

The Laurel Foundation Code of Ethics



The Laurel Foundation commits to having:

Respect for the communities we work with and serve.

Integrity in our actions.

Responsibility for our decisions and their consequences.

We are committed to:

- Acting honestly, truthfully and with integrity in all our transactions and dealings;
 - Avoiding conflicts of interest;
 - Appropriately handling actual or apparent conflicts of interest in our relationships;
 - Treating our grantees fairly;
 - Treating every individual with dignity and respect;
 - Treating our employees with respect, fairness and good faith and providing conditions of employment that safeguard their rights and welfare;
 - Being a good corporate citizen and complying with both the spirit and the letter of the law;
 - Acting responsibly toward the communities in which we work and for the benefit of the communities that we serve;
 - Being responsible, transparent and accountable for all of our actions; and
 - Improving the accountability, transparency, ethical conduct and effectiveness of the non-profit field.
-

Conflict of Interest Policies

No set of guidelines governing conflicts of interest can cover all situations that may arise. Hopefully, however, the following policy and guidelines will help the Directors of the Board define and understand their appropriate role in the Foundation's consideration and approval of grants, investments and other matters. A companion policy and guidelines apply to possible conflicts involving Foundation staff. At the outset, it would be helpful to restate the reason foundations have found it necessary to develop conflict of interest policies. It is to assure prospective grantees and the public generally that: (i) no organization has an unfair advantage in obtaining grant funds because of Director of the Board or staff affiliation, and

(ii) no Director of the Board or staff member will benefit unfairly from the Foundation's grant funds or other Foundation resources (i.e., no self-dealing). The absence of any perception of favouritism or unfair benefit is as important as the absence of the condition itself.

It is important to note that while these guidelines refer to the grant making process, they apply equally to all investment and business decisions and related matters. This policy also applies to all Board-appointed committees.

Policy

The reputation and credibility of the Foundation rests on its ability to make fair, objective and impartial grant making and other decisions in accordance with carefully defined criteria. Consequently, it is essential to avoid situations where a conflict of interest may influence, or appear to influence, that decision-making process.

There are two types of conflict of interest situations:

- Where a Director of the Board or member of a Director of the Board's family has or appears to have a financial interest in a decision or will receive (or appear to receive) a benefit from Foundation resources; and
- Where a Director of the Board or member of a Director of the Board's family has or appears to have an affiliation or some relationship with a grant applicant that could influence or appear to influence the Board's decision.

The following guidelines are intended to help the Foundation's Directors of the Board avoid both types of conflicts.

General

The Foundation recognizes that its Directors of the Board have broad interests and participate in many community, charitable and business activities. The broader the Director of the Board's experience, the more value is the Director of the Board to the Foundation. From time to time, however, a Director of the Board may serve as an officer, staff member, director, trustee or consultant to an organization under consideration for Foundation support. Situations may also arise where a Director of the Board's business or personal interests may be affected by a Foundation grant or other decision. In all such cases, the potential for conflict of interest should be recognized and disclosed, and appropriate steps taken to prevent influence or favouritism by such Director of the Board in the Foundation's grant or other decision. Even this is not enough; the Foundation should avoid any situation that might appear to have involved such influence or favouritism.

Tests to Determine Conflicts of Interest

To assist Directors of the Board and staff members in identifying and resolving Director of the Board conflicts of interest, proposed grants and other transactions should be evaluated in accordance with each of the following tests:

1. The Compliance or Legal Test

All grants and, for that matter, all investments and disbursements by the Foundation must comply with the federal, provincial and local laws and regulations governing the Foundation. Where there is a doubt whether a particular grant, investment, or disbursement meets the compliance test, a legal opinion and/or ruling from the Canada Revenue Agency will be sought. When possible, conflicts should be avoided because this procedure can be costly and time consuming. The Canada Revenue Agency virtually prohibits transactions between Directors of the Board or staff members and the Foundation — i.e., no self-dealing. There are some exceptions and transitional rules, but self-dealing is not permissible, whether or not the parties deal at arm's length. Upon association or employment with the Foundation, all Directors of the Board and staff members are given an abbreviated explanation of the self-dealing and other pertinent provisions of the law, including a listing of a) those acts which constitute self-dealing; b) a definition of disqualified persons; and c) a listing of the disqualified persons.

Thus, under the compliance or legal test, the Foundation should make no grant or investment that would result, directly or indirectly, in a financial benefit to any Director of the Board. This means that under the compliance test:

- General purposes support to a prospective grantee organization would be prohibited if a Director of the Board is a paid employee of, or consultant to, the organization.
- Support for a particular project would also be prohibited if a Director of the Board might financially benefit, even indirectly.
- Allowing a Director of the Board or member of a Director of the Board's family to pool his or her investments with amounts invested by the Foundation in order to satisfy the minimum investment requirements of a particular private equity or hedge fund or to reduce investment fees paid by the Director of the Board or member of a Director of the Board's family (or to increase investment return) would not be permissible.

2. The Program or Merit Test

There are two basic elements of the program or merit test:

- Grants to any organization which a Director of the Board serves as an officer, director, trustee, staff member, or consultant should meet the general program criteria and priorities of the Foundation as previously reviewed and approved by the Directors of the Board.
- A Director of the Board who is an officer, director, trustee, staff member or consultant of a



- prospective grantee organization should not be involved in submitting, reviewing, recommending or approving the grant, or in its subsequent monitoring or evaluation. Also, as discussed below, as the grant is being processed, approved, or ratified by the Board, any conflict should be fully disclosed with the assurance that the Director of the Board was not involved in the grant process.

