



illawarra health and
medical research institute

BOARD CODE OF CONDUCT

April 2014

IHMRI Board Code of Conduct

Date established:	21 October 2013	Date effective:	21 October 2013	Date of next review:	April 2016
Approved by:	IHMRI Board of Directors				
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Supporting documents, procedures & forms of this policy:	IHMRI Board Code of Conduct				
References & Legislation:	IHMRI Constitution				
Audience:	IHMRI Board of Directors				
Expiry date of Policy:	No expiry date set				

Version control	Date effective:	Approved by:	Change details:
1	21 October 2013	IHMRI Board of Directors	Document approved
2	April 2014	IHMRI Board of Directors	Reviewed to align with revised Constitution
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1 INTRODUCTION

This IHMRI Board Code of Conduct outlines the standards of conduct required of all directors of the Illawarra Health and Medical Research Institute ('IHMRI') in carrying out their duties and responsibilities as directors of the company. This Code is one among key documents which govern the conduct of the IHMRI Board and individual Directors and should be read in conjunction with the IHMRI Constitution and the Board Charter.

2 PURPOSE AND APPLICATION

This Code of Conduct provides an ethical framework for decision-making, action and behaviour for the IHMRI Board and individual IHMRI Directors. It sets down standards of conduct for IHMRI Directors that are broadly consistent with various duties imposed on Directors under the Corporations Act 2001 (Cwth) and the law more generally, as well as those deemed appropriate for an independent not-for-profit medical research institute recognised and supported by the NSW Government.

This Code has been developed and approved by the IHMRI Board and individual Directors agree to be bound by it on consenting to act as a Director of IHMRI.

3 DUTIES OF DIRECTORS

The fundamental statutory and common law obligations of any director are to:

- act in good faith, in the best interests of the company
- act with care and diligence
- avoid conflict between one's role as a director and other personal and professional interests.

3.1 Good Faith

As a fiduciary, a Director must act honestly, in good faith and in the best interests of the company, in this case IHMRI. This duty means that individual Directors:

- must exercise the powers granted to them for the purposes intended (i.e. to advance the interest of IHMRI) and must not take improper advantage of their position as a Director to gain advantage for themselves or someone else
- must not improperly use any information acquired as a Director to gain an advantage for themselves or someone else or to cause detriment to IHMRI
- must not prefer, promote or protect their personal or commercial interests at the expense of the best interests of IHMRI as a whole
- must not favour the interests of a particular member, stakeholder or stakeholder group, but rather must have regard for the interests of all stakeholders, balance the interests of all stakeholders, and at all times exercise independent judgement.

Note: In the context of the IHMRI Board, this duty presents particular complexities for Directors appointed by the IHMRI stakeholders, the UOW and the ISLHD. A Director's duty to act in the best interests of IHMRI as a whole takes preference to acting in the interests of their stakeholder organisation. This does not mean that a Director cannot express the views

of their stakeholder organisation and also take into account the interests of that organisation, but in doing so a Director must genuinely believe they are acting consistently with the interests of IHMRI as a whole.

3.2 Care and Diligence

A Director must use their powers and discharge their duties with a degree of care and diligence that a reasonable person would exercise if they were a Director in the same circumstances. General standards require that a Director must at all times:

- make judgements on all matters in good faith and for proper purpose after informing themselves appropriately on those matters
- not have a material personal interest in any matter of judgement in which they participate
- exercise rational and informed judgement based on the facts presented and in the best interests of the organisation.

In a practical sense, individual IHMRI Directors must:

- inform themselves broadly in order to understand IHMRI , its business, its operating environment and its financial position
- conscientiously prepare for and attend board meetings
- obtain enough information on a timely basis to ensure they are in a position to contribute to the Board's deliberations on any matter, or alert the Chair in advance of the need for further information
- apply their expertise and skill and ask appropriate questions to consider matters fully and in IHMRI's best interests.

4 CONFLICTS OF INTEREST

4.1 Conflict Rule

Individual Directors must not place themselves in a position where there is a real possibility of conflict between their personal or business interests, the interests of an associated person, their duty to another corporation on the one hand, and the interests of the company or their duties to the company, on another hand.

4.2 Management and Avoidance of Conflicts of Interests

Directors have specific responsibilities under corporate legislation to declare any material personal interests in any matters that relate to the affairs of the company. Subject to such legislated provisions, the Board is empowered to regulate the processes that will apply if there is a declared, actual or perceived conflict of interest.

IHMRI has adopted Board processes and expectations as follows:

- All Directors complete, at least annually, a declaration/disclosure of interests listing personal interests of relevance to IHMRI in order to identify possible conflicts of interest. This occurs regardless of whether a Director's interests are material or not and the

declaration includes other directorships or employment, professional and business interests and associations, investment interests and family relationships as applicable.

