Our Code of Conduct
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Conflicts of Interest

Conflicts of interest lead to unfair, dishonest and even corrupt behaviour. They can also break the law. They can cause serious problems for you and real damage to our integrity and reputation. Even when there's no actual conflict, just the appearance of one can do serious harm.

Conflicts of interest can generally be found at two levels: (1) **personal** – when the private interests of an individual appear to influence the objective exercise of their official duties; and (2) **organisational** – when a company has multiple interests and because of those activities or relationships, an organisation is unable to provide impartial services. As the integrity of an employee is fundamental to the rule of law, conflicts of interest pose a major risk for companies. A duty of loyalty stipulates that an employee should refrain from accepting any incentives that could give them a reason to act contrary to the best interest of their employer. **By compromising their work, individuals are opening the door to bribery and corruption.** Even the mere perception that a conflict of interest has influenced a particular outcome can undermine a company's integrity, resulting in the loss of public confidence. Therefore, the main goal is to manage conflicts of interest on proper grounds, in a timely manner, with legitimate reasons and without bias.

The globalised and interconnected nature of modern business practices may lead to the formation of new types of conflicts. In particular, this is due to the increasing number of external intermediaries that provide a variety of services for the company. On certain occasions, conflicts of interests may be accentuated when a single firm is contracted to provide more than one type of service to a client that appear objectionable, for example, if a firm is acting both as the auditor and as an ICT consultant. Even though separate teams may take on the different tasks, there is always a risk that the integrity of one could be challenged by the operational outcomes of the other. One solution to this problem is greater disclosure. By having transparent, effective policies and procedures for identifying, disclosing and managing conflicts of interest, the company will be able to: (1) reduce the opportunities for corruption; (2) deal with accusations of bias; (3) demonstrate its commitment to good governance; and (4) demonstrate that it is operating in a fair manner.

Companies have always had problems arising from conflicts of interest. With the emergence of multinational these issues have become even more complex. For many individuals, particularly executives, it is almost impossible to avoid some form of conflict of interest from time to time. This is further accentuated by the fact that **individuals tend to confuse conflicts of interest with impropriety.** For example, someone accused of a conflict of interest may deny that conflict exists because they did not act improperly. In fact, a conflict of interest can exist even if there are no improper acts as a result of it. This may be due to three factors: (1) there is always a personal interest, and it is usually manifested in the form of financial gain, but it could also entail privileged access to key influencers; (2) once activated, personal interest is in direct conflict with official duty; and (3) ultimately, conflicts of interest

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interfere with professional judgement, as objectivity may be (un)intentionally compromised.

A perceived or apparent conflict of interest can be just as damaging as a poorly managed actual conflict. The critical factor is that public officials,

executives and employees must not only behave ethically, they must be seen to do so. Therefore, professional ethics cannot be overlooked due to personal values or beliefs, as this is not a legitimate reason to alter one's official duty and/or to influence a decision-making process.

Matrix – Conflicts of Interest

Key concepts

Material Interests

Public Duty
Public sector officials, executives and employees have a duty to put the public / shareholders interest above their own personal or private interests when carrying out their official duties.

Shareholder Duty

Non-Material Interests

Public Interest
Is the collective interest of the entire society / community – not the sum of individual interests.

Consumer Interest

Types of Conflict

ACTUAL Conflict
…a direct conflict between individual's official duties & existing private interests.

PERCEIVED Conflict
…where it could appear that individual's private interest could improperly influence the performance of their duties.

POTENTIAL Conflict
…arises where an individual has private interests that could conflict with their official duties in the future.

Conflicting Duties
…when individual finds that part of their principal job involves taking on another public/private sector role

Misconduct
…the decision to put their own interest first which are inappropriate, may amount to transgression

Self-Dealing
…when an official who controls an organisation is on both sides of the transaction deal

Family Interests
…abuse of this type of conflict is called nepotism

Ways to Mitigate Conflicts of Interest:

• Identify areas of risk
• Balance Public/Shareholder Duty and Private Interests
• Develop strategies and responses

• If possible avoid them entirely
• Enforce and monitor strict Disclosure rules and procedures
• The imperative for Recusal

Source: information used in the Matrix was adapted and recombined from various sources: OECD – Managing Conflict of Interest in the Public Sector; The Law Society; and Reference for Business.

