



A Guide to Identifying & Managing Conflict of Interests

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DEFINING CONFLICT OF INTERESTS

A conflict of interests arises at the workplace when an employee's personal interest in a particular situation is sufficient to impede their objectivity in the performance of official duties for the company, as a result that self-fulfillment could jeopardise the company's interests.

The relationship between a company & its employees is also based on mutual trust beyond contractual employment. As the company is committed to preserving the pivotal interests of people under its employment, it expects them to uphold its own fundamental interests in their undertakings for the company.

'True Test'

There are 3 elements to consider when determining if a conflict of interest exists. The employees are encouraged to ask themselves:

1. "Is there a connection between my current duties & non-work endeavours?"
2. "Will the personal pursuit cause a lapse of professional judgment in my work?"
3. "Am I reasonable enough to see my action as unbiased?"

"Being conscientious about avoiding unnecessary conflict of interest is an ethical response."

Connection between duties & non-work endeavours

For a conflict of interest to arise, the employee would have been able to intertwine their personal interest with work, ie. exploiting their official position in the company to gain access to an opportunity. In this relation, they may have influence beyond their role or undertake activities that are expressly forbidden by the company.

Lapse of professional judgment while performing duties

When an employee pursues a personal interest that brings them financial or other material benefits by virtue of them serving the company, the employee's objectivity & independence is possibly compromised.

A reasonable person's perception

A conflict of interest depends on the situation & circumstance rather than a person's character or state of mind. The more remote that a personal interest is involved, the less likely that a conflict of interest would emerge. And the opposite must be true.

Being conscientious about avoiding unnecessary conflict of interest is an ethical response.

TYPES OF CONFLICT OF INTERESTS

Conflict of interests generally arise from pursuing pecuniary interests, exploiting close relationships, maneuvering a professional advancement, conducting business that competes with company, taking an outside employment, circumventing company's opportunities for self-dealing, etc. Under other circumstances, some conflicts may be unavoidable & not all conflicts are wrong. Whereas concealing, falsifying, misstating or mismanaging inappropriate conducts, this is a conflict of interest that can present the company with regulatory, legal & ethical challenges.

Given the serious implications that may arise because of a conflict of interest, appropriate steps must be taken to ensure that each conflict of interest is managed out-and-out. There are 3 such types of conflicts of interest:

- *Real Conflict*
This conflict is identified as having compromised the interests of the company.
- *Potential Conflict*
This is a conflict that could happen in the foreseeable future if it is known but not neutralised from the start.
- *Perceived Conflict*
This conflict gives the appearance that an employee's actions may have undermined the company's interests



MANAGING CONFLICTS OF INTEREST

The regiment of controlling conflicts of interest augments the culture of integrity, loyalty, transparency, impartiality & objectivity, as such the processes engineered are consistent with safeguarding a company from exposure to current risks & future risks.



Establish a conflict of interests Policy

A policy clearly stipulates the principles & requirements in identifying, disclosing, managing & monitoring a conflict of interest. The scope of the policy should ideally apply to employees & the contractors, consultants, agents, sponsors or any external persons or entities who act on behalf of the company.

When training the policy, cover the company's expressed instruction on abstinence from identified conflicts of interest, the roles & responsibilities, & actions on negating them. Managers are given supplementary training on handling employees who come forth with personal dilemmas. Communicating the availability of policy, relevant disclosure forms & references to the intranet, employees' handbook, notice boards & in meetings enhances awareness. Both training & communicating should be conducted frequently.

Disclosure of personal interests

Conflict of interests can happen under various situations. Depending on a company's risk exposure, constituting a pre-determined list of activities that commonly trigger conflicts of interest into its policy allows employees to acknowledge the situations, consequences & the remediation actions, thereby, avoiding them becomes compelled by self-governance. This list is not exhaustive, but a company should aim liberally for a more expansive view:

- Nepotism
 - Related party transactions
 - Personal workplace relationships
- Pecuniary interests
 - Self-dealing
 - Receiving bribes
 - Influence peddling
- Outside positions
 - On the Board of a competitor/ client/ supplier/ union/ association
 - Outside business engagement
- Unauthorised use of company's properties
 - Sharing confidential information
 - Using company resources for personal purposes
- Ownership of stock in a competitor/ client/ supplier

To identify where & how conflicts of interest trend across an organisation, a compulsory disclosure of personal interests will provide insights into narrowing the gap between remedial intervention & recurrence of conflicts in the future. Employees are required & reminded of their responsibility to disclose any personal interest upon hire, on an annual basis & when a conflict of interest is known.

The registers of all disclosed interests, conflicts & no-conflict declaration records by employees are maintained for analysis & to support audits or investigations.

Companies find it prudent to incorporate into written terms of engagement the requirement of declaration of conflict of interest by business partners who act for & on behalf of the company.

Monitor & Manage Disclosed Conflicts of Interest

The factors that lead to the occurrence & sometimes the recurrence of some conflicts of interest may be attributed to:

- a lack of surveillance on high-risk activities
- deviations from processes
- people risks

A robust conflict management system will provide the company the right tools to understand how conflicts of interest can emerge, to mitigate the consequences & to control them from resurfacing:

Process	Procedures
Navigating workflows from reviews & assessments to investigations & mitigations	A disclosed conflict is first determined if it is a legal, compliance, HR related issue or a combination. Some complicated situations require investigating. Mitigation actions will be recommended & monitored.
Routing issues to conflict managers of relevant business functions	Conflicts require the assessment of risks & impact to business by relevant business functions. For example: the HR function to manage reporting lines or the compliance function to look into the acting on business opportunities that rightfully belong to the company.

A central depository for documents & records	Disclosure of personal interests & none can be made in forms, on paper or digitalised. Each record is documented. Records that are collected throughout the workflow of a disclosed conflict are also documented in this central database.
Aggregating data to analyse trends	Data on conflicts stored in a central database can be instantly extracted to make qualitative analyses.
Consolidating high-risk activities, controls processes & deviations from processes	The management can analyse the conflicts & failure of containing conflicts, & plan to improve the management process.

Evaluate & Audit the Control Measures

In view of a company desiring to eradicate corruption in business dealings, it must audit its system processes for completeness. Further, routinely evaluate the likelihood & the impact of conflicts & communicate these controls, so that employees are continuously well-informed of the company's intolerance to situations that give rise to conflict of interests.

Audit rights built into the terms of engagement with business partners must be exercised for consistency. This vigilance is a good detector for addressing non-disclosures.

Take Actions on Violations

All founded violations of company policies are accounted for with appropriate actions. The conflicts of interest policy is no exception. Employees can be sanctioned with disciplinary actions, up to termination of employment. Contracts with business partners should be remediated or terminated. The company should reserve the right to undertake any civil action against anyone addressed in the policy's scope whose involvement in a conflict of interests has resulted in irreparable damage to the company.



Scale up Business Ethics

Develop & sustain an organisational culture of non-negotiable high standards

Business Conduct Training

Make regular priming on compliance, ethics & integrity a long-standing communications policy

“Key Takeaways”

Disclosure

Maximise 2-way openness & transparency between the company & employees to:

- dismiss any dilemma
- desist discretions
- resolve misunderstandings or conflicts

Engage employees with a plan to manage disclosed conflicts - monitoring, reviewing & assuring that the conflict does not recur.

For anything compliance, find out more with:

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“Connecting Your People to
Your Business Integrity”

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