

Board Conflict of Interest Policy

Application

This Policy applies to all Directors, Officers and non-Director Board committee members (collectively, “Decision-Makers”). “Officers” means officers appointed by the Board and others who perform functions for Vector Institute similar to those normally performed by such officers.

Purpose

All decision-makers have a duty to ensure that the integrity of the decision-making processes of the Board are maintained by ensuring that they and other decision-makers are free from actual, potential or perceived conflicts of interest in their decision making (collectively, “conflict of interest”).

The *Canada Not-for-profit Corporations Act* (the “Act”), which governs Vector Institute, requires that no person shall accept an appointment as a Director if there is an actual material conflict of interest between their role as a Director and their role in any other capacity. Further, the Act requires a Director, within 90 days after becoming aware that an actual material conflict of interest exists, to eliminate the conflict of interest or to resign.

It is important that all decision-makers understand their obligations when a conflict of interest arises. This policy establishes a framework within which Vector Institute requires its decision-makers to act. The purpose of this Policy is to provide general direction so that conflicts of interest are managed appropriately and in a timely manner.

Policy

The process set out in this Policy must be followed when a conflict of interest arises.

Description of Conflict of Interest

A conflict of interest arises in any situation where a decision-maker’s duty to act solely in the best interests of Vector Institute is compromised or impeded by any other interest, relationship or duty of the decision-maker. The situations in which conflicts of interest may arise cannot be set out exhaustively. The distinction between a conflict of interest and a material conflict of interest cannot be set out exhaustively and must be considered on a case-by-case basis. Conflicts of interest generally arise in the following situations:

1. Transacting with Vector Institute

- When a decision-maker transacts with Vector Institute directly or indirectly.
- When a decision-maker has a material direct or indirect interest in a transaction or contract with Vector Institute.

2. Interest of a Relative

When Vector Institute conducts business with suppliers of goods or services or any other party of which a relative or member of the household of a decision-maker is a principal, officer or representative.

3. Gifts

When a decision-maker or a member of the decision-maker's household or any other person or entity designated by the decision-maker accepts gifts, payments, services or anything else of more than a token or nominal value from a party with whom Vector Institute may transact business (including a supplier of goods or services) for the purposes of (or that may be perceived to be for the purposes of) influencing an act or decision of the Board.

4. Acting for an Improper Purpose

When a decision-maker exercises his or her powers motivated by self-interest or other improper purposes.

5. Appropriation of Corporate Opportunity

When a decision-maker diverts to his or her own use, an opportunity or advantage that belongs to Vector Institute.

6. Duty to Disclose Information of Value to Vector Institute

When a decision-maker fails to disclose information that is relevant to a vital aspect of Vector Institute's affairs.

7. Serving on Other Corporations

A decision-maker may be in a position where there is a conflict of "duty and duty". This may arise where the decision-maker serves as a director of two corporations that are competing or transacting with one another. It may also arise where a decision-maker has an association or relationship with another entity. For example, if two corporations are both seeking to take advantage of the same opportunity. A decision-maker may be in possession of confidential information received in one boardroom or related to the matter that is of importance to a decision being made in the other boardroom. The decision-maker cannot discharge the duty to maintain such information in confidence while at the same time discharging the duty to make disclosure. The decision-maker cannot act to advance any interests other than those of Vector Institute.

8. Process for Resolution of Conflicts and Addressing Breaches of Duty

Disclosure of Conflicts

A decision-maker who has a conflict of interest shall immediately disclose it to the Board by notification to the Board Chair or the Chief Executive Officer. Where the Board Chair or Chief Executive Officer has a conflict, notice shall be given to another Director and every subsequent reference to Board Chair in this policy shall be deemed to be a reference to that other Director. The disclosure shall be sufficient to disclose the nature and extent of the conflict of interest. Disclosure shall be made at the earliest possible time and, where possible, before any discussion and vote on the matter.

Where (i) a decision-maker is not present at a meeting where a matter in which the decision-maker has a conflict of interest is first discussed and/or voted upon, or (ii) a conflict of interest arises for a decision-maker after a matter has been discussed but not yet voted upon, or (iii) a decision-maker becomes conflicted after a matter has been approved, the decision-maker shall disclose the conflict of interest to the Board Chair as soon as possible thereafter and at the next Board and/or Board committee meeting.

If an Officer becomes interested in a contract or transaction after it is made or entered into, the disclosure shall be made as soon as possible after the Officer becomes so interested.

A decision-maker may make a general declaration of the Director's relationships and interests in entities or persons that give rise to conflicts.

If a decision-maker is uncertain whether a conflict of interest exists, the decision-maker must err on the side of disclosure.

If there is any question or doubt concerning if there is a conflict of interest, the Board Chair will determine whether a conflict of interest exists and will inform the Board of his or her decision. The disclosure and decision as to whether a conflict of interest exists shall be recorded in the minutes of the Board meeting.

Managing Conflict of Interest

Where a determination has been made that there is a non-material conflict of interest of a decision-maker, the Board Chair may take whatever action he or she deems appropriate to manage the conflict of interest and report back to the Board on the action taken.

At a minimum, the conflicted decision-maker shall not be present during the discussion, be counted in the quorum concerning the vote, or vote in respect of the matter in which he or she has a conflict of interest and shall not attempt in any way to influence the voting. A specific notation that the decision-maker left and returned to the meeting shall be recorded in the minutes.

If the Board determines that the conflict of interest is material, the Director shall eliminate it or resign. If the Director does not eliminate it or resign, the Members may remove the Director from office by ordinary resolution at a special meeting.

Process for Resolution of Conflicts and Addressing Breaches of Duty

A decision-maker may be referred to the process outlined below where any decision-maker believes that another decision-maker has a conflict of interest that has not been disclosed.

- a) Refer matter to Board Chair or designate, with notice to the Chief Executive Officer.
- b) Board Chair may either (i) attempt to resolve the matter informally, or (ii) refer the matter to either a governance committee or to an ad hoc Board committee established by the Board Chair which committee shall report to the Board.
- c) If the Board Chair elects to attempt to resolve the matter informally and the matter cannot be informally resolved to the satisfaction of the Board Chair, the decision-maker referring the matter, the Decision-Maker involved, the Board Chair shall refer the matter to the process in (b) (ii) above.
- d) A decision of the Board by resolution shall be determinative of the matter.

It is recognized that if a conflict of interest cannot be resolved to the satisfaction of the Board, a decision-maker may be asked to resign or may be subject to removal pursuant to the Corporate By-law and the Act.

Perceived Conflicts

It is acknowledged that not all conflicts of interest may be satisfactorily resolved by strict compliance with this Policy. There may be cases where even the perception of a conflict of interest may be harmful to Vector Institute notwithstanding that there has been compliance with this Policy. In such cases, it might be in the best interests of Vector Institute that the decision-maker be asked to resign.

9. Amendment

This Policy may be amended by the Board.