

# **Practical Action Conflict of Interests Policy**

**(adopted by the Board of Trustees on 31 March 2011)**

This policy applies to Trustees and all staff of both the Charity and its subsidiary companies, and should be read in conjunction with the attached declaration of interests form.

## **Why we have a policy?**

Trustees have a legal obligation to act in the best interests of the Charity, and in accordance with the Charity's governing document (see Appendix 1 for more details). Staff and volunteers have similar obligations.

Conflicts of interests may arise where an individual's personal or family interests and/or loyalties to other bodies conflict with the interests of the Charity. Such conflicts may create problems; they can:

- Inhibit free discussion;
- Result in decisions or actions that are not in the interests of the Charity; and
- Risk the impression that the Charity has acted improperly.

Potential conflicts of interest are inevitable in any organisation. The aim of this policy is to set out how Practical Action expects such potential conflicts of interest to be managed so that actual conflicts of interest are avoided. The policy aims to protect both the organisation and the individuals involved from any impropriety or any appearance of impropriety.

## **The declaration of interests**

Accordingly, we require the Trustees and all staff to declare their interests, and any gifts or hospitality received in connection with their role in the Charity. A declaration of interests form is provided for this purpose (see attached), listing the types of interest you must declare. To be effective, the declaration of interests must be updated at least annually by all staff and Trustees. If you have no interests to declare you are still required to sign the annual declaration and write the word 'NONE' in the appropriate spaces. Your declaration of interests form also needs to be updated when any changes occur.

If you are not sure what to declare, or whether/when your declaration needs to be updated, please err on the side of caution or seek advice from your Director (country or regional director in the case of country/regional programme offices, relevant HOD Director in the case of the UK office), or the Chair in the case of Trustees.

Conflicts of interest involving Directors<sup>1</sup> must be reported to the CEO and those involving the CEO or Trustees to the Chair of the Board.

Interests will be recorded on the Charity's registers of interests, which will be maintained by the Country/Regional Director of each country/regional office or the Company

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<sup>1</sup> For the purpose of clarity, in this paper the term 'Director' refers to senior management; specifically a member of the SLT or a Managing Director of a subsidiary company.

Secretary in the case of the UK office and Board of Trustees. Country and Regional Directors' declarations of interests will be included in the UK office and Trustees register. In order that registers can be used effectively, all registers will be accessible to Trustees and staff.

### **Examples of conflicts of interest**

Conflicts of interest may come in a number of different forms. The following list of examples is for illustration only and is not exhaustive:

Direct or indirect financial gain or benefit to a staff member or Trustee, such as:

- Payment to a Trustee<sup>2</sup> or staff member for services provided to Practical Action;
- The award of a contract by Practical Action to another organisation in which a staff member or Trustee has an interest.
- Employment by Practical Action of a spouse or partner of a Trustee or staff member.

Non-financial gain, such as when a staff member's family benefits from a project carried out by Practical Action in their locale.

Conflicts of loyalty, for example:

- A Trustee or staff member who is also on the committee of another organisation that is competing for the same funding
- A manager on a recruitment panel where one candidate is a friend or acquaintance.
- A staff member or Trustee with a significant interest in any campaigning or political body (e.g. running for / holding office) with policy interests that overlap or conflict with Practical Action's policy advocacy interests.

(It is important to note here that Practical Action is not attempting to discourage staff or Trustees from becoming involved in other organisations. It is simply asking that transparency is maintained in such circumstances by declaring the interest).

Receipts of gifts or hospitality, for example:

- From organisations who have, or may in the future, provide goods or services to Practical Action.
- From organisations who are or who seek to become project partners of Practical Action.

### **Managing conflicts of Interest**

The key principle in managing potential conflicts of interest is that staff or Trustees will need to be able to demonstrate that the resulting arrangement is in the best interests of the Charity and that the potential conflict of interest is transparently managed (see Appendix 3 for additional legal requirements for the management of conflicts of interest involving Trustees).

During any meeting or process (for example a recruitment or procurement process) where the subject matter leads a participant to believe that there could be a conflict of interest, this interest must be declared at the earliest convenient point in the process.

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<sup>2</sup> At present the Board has taken the decision not to pay Trustees for any services provided to the Charity or its subsidiaries.

This relates both to their own personal circumstances or the circumstances of anyone else involved that they are aware of.

Declarations of interests must be clearly recorded within the minutes of the meetings or records of process such as procurement, along with the action taken to manage the conflict including any need to withdraw and reasons for not doing so. At the same time the individual's own declaration of interests form needs to be updated.

Any Trustee or staff member who has a **financial interest** in a matter under discussion, must declare the nature of their interest absent themselves from any related decision making process.

