

CONFLICT OF INTEREST POLICY

CLIMATE CHANGE AND EMISSIONS MANAGEMENT (CCEMC) CORPORATION

DATE OF APPROVAL: JUNE 24, 2009

A. BACKGROUND

The Climate Change and Emissions Management (CCEMC) Corporation (“CCEMC”) has the authority and obligation to impose conflict of interest guidelines and policies on its directors and officers.

Pursuant to its Bylaws, the affairs of CCEMC are managed and directed by the directors of CCEMC. The directors of CCEMC, by virtue of their position of control over the affairs of CCEMC, stand in a fiduciary relationship to CCEMC. Consequently, the directors of CCEMC must have regard to the requirements of the law governing fiduciary relationships where conflicts of interest arise.

The directors of CCEMC are mindful that their actions shall be subject to public scrutiny. CCEMC has been delegated the performance of the Minister’s duties and functions and the exercise of the Minister’s powers under the *Climate Change and Emissions Management Fund Administration Regulation* (the “Regulation”) made pursuant to the *Climate Change and Emissions Management Act* (the “Act”). The directors of CCEMC discharge these powers, duties, and functions in a manner which is consistent with the Regulation and Act and which furthers the public interest.

CCEMC has adopted a set of guidelines which shall assist the directors of CCEMC to discharge their duties in accordance with their responsibilities. The guidelines are attached to and form part of this policy statement.

B. COMMON LAW REQUIREMENTS

1. The common law imposes upon fiduciaries the duty to act in utmost good faith towards their beneficiaries. Fiduciaries must act toward their beneficiaries with a heightened sense of loyalty and fidelity. Fiduciaries must act in a manner consistent with the best interests of their beneficiaries in all matters related to the undertaking of trust and confidence. Fiduciaries must scrupulously avoid placing themselves in a position of conflict of interest.
2. The general rule regarding conflicts of interests is that no one who has duties of a fiduciary nature to perform is allowed to enter into engagements in which he has or can have a personal interest conflicting with the interests of those whom he is bound to protect. Even where the fiduciary acts in good faith, the foregoing restriction applies. A fiduciary cannot place his own interests ahead of those of his beneficiary, even in situations where the beneficiary benefits from the arrangement. A fiduciary cannot benefit personally from any opportunity which comes to his

awareness by way of his fiduciary position. A fiduciary must not use any aspect of the beneficiary's property for personal gain. More specifically, a fiduciary must not use for personal benefit a beneficiary's assets, goods, information or opportunities.

3. Fiduciaries must not use their position to benefit persons closely associated with them. Where a benefit is conferred upon a person with whom the fiduciary is closely associated, the fiduciary benefits indirectly. Regard must be had to all of the surrounding circumstances to determine whether a person is associated with a fiduciary. Persons sharing business relations or a family relationship shall in most instances be characterized as associates of the fiduciary. In some instances, close personal relationships shall also give rise to an association between the fiduciary and the person. The key issue in determining whether a fiduciary is associated with another person is whether the fiduciary's ability to represent the interests of the beneficiary is or appears to be compromised as a result of the fiduciary's relationship with the third party.

C. APPLICATION OF FIDUCIARY PRINCIPLES TO CCEMC DIRECTORS

1. The directors of CCEMC stand in a fiduciary relationship with CCEMC. The directors must not use their position to gain benefit personally, whether such benefit accrues to them directly or indirectly. Prior to their appointment, all directors should be screened for potential conflicts of interest.
2. Directors must not use their position to benefit persons related to them or with whom they are closely associated, such as business partners.
3. These types of transactions are exceptional and are not anticipated to arise with any frequency. Where they do arise, the affected Director must declare a conflict, fully disclose his interest in the transaction, and refrain from voting upon the matter. Whether the transaction shall be approved shall be a matter for the Board to determine.
4. Directors are encouraged not to make frequent use of the exceptions provided above. The general rule that CCEMC does not enter into transactions with directors or with related persons must be observed with minimal exceptions in order to ensure public confidence in CCEMC and its undertakings remains high.

D. GENERAL FIDUCIARY RESPONSIBILITIES OF DIRECTORS

1. The Board has been structured so as to ensure that the Board is composed of a diverse selection of individuals. Each individual director is expected to bring to the Board a set of viewpoints and experiences which may not be experienced by his fellow directors. This diversity of viewpoints and experience at the Board adds strength and depth to Board decisions.

2. Directors must appreciate that while their appointment to the Board or to a committee may be as a result of a particular organization, as directors their loyalties are first and only to CCEMC.
3. Directors will be required to make decisions based on what they perceive to be the best interests of CCEMC. Although it is intended that directors will draw upon their experiences and views gained through their association with other organizations, it is not intended that directors serve as representatives of those associations on CCEMC.
4. Directors may find themselves in a position of conflict as a result of their associations with organizations having dealings with CCEMC. A conflict may arise where an organization seeks to enter into a transaction with CCEMC. Where a conflict arises, the affected Director or committee member must declare the conflict, fully disclose any personal interest he or she may have in the transaction, and refrain from voting upon the matter. Whether the transaction will be approved will be a matter for the Board or the committee to determine.
5. It would be inconsistent with their duties of loyalty and fidelity to CCEMC for a Director to participate in a decision relating to a matter in which they have a conflict of interest. Their participation in any decisions related to a matter in which they have a conflict could invalidate the decision and could result in embarrassment to both CCEMC and the affected organization. If the conflict is significant, public confidence in CCEMC could suffer.

