

**WESTERN CLIMATE INITIATIVE, INC.**  
**ETHICAL GUIDELINES AND CONFLICT OF INTEREST POLICY**

**REVISION HISTORY**

<b>DATE</b>	<b>REVISED BY</b>	<b>DESCRIPTION</b>
11/2/2011	Board of Directors	Ethical Guidelines and Conflict of Interest Policy adopted
12/9/2013	Board of Directors	Amendments made to the text to modify the disclosure form from a questionnaire to a certification, and to clarify that 1) related parties do not need to be disclosed unless there is a conflict of interest to disclose, and 2) only those related parties involved with the conflict need to be disclosed.

## **WESTERN CLIMATE INITIATIVE, INC. ETHICAL GUIDELINES AND CONFLICT OF INTEREST POLICY**

### Introduction

Except where otherwise provided by law, Members of the Board of Directors ("Board Members") of Western Climate Initiative, Inc. (the "Corporation"), its officers and committee members (collectively, the "Covered Persons") and its employees shall be subject to the provisions of the "Ethical Guidelines and Conflict of Interest Policy" as set out in this document, and as further described in the attached "Disclosure Certification."

### Duties and Obligations of Board Members, Officers, Committee Members and Employees

Board Members and Officers have fiduciary obligations to reach decisions that benefit the Corporation and to act without personal interest or benefit, without the interest or benefit of any related party (as defined below), and in the sole interest of the Corporation. Every Board Member and Officer has a duty of care, and shall discharge his or her duties in good faith and with the degree of diligence, care, and skill that an ordinarily prudent person in a like position would exercise under similar circumstances. Board Members and Officers also have a Duty of Fair Dealing and Loyalty, and thus owe a duty of loyalty to the Corporation's interests. Furthermore, Board Members and Officers are obliged to stay fully-informed about any transactions or arrangements into which the Corporation enters and with respect to which Board Members or Officers may have an interest. The provisions of this document shall not apply to Covered Persons when they are not acting in their capacities as Board Members, Officers or Committee Members of the Corporation.

All Board Members, Officers, Committee Members and Employees of the Corporation have an obligation to avoid conflicts of interest. Accordingly, no Board Member, Officer, Committee Member or Employee may use his or her position at the Corporation for personal gain or to benefit another, financially or otherwise, at the expense of the Corporation, its mission, and its reputation.

### Definitions

As used in this policy and attachments:

- (a) "Employee" means any employee of the Corporation.
- (b) "Board Member" means any Member of the Board of Directors of the Corporation, including alternates appointed pursuant to the By-laws.
- (c) "Officer" means anyone who is so designated under the By-laws of the Corporation or applicable law.
- (d) "Committee Member" shall mean any person serving on a committee of the Board of Directors who is not a Board Member.

- (e) "Conflict of interest" means any pecuniary or non-pecuniary interest of a Board Member, Officer, Committee Member or Employee, or such an interest known to the Board Member, Officer, Committee Member or Employee of a related party, in the outcome of any particular matter pending before the Board. A "Conflict of interest" does not arise: (i) where the interest is no greater than that of other persons generally affected by the outcome of the matter; or (ii) in connection with actions or positions taken by Covered Persons in the performance of their duties under the applicable, duly adopted constitutions, laws, regulations, policies or procedures of the states and federal government of the United States and the provinces and territories of Canada, or in conformance with applicable decisions issued by any state, provincial, territorial or federal court or administrative proceeding.
- (f) A "related party" is defined as one of the following: (1) members of the Board Member, Officer, Committee Member or Employee's immediate family (including parents, children, siblings, spouse, or domestic partner); (2) any estate, trust, custodianship, guardianship, etc. in which the Board Member, Officer, Committee Member or Employee, or any member of her or his immediate family, has a present or vested future beneficial interest; and (3) any corporation or entity (for-profit or non-profit) in which the Board Member, Officer, Committee Member or Employee, or any member of her or his immediate family, (i) is a partner, director, officer, key employee or beneficial owner of more than 5% of the voting interests or (ii) is a member or has any interest if such corporation or entity is a recipient of goods or services from or provider of goods or services to the Corporation.

