Directors must not engage in any personal (including business) interests which may interfere with the independent exercise of judgment in Central 1's best interests.

### 1.5 DEALING WITH A CONFLICT OF INTEREST

Each director who has, may have or may be perceived to have, a conflict of interest must:

- a) promptly disclose the conflict, including the nature and extent of the conflict, to the Board Chair, Corporate Secretary, or the Committee Chair, at the earlier of:
  - i. the time it arises or,
  - ii. the moment the director becomes aware of the conflict of interest;
- b) as part of the director's overarching fiduciary and confidentiality obligations, refrain from disclosing or making use of any confidential information received in their capacity as a director of Central 1 for the benefit or advantage of such director or any person associated with the director;
- c) recuse themselves from the meeting of the Board or any Committee of the Board relating to such matter, unless otherwise directed by the Board or the applicable committee of the Board;
- d) abstain from voting or taking other actions that affect the outcome of the activity or business transaction: and
- e) make all disclosure and take all other actions as requested by the Corporate Secretary to satisfy all other legal requirements relating to conflicts of interest.

Full and transparent disclosure enables directors to resolve unclear situations and gives an opportunity to appropriately address conflicting interests. If at any time the director, Board Chair, Committee Chair or Corporate Secretary become aware that a conflict of interest exists (whether actual, potential, or perceived) and has not been disclosed, it is the responsibility of the Board Chair, Committee Chair or Corporate Secretary to inform the Board or the applicable Committee of the Board of such conflict of interest.

Where a conflict of interest has been identified by a director or Corporate Secretary in advance of a meeting, the Corporate Secretary may determine not to provide the director with such documents or information as it relates to the conflicted matter, after the Corporate Secretary's consultation with the affected director. If a director disagrees that there is a conflict of interest, the Board Chair shall make a determination and report same to the Board.

If the director only realizes a conflict exists after receiving documents, the director must immediately inform the Corporate Secretary and refrain from reviewing the documents related to the conflicted matter

Each director must annually complete and return to the Corporate Secretary such forms, documents or electronic confirmations as may be approved by Central 1's Corporate Secretary, from time to time, for the purpose of identifying related parties of Central 1. Promptly upon any change in the information contained in such forms, a director must complete and return a revised form to the Corporate Secretary.

The Corporate Secretary will immediately notify the Board Chair of any conflict of interest that has been disclosed to the Corporate Secretary and will provide such information to the Conduct Review and Corporate Governance Committee at its next meeting or earlier if deemed appropriate.

In the case of a conflict of interest arising by way of receipt of a gift or hospitality, please refer to Central 1's Code of Conduct.

Where the Conduct Review and Corporate Governance Committee determines that a conflict of interest, a potential conflict of interest or a perceived conflict of interest may interfere, potentially interfere with or be perceived to interfere with a director's independent judgement, the director must either eliminate the interest or duty giving rise to the conflict or resign as a director of Central 1.

### 1.6 TRANSACTIONS WITH RELATED PARTIES

Directors, as well as their spouses, children under the age of 18 and corporations of which a director is a related party, are related parties of Central 1 pursuant to Part 5 of the FIA.

Certain transactions with related parties of Central 1 must be approved by the Conduct Review and Corporate Governance Committee. Any transaction or proposed transaction with any director or related party of a director not relating to (i) the compensation of a director or (ii) the provision of services or products, at not less than fair market value, which Central 1 provides to its members in the ordinary course or (iii) the purchase and sale of property or services having a fair market value not exceeding \$2,000 must be disclosed to the Corporate Secretary or the Conduct Review and Corporate Governance Committee prior to completion to ensure no further approvals are required.

## Directors Conflict of Interest Policy

Where a conflict of interest arises from a transaction or proposed transaction between Central 1 or an affiliate of Central 1, and any person (including a corporation) who is a related party of Central 1 because of a relationship with the director, the affected director and Central 1 shall comply with the requirements of Part 5 of the FIA (including obtaining the approval of the Conduct Review and Corporate Governance Committee); and, whenever the director has a direct or indirect interest in the transaction, by complying with the applicable provisions of the CUIA (including obtaining the approval of the Board where necessary).

Each director must, on an annual basis, sign and submit to the Corporate Secretary a statement either (a) disclosing any material interest that they may have in any entity which is a party to a material contract or proposed material contract with Central 1, or (b) confirming that they have no material interest in any entity which is a party to a material contract or proposed material contract with Central 1, and the Corporate Secretary shall provide such statements before the Conduct Review and Corporate Governance Committee.

The Conduct Review and Corporate Governance Committee shall report to the Board with respect to its recommendations on conflict of interest matters and transactions with related parties, as they arise from time to time.

### 1.7 REPORTING

The Conduct Review and Corporate Governance Committee is responsible for overseeing and monitoring compliance with this Policy. Integrity, honesty and trust are essential elements of Central 1's business success. Any director who knows of or suspects an illegal or unethical act has been or is likely to take place has a responsibility to report it. Reports may be made to the Board Chair, Corporate Secretary or through Central 1's Ethical Reporting Hotline. Failure to report is itself a violation of this Policy. The Conduct Review and Corporate Governance Committee is responsible for reviewing and assessing all reports and shall inform the Board of its assessment(s) if any, at its next regularly scheduled meeting.

Any questions relating to how this Policy should be interpreted or applied should be addressed to the Corporate Secretary.

### 1.8 WAIVERS

In extraordinary circumstances and where it is clearly in the best interests of Central 1 to do so, the Conduct Review and Corporate Governance Committee may recommend that the Board waive specific provisions of this Policy in relation to specific circumstances. Conditions may be attached to such waiver. Any waiver of this Policy must be approved in advance by the Board.

Each conflict of interest is a separate conflict of interest and no permission or approval with respect to one conflict may be deemed to be approval for any other.

### 1.9 ANNUAL DECLARATION

Each director must on an annual basis formally declare in writing compliance with this Policy.

### 1.10 CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

In accordance with Part 5 of the FIA, the Conduct Review and Corporate Governance Committee will consider and, if deemed appropriate, approve related party transactions requiring such approval.

### 1.11 BREACHES

A breach of this Policy is grounds for removal from the Board. Upon determination by the Board, taking into consideration the review and assessment of the Conduct Review and Corporate Governance Committee, that a director is in breach of this Policy, the Board may request the resignation of such director and each director agrees to tender their resignation upon request of the Board in such circumstances. Failing such resignation, a director may be removed by majority vote of the members of Central 1 at a meeting called for such purpose.

A director that fails to disclose a conflict of interest is in breach of this Policy and their fiduciary duties as a director. Such director may be required to account for any profit they have made as a consequence of Central 1 entering into the contract or transaction giving rise to such conflict of interest. In addition, if a director makes use of any specific confidential information for the benefit or advantage of such director or any person associated with such director, they may be required to account to Central 1 for the benefit or advantage received from such use, and, where transactions relating to the securities of Central 1 are involved, may be required to provide compensation for any direct loss suffered by another person as a result of the transaction.

## **Directors Conflict of Interest Policy**

### **1.12 AMENDMENT**

The Board of Directors must authorize substantive amendments to this Policy, including amendments to rules and procedures. The Corporate Secretary, with the President and CEO's approval, may make administrative amendments to this Policy, including amendments related to formatting, organization, spelling and similar matters. All persons to whom this Policy applies are expected to continue to abide by the Policy, as amended, and will be responsible for periodically reviewing the Policy for any updates.

### **1.13 REVIEW**

The Conduct Review and Corporate Governance Committee will review this Policy biennially and make recommendations to the Board regarding same, as it considers appropriate.