

**DIRECTORS' CODE OF CONDUCT AND POLICY ON CONFLICTS OF INTEREST
AND FINANCIAL ASSOCIATIONS**

**CANADIAN INTERNET REGISTRATION AUTHORITY/
AUTORITÉ CANADIENNE POUR LES ENREGISTREMENTS INTERNET**

(the “Corporation”).

**SECTION 1
GENERAL**

- 1.01 Application. This document, which comprises the Code of Conduct for Directors of the Corporation, the Policy on Conflicts of Interest for Directors of the Corporation, and the Policy on Financial Associations for Directors of the Corporation (the “**Policy**”) has been approved by the board of directors (the “**Board**”) of the Corporation. The Policy is intended to govern the conduct of Directors of the Corporation. It also sets out guidelines for avoiding and disclosing conflicts of interest, as well as guidelines regarding the prohibition of financial associations between Directors.
- 1.02 Definitions. Unless otherwise specified, the words and expressions used in this Policy shall have the same meaning as in By-law No. 1 of the Corporation.
- 1.03 Complement to By-laws, etc. The provisions of this Policy are intended to complement and enhance in a consistent manner, the requirements that arise at law and in the By-laws of the Corporation. The Board may adopt such other policies or prescribe such other rules and regulations not inconsistent with the provisions of the Corporation’s By-laws or the *Canada Not-for-Profit Corporations Act* relating to conflicts of interest and financial associations.
- 1.04 Interpretation. This Policy shall be, unless the context otherwise requires, construed and interpreted in accordance with the interpretation provisions of the Corporation’s By-laws.

**SECTION 2
DUTIES AND RESPONSIBILITIES OF INDIVIDUAL DIRECTORS**

- 2.01 Responsibilities. Each Director is expected to become an active participant in a board that functions effectively as a whole. A Director is responsible to:
- (a) Be informed of the constating documents and legislation under which the Corporation exists, its By-laws, mission, values, codes of conduct, and policies as they pertain to the duties of a Director;
 - (b) Keep generally informed about the activities of the Corporation and the local Internet community, and general trends in the sector(s) in which it operates;
 - (c) Attend Board meetings regularly, serve on committees of the Board and contribute from personal, professional and life experience to the work of the Board;

- (d) Exercise, in the performance of their duties, the degree of care, diligence and skill required of a Director pursuant to the laws under which the Corporation is incorporated;
- (e) Be independent and impartial;
- (f) Not be influenced by self-interest, outside pressure, expectation of reward or fear of criticism;
- (g) Act with honesty and integrity and conduct herself in a manner consistent with the nature and the responsibilities and the maintenance of public confidence in the conduct of the Board's business;
- (h) Offer her personal perspectives and opinions on issues that are the subject of Board discussion and decision;
- (i) Voice, clearly and explicitly at the time a decision is being taken, any opposition to a decision being considered by the Board;
- (j) Maintain solidarity with fellow Directors in support of a decision that has been made in good faith in a legally constituted meeting, by Directors in reasonably full possession of the facts;
- (k) Ask the Directors to review a decision, if she has reasonable grounds to believe that the Board has acted without full information or in a manner inconsistent with its fiduciary obligations, and, if still not satisfied after such review, ask that the matter be placed before the membership;
- (l) Work with the staff of the Corporation on committees or task forces of the Board;
- (m) Know and respect the distinction in the roles of Board and staff consistent with the principles underlying these governance policies;
- (n) Exercise vigilance for and declare any apparent or real personal conflict of interest in accordance with the Corporation's By-laws and policies, and in particular with this Policy;
- (o) If the Director is employed or affiliated with a Registrar, disclose any ongoing or recurring compliance related issues between the Corporation and the Registrar that the Director is aware of that could significantly reflect negatively on the image or reputation of the Corporation; and
- (p) Comply with all other codes and policies approved by the Board from time to time.

