

Code of Conduct for The Canadian Tourism Commission Board of Directors

April 2012

I. PURPOSE AND OBJECTIVE

A. The purpose of this document is to establish standards of conduct expected and required of all directors of the Canadian Tourism Commission (CTC).

B. The following standards are not intended to be exhaustive and if questions arise, they should be settled in accordance with the general principles in this document, through consultation with the Chairman of the Board, the Chair of the Governance and Nominating Committee, the Corporate Secretary or through the exercise of sound business and ethical judgment.

C. The standards consist of principles, duties, ethical and conflict of interest standards, and requirements for implementation. All of these elements are of equal importance.

II. PRINCIPLES

The fundamental relationship between a Director and the CTC is trust. Essential to trust is a commitment to honesty and integrity.

Directors shall act with loyalty in their service on the Board of the CTC. In so doing, directors are expected to support the achievement of the objects of the CTC.

A. The mission of the CTC is to harness Canada's collective voice to grow tourism export revenues.

B. Directors must act in the best interests of the corporation.

C. The CTC expects that directors will organize their Private Economic Interests in such a manner that:

- (i) public confidence and trust in the integrity, objectivity and impartiality of the CTC and its directors will be maintained;
- (ii) real conflicts of interest, potential conflicts of interest and perceived conflicts of interest will be identified, disclosed, managed, and where reasonably possible, eliminated as per the Code of Ethics, Code of Conduct and policies;
- (iii) systemic conflict of interest will be avoided.

D. The views and concerns of the industry are an important element in Board decision-making and each director has a responsibility to ensure those views and concerns are brought forward to the entire Board.

III. DUTIES

Duties for directors emanate from common law obligations and the provisions of the statute or instrument under which the company is incorporated. The following duties are applicable to directors and are in addition to any enactment or rule of law or equity relating to the duties of directors

A. Duty of loyalty

Directors must act honestly, in good faith, and in the best interests of the corporation. The key elements of this standard of behaviour are:

- (i) A director must act in the best interests of the CTC and not in his or her self-interest. Acting in the best interests of the CTC includes ensuring that the views and concerns of the industry are brought forward to the entire Board.
- (ii) A director must avoid situations where the director could profit at the expense of the CTC, appropriate a business opportunity of the corporation, or otherwise put him/herself in a position of conflict between their own private interests and the best interests of the corporation;

- (iii) A director must disclose to the Board any personal interests which he/she holds that may conflict with the interests of the CTC;
- (iv) A director must maintain the confidentiality of information received in his/her capacity as a CTC director.
- (v) A director must adhere to the policies and By-Laws adopted by the Board, which govern board and directors conduct.

B. Duty of care

Directors owe a duty of care to the CTC and must exercise the degree of skill and diligence reasonably expected from an ordinary person of his or her knowledge and experience. This means:

- (i) The standard of behaviour expected of a director will depend upon the particular qualities or characteristics that the director brings to the CTC in relation to the particular matters under consideration.
- (ii) Directors must be proactive in the performance of their duties by:
 - (a) attending meetings;
 - (b) participating in a meaningful way;
 - (c) being vigilant to ensure the CTC is being properly managed and is complying with laws affecting its operations;
 - (d) ensuring their activities and actions do not undermine the reputation or integrity of the corporation; and,
 - (e) engaging in activities that demonstrate the leadership and accountability of the CTC and directors to the industry.
- (iii) In fulfilling their duty of care, directors have a responsibility to the CTC to ensure that systems are in place to provide directors with the information they need to make informed decisions.

C. Duty to disclose

Directors have a duty to disclose any conflict of interest to the Chairman of the Board, the Chair of the Governance and Nominating Committee, or the Corporate Secretary. The duty to disclose requires directors:

- (i) to avoid situations that place them in a conflict of interest or perceived conflict of interest; and
- (ii) to disclose their private interests in properties or transactions in which the corporation is involved, or proposes to be involved.

D. Other duties

Federal and provincial legislation extends liability to directors for various actions or omissions (e.g., *Financial Administration Act*). Directors should familiarize themselves with the relevant legislation applicable to the CTC and should satisfy themselves that appropriate safeguards are in place to ensure the corporation's compliance with all relevant legislation.

IV. ETHICAL AND CONFLICT OF INTEREST STANDARDS

In fulfilling the above principles and duties, the following represents minimum ethical and conflict of interest standards.

A. Avoiding real or apparent conflict of interest

Directors must perform their responsibilities in a manner that avoids any real or apparent conflict of interest between their private interests and the interests of the CTC.

B. Avoiding opportunities for further private interests

A director has a conflict of interest when the director exercises an official power or performs an official duty or function and at the same time knows that in the performance of the duty or function or in the exercise of the power, there is the opportunity to further his or her private interest.

