

Appendix G1 – Conflicts of Interest Policy Template

<Company> Logo

Conflicts of Interest Policy

This policy will be issue to all existing and new Directors, who on receipt shall be deemed to have accepted it.

1. Introduction

- 1.1 The aim of this document is to give guidance on the legal requirements and set out the policy of <Company¹> in relation to conflicts of interest.
- 1.2 Each Director owes a duty of loyalty to <Company> and must always act in its best interests. Failure to do so may constitute a breach of trust and may result in the Director being personally liable.
- 1.3 All elected or co-opted Directors may face potential conflicts and must manage such conflicts carefully. When engaged in the business of <Company> the Directors must act independently of any other organisation that they may represent and act only in the best interests of <Company>. If this would lead to a Director acting in a way which conflicts with the interests of any other organisation of which he or she is also a director, the Director must consider whether they personally have a conflict of interest – they may do if they owe a duty of loyalty to any other organisation of which he or she is also a director.
- 1.4 Directors must act in accordance with <Company>'s constitution and must properly manage situations where there may be a conflict of interest.
- 1.5 More detailed guidance on the management and reporting of potential or real conflicts of interest is set out in Appendices attached to this Policy.

2. What is a conflict of interest?

- 2.1 Conflicts of interest are:
 - (a) any direct or indirect interest which he or she has in a proposed transaction or arrangement with <other person/s or company/organisation>; and
 - (b) any duty or any direct or indirect interest which he or she has which conflicts or may conflict with the interests of <Company> or his or her duties to <Company>.

¹ Note that 'Company' with a capital C refers to responsible finance providers; 'company' with a little c refers to any other body or organisation not within the purview of the 'Company'.

- 2.2 Conflicts of interest are not just about personal benefits or benefits received by people or organisations connected with a Director. Certainly, the conferring of such benefits will give rise to conflicts which may need to be authorised and must be managed accordingly. However, a conflict (or perception or possibility of a conflict) can arise simply because a Director has interests in or loyalty or other duties owed to other organisations whose interests might conflict with those of <Company>.
- 2.3 Where a conflict of interest arises for a Director as a result of circumstances affecting a connected person, it is the Director that must comply with this policy – not the connected person (unless the connected person is also a Director).

3. Overview of the conflicts procedure

- 3.1 A Director must declare any real or potential interest in a matter to be decided by the Directors.
- 3.2 Any conflict between the interests of <Company> and the interests of a Director; and any conflict between the duty of loyalty owed to <Company> and the duty of loyalty a Director may have to any other organisation must be:
- 3.2.1 identified;
 - 3.2.2 managed in accordance with the Articles of the Company; and
 - 3.2.3 minuted.
- 3.3 The law relating to conflicts of interest for companies is complex. However, identification and management of conflicts of interest is not complex and Directors who comply with this policy and its attendant procedures such as the Register should not breach their legal duties.

4. Declaring interests

- 4.1 All Directors must declare their interests, and any gifts or hospitality received in connection with their role in <Company>. There is no legal definition of what is an “interest”. It is just a question of common sense whether circumstances are such that a Director has an interest.
- 4.2 A Director Declaration of Interests Form is attached at Appendix G2. This should be completed:
- 4.2.1 by all new Directors;
 - 4.2.2 annually by all existing Directors; and
 - 4.2.3 when any existing Director becomes aware of a new interest.
- 4.3 Directors should err on the side of caution when completing their Declaration of Interests Form, listing all interests which may give rise to a conflict of interests.
- 4.4 A Register of Directors’ Interests will be maintained by <Company> and be accessible to the Directors. A model Register is attached at Appendix G3.

5. Identifying conflicts of interest

- 5.1 Each agenda for Director meetings (or for a Director decision to be made outside a meeting) will include an item for declaration of interests and identification of any conflicts or potential conflicts of interest.
- 5.2 Prior to, or at the beginning of any Director decision making process (or committee meeting), Directors must declare any interest in relation to matters on the agenda and whether or not they think this may give rise to a conflict of interest. Directors not attending the meeting or taking part in the decision making process should declare any interest in advance to the Chair. <Company>'s policy is that all interests should be declared at each meeting to avoid uncertainty.
- 5.3 The declaration can be by oral notification to the Chair or, in the case of interests not previously declared, by using the form attached as Appendix G2. Any new interests declared in this way will be entered in the Register.
- 5.4 After disclosure by a Director of an interest, the other Directors will have the right to determine (without the conflicted Director being present) whether a conflict exists in the circumstances. Any determination regarding the existence of a conflict will be made by a majority vote of the other Directors taking part in the decision-making. The interested Director cannot vote or be counted in the quorum in relation to the decision about whether their interest does or does not give rise to a conflict.

