

### **3.5 BOARD MEMBERS' CODE OF CONDUCT**

**EFFECTIVE DATE AND REVISION DATES:**

**February 11, 2019**

This Code of Conduct applies to the LAPP Corporation (“LAPP Corporation” or “Corporation”) Board of Directors (“Board”).

#### **3.5.1 Purpose**

The Corporation is governed by the Board, as appointed under section 20 of Schedule 1 to the *Joint Governance of Public Sector Pension Plans Act* (Alberta) (“Joint Governance Act”). In exercising their powers and discharging their duties, the members of the Board have the responsibilities set out in section 24 of Schedule 1 to the Joint Governance Act. In order to assist the members of the Board to meet their responsibilities, this Code of Conduct has been adopted and will be reviewed from time to time to provide guidance to members in the identification, resolution, and review of situations involving conflicts of interest between their responsibilities as members of the Board and their personal or private interests.

Conflicts between private interests of members and their duties to the Corporation and responsibilities under the Joint Governance Act not specifically addressed in this Code of Conduct shall be dealt with according to the principles and intent of this Code of Conduct.

The Board values adherence to the highest principles of fairness, honesty and integrity in the conduct of its business. It is vital that Board members maintain the highest standards of conduct in all their activities. To maintain high standards means that not only improper conduct, but even the appearance of impropriety must be avoided. This Code of Conduct is designed to help Board members meet its **Charter of Expectations**, which states:

**The Board will:**

Govern effectively, communicate with transparency, and be accountable and honest with all its stakeholders while maintaining appropriate confidentiality.

Give balanced consideration to the needs and interests of all beneficiaries.

**Each Member of the Board will:**

Demonstrate high integrity and standards in both personal and professional dealings.

Always place fiduciary duty to the Corporation and the Corporation’s fiduciary duty to Plan members first, while participating independently in Board decisions.

Speak with one voice, through the Chair, after hearing many voices prior to decisions being made.

Be prepared for, and participate to the best of their ability in, all Board meetings.

Strive to look forward and be proactive, within the constraints imposed by others and itself.

Be a positive ambassador for the Local Authorities Pension Plan to stakeholders, including appointing bodies.

Do its utmost to deliver the pension promise.

Be committed to ongoing learning about pension and governance issues and directions.

### **3.5.2 Application and Administration**

This Code of Conduct applies to all members of the Board. Certain provisions of this Code of Conduct apply only to the Chair of the Board, as specifically indicated herein. This Code of Conduct is in addition to any statute governing or applicable to Board members. Conflicts between the private interests of Board members and their responsibilities as Board members not specifically addressed in this Code of Conduct must be dealt with according to the principles and intent of this Code of Conduct.

This Code of Conduct is administered by the Board Chair in relation to other Board members and is administered by the Board Vice-Chair in relation to the Board Chair. Where the Code of Conduct refers to an obligation of or prohibition against a Board member, with a reporting requirement to the Board Chair, the same applies to the Board Chair, reporting to the Board Vice-Chair.

### **3.5.3 Definitions**

The following terms used in this Code of Conduct shall have the meanings set out below:

“Board” means the LAPP Corporation Board of Directors.

“Board Secretary” means the employee of LAPP Corporation serving as secretary to the Board.

“Chair” means the Chair of the Board, as designated or appointed from time to time in accordance with the Joint Governance Act and the policies of the Board and by-laws of the Corporation.

“Joint Governance Act” means the *Joint Governance of Public Sector Pension Plans Act* (Alberta), including any regulations made thereunder, as amended from time to time.

“LAPP” or “Plan” means the Local Authorities Pension Plan.

“LAPP Corporation” means LAPP Corporation, as incorporated under the Joint Governance Act.

“member” means a member of the Board.

A “person directly associated” with a member includes:

- (a) the member’s spouse or adult interdependent partner;
- (b) a corporation having share capital and carrying on business or activities for profit or gain and the member is a director or senior officer of the corporation;
- (c) a private corporation carrying on business or activities for profit or gain and the member owns or is the beneficial owner of shares of the corporation;
- (d) a partnership
  - (i) of which the member is a partner, or
  - (ii) of which one of the partners is a corporation directly associated with the member by reason of clause (b) or (c); or
- (e) a person or group of persons acting with the express or implied consent of the member.