C. Apparent conflict of interest

An apparent conflict of interest exists when there is a reasonable perception, which a reasonably well informed person could have, that a director's ability to exercise an official power or perform an official duty or function was or will be affected by the director's private interest.

D. Doubts about real or apparent conflicts of interest

Directors should consult with the Chairman of the Board, the Chair of the Governance and Nominating Committee, or the Corporate Secretary if in doubt about whether a real or apparent conflict exists. In addition to a director's duty to avoid any real or apparent conflict of interest, directors must also exercise

due diligence in avoiding potential conflicts of interest in the future. Upon appointment, directors must consider, in consultation with the Chairman of the Board, the Chair of the Governance and Nominating Committee, or the Corporate Secretary, whether arrangements for his or her private interests and financial affairs are necessary to prevent a conflict of interest or the perception of conflict of interest from arising.

E. Specific guidance in areas where conflicts of interest may arise

The following provides some specific guidance in areas where conflicts of interest or other ethical issues may arise. This does not represent an exhaustive list of all potential conflict of interest or ethical issues:

(i) Furthering of Private Interests

If a director is directly or indirectly interested in a proposed contract or transaction with the CTC or if the director has discretionary, decision-making power which could bring about financial benefit to the director due to financial holdings or business and property interests, there is potential for a conflict of interest.

In these instances, appropriate actions should be taken, and, at a minimum, these holdings and interests should be disclosed. The director should not get personally involved in the contract or transaction.

(ii) Corporate Information and Opportunities

A director must not engage in any financial transactions, contracts, or private arrangements for personal profit which accrue from, or are based upon, the director's official position or authority or upon confidential or non-public information that the director gains by reason of such position or authority.

Confidential information that directors receive through their office or employment must not be divulged to anyone other than persons who are authorized to receive the information. A director must not use information that is gained due to his or her position or authority, which is not available to the general public, in order to further the director's private interest. Directors must also not offer such information to spouses, associates, immediate family, friends, or persons with whom the director is connected by frequent or close association.

(iii) Preferential Treatment

Directors must not act in their official role to assist organizations or persons in their dealings with the CTC if this may result in preferential treatment to that organization or person.

(iv) Corporate Property

Directors must not use corporate property to pursue their private interests or the interests of their spouse, their children or a private corporation controlled by any of these individuals. Corporate property includes real and tangible items such as furniture, fixtures, equipment, and vehicles and also includes intangible items such as data, computer systems, reports, information, proprietary rights, patents, trademarks, copyrights, logos, name, and reputation. The CTC may, through prior written approval, authorize a director to use corporate property where such use does not result in additional cost to the CTC, does not detract from a director's performance of duties to the CTC, and does not result in a material personal gain.

(v) Gifts, Benefits and Entertainment

Directors must not solicit or accept benefits, entertainment or gifts in exchange for or as a condition of the exercise of their duties or as an inducement for performing an act associated with the director's duties or responsibilities with the CTC.

A director generally may accept gifts, hospitality or other benefits associated with their official duties and responsibilities if such gifts, hospitality or other benefits:

- (a) are within the bounds of propriety, a normal expression of courtesy, or within the normal standards of hospitality;
- (b) would not bring suspicion on the director's objectivity and impartiality; and
- (c) would not compromise the integrity of the CTC.

An improper benefit should be returned to the person offering it as soon as practicable. If there is no opportunity to return an improper gift or benefit, or where the return may be perceived as

offensive for cultural or other reasons, the gift must immediately be disclosed and turned over to the Chairman of the Board or the Corporate Secretary who will make a suitable disposition of the item.

(vi) Outside Activities

A director must not carry on a business, hold an office or directorship, or engage in an activity if these activities are likely to conflict with the director's duties and loyalty to the CTC or bring harm to the CTC. Directors must refrain from conduct which compromises or may be perceived to compromise their ability to carry out their duties in an impartial manner and must be mindful that the public may not distinguish between their role in the corporation and their role in outside activities.

Directors, after they leave the CTC, are expected to refrain from taking improper advantage of their previous office. Directors must not allow prospects of outside employment create a real or potential conflict of interest during their employment or appointment with the CTC. Directors must continue to observe their duties of confidentiality after they have left the employment or office of the CTC.

F. Public Comment

Directors have an obligation to make official public comment on behalf of CTC within the parameters established by the CTC. All other comments are to be clearly identified as personal opinion and not official public comment on behalf of CTC.

G. Political Activities

Every director is free to participate in partisan political activities. A director's political activities, however, must be clearly separated from activities related to his or her appointment.