3. The Appearance Test

This test is the most difficult to define (e.g., does it look right?), but here is a suggested guideline:

If a Director of the Board is the chief executive officer of an organization, holds a similar management position, or is otherwise prominently identified or associated with an organization, a prospective grant to that organization may fail the appearance test because it suggests the appearance of favouritism. Each such case will be considered on its merits. If there is any appearance of favouritism, the Foundation may decline grant support. This does not imply that any organization with which a Director of the Board is associated can never receive a grant from the Foundation.

- The grant must fall within the established program guidelines of the Foundation.
- The grantee organization is an established public charity with broad support among the local or national charitable community.
- The Director of the Board with a conflict of interest does not submit the grant request, become involved in the grant review process, or receive economic benefit from the grant.
- The nature of the organization and the role of the Director of the Board in that organization argues against any appearance of conflict or impropriety.
- The conflict is fully disclosed.

Disclosure

The first step in avoiding problems of conflict of interest is to get the facts out in the open. Each Director of the Board is under an obligation to the Foundation and to the other Directors of the Board to inform them of any position held currently or during the past three years, the investment in any business, or any vocational activities that may result in a possible conflict of interest. A Director of the Board should also disclose any activity or interest that may cause bias for or against a particular grantee, action or policy being considered by the Board of Directors of the Board. Each Director of the Board is asked to file with the Secretary/Treasurer a Disclosure Statement setting forth:

- Any position held (director, officer, director of the Board, employee) with any charitable or community organization at date of such statement and during the three years prior to such date.
- Any position held (director, officer, employee) with any business enterprise at date of such statement and during the period of three years prior to such date.

Each Director of the Board is asked to update such Disclosure Statement by amendment as the Director of the Board's relationships change. The Secretary/Treasurer and the Director of the Board will be responsible to make disclosure to the Board at any time Foundation action is considered involving any organization or enterprise listed on a Director of the Board's Disclosure Statement. In most cases, the conflict of interest is deemed to have disappeared three years after the association ended which originally gave rise to the conflict.

Withdrawal Requirements

The second step is the application governing situations in which the Board is considering a grant or other matter involving an organization in which a Director of the Board has a special interest.

This step provides as follows:

(a) Except with respect to master resolutions, whenever the Board is considering a grant, appropriation, investment, or other matter involving a charity or other organization in which a Director of the Board is a member, director, director of the Board, officer or employee, the Director of the Board concerned shall temporarily withdraw from the meeting (remaining on call in the immediate vicinity) so that the matter may be discussed and acted upon in his or her absence.



(b) Whenever the Board is considering a grant, appropriation, investment, or other matter involving a charity or other organization in which a Director of the Board otherwise has a special interest or responsibility, or might be perceived as having the same, the Director of the Board shall disclose the facts to the Board. At the discretion of the Director of the Board concerned, or upon order of the Chairperson of the meeting, or a majority vote of the other Directors of the Board present, the Director of the Board concerned shall temporarily withdraw from the meeting (remaining on call in the immediate vicinity) so that the matter may be discussed and acted upon in his or her absence.

(c) Master resolutions (that is, resolutions authorizing the making of grants to a number of grantees) pose a special conflict of interest problem. When a Director of the Board has a conflict or possible conflict of interest with respect to a grantee named in a master resolution, the Director of the Board shall announce the fact of such conflict prior to voting on the master resolution, and the Director of the Board's vote shall be recorded as having abstained as to such grantee. A Director of the Board need not withdraw from the meeting because of a conflict or possible conflict of interest with respect to a grantee named in a master resolution.

(d) A Director of the Board's temporary withdrawal under this section shall have no effect on the presence of a quorum.

Examples:

- Withdrawal would be required if the Director of the Board is an officer or other paid employee of a bank or financial institution, and the Foundation is voting on any matter involving the financial institution (e.g., opening an account, considering an investment).
- Withdrawal is appropriate by a Director of the Board of the Foundation who is a "substantial investor" in a business concern which may be affected by an action. If the Director of the Board, his or her family or business associates have over 2 percent of ownership, it is considered "substantial." Substantial investment, or the potential for significant benefit, should lead the Director of the Board to withdraw from the meeting. If the Director of the Board's investment is not "substantial," it would be appropriate, after disclosing the investment, to participate in the vote on the question. The Director of the Board, Chairman, or majority of Directors of the Board present, may also decide that withdrawal is appropriate, whether or not there is the potential for a significant benefit involved and whether or not such withdrawal is required.
- A Director of the Board of the Foundation who is an officer (paid or unpaid) or employee of an institution to which a grant is proposed would be required to withdraw from the meeting until the matter has been acted upon. A Director of the Board who formerly was a paid or nonpaid director or officer of the proposed grantee is technically not required to withdraw from the meeting, after disclosing the connection. If there is any question as to the appropriateness, the Director of the Board, Chairman or Board of Directors of the Board may decide that the Director of the Board should temporarily withdraw from the meeting.

Honorariums

1. Representing the Foundation

At times, Directors of the Board may be called upon to speak before various groups as a representative of the Foundation. As a representative, it would be inappropriate to accept from such groups an honorarium, gift, or similar means of payment. If such person is authorized to represent the Foundation, the Foundation will pay travel and related expenses.

2. Not Representing the Foundation

If such person is not officially representing the Foundation, there may still be a potential for conflict of interest if the person receiving the reimbursement from another source might have an obligation or the appearance of an obligation to that source by so accepting reimbursement (or the Foundation might be, or appear to be, so obligated). In such cases, reimbursement by an outside organization is inappropriate.