“private interest” does not include:

- 3. an interest in a matter
  - a. that is of general application,
  - b. that affects an individual as one of a broad class of the public, or
  - c. that concerns the remuneration and benefits of an individual;
- 4. an interest that is trivial.

“securities” means:

- (a) shares of any class or series of shares of a corporation, or
- (b) bonds, debentures, notes or other evidence of indebtedness or guarantees of a corporation, whether secured or unsecured,

but does not include shares or units in a mutual fund.

“Vice-Chair” means the Vice-Chair of the Board, as designated or appointed from time to time in accordance with the Joint Governance Act and the policies of the Board and by-laws of the Corporation.

### **3.5.4 CONFLICT OF INTEREST**

#### **3.5.4.1 Standards of Conduct**

Board members are required to conduct themselves impartially in carrying out their duties in all circumstances. Board members must not act in their own self-interest or in furtherance of their private interests by virtue of their position or through the carrying out of their duties as Board members.

Members are in a conflict of interest situation if their private interests conflict with their duties to the Corporation and responsibilities under the Joint Governance Act or any policies of the Board or by-laws of the Corporation. Without limiting the generality of the foregoing, a member is in a conflict of interest situation if:

- a. the member takes part in a decision in the course of carrying out the member’s office or powers knowing that the decision might further a private interest of the member or a person directly associated with the member;
- b. the member uses the member’s office or powers to influence or seek to influence a decision to be made by the Board to further a private interest of the member or a person directly associated with the member;
- c. the member uses or communicates information not available to the general public that was gained by the member in the course of carrying out the member’s office or powers to further or seek to further a private interest of the member or a person directly associated with the member;
- d. the member or, to the knowledge of the member, a person directly associated with the member, obtains or accepts a fee, gift or other benefit, all of a material nature, that is connected directly or indirectly with the performance of the member’s office [see also section 3.4.4.3(a), below]; or
- e. the member, or a person directly associated with the member, receives a preference from the Board on entering into a contract or receives a contract not available to the public.

For greater certainty, the manner of appointment of Board members requires recognition in this Code of Conduct of certain circumstances particular to the governance of pension plans. First, it is explicitly acknowledged that Board members will not be considered to be in a conflict of interest situation because the Board member or their spouse or adult interdependent partner is or may become entitled to a pension or other benefit under the Plan. This acknowledgement is consistent with standards commonly contained in pension legislation and recognizes that decisions made by the

Board that affect members of the Plan are of general application and not specific to individual Board members.

Further, pension law recognizes and accepts the inherent conflict that exists between the roles of “sponsor” (being a non-fiduciary role) and “administrator” (being a fiduciary role) in the governance and administration of pension plans. Sponsors include both the employers of members who participate in the Plan and the unions who represent many of them. Employer and employee sponsors appoint individuals as Board members. It is also explicitly acknowledged that Board members will not be considered to be in a conflict of interest situation by virtue of the interests of their employer or appointing body in any matter before the Board. This acknowledgement is predicated on a Board member not having a personal private interest in such matter and the Board member otherwise carrying out their duties and obligations as a Board member generally in considering the matter at issue.

#### **3.5.4.2 Disclosure Of and Addressing Conflicts Of Interest**

Board members are at all times under a positive obligation to appropriately and adequately disclose any real or apparent conflicts of interest to which they may be subject between their duties as Board members and their private interests, whether such conflicts of interest are currently existing or may potentially arise in future. Further, Board members also have a responsibility to avoid real and perceived conflicts of interest and to take all steps necessary to remove themselves from any conflict. Disclosure, while necessary and important, does not itself remove a conflict of interest.

As a general rule, Board members must disqualify themselves from any matter involving an entity in which they, their spouse, or their adult or minor child has a financial interest or with which they have a relationship that may bring, or be perceived to bring, their impartiality into question.

When a matter is before the Board or any Committee of the Board which could possibly benefit a member or a person directly associated with a member, the member in question must advise the Board or Committee in order to enable the Board or Committee to determine whether the situation is material. Further, if a Board member believes there may be a conflict of interest, the member may ask the Board or Committee for guidance.