2.02 Conduct of Directors. A Director will at all times conduct herself in a manner that:

- (a) Supports the purposes and objectives of the Corporation;
- (b) Serves the overall best interests of the Corporation;
- (c) Subordinates her personal interests, and those of any particular constituency, to the best interests of the Corporation;
- (d) Brings credibility and goodwill to the Corporation;
- (e) Respects principles of fair play and due process;
- (f) Demonstrates respect for individuals and human rights;
- (g) Respects and gives fair consideration to diverse and opposing viewpoints;
- (h) Demonstrates due diligence and dedication in preparation for, and attendance at, meetings, special events and in all other activities on behalf of the Corporation;
- (i) Demonstrates good faith, prudent judgement, honesty, transparency and openness in her activities on behalf of the Corporation;
- (j) Ensures that the financial affairs of the Corporation are conducted in a responsible and transparent manner with due regard for her fiduciary responsibilities and public trusteeship;
- (k) Avoids real or perceived conflicts of interest;
- (l) Conforms with the By-laws and policies approved by the Board, in particular this Policy and the Oath of Office and Confidentiality Agreement.

SECTION 3 CONFLICT OF INTEREST GUIDELINES

3.01 Integrity. These Conflict of Interest Guidelines are intended to ensure the highest standards and maintenance of the integrity of the Board. Directors shall act at all times in the best interests of the Corporation rather than in the interests of particular constituencies. This means putting the interests of the Corporation ahead of any personal interest or the interest of any other person or entity. It also means performing her duties and transacting the affairs of the Corporation in such a manner that promotes public confidence and trust in the integrity, objectivity and impartiality of the Board.

3.02 No Pecuniary Benefit.

- (a) No Director shall directly or indirectly receive any profit from her position as such, provided that, notwithstanding anything herein contained to the contrary, Directors may receive reasonable payment for their services and reimbursement for reasonable expenses incurred by them in the performance of

their duties as permitted in the By-laws and approved by the Board.

- (b) The pecuniary interests of immediate family members (including the immediate family members of a Director's partner) or close personal or business associates of a Director are considered to also be the pecuniary interests of the Director.

3.03 Definition of Conflict of Interest.

- (a) A conflict of interest refers to situations in which personal, occupational or financial considerations may affect, or appear to affect, a Director's objectivity, judgment or ability to act in the best interests of the Corporation and includes conflicts as described in subsection 3.04 hereof.
- (b) A conflict of interest may be real, potential or perceived in nature.
- (c) A real conflict of interest arises where a Director has a private or personal interest, for example, a close family connection or financial interest.
- (d) A potential conflict of interest may arise when a Director has a private or personal interest such as an identified future commitment.
- (e) A perceived or apparent conflict of interest may exist when a reasonable, well-informed person has a reasonable belief that a Director has a conflict of interest, even if there is no real conflict.
- (f) Full disclosure, in itself, does not remove a conflict of interest.

3.04 Examples of Conflict of Interest on the Part of a Director.

The following examples constitute, without limitation, Conflicts of Interest under this Policy:

- (a) Any circumstance that may result in a personal or financial benefit to a Director or his family, business associate or friend. This includes, but is not limited to, accepting any payment for services rendered to the Corporation other than payment for services of a Director as permitted in this Policy, including contracted work or honoraria; or accessing financial or other resources for personal use, i.e. transportation, training costs, supplies, equipment, etc.
- (b) Personal interests which conflict with the interests of Members of the Corporation or are otherwise adverse to the interests of the Corporation.
- (c) Seeking, accepting or receiving any personal benefit from a supplier, vendor or any individual or organization doing or seeking business with the Corporation.
- (d) Being a member of the board or staff of another Person which might have

material interests that conflict with the interests of the Corporation or its Members; and, dealing with matters on one board which might materially affect the other board.

- (e) Any involvement in the hiring, supervision, grievance, evaluation, promotion, remuneration or firing of a family member, business associate, or friend of the Director.

3.05 Gifts and Hospitality. Directors shall not directly or indirectly offer or accept cash payments, gifts, gratuities, privileges or other personal rewards, which are intended to influence the activities or affairs of the Corporation. Directors may, however, give or receive modest gifts or hospitality as a matter of general and accepted business practice, provided the foregoing does not include cash or other negotiable instruments and provided all gifts or hospitality have been disclosed and properly accounted for.