- A Director is expected to advise the Company Secretary of other personal interests that may arise throughout the year so the register of personal interests can be updated.
- All Directors are requested at the commencement of each meeting to declare any conflicts of interest, or perceived conflicts of interest, that arise from any matters on the agenda. This declaration is required regardless of whether an interest has previously been listed or previously declared at a meeting.
- Directors are expected to exclude themselves from the decisions on any matter about which they have, or have declared such a conflict.
- Depending on the nature of a conflict of interest known about or declared at a meeting, the Board Chair may also request that a Director excuse themselves from all discussion on the relevant matter, excuse themselves from the meeting while the matter is discussed, and/or refuse a Director access to Board papers on the relevant matter when a conflict of interest is already known to exist. In particular, it is acknowledged that there may be occasions when the Board may need to consider matters concerning or involving the Executive Director, in which case the Executive Director will be refused access to the Board papers and be excluded from discussion on the matter.

The minutes of Board meetings will record in full all statements and actions relating to the declaration and/or management of conflicts of interest.

4.3 Gifts and Benefits

To avoid the possibility or perception of being compromised, all individual Directors must take particular care in accepting offers of gifts, entertainment or other benefits.

Directors may accept gifts, hospitality or other benefits associated with the performance of their official duties as a Director only if such gifts, hospitality or other benefits:

- are modest and within the bounds of a usual expression of courtesy or standard of hospitality, including consideration of cultural context if in another country
- would not compromise the integrity of IHMRI, IHMRI's brand and status as an independent medical research institute
- would not be perceived as compromising a Director's ability to act independently and impartially
- could not in any circumstances be perceived as compromising the integrity of IHMRI's research?

Directors are expected to declare such gifts and benefits they receive in their capacity as an IHMRI Board member, by reporting to the Company Secretary who will maintain a register for this purpose.

It is acknowledged that the Executive Director may receive remuneration and other benefits under a contract of employment with IHMRI in their role as Chief Executive Officer as distinct from receiving that remuneration or benefits in respect of their role as Executive Director. However, it is expected that any gifts and benefits received in their role as Chief Executive

Officers are reported to the Company Secretary for recording in the register to avoid the possibility or perception of being compromised in their dual role.

5 BOARDROOM CONDUCT

5.1 Discussion

The IHMRI Board does not exercise overly-formal processes to manage board room discussion as some large boards and forums must do. Instead, an informal approach is taken where Directors are free to participate in discussion without first seeking the Chair's permission. In this context and to ensure quality and order in discussion, individual Directors must conduct themselves in a way that respects the need for courtesy as well as robust discussion and debate on matters of principle.

Directors are expected to:

- respect the Chair's overall control of the meeting to give all Directors an appropriate opportunity to speak
- ensure their contributions are well considered, informed, concise and to the point
- respect the need for discussion to be open and candid with appropriate time to discuss issues of substance
- avoid emotive language, emotional conduct and personal comments regardless of passion felt for a subject or differences of opinions.

5.2 Decisions

The IHMRI Constitution provides for Board decisions to be made by majority vote across individual Directors and a special majority (75%) vote in the case of certain decisions. However, the IHMRI Board prefers a consensus decision-making approach which aims to secure the agreement of the full Board wherever possible.

In the context of this decision-making approach, individual Directors are expected to:

- bring an open and independent mind to the Board
- listen to and participate in debate on each issue raised
- respect diversity of opinion and backgrounds and consider all arguments presented
- assist in finding common ground so the Board can come to a consensus position
- respect the collective nature of the Board's decision and observe 'board solidarity' once a decision is reached
- in the case of strong disagreement and as a last resort, take the significant step of seeking that their objection to a decision be recorded in the minutes.

6 RELEASE OF INFORMATION

6.1 Confidential Information

Directors must respect the confidentiality of information obtained as a Director, including the content of Board and committee papers, any document referred to the Board or a Director,

the content and records of Board discussion, Board resolutions or any communication from the company to Directors.

In relation to information obtained in the course of their duties, individual IHMRI Directors are expected to:

- respect both during and after their term that such confidential information remains the property of IHMRI, or the company or person from which it was obtained
- not disclose or allow such confidential information to be disclosed, unless:
 - such disclosure is permitted by the Constitution;
 - such information is released publicly in accord with IHMRI's media and communication protocols or those of the owner organisation
 - such disclosure is required by law under binding notice from a regulatory authority
 - such IHMRI-owned information has already been disclosed or released by the Chair or IHMRI management under properly delegated authority.

6.2 Official Statements

All IHMRI Directors must respect that for the purposes of official statements, comment and release of information:

- the Board Chair is the only spokesperson for the Board
- the IHMRI Executive Director or his/her delegated authority is the official spokesperson for IHMRI and the business generally.

Directors may be requested by the Board to represent IHMRI at both formal and informal functions, but Directors must contain their representations to championing the cause of IHMRI and providing background information already in the public domain.

7 BOARD-MANAGEMENT NEXUS

IHMRI Directors are expected to respect the separation between the 'governance' work of the Board and the management work of the Executive Director, along with research leaders, affiliated researchers, operations management and staff, who are responsible for the operations and conduct of the business and IHMRI's research programs.

