

CONFLICT OF INTEREST CODE
FOR THE TRUSTEES
of the
DGC HEALTH AND WELFARE PLAN TRUST

This policy sets out the rules and procedures governing conflicts of interests in regard to the Directors Guild of Canada Health and Welfare Plan (the "Plan") and Trust.

The Board of Trustees is the administrator of the Plan, although the some of the administration work of the Plan is performed in part by staff at the Directors Guild of Canada ("DGC") and the claims administration work of the Plan is performed by J & D Benefits Administration Ltd. pursuant to a Third Party Administration Agreement made as of July 1, 1998, and adopted by the Trustees on *February 11, 2005*.

As such, the Board, each member of the Board, and the Board's employees and agents owe fiduciary obligations to the Plan and its members. One aspect of those fiduciary obligations is the avoidance of conflicts of interests. This obligation is recognized in the Trust Agreement as set out below:

3.19 Each Trustee shall act in the best interests of the Trust Fund and the Plan. If a Trustee is in a position where the interests of the Trust Fund or the Plan conflicts with the interests of the Trustee, the Trustee shall declare such conflict to the other Trustees and refrain from taking part in any discussion or decision on any issue in which the conflict arises. The Trustees may adopt a conflict of interest code which shall further set out the principles governing the activities of each Trustee regarding conflict of interest.

The balance of this policy elaborates on these requirements.

I. Background

The prohibition against a conflict of interest arises from the nature of the fiduciary obligation itself. A fiduciary is required, above all else, to set aside the fiduciary's own interests, and to exercise the fiduciary's discretion and judgment exclusively in the interests of the persons to whom the fiduciary obligation is owed. So, in the case of a health and welfare benefits plan, members of a board of trustees are required to set aside their own interests, and to make decisions affecting the plan exclusively in the interest of the plan and its members.

A board member who does have a personal interest in an issue may not be able to make a decision exclusively in the interests of the plan and its members. Where a board member's personal interest does not permit them to make a judgment solely and exclusively in the interests of the Plan and its members, there is a conflict between the board member's own interests and those of the Plan.

In principle, conflicts may arise in connection with any matter that affects the plan. Most commonly, board members will find themselves in a conflict where they, or a family member, have a monetary interest in the outcome of a board decision, whether it be a (personnel) hiring decision, a decision to contract with a third party or a decision to make a particular investment. Conflicts can also arise if the board member stands to benefit personally by a particular interpretation of a plan provision about which the board member is being asked to make a decision.

Although the most common type of conflicts involve monetary interests, it is also possible for them to arise in respect of non-monetary interests. For instance, a conflict may exist between the interests of the DGC, to whom some Trustees have an obligation, and the interests of the Fund. Once again, under these circumstances, the Board member is required to make a decision exclusively in the interest of the Plan and its members, and not in the interests of the DGC. This does not mean that the DGC's interests should not be articulated and considered. It simply means that each Board member has a responsibility to make a decision exclusively in the interest of the Plan and its members.

Finally, conflicts could involve not only a Trustee's personal interest, but those of the Trustee's family or non-arms-length companies. A Trustee is not permitted to act in their interest, any more than the Trustee is permitted to act in their own interest in matters concerning the Plan.

II. Application of this Policy

This policy applies to all Trustees and designated employees and agents of the Trustees. Employees and agents may be designated for the purposes of this policy, from time to time, by resolution of the Board.

III. Rules Governing Conflict

1. No person governed by this policy shall:
 - (a) permit their interest to conflict with their duties towards the Plan and its members;
 - (b) may influence or participate in the making of any decision in circumstances where their interests conflict with those of the Plan and its members;
 - (c) use material non-public information derived from their relationship to the Plan, for their own benefit; and
 - (d) accept any gift, monetary or otherwise, in respect of their role with the Plan.

2. For the purposes of these rules:

- (a) a "**conflict**" or a "conflict of interest" includes any conflict between the person's own interests, financial or non-financial, and those of the Plan and its members; and
- (b) a "**benefit**" includes any benefit, financial or otherwise, received directly by a person covered by this policy, or by any family member or such person.

IV. Procedures in the Event of a Conflict of Interest

In the event that a person covered by this policy is or may be in a conflict of interest, they shall follow the following procedures:

- (a) at the earliest possible opportunity, they will disclose the nature of the conflict to the Board of Trustees, directly or through the Chair;
- (b) the person disclosing a conflict shall not participate in any discussion about the conflicted matter and shall not vote upon it; and
- (c) in the event that a person covered by this policy is unsure as to whether or not a conflict exists, the person shall contact the Chair, who shall take advice on the matter from counsel and advise the person, in writing, accordingly.