SECTION 4 FINANCIAL ASSOCIATION BETWEEN DIRECTORS

4.01 Guiding Principles.

- (a) No two Directors may have the same employer directly or indirectly through common corporate ownership or otherwise or be financially associated, for example, by similar sources of material employment income or material consulting income. The decisions of the Board from time to time on these matters shall be final and binding. Each Director must on an ongoing basis make disclosure to the Corporation if any change should occur in her employment or financial association that would cause the Director to have the same employer or be financially associated with another Director of the Corporation as described herein.
- (b) The purposes of this section are:
 - (i) to minimize opportunities for Directors, acting in concert, to put the interests of any person or entity ahead of those of the Corporation, and to reflect Directors' fiduciary duty to act honestly and in good faith with a view to the best interests of the Corporation; and
 - (ii) to ensure that the composition of the Board reflects the broad constituency of Canadians served by the Corporation rather than any particular interest group.

4.02 Common Employment.

- (a) The purpose of prohibiting two or more Directors from having the same employer directly or indirectly whether through common corporate ownership or otherwise, is to prevent an alignment of financial interest between two Directors, each of whom potentially is subject to control or influence by a common employer or by employers which are subject to common control.

- (b) Examples of the application of this section would include:
- (i) Director A and Director B are both employees of Employer A (i.e., corporation, partnership, club, individual or other incorporated or unincorporated employer).
 - (ii) Director A is an employee of Corporation A. Director B is an employee of Corporation B. Corporation B is a subsidiary of Corporation A.
 - (iii) Director A is an employee of Corporation A. Director B is an employee of Corporation B. Corporation A and Corporation B are affiliates because both are subsidiaries of Corporation C.
 - (iv) Director A is an employee of Corporation A. Director C is an employee of Corporation C. Corporation C is the “grandchild” of Corporation A because Corporation C is the subsidiary of Corporation B which is the subsidiary of Corporation A.
 - (v) Director A is an employee of Partnership A. Director B is an employee of Limited Partnership B. Partnership A is the General Partner which manages Limited Partnership B.

4.03 Financial Association.

- (a) The Guiding Principles in section 4.01 do not define “financial association”. However, section 4.01 gives two examples of such financial association: having similar sources of material employment income or material consulting income.
- (i) The term “similar” is not defined. In each circumstance, the Board must determine whether the Directors’ sources of income are related to such an extent that they result in potential control, influence or alignment of financial interest between the Directors.
 - (ii) The term “material” is not defined. In each circumstance, the Board must determine whether the Directors’ sources of employment or consultancy income are significant to such an extent that they result in potential control, influence or alignment of financial interest between the Directors. In the absence of evidence to the contrary, the Board is entitled to assume materiality where a single source of income (or related sources of income such as from a group of affiliated entities) represents at least 10% of a Director’s total income.
- (b) Examples of similar sources of material income would include:
- (i) Director A is an employee of Business A. Director B is a consultant to Business A who derives a material source of her income from Business A.

- (ii) Director A and Director B are both consultants to Business A. Both Directors derive a material source of their respective incomes from Business A.
 - (iii) Director A is an employee of Corporation A. Director B is a consultant to Corporation B who derives a material source of his income from Corporation B. Corporation B is the subsidiary, grandchild, or other affiliate of Corporation A.
 - (iv) Director A is a consultant to Partnership A who derives a material source of his income from Partnership A. Director B is a consultant to Limited Partnership B who derives a material source of her income from Limited Partnership B. Partnership A is the General Partner which manages Limited Partnership B.
 - (v) Director A is a consultant to Client A who derives a material source of her income from Client A. Director B is a consultant to Person B who derives a material source of his income from Client B. The consultancies relate to a joint venture in which Client A and Client B are joint venture partners.
- (c) It is impossible to list all the situations which may involve a financial association between Directors. The Board must have the flexibility, on a case-by-case basis, to determine whether a particular financial association is prohibited by this Policy. Examples of sources of employment or consultancy income that illustrate prohibited financial associations between Directors under this Policy are not exhaustive. When the Board is required to determine whether a particular situation that does not fall within such examples constitutes a financial association, the Board should have regard for the plain meaning of the words and the purpose of the Policy, along with the following guidelines:
- (i) there must be an “association” between Directors, namely a potential community or alignment of financial interest between the Directors caused by financial control, influence or commonality of interest;
 - (ii) the association must be of a “financial” nature; and
 - (iii) the association must be “material”, which may include a consideration both of monetary amount or proportion of the financial association involved and its relevance to the Corporation.
- (d) Examples of prohibited financial associations might include, without limitation:
- (i) a relationship involving financial dependency between Directors which may, but would not necessarily, include a spousal, parent-child or other close personal relationship between the Directors;