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To limit conflicts of interest, individuals need to be aware of how their actions, in the absence of an explanation, may appear or be interpreted by others. As a rule, there is a tendency to assume that competent, well-trained and sensible individuals will be capable of making the right decisions. Unfortunately that is not always the case, as many executives and employees allow their own interest to prevail over the legitimate interests of their official duty. Sometimes**, even the perception of a conflict of interest can elevate as many ethical concerns as would the actual conflict**. By avoiding possible conflicts of interest employees can help preserve impartiality and the company's reputation. If employees find themselves in a conflict of interest that is almost impossible to avoid, they should remove themselves from the situation, and recuse themselves from a decision making process. Such an approach will preserve the trust essential for professional objectivity. Equally, when employees are not to blame for finding themselves in a conflict of interest, it does not mean that there will be no moral consequences. Ultimately, this arises as **any form of conflict of interest is closely related to the problem of corruption.**

In due course, the rules about what is expected of staff and management should distinguish between individual responsibilities and the responsibilities of the organisation, by ensuring that staff and managers are able to: (1) recognise all actual, perceived and potential conflicts of interest as they arise; (2) disclose conflicts of interest, and clearly document the due process; and (3) monitor the effectiveness of applied strategies. Above all, **it is vital that an employee can ensure that the decision-making cycle can stand the test of integrity and transparency, and can be justified at every level.** Similarly, it is immoral to put pressure on a person to accept a conflict of interest, or to put a person at risk by forcing them to do something unethical. Once the policy is in place, it is essential that everyone is well aware that those rules are fully enforceable. With proper mechanisms in place, employees and associates cannot turn around and claim that they were unaware that their improper behaviour was unethical. A process solution seems to be the preferred option for many companies in their quest to mitigate conflict of interest risks. Some enterprises prefer to form an ethics committee to ensure that conflicts of interest do not arise in the workplace and if they do, to deal with them in a timely and appropriate manner. Others feel more confident to erect so called 'Chinese walls' between different departments in order to control information as a way of reducing potential conflicts. Regardless of the approach, all staff members of the firm, from contract workers, external associates, to senior managers, investors and board members should have access to policies and tools that will help them to identify, disclose and manage a conflict of interest. Increasing numbers of companies are also developing interactive training programmes that are focused on a problem-solving (case-study) approach to circumstances and relationships that can lead to conflicts of interest.

Needless to say, the effective implementation of strategies to address conflicts of interest requires thought, effort and commitment from a company's leadership. Executives and managers need to clearly and unequivocally apply high ethical standards in their everyday conducts – **demonstrating tone from the top.**

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Additional resources Further Reading

Step 1	Please refer back to Our Code of Conduct.

Step 2	If you would like to know more about Human Rights & Business, the following external links have been selected for your reference:

The Law Society – Conflicts of Interest

The Law Society represents solicitors in England and Wales. From negotiating with and lobbying the profession's regulators, government and others, to offering training and advice, we're here to help, protect and promote solicitors across England and Wales.

https://www.lawsociety.org.uk/support-services/advice/practice-notes/conflict-of-interests/

Managing Conflicts of Interest in the Public Service

The OECD helps countries modernise their approach for managing conflict of interest by mapping "at risk" areas and positions within the public service. It identified a set core principles and standards for the design and implementation of conflict-of-interest policies.

http://www.oecd.org/gov/ethics/managingconflictofinterestinthepublicservice.htm

European Parliament: Conflicts of Interest in Public Administration

International organisations provide general guidance which is applied by many international and national bodies as the basis for their own specific codes. However, regimes differ amongst EU Member States. And in most Member States individual institutions have their own rules and standards.

http://www.europarl.europa.eu/document/activities/cont/201302/20130221ATT61562/201302 21ATT61562EN.pdf

National Audit Office (UK) – Conflicts of Interest

This report provides an overview of what conflicts of interest are, the risks and how and why they occur and includes various examples from public sector situations.

https://www.nao.org.uk/wp-content/uploads/2015/01/Conflicts-of-interest.pdf

Independent Commission Against Corruption

ICAC provide information and training for public sector organisations to address the risks and protect against corrupt conduct.

https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/conflicts-of-interest/4897

Reference for Business – Conflicts of Interest

A comprehensive and easily accessible reference source for individuals that demand practical information that can be applied to their own business.

http://www.referenceforbusiness.com/encyclopedia/Clo-Con/Conflict-of-Interest.html

Step 3	Do your own research on the Internet

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