When a member has a conflict of interest in a matter before the Board or any Committee of the Board, the member shall, if present:

- a. disclose the existence of the conflict of interest prior to discussion of the matter,
- b. abstain from voting on any question relating to the matter,
- c. abstain from discussing the matter, and

- d. leave the room in which the meeting is being held until the discussion and voting on the matter are concluded.

The abstention of a Board member and disclosure of a Board member's conflict of interest shall be recorded in the minutes of the meeting.

#### **3.5.4.3 Specific Restrictions**

In addition to the general standards of conduct and disclosure obligations above, the following specific restrictions apply to all Board members:

- (a) **Gifts:** In order to avoid a conflict of interest or the appearance of a conflict of interest, Board members must not accept gifts, fees or other benefits that are connected directly or indirectly with the performance of their duties as Board members from any individual, organization or corporation, other than:
  - (i) the normal exchange of hospitality between persons doing business together;
  - (ii) tokens exchanged as part of protocol; or
  - (iii) the normal presentation of gifts to persons participating in public functions, awards, speeches, lectures, presentations, seminars or similar events.

Gifts must not include cash, cheques, gift cards or gift certificates.

- (b) **Concurrent Employment or Appointment to Other Offices:** Board members must avoid conflicts of interest or the appearance of conflicts of interest arising due to a Board member's involvement in an appointment, business, undertaking or employment other than their service as a Board member. Board members may participate in such external activities if such activities do not:
  - (i) interfere with the performance of the Board member's duties or availability for Board meetings;
  - (ii) involve LAPP Corporation property, information technology, materials, supplies or personnel; or
  - (iii) directly or indirectly involve any business or undertaking in competition with or adverse in interest to the Plan or LAPP Corporation.

It is acknowledged that, by virtue of the Joint Governance Act, Board members are appointed by employers or employee groups participating in the Plan and, in certain cases, service on the Board may be related to or an aspect of their employment or association with such organizations. Due to the nature of the Board and the legislative scheme of the Joint Governance Act, such employment or association is deemed not to create a conflict of interest or appearance of conflict of interest for purposes of this provision.

Prior to accepting any employment or appointment that could give rise to a conflict of interest or the appearance of a conflict of interest, a Board member must notify the Chair in writing of his or her intention to do so. The Chair will consult with the Board and determine whether such employment or appointment contravenes this provision and will so advise the Board member in writing.

Further, Board members must not allow the performance of their duties to be influenced by offers of future employment or the anticipation of offers of employment. Members considering a new offer of appointment or reemployment must be aware of and manage any potential conflicts of interest between their position as Board member and future circumstances, and must remove themselves from any decisions affecting their appointment or employment.

- (c) **Restrictions on Political Activity:** Board members may participate in political activities, including holding membership in a political party, supporting a candidate for elected office or seeking and holding elected office. However, they must not use their position with the Board to seek contributions for a political party or activity from entities doing business with the Board or LAPP Corporation. In addition, any political activity must be clearly separated from activities related to the business of the Board and LAPP Corporation, must not be done while carrying out the duties of the Board and LAPP Corporation and must not make use of LAPP Corporation facilities, equipment or resources in support of such activities. If a Board member is planning to seek an elected federal or provincial office, they must disclose their intention in writing as soon as possible to the Chair for guidance relating to their duties with the Board.
- (d) **Restrictions on Dealings with Family Members and Persons Directly Associated with Board Members:** Board members exercise certain decision-making authority (for example, in adjudicative proceedings to review administrative decisions of Alberta Pensions Services Corporation) and make decisions regarding certain contractual arrangements (for example, retaining actuarial and investment consultants). In such circumstances, Board members must disqualify themselves from such decision-making activities involving others if a relationship between them could, or could be perceived, to bring their impartiality into question. In any staff hiring decision for the Corporation made by the Board (typically limited to the President and Chief Executive Officer), Board members must disqualify themselves where applicants include family members or close personal friends if the continued participation of such Board member could, or could be perceived, to bring their impartiality into question. The disclosure obligations referenced above apply to these situations.
- (e) **Requirement to Comply with Applicable Laws:** Board members shall at all times act in full compliance with both the letter and spirit of all applicable laws. Board members should not only comply fully with the law, but should also avoid

any situation which could be perceived as improper or indicate a casual attitude towards compliance. Board members are expected to be sufficiently familiar with any legislation that applies to their work to recognize potential liabilities and to know when to seek legal advice.