If engaging in political activities, directors must remain impartial and retain the perception of impartiality in relation to their Board duties and responsibilities. Directors must not use corporate facilities, equipment, or resources in support of these activities. Partisan politics must not be introduced into the workplace in any way which creates undue or inappropriate influence on employees within the CTC, or persons or business enterprises with whom the CTC does business.

H. Allegations of Wrongdoing

Directors have a duty to report any activity which:

- a. they believe contravenes the law;
- b. represents a real or apparent conflict of interest, a breach of these standards, or a breach of the CTC's code of ethics;
- c. represents a misuse of CTC funds or assets.

CTC will treat any reports of such wrongdoing in confidence unless disclosure of the information is authorized and permitted by law. Directors will not be subject to discipline or reprisals for bringing forward, in good faith, allegations of wrongdoing.

V. IMPLEMENTATION

A. Administration and Enforcement of the Code of Conduct and Conflict of Interest Guidelines

The CTC has designated the Chairman of the Board, the Chair of the Governance and Nominating Committee and the Corporate Secretary as responsible for the administration and monitoring of these guidelines. The Chairman of the Board, the Chair of the Governance and Nominating Committee and the Corporate Secretary have the responsibility to:

- (i) act as a resource to provide central responsibility for administering these standards and the corporation's own code of ethics;
- (ii) provide advice to directors on conflicts of interest, including actions for avoiding a conflict of interest (See Appendix A on actions to avoid conflicts); and
- (iii) monitor the degree of compliance with these guidelines.

The Chairman of the Board, the Chair of the Governance and Nominating Committee, or the Corporate Secretary will investigate breaches and enforcement of the Code of Conduct and Conflict of Interest Guidelines.

The Chairman of the Board, the Chair of the Governance and Nominating Committee and the Corporate Secretary will ensure directors receive appropriate guidance and training on ethical subjects.

B. Reporting an Alleged Breach

- (i) A director shall report an alleged breach of these guidelines to the Chairman of the Board or the Corporate Secretary in writing.
- (ii) The Chairman of the Board or the Corporate Secretary shall provide the written submission to the members of the Governance and Nominating Committee for review.
- (iii) Depending on the seriousness of the alleged breach, the Governance and Nominating Committee will review and discuss the alleged breach as soon as possible, but no later than the Governance and Nominating Committee meeting immediately following the receipt of the written report.
- (iv) The Governance and Nominating Committee must report the complaint to the Board and recommend an appropriate action within one month of having received the report of the alleged breach or by the next Board meeting, whichever is earlier.

C. Disclosure of Interest

The following outlines the procedures for disclosure of interests by directors:

- (i) Written acknowledgment by each director that they understand and agree to comply with the Code of Conduct and Conflict of Interest Guidelines.
- (ii) Completion, upon appointment as a director, and annually thereafter, of a formal written disclosure of any interests that would create a conflict for the director, whether those interests pertain to the director, the director's spouse, the director's minor children or a private corporation controlled by any of these individuals;
- (iii) Supplementary disclosures by directors when and if they have a material change in their circumstances which creates a conflict of interest or a potential for a conflict of interest;
- (iv) Directors must provide incident disclosure where a real or apparent conflict arises during the course of a meeting or in other instances where the conflict has not previously been realized or disclosed; and
- (v) The Corporate Secretary will ensure the confidentiality of personal information provided by directors.

D. Review

The CTC's Code of Ethics and these standards will be reviewed on a regular basis by the Governance and Nominating Committee to ensure these standards and codes maintain their effectiveness and credibility. Periodically, the Corporate Secretary will monitor how the CTC is implementing and reviewing them.

E. Consequences/Sanctions for a Breach

In the event of a breach of these guidelines or a failure to remedy or disclose a conflict of interest, appropriate actions should reflect the nature, magnitude and seriousness of the breach. The Chair of the Governance and Nominating Committee will recommend an appropriate action for approval by the full Board.

The following are examples of consequences a director may face if found to be in breach of these guidelines:

- (a) the director may be reprimanded;
- (b) the director may be required to make full restitution to the CTC;
- (c) the director may be offered the opportunity to resign his or her position with the CTC;
- (d) the CTC may consider taking legal action against the director;
- (e) the Governance and Nominating Committee may recommend to the Governor in Council (GiC) to remove the director from the Board, and
- (f) Depending on the severity of the breach, any one or more of these consequences may apply.

As a general practice, successive breaches by a director will usually be treated as follows:

- First breach – Director will receive a warning letter from the Chair of the Governance and Nominating Committee and the Chairman of the Board.
- Second breach – The Minister of Industry will be made aware of the situation.
- Third breach – The Chairman of the Board and the Chair of the Governance and Nominating Committee will send a letter to the Minister of Industry recommending the removal of the director.