E. CONFLICT OF INTEREST GUIDELINES

1. Definitions

- (a) In these Guidelines,
 - (i) “*Associated*” means a relationship, transaction or connection such that the relationship, transaction or connection:
 - A. has the potential to affect or give the appearance of affecting the ability of the Director or Committee Member to act impartially on behalf of CCEMC; or
 - B. between CCEMC and the person would, or would be seen to, confer a direct or indirect benefit upon the Director or Committee Member;
 - (ii) “*Benefit*” means a direct or indirect pecuniary or non-pecuniary advantage and includes the avoidance of a detriment, but does not include the prestige associated with the position of Director or Committee Member nor participation in activities or programs of CCEMC in which the public has an opportunity to participate;

- (iii) “*Board*” means the Board of directors of CCEMC;
- (iv) “*Bylaws*” means the Bylaws of the CCEMC;
- (v) “*CCEMC*” means the Climate Change and Emissions Management (CCEMC) Corporation;
- (vi) “*Chair*” means the Chair of the Board;
- (vii) “*Committee*” means a Board Committee or Sub-Committee of CCEMC;
- (viii) “*Committee Member*” means a member of a Committee;
- (ix) “*Director*” means a member of the Board of CCEMC;
- (x) “*Member Organization*” means any organization that becomes a member of the CCEMC in accordance with the Bylaws;
- (xi) “*Policy*” means this Conflict of Interest Policy;
- (xii) “*Related Person*” means a person who is Associated with a Director or Committee Member; and
- (xiii) “*Transaction*” means an arrangement, other than a gift, under which,
 - A. CCEMC and another person agree to exchange value or services;
 - B. CCEMC confers a benefit on another person; or
 - C. CCEMC receives a benefit from another person.

2. Statement of Principles

- (a) these Conflict of Interest Guidelines apply to all Directors and Committee Members.
- (b) Directors and Committee Members are required to disclose to the Chair or his designate, any situation involving that Director or Committee Member which is a conflict of interest or apparent conflict of interest. The Chair is required to disclose to the other Board members or Committee Members any situation involving the Chair which is a conflict of interest or apparent conflict of interest.
- (c) Directors and Committee Members are expected in all regards to conduct their duties with impartiality shall at all times act in accordance with and display utmost good faith towards the CCEMC.

- (d) Directors and Committee Members shall at all times act in accordance with and display a heightened sense of loyalty and fidelity to CCEMC.
- (e) Directors and Committee Members shall not use for personal gain any of CCEMC's assets, goods, information or opportunities.
- (f) Directors and Committee Members shall not disclose any information which is confidential to CCEMC during or after their tenure as Directors or Committee Members except as may be authorized by CCEMC or required by law.

3. Prohibited and Permitted Transactions

Except in accordance with this policy,

- (a) CCEMC shall not enter into Transactions with a Director or a Related Person where the Director, Committee Member or Related Person may directly or indirectly benefit from the Transaction.
- (b) CCEMC may enter into a Transaction with a Director, Committee Member or Related Person if,
 - (i) the affected Director or Committee Member:
 - A. declares a conflict of interest in respect of the proposed Transaction; and
 - B. discloses to the Board or Committee the full nature and extent of his interest in the proposed transaction and, to the extent that he is able, the interest of any Related Person in the proposed Transaction; and
 - (ii) it is established to the satisfaction of the Board or Committee that:
 - A. the proposed Transaction is fair and reasonable to CCEMC; and
 - B. the proposed Transaction would meet or exceed community expectations about the conduct of CCEMC; and
 - (iii) the Board or Committee approves the proposed Transaction.
- (c) When authorizing a Transaction under this Conflict of Interest Guidelines, the Board may impose any conditions it deems necessary in the circumstances to protect CCEMC or to safeguard public confidence in CCEMC's undertakings.

- (d) For the purposes of this Conflict of Interest Guidelines, the affected Director or Committee Member shall not participate in any decisions relating to the proposed Transaction.
- (e) For the purposes of this Conflict of Interest Guidelines, the affected Director or Committee Members shall not be counted as part of the quorum making any decisions relating to the proposed Transaction.
- (f) Where the Board approves a Transaction under these Conflict of Interest Guidelines, an entry shall be made into the minutes of the meeting confirming the approval of the Transaction by the Board or Committee.
- (g) The Board may review any decision made by a Committee to approve a Transaction under these Conflict of Interest Guidelines.

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