- (f) **Requirement for Disclosure of Criminal Charges:** If a Board member is charged with an offence under the *Criminal Code of Canada* or the *Controlled Drug and Substances Act* (Canada) or any other federal statute, the Board member shall immediately report such charge to the Chair. In the event that a Board member makes such a report, the Chair will forthwith determine if the Board member has: (1) created a real or perceived conflict of interest that impacts the interests of the Board, LAPP Corporation or the Plan; and/or (2) seriously compromised the Board member's ability to continue to perform his or her role as a member of the Board.
- (g) **Use of Corporate Assets and Information:** Board members must not use LAPP Corporation premises, assets, equipment or other resources for non-Board related purposes, except in limited circumstances where such use involves minimal additional expense to LAPP Corporation, does not interfere with the normal operations of LAPP Corporation, does not support a personal business interest and otherwise complies with this Code of Conduct. Board members must also respect the proprietary knowledge and intellectual property rights of LAPP Corporation, suppliers of goods or services to the Board or LAPP Corporation and others, including respecting copyright and license agreements. Board members must not use or disclose to others confidential information obtained while engaged in their role as Board members.
- (h) **Post-appointment Restrictions:** Following the end of a Board member's term, the former Board member must not disclose confidential information of the Board or LAPP Corporation, including information pertaining to Board processes or information received by the Board relating to the Plan, of which he or she became aware while a member of the Board, and he or she must not use contacts with former Board or LAPP Corporation staff colleagues to gain an unfair advantage for his or her current circumstance. To avoid conflicts of interest, or the perception of conflicts of interest, former Board members must not appear as representatives before the Board or any adjudication panel of the Board or Corporation in any administrative review adjudicative proceeding, or provide advice to others appearing before the Board or any adjudication panel for such purpose, for 12 months after the end of their appointment.

#### **3.5.4.4 Provisions Applicable to the Chair Only**

- (a) **Decisions Must Not Further Private Interests:** The Chair:
  - (i) must not take part in a decision in the course of carrying out his or her office or powers knowing that the decision might further a private interest

- of the Chair, a person directly associated with the Chair or the Chair's minor or adult child;
- (ii) must not use or communicate information not available to the general public that was gained by the Chair in the course of carrying out his or her office or powers to further or seek to further a private interest of the Chair or any other person's private interest; and
  - (iii) must appropriately and adequately disclose a real or apparent conflict of interest.

### **3.5.5 ANNUAL REVIEW AND DISCLOSURE**

Board members are required to annually submit a certificate (in the form set out in Appendix 1 to this Code of Conduct) to the Board Chair. The certificate must be submitted following the end of each year and at or prior to the Board's first meeting of the following year. Each member shall confirm in writing that:

- a. the member has received a copy of this Code of Conduct and has read and understood it; and
- b. the member has adhered to this Code of Conduct and/or has reported any known breaches to the Chair.

Information contained in the certificate will be kept confidential and will not be used for any purpose other than to detect actual or potential violations of the Code of Conduct.

Where actual violations or potential violations of the Code of Conduct are indicated in a Board member's certificate, an investigation will be conducted as contemplated under the heading "Investigating Complaints and Responding to Breaches", below.

### **3.5.6 INVESTIGATING COMPLAINTS AND RESPONDING TO BREACHES**

If any person believes that a Board member has breached a provision of this Code of Conduct, such person is encouraged to bring the concern to the attention of the Board member in question, and the Board Chair or the Board Vice-Chair. Board members have a responsibility to report situations of real or perceived conflicts of interest of other Board members or LAPP Corporation employees, by reporting to the Chair or Vice-Chair. The Board will support, and no action will be taken against, Board members and LAPP Corporation employees who, acting in good faith and not maliciously or without reasonable grounds, bring forward a concern, even if the concern is later determined to be unfounded. Questions or issues related to this Code of Conduct may be referred to the Board Chair or the Board Vice-Chair.

Where actual violations or potential violations of this Code of Conduct are indicated in a Board member's annual certificate, or an individual makes a formal written complaint to the Board Chair or Board Vice-Chair, an investigation will be conducted by the Board Chair and/or Vice Chair. The Board member alleged to have breached this Code of

Conduct will be given notice of the details of the allegations in writing. Board members will be encouraged to and are expected to participate in rectifying and resolving any compliance problems.