#### Conduct Guidelines

- (1) Board Members, Officers, Committee Members and Employees shall take all reasonable steps to avoid any action or circumstance, whether or not specifically prohibited by these guidelines, which might result in, or create the appearance of:
  - (a) undermining his or her independence or impartiality of action;
  - (b) taking official action on the basis of unfair considerations, unrelated to the merits of the matter;
  - (c) giving preferential treatment to any private interest on the basis of unfair considerations, unrelated to the merits of the matter;
  - (d) using his or her position in the Corporation for the advancement of personal interest;
  - (e) using his or her position in the Corporation to secure special privileges or exemptions; or
  - (f) affecting adversely the confidence of the public in the integrity of the Board or the Corporation.
- (2) Board Members, Officers, Committee Members and Employees shall not take any action in any particular matter in which he or she has a conflict of interest or in which there is an appearance of a conflict of interest that, in the Board Member, Officer, Committee Member or Employee's view, will undermine public confidence.

- (3) Board Members, Officers, Committee Members and Employees shall not take any official action that advances the interest of a private entity with which he or she is actively seeking employment or has a significant financial relationship.
- (4) Board Members, Officers, Committee Members and Employees shall not be an advocate for any private interest in any matter before the Board.
- (5) Board Members, Officers, Committee Members and Employees shall not disclose to any private entity any confidential or privileged information in the possession of the Corporation for the purpose of advancing his, her, or a related party's interest.
- (6) Board Members, Officers, Committee Members and Employees shall not solicit or receive any payment, gift, or favor based on any understanding that it would influence any official Board action or action by the Corporation.
- (7) Board Members, Officers, Committee Members and Employees shall not solicit or receive any payment, gift, or favor from any private interest which:
  - (a) has, or seeks to obtain, contractual or other business or financial relationships with the Corporation, or
  - (b) conducts business or activities that are the subject of review by the Corporation, or
  - (c) has interests that may be substantially affected by the Board Member, Officer, Committee Member or Employee's official actions.
  - (d) For purposes of this provision, "payment, gift, or favor" shall not apply to:
    - (i) reasonable expenses in connection with teaching, public appearance or attendance at meetings or conferences;
    - (ii) compensation or honoraria paid for public appearances or services unrelated to the Board Member, Officer, Committee Member or Employee's official responsibilities;
    - (iii) compensation or honoraria paid for teaching or for appearances related to the Board Member, Officer, Committee Member or Employee's official responsibilities, if approved by the Chair of the Corporation; or
    - (iv) lawful contributions to the campaign of a candidate for elective public office.
- (8) Board Members, Officers, Committee Members and Employees shall not use or permit the use of the Corporation's property unless the use is reasonably related to his or her responsibilities to the Corporation and is not for any personal purpose.
- (9) Board Members, Officers, Committee Members and Employees shall not enter into any commitment to expend the funds of the Corporation, unless the expenditure is reasonable and made in accordance with all applicable rules or directives established by the Board.
- (10) In addition to all other disclosure requirements, every Board Member, Officer, Committee Member and Employee shall file with the Chair of the Board a "Disclosure Certification",

as specified in Attachment A.

### Disclosure

Each Board Member, Officer, Committee Member and Employee shall review and sign a Conflict of Interest acknowledgment form and Disclosure Certification annually which shall be reviewed by the Board of Directors. In addition, immediately upon learning of an actual or potential conflict of interest between the Corporation and a Board Member, Officer, Committee Member or Employee, or a related party, with regard to a transaction or arrangement, a Board Member, Officer, Committee Member or Employee, shall promptly disclose all material facts of the actual or potential conflict of interest. All disclosures involving a transaction or arrangement being considered at a meeting of the Board or a committee shall be made to all members present at such meeting.

All other disclosures shall be made to the Chair. If such Board Member is the Chair, he or she shall promptly disclose all material facts of the actual or potential conflict of interest to the Treasurer. A Board Member, Officer, Committee Member or Employee who is in doubt as to the existence of a conflict of interest is encouraged to disclose all facts pertaining to the transaction or arrangement before undertaking the transaction or arrangement or making any decision in the matter.

### Evaluation and Resolution

#### a. Standards for Evaluation of a Potential Conflict of Interest.

The Corporation may enter into or continue a transaction or arrangement in which there is a potential conflict of interest with a Board Member, Officer, Committee Member, Employee, or related party, if and only if all of the following standards are met:

- (i) The transaction is consistent with the Corporation's mission and charitable purposes;
- (ii) It is neither detrimental nor disadvantageous to the Corporation;
- (iii) It is not unfairly advantageous to the Board Member, Officer, Committee Member, Employee or related party;
- (iv) It does not violate any laws or regulations, in particular, those prohibiting excess benefit transactions applicable to organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; and
- (v) It has been disclosed to, and evaluated according to these standards, by the Board of Directors.