- (ii) a material investment relationship such as where:
 - (A) Director A holds a material investment in Business A, either because Director A's investment consists of at least 10% of Business A's equity or because Director A's investment consists of at least 10% of Director A's assets. Director B is an employee or consultant of Business A who derives a material source of her income from Business A; or
 - (B) both Director A and Director B hold material investments in Business A. Each investment consists of at least 10% of Business A's equity or at least 10% of each of Director A's and Director B's assets; or
- (iii) a material contract between Director A and Director B which results in an alignment of their financial interests. Such a contract might include, for example, a consultancy, employment, business partnership or other financial relationship. It would not, however, include an arm's-length commercial relationship (such as supplier-consumer, service provider customer, vendor-purchaser) unless the Board determines that, in all the circumstances, the contract could reasonably be anticipated to result in the Directors having financially aligned interests with respect to the Corporation policies, rules or other decisions.

SECTION 5 PRINCIPLES FOR DEALING WITH CONFLICTS OF INTEREST AND FINANCIAL ASSOCIATIONS

- 5.01 Disclosure. Both prior to serving on the Board and during their term of office, Directors must openly disclose a potential, real or perceived conflict of interest or financial association as soon as the issue arises and before the Board or its committees dealing with the matter at issue.
- 5.02 Guidance. If the Director is not certain whether she is in a conflict of interest or financial association position, the matter may be brought before the Chair of the Board, the Chairs of the Corporation's committees, or the Board for advice and guidance.
- 5.03 Board Vote. If there is any question or doubt about the existence of a real or perceived conflict of interest or financial association, the Board will determine by majority vote if a conflict of interest or financial association exists. The Director potentially in conflict of interest or financial association shall be absent from the discussion and shall not vote on the issue.
- 5.04 Obligation of Fellow Directors. It is the responsibility of other Directors who are aware of a real, potential or perceived conflict of interest or financial association on the part of a fellow Director to raise the issue for clarification, first with the Director in question and, if still unresolved, with the Chair of the Board.

- 5.05 Abstention. The Director must declare the matter in advance and if decided by the Board, shall abstain from participation in any discussion on the matter, shall not attempt to personally influence the outcome, shall refrain from voting on the matter and/or shall leave the meeting room for the duration of any such discussion or vote.
- 5.06 Recording of Minutes. The disclosure and decision as to whether a conflict of interest or financial association exists shall be duly recorded in the minutes of the meeting. The time the Director left and returned to the meeting shall also be recorded.

SECTION 6 REMOVAL UPON FINANCIAL ASSOCIATION

- 6.01 Voluntary Resignation. If two or more Directors are in financial association in accordance with this Policy, then such Directors shall first be given the opportunity to decide amongst themselves which of such Directors will resign voluntarily.
- 6.02 Removal. If no Director wishes to resign voluntarily: (i) within ten (10) days of the date that disclosure of the financial association is made to the Corporation in accordance with this Policy; or (ii) within the period before the next Board meeting following the date that disclosure is made, whichever period is shorter, then the Board shall, and shall have the authority to, remove the following Director(s) (and the Directors in financial association shall not vote on the matter):
- (a) if two or more Directors are elected at the same time and are in financial association, the Director(s) elected with the fewer number of votes;
 - (b) if a newly elected Director is in financial association with an existing Director, the new Director;
 - (c) if two or more existing Directors come into financial association during their term of office:
 - (i) the Director(s) whose status change resulted in the financial association;
 - (ii) the Director(s) most recently elected;
 - (iii) the Director(s) with the shortest term left to serve as Director; or
 - (iv) if applicable, the Director(s) elected with the fewest number of votes;whichever of paragraphs (i), (ii), (iii) or (iv) is first applicable in the order set out above.
- 6.03 Special Meeting of Members. If the Director(s) to be removed cannot be determined under subsections 6.02(a), (b) or (c) above, the Board shall call a special meeting of Members at which the Members shall determine by ordinary resolution which of the Directors in financial association shall remain in office and which shall be removed.