The privacy of all parties involved in any investigation shall be respected and maintained to the extent possible, but not so as to restrict the ability of the Chair or Vice-Chair to fully, properly and fairly carry out the investigation. If disclosure of the identity of the person making a complaint is necessary in order to provide procedural fairness to the Board member who is the subject of the complaint, the person will be provided an opportunity to withdraw the complaint prior to their identity being disclosed. Complaints made anonymously will be considered and investigated, recognizing that the ability of the Chair or Vice-Chair to conduct the investigation may be limited by the amount of information available in the complaint.

The Chair and Vice-Chair will provide all parties involved with the opportunity to be heard (through written submissions and/or in-person interviews), so as to enable the Chair or Vice-Chair to fully ascertain all information relevant to the matter in issue. The Board member alleged to have breached this Code of Conduct will be given an opportunity to respond in full to those allegations.

Any decision regarding a Board member's purported breach of this Code of Conduct will be delivered to such Board member in writing with reasons. The solution of actual or potential problems may take the form of action to eliminate the violation, action to avoid the potential violation, or other appropriate action. Where a Board member's annual certificate disclosure includes real or potential conflicts due to outside business interests or financial holdings, appropriate resolution of the issue may include, without limitation, a requirement that such business or financial interests be placed in a blind trust or otherwise disposed of, with notice to the Chair.

Board members whose activities violate this Code of Conduct, or who willfully fail to report violations and potential violations in their annual certificate, or who make false reports in their certificates, or who fail to participate in resolving any actual or potential compliance problems, may be subject to an appropriate recommendation to the Board member's appointing organization consistent with the severity of the infraction, which may include a recommendation to rescind the Board member's appointment.

The Board member who is the subject of any such determination may request in writing that the decision of the Chair or Vice-Chair be referred to external legal counsel for review and an opinion on the proper resolution of the matter.

Copies of all written complaints, findings and notices of manner of resolution of the matter at issue will be maintained in the Board's records under the care of the Board Secretary. Any Board member who is the subject of a proceeding under this provision may request access to such records during the regular office hours of LAPP

Corporation on advance notice to the Chair or Vice-Chair and may receive copies of such records.

### **3.5.7 SPECIFIC SITUATIONS**

Subject to the specific provisions of this Code of Conduct set out above, the following examples illustrate how the obligations and prohibitions set out in this Code of Conduct apply in specific situations.

**1. You are offered, or are encouraged to accept money, a gift, loan or some other sort of favour in connection with your directorship...**

You should not accept any gift, loan, or other favour unless the circumstances are such that its receipt would not reasonably be seen by others to influence your judgment or actions with respect to transactions with or by LAPP Corporation or the Plan and such receipt would not reasonably be interpreted by others so as to discredit LAPP Corporation or the Plan. You should return any gift received which may be viewed as going beyond this guideline. Cash gifts are never acceptable.

Gifts of insubstantial value which cannot be reasonably interpreted by others as offering an improper inducement to the recipient are not prohibited. It is permissible to accept favours which constitute generally accepted good business practices or social courtesies which have no special significance attached. If reasonable in nature, frequency and cost, the following are some examples:

- attendance at a reception, hosted by another organization, for the purpose of networking or education;
- attendance at a breakfast, lunch or dinner, hosted by another organization, for the purpose of networking or education;
- attendance at an arts, sports or other event hosted by another organization, for the purpose of networking.

**2. You are attending a conference as a Board member and you are asked to express your opinion on a pension matter...**

You should identify yourself as a Board member and preface your remarks with the statement that the opinion is your own and not the Board's, as the Board speaks with one voice through the Chair. In making your remarks, you are expected to be a positive ambassador for LAPP and should not criticize the Plan or the Corporation's public position on issues.

**3. Your appointing sponsor organization asks for a meeting with you to discuss a policy issue which is currently being considered by the Board...**

Subject to any restrictions in a Board policy concerning disclosure, you may discuss

ongoing policy issues (but not in-camera Board or Committee proceedings) with stakeholders to keep them informed and to receive input. All such discussions should be conducted in the context of the common law fiduciary duty to demonstrate good faith, loyalty, and honesty, as well as the duties and responsibilities of the Board under the Joint Governance Act and a need to balance accountability and transparency against the need to be fair and act in the best interests of the Corporation and the Plan.

