Best Practices for Managing Conflicts of Interest

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Imagination at work

What is a Conflict of Interest?

• An individual or entity has multiple relationships or connections with another individual or entity that could keep them from being independent in thought, action, or opinion

• A situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional or public interest
Conflicts of interests in the news

“As the financial strain on the company increased, a controversial arrangement between McClendon and the company came under renewed scrutiny. McClendon was allowed to buy personal stakes in each well Chesapeake drilled. To finance these stakes he borrowed nearly $1 billion from a company that bought oil and gas assets from Chesapeake, raising conflict-of-interest concerns.”

Conflicts of interests in the news

Hurd demonstrated a “profound lack of judgment that seriously undermined his credibility and damaged his effectiveness.”

Mr. Hurd acknowledged that “there were instances in which I did not live up to the standards and principles of trust, respect and integrity that I have espoused at H-P and which have guided me throughout my career.”
An appearance of a conflict may be just as important as an actual conflict and must also be avoided.

Potential conflicts … what to look for

- Financial interests
- Part-time jobs
- Use of company resources
- Receipt of gifts
- Personal discounts
- Directing business
- Hiring, promoting or directly supervising family members
- Personal relationships

Financial Interests include:

- Ownership of capital stock, bonds, notes, futures, options, or other securities (excluding investments of Company stock);
- Ownership of 1% more of a publicly held corporation’s outstanding stock;
- Partnership interest (general or limited) or other ownership rights in a thing, idea, process or property;
- Direct or indirect interest through a trust, nominee, or other relationship;
- Ownership of business property or real estate (other than personal or family or residence).
WHAT TO LOOK FOR

Part-Time Jobs

Work for other companies during company working hours.

Examples:
• You own a construction company and your team calls with questions while you are in the warehouse.
• You run a small engineering consulting business on the side and you occasionally have rush jobs that cause you to leave the office early.
• You run a small Oil-Well clean up business and you are between crew managers. The crew calls with an urgent matter and you must leave to personally attend to the situation.

WHAT TO LOOK FOR

Use of Company Resources

Use of Company resources for personal gain (including part-time job in previous slide). Such company resources include: intellectual property, facilities, office equipment/computer, company-issued cell phone or email. This also includes using company position or influence to promote or assist an outside activity.

Examples:
• You run a small engineering consulting business on the side. Your website advertises the fact you work for the Company and lists some of the projects that you have worked on.
• A senior business leader asked you to help him transport some company owned equipment and materials to help him build a custom smoke pit in his back yard.
• You observe a co-worker using company-owned shop equipment to work on personal vehicle.
Gifts

Gifts from suppliers, customers, or competitors, particularly if you are making decisions on the company’s behalf that involve those parties. Nominal gifts may be ok.

Examples:
- A very large gift basket from the machine shop that your co-workers use as a supplier.
- A $50 bottle of wine at Christmas for everyone on the team from the same customer.
- Two tickets to the next World Cup soccer match from a neighbor who works for a customer.

Personal Discounts

Personal discounts or other benefits from suppliers, service providers or customers that the public or your company peers do not received can be a conflict of interest.

Examples:
- You need to purchase piping for a personal project and you happen to mention this to a representative of one of the company’s piping vendors who, without solicitation, offers you a discount.
- The maintenance personnel at a local company site is looking for other jobs and tells you that if you recommend him to your wife’s company he will give her a 20% discount.
WHAT TO LOOK FOR

Directing Business

Directing business to suppliers owned and managed family members or close friends outside of standard purchasing processes.

Examples:

• The wife of your Plant Manager owns a catering company and is hired to cater the upcoming company picnic.
• A supply chain employee’s husband who owns and operates a machine shop is hired as primary machining supplier.
• The sole logistics coordinator at your site works directly with her brother’s transportation company and determines which jobs get assigned to his company.

WHAT TO LOOK FOR

Hiring, Promoting or Supervising

Hiring, promotion or direct supervision of family members or close friends.

Examples:

• Your manager directly supervises his brother-in-law who is a member of your supply chain team.
• The IT Leader for your business hired his daughter as a contractor to provide support for the IT team in India.
• The HSE Leader at your site was recently promoted and now is responsible for a team of HSE employees in the Region. Her sister is on the team but has a direct line report to her Plant Manager and a dotted line reporting relationship with her sister in her new role.
Personal Relationships

Avoid personal relationships that may conflict with your responsibilities or compromise company interests.

Examples:

- Dating a subordinate
- Dating a sales representative of a supplier when you are in the supply chain organization

How to manage reporting & resolution of potential conflicts of interests

- Train on what conflicts of interests are, how they impact business & how to use good judgment in all personal & business dealings
- Policy should require disclosure of all outside activities, financial interests or relationships that may either present a conflict or the appearance of one. Provide a written form or online tool for disclosure.
- Review of disclosed potential conflicts of interests should include a discussion with compliance, HR and employee’s manager.