

FT Policy: CONFLICT OF INTEREST

INTRODUCTION

Forest Trends is committed to avoiding conflicts of interest between the interests of the organization on the one hand, and the personal interests of its directors and/or employees on the other. It also is committed to avoiding the appearance of conflicts of interest.

FT's Board has adopted this policy for the purpose of identifying possible conflicts, or appearances of conflicts, and adopting a procedure for resolving conflict issues.

The Board recognizes that conflicts will arise. Individual board members have a variety of connections and associations in FT's sphere of activity. Indeed, in many cases their membership on the board was sought by virtue of their experience, contacts and association. Conflicts of interest are not inherently illegal, nor do their existences necessarily reflect negatively on the organization. It is the manner in which the individual directors and the Board deal with conflicts that determines the propriety of a particular transaction.

The same is true of individual employees who find that he or she has an individual interest in a particular transaction that is in conflict with the interests of the FT, or potentially in conflict with such interests.

A. What is a conflict of interest?

A conflict of interest is present whenever a director or employee has a *material personal interest* in a proposed contract or transaction to which the FT may be a party. Where that material personal interest exists, the director or employee is an "interested party".

A material personal interest may arise either directly or indirectly. Thus:

- The director or employee may be personally involved in the transaction or possible transaction by virtue of ownership or an investment interest in any entity with which FT has or may have a transaction or arrangement;
- The director or employee may have an employment relationship with or may be a director, officer or trustee of an entity with which the KG has or may have a transaction or arrangement;
- The director or employee may have a potential ownership or investment interest in, or a potential compensatory relationship with, an entity with which the KG has or may have a transaction or arrangement;
- The director or employee may have a family member or domestic partner who is either personally involved in the transaction or has a relationship with an entity that is involved in the transaction.

In each instance the director or employee is deemed to have a conflict of interest.

B. The duty to disclose.

Annually, both directors and employees must fill-out a Conflicts of Interest Disclosure Statement in the form attached to this policy.

When a director or employee has a conflict of interest as defined above in a particular transaction or arrangement, he or she has a duty to disclose the existence and nature of his or her financial interest in that transaction.

FT Policy: CONFLICT OF INTEREST

In the case of a director, this duty is to disclose to the Board through its Chair, or, in the case of a committee of the Board, through that committee's chair. Disclosure may initially be oral but should be supplemented with an updated Conflicts of Interest Disclosure Statement addressed to the Chair with a copy to the Conflicts File.

In the case of an employee, initial disclosure should be made orally to the employee's supervisor, and supplemented with an updated Conflicts of Interest Disclosure Statement addressed to the President & CEO with a copy to his or her supervisor and the Conflict File.

In the case of the President & CEO finding him or herself with a conflict of interest, disclosure should first be made orally to the Chair of the Board and supplemented by an updated Conflicts of Interest Disclosure Statement filed with the Chair and any pertinent committee chairperson, with a copy to the Conflicts File.

The duty to disclose extends also to situations where an interest or connection of a director or employee may give rise to an *appearance* of a conflict of interest. The appearance of a conflict of interest can be just as hurtful to the organization's reputation as an actual conflict. Activated by their fiduciary obligation to the organization, directors and employees should be alert to the possibility that a particular transaction may be tainted by an appearance of conflict growing out of the director's or employee's connections or interests. Where a potentiality of an appearance of conflict exists, the pertinent director or employee should discuss the danger of the adverse appearance with either the Board Chair in the case of a director or the President & CEO, or with the President & CEO in the case of an employee. In both instances the interest or connection that might give rise to the appearance of conflict should be disclosed initially orally and subsequently in writing addressed to the Chair with a copy to the Conflicts File.

C. Procedure following disclosure.

(1) Directors

Where a director has made a disclosure pursuant to the above procedures, that director should absent him or herself from that portion of the Board or committee meeting in which the pertinent transaction is considered.

Based on the information disclosed, the Board or committee of the Board should decide whether a material conflict of interest as defined by this policy exists, or whether the appearance of a conflict of interest is likely to arise. If the Board decides that a material conflict of interest does exist, or that an appearance of conflict may arise, it should consider alternatives to the transaction that do not create either a conflict of interest or the appearance of a conflict. In this regard, the Board or committee may in their discretion seek additional input from the staff.

After considering alternative arrangements reasonably available to the organization, and the terms and conditions of the proposed transaction, the disinterested Board or committee members should determine by majority vote whether the transaction or arrangement is in the FT's interest despite the conflict or appearance of conflict. If the disinterested Board or committee members determine that the transaction does serve the interests of FT, the basis for their conclusion should be recorded in the minutes, and a copy of the minutes should be filed in the Conflict File.

(2) Employees

When an employee has made a disclosure pursuant to the above procedure, that employee should request his or her supervisor to excuse that employee from participation in considering or deciding whether to enter the arrangement or transaction which gives rise to the conflict.

FT Policy: CONFLICT OF INTEREST

The employee's supervisor should discuss any conflict of interest brought to his or her attention by an employee with the President & CEO. The supervisor and the President & CEO should determine whether, based on the disclosure made, a conflict exists, and whether it is material to FT's interests. If a material conflict is found to exist, careful consideration should be given to alternatives to the transaction or arrangement that would not create a conflict of interest. If, after review of the potential alternatives and of the terms of the proposed transaction or arrangement, the President & CEO believes that the interests of FT will best be served by proceeding with the arrangement or transaction despite the conflict, he or she should authorize the matter to go forward, setting out his or her reasons in a memorandum to the Conflict File.