6. What to do if there is a conflict of interest

- 6.1 Directors with a conflict of interest can remain, vote and be counted in the quorum in certain situations. In these circumstances a Director can participate in the decision making process, be counted in the quorum and vote unless:
 - 6.1.1 a majority of the other Directors participating in the decision-making process decide to the contrary; or
 - 6.1.2 the decision could result in the Director or a Connected Person receiving a benefit other than those permitted by <Company>'s Articles of Association. Those permitted benefits are:
 - (a) insuring the Directors against any foreseeable risk;
 - (b) payment interest at a reasonable rate on money lent to <Company>;
 - (c) payment of a reasonable rent or hiring fee for property let or hired to <Company>;
 - (d) reimbursement of reasonable out-of-pocket expenses (including hotel and travel costs) actually incurred in running <Company>;
 - (e) an indemnity in respect of any liabilities properly incurred in running <Company>;
 - (f) payment to any company in which a Director has no more than a 1 per cent shareholding;
 - (g) in exceptional cases, other payments or benefits but only by a resolution passed by at least 75% of the Directors;

- (h) subject to the conflicts procedure, any Director (or any firm or company of which a Director is a member or employee or any person who is Connected with him or her) may enter into a contract with <Company> to supply goods or services in return for a payment or other material benefit but only if:
 - i. the goods or services are actually required by <Company>;
 - ii. the nature and level of the remuneration is no more than is reasonable in relation to the value of the goods or services;
 - iii. no more than one half of the Directors are subject to such a contract in any financial year.
- 6.2 Where 6.1.1 or 6.1.2 apply (including where the Board is considering the remuneration of a Director) the Director must:
- (a) take part in the decision-making process only to such extent as in the view of the other Directors is necessary to inform the debate;
 - (b) not be counted in the quorum for that part of the process; and
 - (c) withdraw during the vote and have no vote on the matter.
- 6.3 The steps in this policy are summarised in the flowchart attached at Appendix G4.
- 6.4 Where a Director or Person connected with him or her has a conflict of interest or conflict of duties and the Director has complied with his or her obligations under the Articles in respect of that conflict:
- 6.4.1 the Director shall not be in breach of his or her duties to <Company> by withholding confidential information from <Company> if to disclose it would result in a breach of any other duty or obligation of confidence owed by him or her; and
 - 6.4.2 the Director shall not be accountable to <Company> for any benefit expressly permitted under these Articles which he or she or any Person connected with him or her derives from any matter or from any office, employment or position.
- 7. Additional considerations where interests arise from potential benefits to a Director**
- 7.1 The Directors and certain persons regarded as “connected” with them cannot receive any benefits from <Company> except to the extent permitted by:
- 7.1.1 the constitution of <Company>;
 - 7.1.2 the Financial Conduct Authority; or
 - 7.1.3 the Court.
- The benefits permitted under <Company>’s constitution are outlined at 6.1.2 above.
- 7.2 If a proposed benefit to a Director is not permitted under the constitution, legal advice should be obtained before proceeding.

8. Situations where all the Directors have a conflict of interest

- 8.1 There may be situations where all the Directors have an interest and arguably a conflict of interest, for instance because of an actual or potential benefit to organisations or interests that they represent. In such situations, or a conflict of duties, the procedure in section 6 will not apply and each Director, having declared his or her conflict of interest or conflict of duties may remain at and contribute to discussion at the meeting, be counted in the quorum and vote on the matter.

9. Record keeping

- 9.1 All discussions and decisions about a conflict of interest must be recorded and reported in the minutes of the meeting. The report should record:
- 9.1.1 any relevant interests of the Directors;
 - 9.1.2 any conflicts of interest, including any decisions made as to whether a Director did or did not have a conflict of interest;
 - 9.1.3 the actions taken to manage the conflict in accordance with <Company>'s constitution;
 - 9.1.4 the names of persons present for discussion; and
 - 9.1.5 any other relevant information.

10. Policy Review

- 10.1 This policy shall be reviewed as and when the Directors determine.

Adopted by the Directors on this [] day of []