If a Trustee or staff member has any interest in a decision, which creates a **real danger of bias**, that is, the interest affects their, or a member of their family or household, or a business partner, more than the generality affected by the decision, then they must declare the nature of the interest and withdraw from the discussion or process, unless they have a dispensation to speak from their Director (or the Chair in the case of Trustees). In the case of Trustees withdrawal includes forgoing the right to vote on the matter.

If a staff member or Trustee has **any other interest** which does not create a real danger of bias, but which might reasonably cause others to think it could influence their decision, they must declare the nature of the interest and ensure that declaration is recorded, but may remain involved in a decision making process.

### **Data protection**

The information provided will be processed in accordance with data protection principles as set out in the Data Protection Act 1998. Data will be processed only to ensure that Trustees and staff act in the best interests of Practical Action. The information provided will not be used for any other purpose.

## Appendix 1 – Statutory duties of Trustees to avoid conflicts of interest

Trustees are, legally, directors of the Charity and in the context of dealing with conflicts of interest have a statutory duty under Company law and Charity law:-

- to act in the best interests of the Charity.
- to exercise independent judgment.
- to avoid conflicts of interest.
- not to accept benefits from third parties.
- not to purchase property or take loans from the Charity.
- to declare any interest in an existing or proposed transaction or arrangement with the Charity or between the Charity and a third party.

Unless authorised (see Appendix 3), Trustees must not gain financial or other material benefit for themselves, their families, friends, or associated organisations from their Trusteeship of the Charity.

If a Trustee knowingly accepts a benefit from the Charity without proper authority there is a breach of trust and the Trustee will be held personally liable for his/her actions. Trustees could be required to pay back any benefit received or become liable for any loss incurred by the Charity.

Failure to declare any interest in any proposed or existing transactions or arrangements with the Charity is a breach of the Companies Act and a Trustee may be held in breach of duty or may be fined.

In accordance with the Charity's governing document a Trustee shall be required to vacate the office of Trustee if he or she is directly or indirectly interested in any contract with the Charity and fails to declare the nature of that interest to the Board.

## Appendix 2 – Mandatory Declarations

A Declaration of Interests Form must be completed or updated in the following situations:-

	Trustees	SLT directors	Subsidiary Directors
Prior to being appointed	Declaration of Eligibility form	-	-
Upon appointment	Yes	Yes	Yes
After each AGM	Yes	-	-
On Related Party Transactions Form – part of year end audit	Yes	Yes	Yes

The above must be completed even if the declaration shows a "Nil Return".

### **Appendix 3 – Authorising Conflicts of Interest for Trustees**

In the majority of situations following this process identifies potential conflicts of interest at an early stage and removes the individual from participating in matters where he/she is conflicted. There may be occasions however where it is impossible for a Trustee to avoid such a conflict of interest. In such situations the Charity Commission may grant authority for a Trustee to do something which would otherwise breach his/her duty to avoid conflicts of interest. Authority would only be granted in these circumstances if it was considered in the best interests of the Charity to do so. For example, this may include seeking authority from the Charity Commission to pay a Trustee for being a Trustee, a Subsidiary Director or holding a post in the Charity.

## Practical Action Declaration of Interests Form

**Your Name:** \_\_\_\_\_ **Your Team:** \_\_\_\_\_

Please complete this form, giving details of any potential conflicts of interest in each of the categories listed below. If none, please write the word 'NONE' in the space provided. Please refer to the guidance notes in the Conflict of Interest policy when completing this form.

Please update your line manager and your Director immediately if at any time your situation changes. HR will remind all staff annually of the need to let Practical Action know of any updates to this information; you should not wait for this reminder to notify of any changes in your situation.

Category	Please give details of interest
Financial interest with any organisation or individual with whom Practical Action contracts/partners or competes	
Trusteeship of an organisation or significant interest (e.g. running for or holding office) in any campaigning or political body with interests that overlap Practical Actions (e.g. funding sources or policy advocacy goals).	
Other employment	
The offer or receipt of a gift from a third party e.g. cash payments, gifts, provision of meals (over £8 for breakfast, £20 for lunch, £20 for dinner), holidays, entertainment or events' tickets (over £40), any benefit which is out of proportion to a normal business relationship and any benefit which would be likely to create concern. <b>Note: this may arise throughout the year and if it does, you must raise it at that time.</b>	
Any other interests of persons connected to you that could give rise to a conflict of interest or which could be perceived as giving rise to a conflict of interest.	

By completing this form I confirm that I have read Practical Action's Conflict of Interests Policy and that I have declared, to the best of my ability, all relevant interest in the above form.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

The information provided by your will be processed in accordance with data protection principles as set out in the Data Protection Act 1998.