In like manner, if an employee has made a disclosure of an interest or connection that may create the appearance of a conflict of interest, the employee's supervisor should discuss the possible adverse appearance with the President & CEO, and together with the President & CEO determine whether, based on the disclosure made, an appearance of a conflict is likely to arise. If the appearance of a conflict is likely to arise, the President & CEO should consider alternatives to the transaction or arrangement that will not create such an appearance. If, after review of the potential alternatives and the terms of the proposed transaction or arrangement, the President & CEO believes the interests of FT will best be served by proceeding with the arrangement or transaction despite the possible appearance of a conflict, he or she should authorize the matter to go forward, setting out his or her reasons in a memorandum to the Conflict File.

If the proposed transaction is of a class or category which normally would go to the Board or a committee of the Board, then the issue should be addressed by the Board following the guidelines set out above.

(3) The President & CEO

Where the President & CEO has made a disclosure pursuant to the above procedures, the President & CEO should inform the Board Chair that he or she is recusing him or herself from further involvement in the transaction or arrangement that occasioned his or her disclosure, and that he or she is delegating the staff responsibility for such transaction or arrangement to a designated senior manager within the organization.

If the transaction or arrangement that occasioned the President & CEO's conflicts disclosure is a matter which normally would be addressed by the Board or a committee of the Board, the President & CEO shall absent him or herself from any consideration of the pertinent transaction, and the Board should follow the steps set out in the section preceding regarding disclosure by a director.

If the transaction or arrangement which occasioned the President & CEO's conflicts disclosure is a matter which normally would not be addressed by the Board or a committee thereof, the Chair of the Board should review the disclosure made by the President & CEO in the context of the transaction or arrangement in issue to determine whether a material conflict exists.

If the Chair determines that a material conflict exists, or that for reasons of appearance it would be in FT's interest for the President & CEO to continue to recuse himself, the Chair will so inform the President & CEO, and thereafter request that the designated senior manager go forward with the matter. The designated senior manager, together with any other staff member or members responsible for the matter, will address the issue following the steps outlined for any employee report of a conflict, with the designated senior manager taking the role of the President & CEO. The designated senior manager shall keep the Chair informed of his or her actions and copy the Chair on any memorandum to the Conflict File.

If the Chair determines that a material conflict of interest does not exist, and reasons of appearance do not justify the President & CEO's on-going recusal, he or she will inform the President & CEO of his determination and the reasons for it in writing, and the President & CEO may assume further responsibility

FT Policy: CONFLICT OF INTEREST

for the pertinent transaction or arrangement. A copy of the Chair's determination will be filed in the Conflicts File

D. Violations of conflict policy.

(1) Directors

If the Board or a committee of the Board has reasonable cause to believe that a director has failed to disclose a conflict of interest, or has failed to disclose an interest or connection that may give rise to an appearance of a conflict, the Chair of the Board, or the chair of the pertinent committee, will inform the director of the basis for such belief, afford the director an opportunity to explain the possible failure to disclose in compliance with the policy, and an opportunity to forthwith make full disclosure.

After hearing the response of the director, reviewing any submission that director chooses to make relating to the issue, and making such further investigation on its own initiative as it deems appropriate under the circumstances, the Board, or a committee of the Board, may refer the matter for further action under Article III, Section 7 of the Bylaws.

(2) Employees

If an employee's supervisor or the President & CEO has reasonable cause to believe that an employee has failed to disclose a conflict of interest, or has failed to disclose an interest or connection that may give rise to an appearance of a conflict, the supervisor or President & CEO shall inform the employee of the basis for such belief, afford the employee an opportunity to explain the possible failure to disclose in compliance with the policy, and an opportunity to forthwith make full disclosure.

After hearing the response of the employee, reviewing any submission that employee chooses to make relating to the issue, and making such further investigation on the supervisor's, or the President & CEO's, own initiative as he or she deems appropriate under the circumstances, the supervisor or the President & CEO may initiate such personnel action, including but not limited to termination, as may be appropriate under the circumstances.

(3) The President & CEO

If either a director or an employee has reasonable cause to believe that the President & CEO has failed to disclose a conflict of interest or has failed to disclose an interest or connection that may give rise to an appearance of a conflict, the director or employee shall inform the Board Chair of his or her belief and the basis of such belief. The Board Chair shall inform the President & CEO of the basis for such belief, afford the President & CEO an opportunity to explain the possible failure to disclose in compliance with the policy, and an opportunity to forthwith make full disclosure.

After hearing the response of the President & CEO, reviewing any submission the President & CEO chooses to make relating to the issue, and making such further investigation on his or her own initiative as it deems appropriate under the circumstances, the Board Chair will either (a) write a memo to the files outlining the information received and the reason for his decision not to take the matter further, or (b) he or she will refer the matter for further action to the Board.

E. Record

The President & CEO shall open a file in which all disclosure statements, and all actions taken pursuant to this Policy, whether in minutes, memoranda to the files, or otherwise, are deposited. The file will be known as the Conflicts File and shall be maintained in the HR files and made available to the President & CEO. All members of the Board shall have access to contents of the file at all reasonable times.

FT Policy: CONFLICT OF INTEREST

All minutes of the Board or a committee of the Board recording actions taken pursuant to this Policy shall include the nature of the actions taken, the reasons therefore, and the votes of the directors present.

All actions taken by the President & CEO, or by a senior manager in lieu of the President & CEO, shall be recorded in memoranda to the Conflicts File.

F. Periodic review

To ensure that FT operates in conformity with this Policy, the Audit Committee of the Board shall at least annually review the content of the Conflicts File to assure:

- (1) that all directors and employees have filed at least annually Conflict of Interests Disclosure Statements;
- (2) that all actions addressing conflicts disclosures have been in conformity with this Policy; and
- (3) that all actions addressing conflicts disclosure have been properly documented by minutes or memorandum to the Conflicts File.