7.1 Focus on Governance, Not Management

Individual Directors are expected to:

- respect the responsibility of the Executive Director to lead and manage IHMRI
- assist the Executive Director and management to keep performance objectives at the top of the agenda
- not act as one of the management team and avoid getting involved in operational detail.

Despite this, it is specifically acknowledged that the Executive Director will be fulfilling a dual role as both an IHMRI Director and operationally as Chief Executive Officer of IHMRI and it is expected that in these dual roles that they will:

- lead and manage the operations of IHMRI to achieve the key performance indicators and other requirements of the Board,

- fulfil their legal obligations as a director of IHMRI;
- respect the role and obligations of the Chair and other IHMRI Directors; and
- assist the Chair and other IHMRI Directors to undertake their governance functions related to IHMRI.

7.2 Relationships with Staff

Directors are expected to:

- respect and be considerate of and courteous to management and staff, whether in Board, committee or other internal meeting, at public events or in discussion with others outside
- not give instruction to management, researchers and staff other than through resolutions of the Board, which are implemented by the Executive Director through delegation of responsibility to staff as appropriate
- include the Chair in any correspondence (including emails, letters etc) relating to IHMRI management issues between themselves and any employee or affiliated researcher
- when requiring action on a particular issue, either report their concern to the Chair or request the issue be placed on the next appropriate Board agenda
- if concerned over the conduct of an affiliated researcher or staff member, direct such concern through the Chair to the Executive Director for response and resolution.

8 CORPORATE GOVERNANCE

8.1 Cooperation

Unless exempted by the Board, individual Directors are expected to cooperate in corporate governance processes as prescribed by the Board including periodic evaluation of individual Directors and the Board as a whole.

8.2 Time Commitment

Directors are expected to devote such time as is necessary to carry out their duties as determined by the Board. This expectation includes participation in all formal meetings and processes of the Board and involvement in Board committees as determined under the various Committee Terms of Reference. It also includes, to the extent possible and considered reasonable, engagement with various stakeholders, research leaders and groups, community and business leaders at networking functions, research seminars and other IHMRI organised functions.

9 STANDARDS OF PROFESSIONAL INTEGRITY AND CONDUCT

9.1 Code of Conduct

IHMRI Directors commit to:

- comply with the spirit and the letter of this Code at all times
- in the first instance, discuss any perceived breaches of this code with the Board Chair
- consult promptly with the Board Chair if any question of interpretation of this Code arises

- where issues are not specifically addressed in this Code, exercise sound judgement and behaviour consistent with the provisions and expectations contained in the Code.

9.2 Conduct in General

All IHMRI Directors are expected to:

- comply with the spirit as well as the letter of the law at all times
- observe the highest standards of professional and ethical conduct
- not engage in any conduct or make any statements likely to bring discredit or damage to IHMRI and its reputation
- adhere to all codes of ethics, codes of conduct and standards of behaviour that apply to employees or officers of the organisation
- ascribe to and demonstrate respect for the IHMRI values: namely Excellence, Collaboration, Intellectual Openness & Inquiry, Empowerment, Respect, Integrity, Quality & Accountability, Community Partnership, and Equity.

10 DEFINITIONS

10.1 Board Charter

A Board Charter is a written policy document that clearly defines the respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) and management in setting the direction, the management and control of an organisation.

10.2 Code of Conduct

A Code of Conduct is a set of conventional principles and expectations that are considered binding on any person who is a member of a particular group.

10.3 Conflict of Interest

A conflict of interest arises when a Director is influenced, or appears to be influenced, by personal interests. The term includes any situation that has the potential to undermine the impartiality of a Director because of a clash between the Director's self or professional interests and the interest of the organisation or the public. For example a Director may have personal interests in a transaction, contract or businesses with which the organisation may be dealing and which may impinge on their objectivity and independence. Alternatively a Director's responsibility to one party or organisation may limit the Director's ability to discharge his or her responsibility to another. The perception of a conflict of interest can be as damaging as an actual conflict, because it undermines public confidence in the integrity of the organisation, its Board and its staff.

10.4 Diligence

Diligence refers to Directors exercising reasonable care and skill in giving sufficient time and attention to carrying out their Board responsibilities.

10.5 Governance

For the purposes of this document, corporate governance refers to the control and direction, or stewardship, given to an organisation by its governing board.

10.6 Pecuniary Interest

A pecuniary interest is a conflict of interest which involves an actual or potential financial gain. It may result from a Director, or member of his or her family, owning property, holding shares or a position in a company bidding for work, accepting gifts or hospitality, or receiving income from another role. Money does not have to change hands.

10.7 Non-pecuniary Interest

A non-pecuniary interest is a conflict of interest which does not have a financial component. It may arise from personal or family relationships, or involvement in sporting, social or cultural activities.

10.8 Material Interests

A material personal interest is generally considered a personal interest of enough importance or scope such that it has the capacity to influence a Director's consideration of, and hence a Director's position on a particular matter. While the term is not defined within, the Corporations Act 2001 includes a number of provisions that require Directors to disclose material personal interests.