**4. Your appointing sponsor organization asks you to bring a matter before the Board for discussion...**

If the issue is relevant to the Corporation or the Plan, you may bring forward to the Board a stakeholder's input or position on an issue, by requesting the Board to place it on an agenda. If approved, your reporting of the issue should make it clear that you are simply delivering a stakeholder's message. In further deliberations and decisions on the matter, you must act consistent with the duties and responsibilities under the Joint Governance Act and in the best interests of the Corporation and the beneficiaries of the Plan.

**5. Your appointing sponsor organization directs you to vote in a certain manner on an issue being discussed by the Board...**

You cannot be directed by anyone to vote in a particular manner on any issue. You are appointed by your appointing sponsor organization, but your obligation is to act in the best interests of the Corporation and, by extension, the beneficiaries of the Plan, not the interests of your appointing sponsor organization.

**6. The Board is discussing whether to have LAPP Corporation enter into a contract with an organization in which a relative of yours has an interest...**

You must consult this Code of Conduct to determine if you are in a conflict of interest situation and follow the disclosure procedures and conduct requirements contained herein.

**7. You hear about a business opportunity during Board business...**

You may not appropriate to your own benefit any business venture or opportunity which you discover or develop in the course of serving on the Board and which is related to any business in which LAPP Corporation or the Plan is engaged or may intend to engage.

**8. You are in a position to know confidential information about the Plan's investments or other transactions in the marketplace...**

You may not trade for your own account in the securities of a business on the basis of material information which is gained in the course of your service on the Board and which has not been made known to the general public. In this connection, material non-

public information is any information about another corporation or the market for its securities that has not been made public and that a reasonable person would consider important in deciding whether or not to buy or sell securities of that corporation.

Board members who know or have reason to believe that the Plan is purchasing, selling or actively negotiating with respect to a particular security or their investment in a business may not purchase or sell for their own account, directly or indirectly, the securities of that business. Similarly, Board members are prohibited from communicating to any other person, other than in the necessary course of business, their knowledge concerning the Plan's intentions or activities with respect to securities or other investment in a business.

### **3.1.1 ADDITIONAL GUIDANCE ON RELATED MATTERS**

Additional guidance for Board members in respect of the matters listed below is provided in the existing Board policies identified:

- (a) ***Restrictions and/or requirements regarding media relations and public statements*** – see Charter of Expectations, Board Terms of Reference, Board Members' Individual Terms of Reference, Disclosure Policy;
- (b) ***Requirement of Confidentiality*** – see Board Terms of Reference, Board Members' Individual Terms of Reference, Disclosure Policy;
- (c) ***Restrictions and/or requirements to prevent workplace harassment*** – see Harassment Free Workplace Policy;
- (d) ***Requirement to devote sufficient time and attention to official duties and obligations for informed and balanced decision making*** – see Board Terms of Reference, Board Members' Individual Terms of Reference.

### **3.1.2 COMING INTO FORCE**

This Code of Conduct will be in force and be implemented, in accordance with its terms, on the date set by the Board when approving this Code of Conduct.

### **3.1.3 PERIODIC REVIEW OF CODE OF CONDUCT**

This Code of Conduct will be reviewed annually by the Board Governance Committee as part of its annual review of the Board's operational policies. Any changes recommended will be brought to the full Board for final approval.

**TO: LAPP Corporation Board of Directors  
c/o LAPP Corporation  
Suite 2000, 10130 – 103 Street  
EDMONTON, Alberta T5J 3N9**

Subject: Board Members' Code of Conduct

This confirms that I, \_\_\_\_\_, have received a copy of and understand the Code of Conduct.

During the year ending December 31, \_\_\_\_\_:

1. I have conducted myself in full compliance with and adhered to the Code of Conduct, except as noted below (*attach additional pages if necessary*):

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2. Where there has been a possibility of real or apparent conflict, I have reported that conflict to the Chair of the Board, except as noted below (*attach additional pages if necessary*):

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As a member of the LAPP Corporation Board of Directors, I will continue to comply with the Code of Conduct.

\_\_\_\_\_  
Board member signature

\_\_\_\_\_  
Date