#### b. Evaluation by Board of Directors.

The Chair, or with respect to disclosures to the Treasurer by the Chair, the Treasurer, shall disclose to the Board of Directors all relationships and proposed transactions reported to him or her under this policy. The Board shall evaluate all conflict of interest disclosures made according to the standards listed above.

In determining whether a proposed transaction is disadvantageous to the Corporation or unfairly advantageous to a Board Member, Officer, Committee Member, Employee or related party, the Board shall determine that one or more of the following factors apply:

- (i) The terms of the transaction were derived in an "arm's-length" negotiation, according to standard, customary, or market rates.
- (ii) The Board has secured independent documentary evaluation of the arm's-length reasonableness of the transaction compared to comparable transactions in the form of a compensation study, appraisal or similar comparability data.
- (iii) The arrangement or transaction arose from a longstanding business relationship of the Corporation, preceding the involvement of the Board Member, Officer, Committee Member, Employee or related party, or it was suggested or effected by an independent third party.
- (iv) Alternate bids or proposals have been obtained to show that the proposed transaction is fair, reasonable, and in the Corporation's best interests.
- (v) The remuneration or other financial advantage to the Board Member, Officer, Committee Member, Employee or related party from the transaction is insignificant.

The Board Member, Officer, Committee Member or Employee whose potential conflict of interest is under review shall not be present during the portion of any meeting in which the potential conflict is voted upon, but may, at the discretion of the Board, be present prior to the vote or discussion of the vote, to make a presentation to the Board, disclose additional facts, or respond to questions. The interested Board Member may not be counted in determining the establishment of a quorum at such a meeting.

#### Records

Records of Proceedings. The minutes of the Board of Directors meetings during which a potential conflict of interest is discussed shall contain:

1. The name of the Board Member, Officer, Committee Member or Employee who disclosed a potential conflict of interest or otherwise was found to have a potential conflict of interest;

2. The nature and description of the proposed transaction;
3. The determination of whether a potential conflict of interest was present and a description of the conflict of interest;
4. A recitation of the basis upon which the Board of Directors relied to reach its decision (including copies of any relevant documentation);
5. The decision whether the transaction should be approved notwithstanding the potential conflict;
6. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, a record of any votes (including abstentions) taken in connection therewith, and a confirmation that the Board Member, Officer, Committee Member or Employee who disclosed a potential conflict of interest or otherwise was found to have a potential conflict of interest was absent while any votes were taken.

#### Compliance

If the Board has reasonable cause to believe that a Board Member, Officer, Committee Member or Employee has failed to comply with this policy, the Board may direct the Chair to inform the Board Member, Officer, Committee Member or Employee of the basis for such belief and afford the Board Member, Officer, Committee Member or Employee an opportunity to explain to the Board the alleged failure to disclose. After hearing the response of the Board Member, Officer, Committee Member or Employee and making such further investigation as may be warranted in the circumstances, if the Board determines that the Board Member, Officer, Committee Member or Employee has, in fact, failed to comply with this Policy, the Board shall take appropriate action, including the Board Member, Officer, Committee Member or Employee's removal.

#### Acknowledgment

I hereby acknowledge that I have read and understand the "Western Climate Initiative, Inc. Ethical Guidelines and Conflict of Interest Policy," and that I agree to be bound by its principles and provisions. I agree to advise the Corporation promptly of any change in circumstances during the year which may create a potential conflict of interest.

Name: \_\_\_\_\_  
(print)

Name: \_\_\_\_\_  
(signature)

Date: \_\_\_\_\_

## CONFLICT OF INTEREST DISCLOSURE CERTIFICATION

I have read and understand the Corporation's Ethical Guidelines and Conflict of Interest Policy (the "Policy") and agree to be bound by its principles and provisions.

         I have no prospective or potential conflicts of interest, as defined in the Policy, to report.

         I have the following prospective or potential conflicts of interest to report. (Please describe the prospective or potential conflicts of interest below in detail and identify any related party or parties, as defined in the Policy, involved.)

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

The information set forth above is true and complete to the best of my knowledge. I agree to advise the Corporation promptly of any change in circumstances during the year which may create a potential or prospective conflict of interest.

Name: \_\_\_\_\_  
(print)

Name: \_\_\_\_\_  
(signature)

Date: \_\_\_\_\_