This is not an exhaustive list and does not preclude any other sanctions or courses of action that might be available to the Governor in Council or the CTC Board.

F. Director Commitment

The CTC is determined to behave, and to be perceived, as an ethical corporation.

- (i) Each director must adhere to the standards described in this Code of Conduct and Conflict of Interest Guidelines, and to the standards set out in applicable policies, guidelines or legislation.
- (ii) To demonstrate our determination and commitment, the CTC asks each director to review the Code periodically throughout the year.
- (iii) Integrity, honesty, and trust are essential elements of our business success. Any director who knows or suspects the existence of a conflict of interest or director and employee harassment situation, or a fraud or theft from the corporation or a violation of this Code of Conduct or the Code of Ethics, has a responsibility to report it to the Chair of the Board or the Chair of the Governance and Nominating Committee or the President.

APPENDIX A GUIDELINES ON PROCEDURES FOR ETHICAL CONDUCT

INTRODUCTION

These guidelines are intended to assist CTC in the administration and implementation of the Code of Conduct and Conflict of Interest Guidelines.

POSSIBLE ACTIONS FOR AVOIDING CONFLICTS

The following is a list of actions that may be taken to remedy or avoid a conflict of interest. Directors of the CTC should be familiar with the range of actions that can be taken to remedy or avoid a conflict of interest. Not every remedy will be sufficient to respond to a conflict and directors should consult with the Chairman of the Board or the Corporate Secretary on appropriate actions. This is not an exhaustive list.

A. Disclosure of interests

A minimum first step in avoiding or responding to a conflict of interest is to disclose the interest. Financial assets or investments which are directly or indirectly connected to the content of a director's work should be disclosed. Other areas referenced in the standards where a conflict of interest may arise (e.g.; outside activities, gifts) should be disclosed to the Chairman of the Board or the Corporate Secretary.

B. Abstaining

A director who has reasonable grounds to believe that he or she has a conflict of interest in a matter may, if present at a meeting considering the matter:

- (i) disclose the general nature of the conflict of interest; and
- (ii) abstain from voting on the matter.

C. Recusal

Recusal is not the same as abstaining where the director will not vote but may have participated in discussions on a matter. Recusal means that a director does not participate in deliberations or debates, make recommendations, give advice, consider findings, or in any other way assume responsibility for or participate in the work or decision making relating to the matter where there is potential conflict of interest.

D. Approval

Where a conflict has been disclosed by the director but there is a compelling case for the director to continue, despite the conflict, the director may continue by obtaining the written approval of the Chairman of the Board or the Board.

E. Resignation of other office

Where a conflict of interest exists concerning a director's appointment, office or position with another organization, the conflict may be removed if the director resigns from the other office or position or from the CTC.

F. Divestiture

Where a director owns or has a substantial interest in real or personal assets and ownership of those assets presents a conflict of interest, the conflict may be removed by divesting the assets, or selling them to a third party. Divestiture is most appropriate before holding a position or becoming involved with a business activity where a conflict may be created. Divestiture as a remedy will be inappropriate if, for example, a gain, profit, reward, change in value, or benefit has already been realized and, in such instances, other remedies such as a blind trust or a management agreement may need to be considered.

G. Blind Trust or Management Agreement

Where a director has significant assets that are likely to place him or her in a conflict of interest then the director may consider entrusting those assets to an independent trustee for management. The trust or management agreement should have the following characteristics:

- (i) the provisions of the trust should be approved by the Chairman of the Board or the Corporate Secretary;
- (ii) the trustees must be persons who are at arm's length with the director and approved by the Chairman of the Board and the Corporate Secretary;
- (iii) the director does not control any of the management decisions affecting the trust assets; and
- (iv) the trust may allow the trustee to provide the director with a written report on the value of the assets, but not the nature of the assets.

H. Confidentiality or Post-Service Agreements

The CTC may employ confidentiality agreements with directors to govern the use of confidential information after the director ceases to serve the CTC. Factors which will be considered in determining whether such an agreement is implemented:

- (i) are the importance of the confidential information held or accessible to the director in the course of performing his or her duties to the CTC, and
- (ii) the degree to which an outside group or entity could gain a commercial advantage or cause loss or damage to the CTC by hiring the individual.

I. Return

An improper gift or benefit should be returned to the person offering it as soon as practicable. If there is no opportunity to return an improper gift or benefit or where the return may be perceived as offensive for cultural or other reasons, the gift or benefit must immediately be disclosed and turned over to the Chairman of the Board or the Corporate Secretary who will make a suitable disposition of the item.