SECTION 7
CONTRAVENTION OF POLICY PROCEDURE

7.01 Self-reporting.

- (a) Annual: Directors are required to file a questionnaire and declaration on an annual basis identifying any potential contraventions of this Policy.
- (b) Ongoing: Directors are required to report any potential contraventions of this Policy as soon as they are aware of the contravention. Directors who feel they may have contravened this Policy will consult with the Chair of the Board.

7.02 Peer Reporting. If a Director hears of or observes another Director who is, or appears to be, contravening this Policy, the Director will consult with the Chair of the Board and may advise the other Director of this action.

7.03 Investigation. The Chair of the Board will review or investigate the matter, in consultation with the Board if necessary.

7.04 Outcomes.

- (a) The Chair of the Board, further to her review or investigation of the matter may take such action as she considers necessary and appropriate in the circumstances, including, but not limited to:
 - (i) taking no further action (e.g. if the allegation is unfounded);
 - (ii) requiring that the Director undergo training or education;
 - (iii) requesting the Director's resignation; or
 - (iv) taking such other disciplinary action that the Chair of the Board deems fair and appropriate, including without limitation a recommendation that the Members be asked to remove the Director from the Board in accordance with the By-laws of the Corporation (Section Three, Subsection 3.07(c)).
- (b) In carrying out her review or investigation, the Chair of the Board shall adopt such procedures as she considers fair and reasonable.
- (c) Any decision or disciplinary action taken by the Chair of the Board under this Policy is final, unless appealed to the Board within thirty (30) days of the date of receipt of the Chair's decision.

7.05 Role of Vice-Chair. If a contravention of this Policy is alleged against the Chair of the Board, the Vice-Chair of the Board will undertake the responsibilities of the Chair as outlined above in this matter.

- 7.06 Allegations of Illegal Activity. Allegations of illegal activity involving a Director shall be immediately referred to appropriate authorities for investigation. Any Director against whom such allegations are made shall take a leave of absence from the Board pending completion of the investigation.

SECTION 8 CONFIDENTIALITY

- 8.01 Confidential Information. It is the responsibility of Directors to know what information is confidential and to obtain clarification when in doubt. Except as she may be compelled by applicable legal process, a Director must, both while having and after ceasing to have that status, treat as confidential all information regarding the policies, internal operations, systems, business or affairs of the Corporation obtained by reason of her status as a Director and not generally available to the public. A Director shall not use information obtained as a result of her involvement on the Board for her personal benefit. Each Director shall avoid activities which may create appearances that she has benefited from confidential information received during the course of her duties as a Director.
- 8.02 Review of Policy. Each Director, forthwith after being elected, shall meet with the Corporation's in-house legal counsel or, in his absence, with the Chair of the Board, to review this Policy and such other policies of the Corporation that apply to Directors.
- 8.03 Oath of Office and Confidentiality Agreement. Each Director is required to sign and agree to comply with the *Oath of Office and Confidentiality Agreement*, in the form attached hereto as Schedule "A" on an annual basis.

Schedule "A"

Oath of Office and Confidentiality Agreement

I, _____, a Director of **CANADIAN INTERNET REGISTRATION AUTHORITY/AUTORITÉ CANADIENNE POUR LES ENREGISTREMENTS INTERNET**, declare that I have read, understood and agree to comply with the *Directors' Code of Conduct and Policy on Conflicts of Interest and Financial Associations* and other applicable policies, and that in carrying out my duties as a Director, I will:

1. Exercise the powers of my office and fulfil my responsibilities honestly, in good faith and in the best interests of the Corporation.
2. Exercise these responsibilities, at all times, with due diligence, care and skill in a reasonable and prudent manner.
3. Respect and support the Corporation's By-laws, policies, *Directors' Code of Conduct and Policy on Conflicts of Interest and Financial Associations* and decisions of the Board of Directors and Membership.
4. Keep confidential all information unless the Board of Directors determines that such information is public. This shall include, but not be limited to, information about personnel, trade-secrets, any personal information, and matters dealt with during *in-camera* meetings of the Board of Directors.
5. Conduct myself in a spirit of collegiality and respect for the collective decisions of the Board of Directors and subordinate my personal interests to the best interests of the Corporation.
6. Immediately declare any personal conflict of interest or financial association that may come to my attention.
7. Comply with decisions of the Board of Directors made pursuant to the Corporation's policies.

Signature: _____ Date: _____

Witness: _____ Date: _____