

1.1 BOARD MEMBERS' ETHICS AND CONDUCT

EFFECTIVE DATE AND REVISION DATES

March 2011, September 2008, February 2007, April 2006

This Policy applies to both the LAPP Board of Trustees and the LAPP Corp. Board of Directors and has been approved by both. Reference to the "Board" shall mean each Board unless otherwise stated.

1.1.1 PURPOSE

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 policy 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.

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

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

Do its utmost to deliver the pension promise.

Each Member of the Board will:

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

Always place fiduciary responsibility to plan members first, while participating independently in Board decisions.

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

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

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

1.1.2 APPLICATION AND ADMINISTRATION

Board members must not participate or acquiesce in conduct involving family members that would contravene this policy. Family members include spouse, children, step-children, legal dependants, parents and siblings.

This Policy is administered by the Board Chair in relation to other Board members and is administered by the Board Operations Committee in relation to the Board Chair. Where the Policy 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 Operations Committee.

1.1.3 ETHICAL STANDARDS

The following is a summary of the obligations and prohibitions of each Board member. Obligations and prohibitions are illustrated further under “Specific Situations”:

Compliance: Board members must comply with all federal and provincial laws and regulations related to their directorship, and must follow the spirit and intent of the laws and regulations.

Honesty: Every Board member is under a duty to act honestly, in good faith and in a consistent manner with a view to the best interests of the pension plan while performing their duties.

Fairness: Board members must avoid any unfair practices and strive for impartiality in conducting Board business.

Disclosure: Where applicable, Board members must disclose relevant information to the Board Chair pursuant to this policy and must disclose conflicts of interest as required by the Conflict of Interest Policy.

Release of Information: Board members must meet the requirements of the Disclosure Policy in discussing or releasing information.

Impropriety: Board members must not accept any form of remuneration, other than their compensation, for their directorship. A Board member may not give gifts or other favours as an inducement for preferential treatment. No Board member shall accept any payments, gifts, entertainment or any other favours that might reasonably be viewed as likely to interfere with or influence the exercise of independent and objective judgement by the individual in the best interest of the pension plan.

Misuse of Information: Board members must not make any use of any proprietary or confidential information, acquired in the course of their directorship,

for personal gain or for their personal benefit.

Privacy: Board members must protect the confidential nature of all personal information of any individual that is acquired in the course of their duties, and must not release the personal information to any person other than to those who are authorized to deal with the information in accordance with the *Freedom of Information & Protection of Privacy Act*.

1.1.4 FREEDOM TO REPORT CONDUCT

If a Board member believes that an ethical standard has not been followed by another Board member, the Board member is encouraged to bring the concern to the attention of the individual, the Board Chair or the Board Vice-Chair. The Board will support Board members who, acting in good faith, bring forward a concern, even if the concern is later determined to be unfounded.

1.1.5 DISCLOSURE

Board members are required to disclose to the Board Chair information that is relevant to this policy.

Board members are required to annually submit an Ethics and Conduct Certificate (Appendix 1) to the Board Chair, in addition to a Conflicts of Interest Certificate under the Board Conflicts of Interest Policy. 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 policy.

Where actual violations or potential violations of the policy are indicated in the certificate, an investigation will be conducted by the Board Chair and/or Vice Chair. Board members will be encouraged to and are expected to participate in rectifying and resolving any compliance problems. 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.

Board members whose activities violate this policy or who willfully fail to report violations and potential violations in their 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 Minister, which may include a recommendation to rescind the Board member's appointment.

1.1.6 ETHICS COMMISSIONER

The Chair may seek advice from the Ethics Commissioner on whether an activity by the Chair would be a breach of this Policy.

The Minister of Finance and Enterprise may refer a concern about an alleged breach by a Board Member to the Ethics Commissioner.

A Board Member may request that the Ethics Commissioner review a recommendation made by the Chair under this Policy.

1.1.7 SPECIFIC SITUATIONS

The following examples illustrate how the obligations and prohibitions 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 judgement or actions with respect to transactions with or by ALAPP or the pension plan and such receipt would not reasonably be interpreted by others so as to discredit LAPP Corp. or the pension plan. You should return any gift received which may be viewed as going beyond this guideline.

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 LAPP Board member and you are asked to express your opinion on a pension matter.....

You should identify yourself as a LAPP 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 pension plan or the Board's public position on issues.

3. Your nominating group asks for a meeting with you to discuss a policy issue which is currently being considered by the Board...

Subject to the restrictions in the Disclosure Policy, 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, honesty and a need to balance accountability against the need to be fair and act in the best interests of all plan stakeholders.

4. Your nominating group asks you to bring a matter before the Board for discussion.

If the issue is relevant to LAPP Corp. or the pension 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 in the best interests of the beneficiaries of the pension plan.

5. Your nominating group 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. Your obligation is to act in the best interests of the beneficiaries of the pension plan: not the interests of your nominating group or organization.

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

You must consult the Conflict of Interest Policy to determine if you are in a conflict of interest situation and follow the disclosure procedures contained therein.

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 your directorship and which is related to any business in which LAPP Corp. or

the pension plan is engaged or may intend to engage.

8. You are in a position to know confidential information about the pension 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 directorship 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 pension 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 pension plan's intentions or activities with respect to securities or other investment in a business.

1.1.8 BOARD MEMBERS' ETHICS AND CONDUCT POLICY

Compliance Certificate

I certify that I am familiar with the requirements of the Board Ethics and Conduct Policy, and that for the year ending December 31, _____, I have conducted myself in full compliance with that Policy except as noted below:

Name: