



KAPLAN&WALKERLLP

Conflicts of Interest

An ECI Benchmarking Group Resource

The Ethics & Compliance Initiative (ECI) empowers organizations to build and sustain High Quality Ethics & Compliance Programs (HQPs). ECI provides leading ethics and compliance research and best practices, networking opportunities and certification to its membership, which represents more than 450 organizations across all industries. ECI is comprised of three nonprofit organizations: the Ethics Research Center, the Ethics & Compliance Association and the Ethics & Compliance Certification Institute.

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Introduction & Overview

Conflicts of Interest (“COIs”) are among the thorniest issues that organizations and ethics and compliance (“E&C”) professionals face. There are a virtually infinite variety of situations that might create a conflict, existing as they do at the intersection of personal, family, financial and organizational interests. Additionally, because appearances are so important in this area, it is often difficult to draw bright lines. Moreover, actual, apparent, and potential conflicts very often involve family and other personal relationships, triggering various sensitivities, both individual and cultural. Unlike many other E&C-related risks, conflicts of interest are a real possibility for a large number of employees in most organizations.

Managing these risks requires hard work and thoughtful approaches. Organizations must clearly define the issues and ensure employee understanding. This necessitates comprehensive code of conduct and/or standalone policy provisions, periodic training and communication that explains conflict risks and targets the conflict of interest situations employees are most likely to confront. Because potential conflicts arise so frequently, and in so many contexts, organizations also must establish workable mechanisms for their identification and disclosure. Finally, an effective COI program requires procedures for investigating, managing and otherwise resolving conflicts, including corrective action where appropriate.

This report presents the best thinking on managing conflicts from a group of experienced E&C professionals from a variety of industries and organizations. It also includes results from a targeted survey of the full ECI membership (“the Survey”). Our focus is on identifying best practices and accompanying risks, as a guide to practitioners. In addition to the body of the report, we have put together an appendix with sample

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Critical Steps to Address COI Risk

- » Define the issues → comprehensive code of conduct and/or stand-alone policy provisions.
- » Educate employees → periodic training and communications that explain conflict risks and target the conflict of interest situations employees are most likely to confront.
- » Establish workable mechanisms for their identification and disclosure.
- » Enact procedures for investigating, managing, and otherwise resolving conflicts, including corrective action where appropriate.

policy provisions and documents from leading organizations. Additional resources can be found in ECI's resource library (available to ECI members).

The report is organized into four sections:

1. Defining Conflicts,
2. Preventing Conflicts,
3. Identifying Conflicts, and
4. Dealing with Conflicts.

Each section touches on aspects of the others, so the report should be read as a whole.

Defining Conflicts of Interest – Codes and Policies

Almost all codes of conduct (“Codes”) address conflicts. Standalone policies are less common, as are standalone COI procedures.

Regardless of the form they take, COIs commonly addressed include:

- » economic relationships (e.g., ownership, employment) with entities doing or seeking to do business with the organization;
- » relationships with competitors of the organization;
- » practices concerning gifts, meals, entertainment, and travel; and
- » hiring or supervising family members.

The vast majority of ECI members¹ believe their Code and supporting policies provide clear guidance on managing conflicts of interest. Given that most COI Code and policy provisions are relatively similar to each other, this result is not surprising. There is safety in numbers on this issue – but only up to a point.

Variations in approach across organizations tend to be based on how likely a given type of COI is to occur, how harmful such COIs are likely to be and how difficult they are to identify and manage.

One significant point of variance concerns how COIs – once identified – are treated. Few Code provisions or policies prohibit any type of conflict in every instance. When they do occur, such outright prohibitions typically apply to instances where the employee has a business relationship with a competitor or business partner. Many organizations address conflicts such as these not through outright prohibition, but through disclosure requirements, as discussed later in this report.

Similarly, some companies prohibit gifts and hospitality for certain employee populations (such as senior leaders, procurement personnel, or members of the legal department) or for certain outside recipients (such as government officials). Some prohibit all employees from accepting any gifts or offers of hospitality. Others require more frequent disclosures from certain employee groups.

Some conflicts of interest are more challenging to manage due to lack of visibility. The most common conflicts of this sort relate to:

- » Family relationships and personal relationships – both internally, where there is a reporting relationship between family members, and externally, where there is a family or other close relationship with a business partner;
- » Gifts/Hospitality offered by vendors, suppliers, customers or other outside parties; and
- » Outside employment/outside board memberships.

These challenges may be addressed in a variety of ways. For example:

¹ Eight-eight percent of the 149 Survey respondents.

- » Long-term business relationships that create friendships can also create conflicts of interest, as the friendship may influence decision making. To maintain objectivity, an organization may require a rotational schedule for their sales force or procurement function, so that employees are not working with a single customer/supplier for an extended period.
- » Many organizations prohibit family members from working in the same chain of command. In other cases, particularly where a limited labor pool may make prohibition unworkable, organizations may publish a formal policy that addresses the situation and include independent oversight of assignments and performance reviews.
- » Because gifts and hospitality have a strong potential to present real or perceived conflicts, many companies use tracking, disclosure, or approval forms to provide insight on gifts and hospitality offered or received by employees. (See “Identifying Conflicts of Interest,” p. 17, for a discussion of these practices.)
- » For organizations that allow outside employment or directorships, disclosure is key. This activity also may require higher-level approval and rigorous supervisory oversight. (For more discussion of tracking and monitoring, see “Identifying Conflicts of Interest,” p. 17.)

A Table of COI Types

The following table describes common conflicts of interest noted in Codes and policies, examples of the potential conflict,² and the risk the organization seeks to mitigate in managing the conflict.

Situation	Examples	Potential Risks
<p>OUTSIDE EMPLOYMENT OR PERSONAL BUSINESS INTERESTS</p>	<ul style="list-style-type: none"> » You are employed by or provide services to a competitor, supplier, customer or other business partner » You have other outside employment or business interests that may interfere with your ability to do your job » You conduct personal business with a vendor, supplier, customer or competitor of your organization 	<ul style="list-style-type: none"> » Disclosure of confidential information to third parties » Loss of objectivity when making business decisions – inclination may be to influence decisions for personal gain » Time commitment spent on outside employment may interfere with time spent at your job » Nature of outside employment may conflict with your organization's mission or values » Personal relationships or conduct of personal business with business partners may create the appearance of a conflict of interest and may damage relationships with other key partners

² Examples adapted from Kimberly-Clark Code of Conduct, <http://www.kimberly-clark.com/our-company/governance.aspx>.

Situation	Examples	Potential Risks
<p>PERSONAL RELATIONSHIPS</p>	<ul style="list-style-type: none"> » A friend or family member is employed by a competitor, supplier, customer, or other business partner » A friend or family member owns a business that does business with, or is bidding on business with, the employer » You supervise or are supervised by a family member » You are considering hiring a family member as an employee or contractor 	<ul style="list-style-type: none"> » Disclosure of confidential information to third parties » Loss of objectivity when making business decisions – inclination may be to influence the decisions for personal gain or for the gain of your friend or family member » Desire to maintain personal relationships may influence – or appear to influence – ability to be objective about meeting business needs » Personal relationships with subordinates may diminish your ability to be objective about issues such as compensation, promotions, job duties, shift or O/T assignments, training opportunities, etc.
<p>FINANCIAL INTERESTS</p>	<ul style="list-style-type: none"> » You, your spouse or your partner have an investment or other financial interest in a privately-owned vendor, supplier, customer or competitor of the organization » You or another family member own or have partial ownership of any vendor, supplier, customer or competitor of the organization 	<ul style="list-style-type: none"> » May directly compete with the organization and create opportunity to transfer organizational IP to personal business » May influence business decisions made on behalf of the organization, e.g., may be inclined to direct more business to the vendor, supplier, customer » Disclosure of confidential information to third parties

Situation	Examples	Potential Risks
<p>PUBLIC SERVICE</p>	<ul style="list-style-type: none"> » You volunteer at a charity or other organization that is considering an issue that could negatively affect your employer » You volunteer at a charity or other organization that could create reputational harm for your employer » You offer to donate employer assets (money, products, etc.) to a charity or other organization in which you have a personal interest » You ask vendors, suppliers, or customers of the organization to make charitable donations » You are asked by vendors, suppliers or customers of the organization to make charitable donations (except where sponsored by the organization and approved by appropriate senior leadership) 	<ul style="list-style-type: none"> » Nature of charity may be at odds with organization values or mission and association could undermine the organization's reputation or business results » Loss of objectivity when making business decisions – inclination may be to influence the decisions to benefit the charity at the detriment of the organization » Perception that donating to organization-supported charities is a condition of doing business with the organization » Perception that the organization favors some business partners over others based on which charities are supported
<p>SPEECHES AND PRESENTATIONS</p>	<ul style="list-style-type: none"> » You are offered a fee for speaking or presenting in connection with your job » You are personally reimbursed the travel and hospitality expenses for speaking or presenting in connection with your job » You are offered a personal benefit for speaking or presenting in connection with your job (such as complimentary travel for a family member) 	<ul style="list-style-type: none"> » Perception that you are using your position for personal gain » Perception that your presentation is not objective and may be influenced by remuneration » Perception that your participation in the event could influence your business decisions with respect to the event sponsor

Situation	Examples	Potential Risks
<p>BOARDS</p>	<ul style="list-style-type: none"> » You serve on a board where the commitment may interfere with your ability to do your job » You serve on a board that is considering a decision that may affect your employer » You serve on a board that has a relationship with your employer (such as a non-profit board of a charity that receives donations from your employer) 	<ul style="list-style-type: none"> » Time commitment spent on board may interfere with time spent at your job. » Difficult to remain objective for both your board role and your role at your employer – potential for competing interests between what board needs to accomplish and your employer’s business objectives » Perception that you are using your position to channel organization assets to a charity to which you have an allegiance or in which you have personal interest
<p>POLITICAL RELATIONSHIPS</p>	<ul style="list-style-type: none"> » You use organization time or assets to work on a political campaign (such as using an employer email account or email distribution list) » You express political views in a setting where your audience may think you are speaking on behalf of the organization and you do not have authorization to do so » You make contributions or payments to political parties or candidates on behalf of the organization 	<ul style="list-style-type: none"> » Time commitment spent on campaign may interfere with time spent at your job » Perception that you are using your position to channel resources to a particular political candidate or issue (unless made through appropriate internal organization processes) » In the case of contributions, may be deemed bribery of public official or violations of campaign finance laws
<p>CORPORATE OPPORTUNITIES</p>	<ul style="list-style-type: none"> » You use information you gained at work regarding a potential business opportunity to invest in or develop the opportunity for personal gain 	<ul style="list-style-type: none"> » Loss of business opportunity or intellectual property that may rightfully belong to your employer

Situation	Examples	Potential Risks
<p>OFFERING OR RECEIVING GIFTS AND HOSPITALITY</p>	<ul style="list-style-type: none"> » You receive or offer gifts that exceed the organization's gift limitation (monetary value, frequency, etc.) » You receive or offer gifts in cash or cash equivalent » You receive or offer gifts during a procurement or contract negotiation » You receive or offer hospitality (e.g., meals and entertainment such as sporting events or concerts) when the host is not in attendance » You receive or offer hospitality where the offer is extended to family members » You receive or offer gifts or hospitality to or from a government official 	<ul style="list-style-type: none"> » Appearance that your business decisions are influenced by the gift or offer of hospitality » Appearance that your business uses gifts and hospitality to improperly influence business partner's decisions » Potential that the gift or hospitality would be considered illegal bribery

Preventing Conflicts of Interest – Training and Communication

Because of their potential complexity and wide variety, conflicts of interest are among the least understood E&C risks. Appropriate training and communication are therefore critical to mitigation.

The Survey reveals that COI training approaches vary considerably. Many respondents indicate that they train all employees on COIs, including delivery through Code training. When training is required, it is most often directed at those in key control functions (finance, legal, audit, human resources (“HR”), procure-

Continuous improvement keeps... information fresh and relevant, as individual roles change, new cultures and generations become part of the workforce, and new technologies enable innovative approaches to communication.

ment, C-suite, management and sales). Twenty-five percent of Survey respondents do not mandate training at all.

Although more than 65 percent agree or strongly agree that their organization’s training and other communications related to COI are sufficiently applicable to employees’ day-to-day jobs, all organizations may benefit from regular evaluation of this aspect of their E&C program. Continuous improvement keeps the information fresh and relevant as individual roles change, new cultures and generations become part of the workforce and new technologies enable innovative approaches to communication. Of course, this point is not just applicable to training, but is relevant to all aspects of a COI program.

TRAINING CONSIDERATIONS

Best practice organizations do not limit training to delivery of a single COI course, but view education more broadly, using multiple channels to deliver and reinforce key messages.

Such channels may include embedding COI elements in formal Code training, posters, anonymized cases from the E&C office files, focused leadership training, messages from leaders and other forms of communication.

When formal training is used, the learner’s completion acknowledgement may include their certification that they either do not have a COI or they have disclosed it per the organization’s procedures. (For more on certification, see “Identifying Conflicts of Interest,” p. 17.)

Strategies To Reinforce Key Messages

- ✓ Formal training
- ✓ Posters
- ✓ Anonymized cases from the E&C office files
- ✓ Focused leadership training
- ✓ Messages from leaders

As with all training, the target audience, frequency, and methods of delivery should be guided by the risk being addressed. Members of management, individuals involved in supplier selection, and those whose expertise may be marketable in consulting or other “side businesses” will typically face more COI risk than other employees. But employees in many roles may confront conflicts driven by personal relationships or outside interests, including volunteer activities and elected offices.

TRAINING CONTENT

In developing a COI training and communications plan, consider the following:

- » Personal implications: from the learner’s perspective, what does it mean for ME? WHY should I disclose, WHAT must I disclose, WHEN must I disclose it, and to WHOM?
- » Consequences for failing to disclose a COI.
- » Explanation of potential negative consequences of actual, potential,³ or apparent COIs: for example, violation of anti-corruption laws, damage to organizational reputation, compromised ability to compete for future business, loss of trust by suppliers, employee perception of an unfair workplace and infringement of rules relating to the hiring of former government employees.
- » Explanation of the various types of COIs, including personal relationships between leaders and subordinates, side businesses, supplier relationships, inappropriate gifts and business courtesies, and family relationships (including extended families through marriage). The training should include examples of situations that learners are relatively likely to confront, rather than generic examples that may not reflect the real risks to the organization.
- » Triggers for disclosure and possible COI recertification, for example, changes in personal relationships (including extended family and intimate friends) and changes in work assignments.
- » Mechanics of the COI disclosure and certification process, including responsibilities and expectations for the employee, manager, adjudicators and record keepers.
- » Information about whom to contact with questions.
- » Any special considerations, including:
 - ◆ Added communications or formal training for job functions where a COI creates a higher risk, including auditors, investigators and supply-chain managers; and
 - ◆ Cultural expectations that interfere with the recognition and reporting of COIs.
- » Links and/or downloadable files with additional resources, including policies, disclosure forms/tools, and frequently asked questions.

3 Apparent COIs are circumstances that appear to be, but are not necessarily, actual COIs. Potential COIs are circumstances that do not yet – but are reasonably likely at some point to – exist that would constitute a COI (actual or apparent). Examples of the former are generally well known, but that is less the case with the latter. An example of the latter is if a supplier to an organization is considering hiring the spouse of an employee of that organization.

TRAINING DESIGN AND DELIVERY

Training can be delivered in many forms, from formal courses required at specific intervals to short supplemental periodic communications. There is no one right way to do this, and it may be helpful to think of the effort as an ongoing and multifaceted continuum. While the key messages to be conveyed are the same, the audiences may vary and therefore the way to best deliver the message will differ.

Factors to consider include:

- » **Objectives** for each element of the education plan, from overview training to program-specific in-depth training, to a quick reminder or reinforcement regarding one element of conflicts of interest.
- » **Target Audience** – Organizations and their employees are diverse. Level and type of expertise, profession, age and geography may affect the approach. The method chosen for delivery of training to all-employee audiences may differ from the method chosen for specific populations.
 - ◆ Text messages to mobile devices may be highly effective for portions of the workforce, whereas an email from an executive may resonate more with others.
 - ◆ Cultural differences, often based on geography, may affect how COIs are best explained. Gift giving may be expected in some cultures, and the use of family connections may be seen as advantageous instead of problematic.
- » **Frequency of delivery**, perhaps with a formal course every 2-3 years and supplemental short communications in between. It is helpful to map out a multi-year training and communication cycle that includes timing, media, and who is responsible for preparing and delivering each element of the plan. In large organizations, coordination with the communications and HR training teams (for organizations that have those functions) may be necessary and helpful.
- » **Engage the audience**, using:
 - ◆ Interactive formats. Quizzes and games can be effective educational devices, and courses designed as games may be particularly effective with employees who enjoy video games.
 - ◆ Humor, which can be very effective in making a message memorable, but be careful because humor is cultural and can be perceived as undermining a serious subject.
 - ◆ Multiple delivery methods, for example:
 - In-person, instructor- or leader-led
 - Text messages to mobile devices
 - Online training
 - Videos
 - Social media
 - Collaborative learning
 - Talking points for leaders to use in staff meetings
 - Posters
 - Infographics
 - Apps for phone or tablet

- ◆ Storytelling, which can be effective in multiple media and resonates for almost everyone. Include scenarios featuring employees at all levels, not just senior executives. Real examples are always powerful, and may include situations where a problem was averted by doing the right thing.
- » **Help employees navigate** on-line courses by providing course menus, progress indicators, and the ability to easily review a prior section without retaking the entire course. It is also good practice to provide a bookmarking feature that allows a learner to pick up where they left off if interrupted while taking the course.

MEASURING TRAINING EFFECTIVENESS

Evaluating the effectiveness of training is always important, and COI training is no exception. Take advantage of the interactive features of a course to provide information on where learners are having trouble. If there are embedded questions, are there some that are missed more often than others? If there is a pre- or post-test, what are the pass rates? Post-training surveys can be used to test specific knowledge and to assess learners' impressions of the usefulness and effectiveness of the training.

Year-over-year trends may be used to determine the effectiveness of the COI education program over time. In addition to looking at data on courses, consider trends in the volume of COI disclosures and the frequency/severity of any substantiated COI cases. If the education is working, disclosures should rise and, for many organizations, cases may go up as well at least initially, as increased sensitivity to COI issues leads to more reporting.

Identifying Conflicts of Interest

DISCLOSURE AND CERTIFICATION

The initial mitigation measure for any COI is to disclose it. Disclosure creates awareness of the conflict and allows for transparency in the remediation. A common best practice includes requiring employees to use a specific disclosure form to notify management, HR, or the compliance function of a potential COI. Receipt of the disclosure will prompt a discussion with the employee to provide individual guidance and education on managing the conflict. A mechanism for disclosing real or perceived COIs also provides the opportunity for transparency about how the organization manages COIs.

Disclosure creates awareness of the conflict and allows for transparency in the remediation.

The Survey indicates that 80 percent of respondents use self-reporting certifications. More than a third of Survey respondents tailor the conflict of interest certification ("COIC") to a certain class of employees, such as new hires or management; the majority of the remainder of respondents requires all employees to complete the COIC.

Administration of COIC typically falls to the E&C or HR functions. Completed COICs should be analyzed and resolved through a process that includes coordination among E&C, HR and the legal department. In some organizations, executive or sensitive employee COICs may be dealt with differently to preserve confidentiality and ensure appropriate handling – although such considerations presumably are applicable to all COICs.

WHICH EMPLOYEES?

Organizations may target specific groups to complete the COIC as part of a risk-based COIC approach that considers the relevance and magnitude of potential COIs based on risk factors such as job type, geographical location and/or culture, business, and size of an organization. Additionally, organizations may exclude certain employee groups from certification requirements to comply with union/labor rules or to avoid the time and effort spent involved in seeking certification from employees who are unlikely to have relevant information. Organizations also may limit distribution of the COIC to employees with a higher risk of exposure to potential conflicts related to legal or ethical requirements such as bribery, accounting or procurement practices or consumer protection concerns.

WHICH RISKS?

An organization may track only certain types of COIs, depending on enterprise risk as well as applicable laws. There are, however, certain COI categories that most organizations track, regardless of organization size, geographic reach, or industry. These include gifts and entertainment, financial interests, political contributions, family relationships in employment or contracting, outside employment, and volunteer and charitable activities. (See the Table, p. 8, for more on the types of COI addressed in Codes and other policies.)

Other types of COIs often tracked include: romantic relationships, personal use of organization information or assets, holding public office and litigation with another employee.

The definition of a conflict for a COIC should incorporate applicable local concepts of business ethics as well as relevant legal requirements. The COIC definition should also be limited to comply with applicable restrictions on self-reporting. Ethical and cultural norms vary by location, and global COIC development should consider such norms, as well as applicable privacy, data protection, and labor restrictions related to compelled self-reporting or use of information derived from the COIC results. If a COIC is not appropriately vetted in non-US jurisdictions, and documented to evidence consideration of these issues, employees may object to self-reporting or the process may violate local (non-US) law. It is also recommended that the appropriate executives or board committee approve COIC guidelines and results, after they are approved by the E&C department.

Survey responses indicate that self-disclosure is more effective when a few basic measures are employed, such as:

- » Explaining the self-disclosure process in a clear manner to those who are expected to self-disclose, including the consequences for failure to disclose.
- » Training employees early and throughout their employment, using clear examples of situations that constitute actual or potential COIs. (See “Preventing Conflicts of Interest – Training and Communication,” p. 13.)

WHEN?

A conflict can arise, change or disappear at any time. A married couple may work at the same organization and decide to divorce. Employees may start their own company that may seek to do business or compete with their existing employer. Organizations can capture COIs at various points in the employment life cycle. The first trigger is when an employee is hired by the organization and a disclosure is a part of the pre-employment or new hire process. The second is when the organization sends the COIC to employees. Organizations using an annual COIC may ask

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employees to identify any changes from the previous year. A computer-based system can maintain an audit trail of the various disclosures an employee makes over time. A third trigger is when an employee completes a disclosure form at the time a COI arises.

Overall, COIC best practices include

- » Using a written COIC instead of simply requiring disclosure
- » Including a section about the COIC requirement in the organization's code
- » Providing guidance and training to assist employees in completing the COIC
- » Dedicating resources to respond to COI questions and address issues related to reported potential conflicts, including coordination within the organization's control groups such as HR, E&C, and legal, and protecting the confidentiality of COIC responses
- » Requiring new hires to sign or complete a COIC
- » Evaluating the need for additional customized COICs (i.e., COIC specific to risk area or employee group)
- » Distributing a COIC annual report or summary to senior executives and governance committee(s)
- » Retaining and storing completed COICs in accordance with the organization's record retention policy
- » Establishing expectations and a schedule for periodic recertification (semi-annual, annual, ad hoc self-reporting)

TRACKING MECHANISMS

Because the circumstances – both individual and organizational – giving rise to an actual, apparent, or potential COI – can change over time, many organizations track disclosed conflicts.

Over 63 percent of Survey respondents use some type of computer-based system to maintain and track their disclosures and nondisclosures. Of those using a technology solution, about half use an online sys-

Twenty-three percent of respondents track disclosures manually by either maintaining hardcopy files or a spreadsheet.

tem or outside vendor to track their potential or actual conflict of interest disclosures. Twenty-three percent of respondents track disclosures manually by either maintaining hardcopy files or a spreadsheet.

Manually tracking of disclosures is time-intensive for large organizations, and may produce inconsistent results.

Organizations looking at an online system may want to consider one that provides a disclosure review by various levels within an organization. Access to COI disclosures, whether hard copy or electronic, should be limited to individuals within the organization with a legitimate need to know.

Another feature to consider is one that allows employees to provide additional or modified information to a submission. Such a system may be tied to a case management system that assigns a report number, an investigator, email tracking capabilities, and calendar entry for automatic follow up. Most computer-based questionnaires have built-in work flow processes to capture more detailed information such as employee names and relationships.

RISK ASSESSMENTS AND AUDITING

Risk assessments and audits play a key role in many compliance regimes. The same may be true for COIs, but in many organizations there is an opportunity to improve these functions.

As noted, nearly 90 percent of Survey respondents believe that their organizations' stated position on COIs is clearly articulated.⁴ And 75 percent of respondents believe their organizations' procedures for resolving COIs are sufficient.⁵ However, only 57 percent of respondents are confident that their organizations are in fact identifying and addressing all reasonably likely COI-related risks through their risk assessment, audit, and investigation processes.⁶ These figures suggest that respondents perceive a gap between the methods their organizations use to communicate about and train employees on COIs, and their ability to actually identify and address them.

Risk assessments provide a valuable method to identify COIs (although they also serve a broader purpose of helping ensure that an organization's E&C mechanisms – e.g., policies, procedures, training, auditing, and monitoring – are sufficiently risk-based). Risk assessments can be targeted at COIs only or integrated into the process an organization uses to identify compliance risks of all kind. Regardless, a formal risk assessment should ask both “how” and “why” different

By the Numbers

88% believe that their organizations' stated position on COIs is clearly articulated.

75% believe their organizations' procedures for resolving COIs are sufficient.

57% are confident that their organizations are in fact identifying and addressing all reasonably likely COI-related risks through their risk assessment, audit, and investigation processes.

⁴ Eight-eight percent of respondents indicated that they agreed or strongly agreed with the statement, “My organization's Code provisions related to conflicts of interest are easy to understand.”

⁵ Seventy-five percent of respondents indicated that they agreed or strongly agreed with the statement, “My organization's procedures for identifying and resolving/managing conflicts (including certifications) are sufficient in light of our COI-related risks.”

⁶ Fifty-seven percent of respondents indicated that they agreed or strongly agreed with the statement, “My organization's risk assessments, audit, and/or investigations identify and address all reasonably likely COI-related risks.”

types of conflicts may occur. Asking “how” looks at the business practices and relationships within an organization that may give rise to conflicts. Asking “why” focuses on the motivations employees or others have in circumventing existing controls. The risk assessment should not stop with answering these questions, but should use the findings to identify new controls or processes as well as modifications of existing ones to improve an organization’s risk mitigation efforts.

Audits are a more difficult tool for identifying COIs, because conflicts often arise through personal relationships that are not readily observable through the audit process. COI audits vary in level of sophistication. At a basic level, auditing for conflicts relies on trained audit staff to ask specific questions during routine audits that aim at identifying conflicts for specific employees or groups of employees, e.g., employees involved in procurement. More sophisticated audits may use testing methods such as:

- » Reviewing an employee’s activities on social media to uncover undisclosed business interests or interactions with suppliers or customers
- » Searching for matches between vendor addresses and employee addresses
- » Looking for matches between vendor bank account information and bank account numbers used for employee payroll
- » Matching vendors’ public corporate ownership records (e.g., articles of incorporation) against names of employees
- » Examining employee email, telephone, and expense records for interactions with vendors and customers
- » Identifying suspicious patterns of vendor pricing that suggest “favoritism” by a purchasing employee

Some organizations use audit rights in supplier and other third-party agreements. The provisions may take various forms, such as a requirement to notify the other party of any known conflicts, a general obligation to adhere to an organization’s supplier code of conduct provisions that may prohibit COIs, or representations and warranties that prohibit any personal or organizational COI.⁷

⁷ For example:

Contractor warrants and represents that its performance of its respective duties and obligations under this Agreement does not and will not create any sort of personal or organizational conflict of interest that will prevent Contractor from fully, faithfully and impartially executing its duties and obligations;

Contractor further agrees that it shall actively monitor its activities and shall immediately disclose to <company> any actual or apparent conflict of interest that arises during the course of this contract. For each such actual or apparent conflict, Contractor shall describe in detail:

- a. The nature of the activity that constitutes, or may constitute, a conflict of interest;
- b. How the activity constitutes, or may constitute, a conflict of interest;
- c. The Contractor’s proposed action to eliminate and/or mitigate the conflict of interest to ensure that its duties and obligations under this Subcontract are not affected.

Contractor understands that its failure to disclose or remedy any actual or apparent conflict of interest shall be a material breach of this Agreement and this Agreement shall be subject to immediate termination.

Dealing with Conflicts of Interest

In many instances, identification of COIs may require further investigation. Organizations should ensure they have a process through which disclosed conflicts are reviewed quickly and thoroughly by persons who have sufficient training and experience to accurately assess the COI risk. Where disclosure is made to someone other than an employee's manager, notifying the manager that the employee has disclosed a conflict, or that a potential conflict is being investigated, will help ensure that the investigation is thorough. Appropriate notice also facilitates monitoring and implementation of any mitigation plan. Investigations into conflicts typically are conducted in accordance with an organization's internal investigation procedures, although in some instances a more informal approach can be used.

Some best practices here include:

- » Following up on all disclosed actual or potential COIs with employees and their managers to demonstrate the organization's commitment to risk mitigation
- » Making sure employees who review disclosed conflicts are sufficiently experienced and trained to identify conflicts and appropriate responses

Once a conflict is identified, it must be remediated. Remediation depends on the type of conflict and the applicable circumstances. Remediation plans may include:

- » Segregation of the individual from relevant decision-making (e.g., selection of certain vendors)
- » Transfer of supervisory roles over relevant employees to other members of staff or transfer of role to a different area
- » Disposal of assets that cause the COI
- » Termination of the external activity that causes the COI
- » Agreeing to a protective contractual clause with third parties
- » Declining to proceed with the matter or engagement when no resolution is possible
- » Otherwise prohibiting continued involvement in the activity that creates the conflict

Mitigation plans can be standardized or individual. A standard mitigation form may be used to formalize the process, ensuring submission of all relevant information and use of appropriate approval processes. An individualized plan allows the organization to address complex issues unique to particular circumstances.

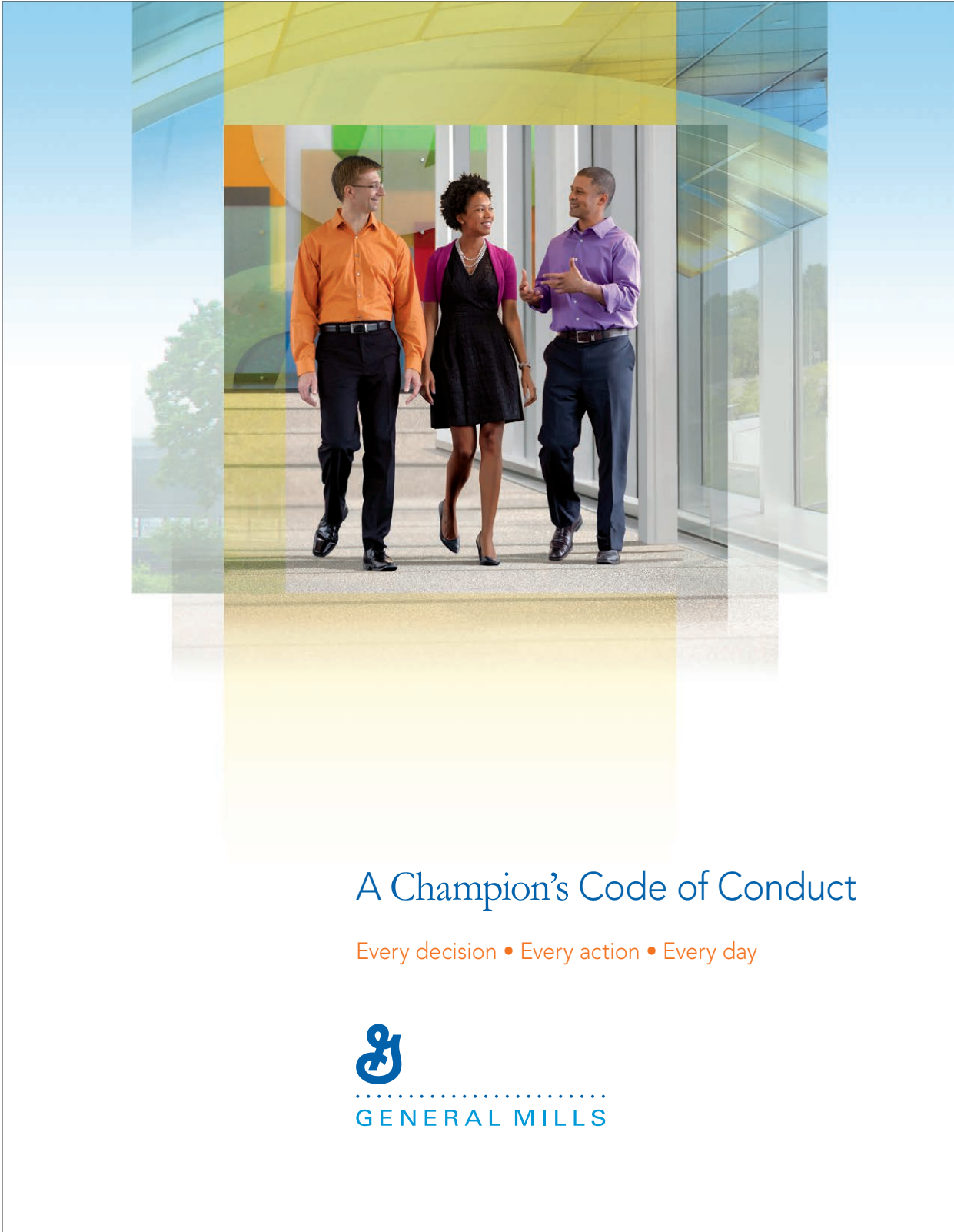
Conclusion

We hope that this report is useful. We are thankful for the opportunity provided by ECI to assist E&C practitioners to help their organizations deal appropriately with conflicts of interest, and to contribute to the ongoing discussion about this ever interesting and challenging field. In the spirit of collaboration that has always shaped the E&C movement generally, and ECI in particular, we encourage readers to send us their thoughts and questions about the report.

Jeffrey Kaplan
Partner
Kaplan & Walker LLP

Mark Snyderman
Chief Ethics & Compliance Officer and
Assistant General Counsel
Laureate Education, Inc.

Appendix



A Champion's Code of Conduct

Every decision • Every action • Every day



.....
GENERAL MILLS

Acting in the best interest of General Mills

Avoiding conflicts of interest

Because we are expected to act in the best interest of General Mills at all times, we need to watch for potential conflicts of interest. A conflict of interest arises when personal, social, financial or political activities or business relationships interfere with an employee's objectivity and loyalty to General Mills. Actual conflicts – as well as the appearance of conflicts – must be avoided. Carefully consider your own situation for any actual or apparent conflicts of interest. If you believe you or a family member have a conflict of interest, you must disclose it to your manager.

LOOK IT UP CONFLICTS OF INTEREST, GIFTS AND ENTERTAINMENT AND OTHER BUSINESS CONDUCT

Q: My father owns a vending machine business and wants to provide vending services to a General Mills location. Is he allowed to approach General Mills to pitch the business?

Your father may approach General Mills to pitch this business as long as you have no responsibility for procuring these services, and you have no involvement in the selection process. His company will need to go through the established selection process and meet General Mills' criteria. You should always disclose these types of situations to your manager.

Common conflicts of interest

Business relationships
You have an actual or potential conflict of interest if you (or members of your immediate family or household) are affiliated with a business or organization and:

- It interferes with your job.
- The business is a customer or vendor or it competes with General Mills.
- The relationship could harm General Mills' reputation.

Ownership
You have an actual or potential conflict of interest if you (or members of your immediate family or household):

- Own any stake in a privately-owned vendor, competitor or customer.
- Own more than a small portfolio interest in a publicly owned vendor, competitor or customer.

Boards
You may sit on a board provided the commitment does not interfere with your job, the relationship will not harm General Mills' reputation and you have appropriate approval:

- For-profit boards require approval from your manager and other senior level executives.
- Non-profit boards require approval from your manager.

Receiving and giving gifts

Gifts and entertainment can create goodwill in our business relationships, but can also make it hard to be objective about the person providing them. Our choice of suppliers, vendors and partners must be based on objective factors like cost, quality, value, service and ability to deliver. We must avoid even the appearance of making business decisions based on gifts received through these relationships. Gifts of nominal value (less than \$100 USD from one source and \$250 USD from all sources in a year) are acceptable as long as your group does not have a more stringent gift policy. Infrequent business entertainment is appropriate provided it isn't excessive, and it does not create the appearance of impropriety.

When giving gifts or offering to entertain a business partner, ensure that your offer does not violate the recipient's own policies. If you work with public officials, be aware that even simple offers such as purchasing a meal or refreshments may be unacceptable or even against the law. Contact the Law department before providing any gift or entertainment to a public official.

LOOK IT UP CONFLICTS OF INTEREST, GIFTS AND ENTERTAINMENT AND OTHER BUSINESS CONDUCT

Q: I work in Europe, and a business contact gave me an expensive crystal bowl in recognition of a new contract. May I accept it?

Gifts should be in good taste, not used to gain influence and nominal in value (less than \$100 USD in value and never in cash). Consider whether public disclosure of the gift would embarrass the company. If so, return the gift and explain that accepting it is against our gift policy. Gift-giving customs vary by country, so if returning the gift would cause embarrassment or be impractical, discuss the gift with your manager, arrange to donate it to charity or turn it over for company use. When appropriate, explain our gift policy to the person giving the gift. If you have questions about gifts, talk to your manager or managing director.

Always refuse gifts that...

- Are cash or a cash equivalent.
- Are illegal or violate the law.
- Cause you to feel an obligation.
- Influence or give the appearance of influencing business judgment.
- Are given as part of an agreement to do something in return.
- Would violate the gift and entertainment policy of the giver's employer.
- Are for entertainment that is unsavory or otherwise contrary to our commitment to mutual respect.

Q: I've been asked to participate in a local customer-sponsored golf event. May I attend the event?

This kind of business entertainment is acceptable, because it builds your relationship, it can generate goodwill, and it is not lavish. Always consider whether the event would influence – or appear to influence – a decision about the customer. Also consider whether it has a business purpose, how it appears to employees and others, and whether attendance benefits the company. If it requires travel, you need to talk to your manager.

Our Code of Conduct

Operating with Integrity—
Everyday, Every way, Everyone



Ensuring No Conflicts of Interest

Each of us, at every level of the company, must take care to be free of any influence, interest or relationship that could conflict with the best interests of our company. This means that our personal financial, business and other activities must never make us biased or partial in a way that would negatively affect our work for Olin. In order to maintain our company's good reputation—and our own—we should avoid situations when they raise even the suggestion of a conflict of interest.

Outside Employment

We must be careful to avoid a conflict of interest when we seek employment outside of our company. If we take a second job or perform services for another company, our work must not interfere or conflict with our responsibilities at Olin. In addition, company policy does not permit us to work for or provide services to any Olin competitor, customer or supplier (or any company seeking to become an Olin competitor, customer or supplier) without prior approval from management. This policy also applies to any family member as defined below.

A "family member" includes a spouse, child, sibling, parent, stepchild or stepparent, as well as mother-, father-, son-, daughter-, brother- or sister-in-law, and any other person living with you, except tenants and household employees.

In addition to outside employment with other companies, independent business activities, such as operating a part-time or "side" business, have the potential to create a conflict if the business activities compete with Olin's interests or reflect negatively on Olin. For this reason, if we have a side business that we fully or partially own, the business may not act as a supplier to Olin or to a current or potential Olin competitor, customer or supplier without advance disclosure and approval.

Officers of Olin Corporation may not serve as a director, officer, employee, partner, consultant, agent or representative of a business concern not affiliated with Olin without prior approval of Olin's Board of Directors.

Each of us, at every level of the company, should do our part to maintain Olin's good reputation. This means avoiding situations that even suggest a conflict of interest may exist.

Conflict:

Stephen works weekends in a maintenance company he co-owns with a friend. He would like to do contract work for an Olin manufacturing facility – it would boost his business and save Olin money.

However, this would be a conflict of interest for Stephen. If the situation changed so that the arrangement wasn't favorable for both Olin and his maintenance company, he would have to choose between the best interests of the two companies. We should avoid ever getting into that position.

Not a conflict:

Sarah is thinking about getting a second job at a local department store. As long as the second job doesn't prevent Sarah from devoting the time and effort she needs to do her job at Olin, it shouldn't be a problem.

If she has questions, she should contact her manager, Human Resources Department or the Corporate Ethics and Compliance Office to discuss the situation before accepting the job.

Our Responsibility to Help Our Company Succeed

Q&A

Q John's wife has just accepted a position with one of Olin's suppliers. Is this a conflict of interest?

A It depends. This could be a problem for John if he or someone who reports to him has business dealings with the company or plays a role in selecting his wife's company as a supplier. It's always better to tell your manager about such a relationship upfront and not participate in any decisions or negotiations with the supplier until Olin has had the opportunity to evaluate the situation.

It is important to disclose family relationships that relate to our work. This helps us avoid the appearance of a conflict of interest and protects our reputation as individuals and as a company.

Investments in Other Companies

Olin respects our right to invest in other companies as long as our financial interests do not affect our judgment or activities on behalf of Olin or jeopardize our reputation. For this reason, neither we nor any of our family members, as defined on page 26, may have a significant investment in any business concern that does or seeks to do business with our company, or any competitor of our company, unless it has been fully disclosed in writing to management and a determination has been made that a conflict of interest does not exist. Also, even in the absence of a financial interest in another business organization, we should be aware that the potential for a conflict of interest may exist if we or a family member receives a significant benefit such as substantial commissions or bonuses from another organization if it does business with Olin.

A "significant financial interest" is a 5% or more ownership interest in, involvement with (including as a director, officer or partner) or obligation to or from any business organization which does or seeks to do business with Olin. A "business organization" includes any not-for-profit entity to which Olin makes contributions and any competitor of Olin.

Working with Family and Friends

In certain situations, the work activities of family members can create a conflict of interest. To avoid conflicts, Olin does not generally allow direct supervision of a family member. Where family members work in the same department or location, Olin makes sure that job duties and overtime assignments are based on objective criteria and that pay decisions and job performance evaluations are handled by an independent person.

We should also be aware that a conflict of interest may exist, or appear to exist, in situations where a family member works or performs services for an Olin competitor, customer or supplier, especially if we or someone who reports to us has business dealings with the company or family member. We should always report questionable situations to our manager upfront—as soon as we become aware of them—to avoid even the appearance of a conflict in our dealings with family.

Corporate Business Opportunities

We are expected to promote Olin's interests when the opportunity to do so arises. This includes situations where we personally benefit from an opportunity that we developed or learned about in the course of our employment with Olin.

For example, developing an opportunity related to any current or prospective Olin business without Olin's knowledge and consent would be a conflict of this type. A conflict of interest may also exist (even if we don't personally benefit) if we were to offer the benefits of the opportunity to another person or organization.

Memberships on Boards and Committees

Olin encourages us to participate in professional organizations and community activities. However, our participation must not jeopardize our company's reputation or distract us from the performance of our jobs. We are not required to obtain approval for serving on the board of a nonprofit organization as long as the organization does not receive contributions or other payments from Olin and our activities do not conflict with our job responsibilities or reflect negatively on Olin. Advance approval is required for service on the board of directors of any other organization.

Inside Information and Securities Trading

From time to time, we may have access to material inside information about our company or other companies that we do business with. "Material inside information" is information that is not available to people outside of Olin, but that a reasonable investor would consider important.

Securities laws, local laws and regulations, and Olin policy prohibit us from using inside information to influence our own or anyone else's investment decisions regarding Olin or any other publicly traded company. For this reason, we must be careful not to trade in any publicly traded securities, including Olin's, whenever we believe that we are in possession of material nonpublic information. We must also be careful not to "tip" anyone else, including family and friends, who could disclose the inside information to others. Tipping also applies to discussions in social media, including Internet bulletin boards, blogs or chat rooms.

Examples of material inside information include:

- Unpublished financial results
- News of plans for a merger or acquisition
- Changes in top management
- Information about new products or services
- Changes in pricing or demand for products
- Unusual or large company borrowing
- Dividend policies or news of a stock split



Q&A

Q Peter hears confidentially from a friend in another department that Olin is negotiating to acquire a certain company. Peter thinks that Olin's stock price will go up when the news is announced, so he decides that it would be smart to purchase additional Olin shares now. May Peter purchase stock now that he has learned about this potential acquisition?

A No. Peter must not make any trades based on this nonpublic, material information. If he buys or sells stock in Olin now that he has learned this information, he will be considered to have traded based on that information, even if he believes the acquisition may not actually happen. Any nonpublic information that a reasonable investor would consider important when deciding whether to buy, sell or trade a company's stock can be considered inside information.

Our Responsibility to Help Our Company Succeed



Providing and Accepting Gifts and Entertainment

Gifts

Although exchanging gifts can help to build strong working relationships with our various business partners, it also has the potential to create a conflict of interest or at least the appearance of a conflict. For this reason, any gifts that we offer or accept in a business relationship must be reasonable, infrequent and valued at less than U.S. \$100. We should be attentive to the fact that what may be considered reasonable by law or custom in more developed countries might be considered extravagant in less developed ones. If ever in doubt, consult the Corporate Ethics and Compliance Office. Gifts may include tangible merchandise, such as specialty items bearing a company logo, gift baskets, specialty food items or gift certificates redeemable for meals, goods or services.

Q&A

Q Angie receives a gift from an important supplier that exceeds the U.S. \$100 limit. What should she do?

A At times, we may receive an unannounced gift from a supplier or other business partner that exceeds Olin's gift limit. In this case, Angie has the option of returning the gift with a note explaining Olin's policy on gifts, turning it over to Olin for display, using it in an employee giveaway, donating it to a charitable organization or, if the item is a perishable food item, sharing it with all members of her department. However, keeping a gift that exceeds Olin's gift limit would require approval of the Chief Ethics and Compliance Officer.

Gifts also include tickets to entertainment venues, such as sporting, cultural or other events, when the host or provider is *not* in attendance. For example, providing football tickets to a customer who will not be accompanied by an Olin employee is not entertainment; it is a gift. Accepting tickets to a concert unaccompanied by the Olin supplier or potential supplier who provided them is considered a gift. In both of these situations, the offer of entertainment would be considered a gift and subject to Olin's gift limitation.

Certain gifts are *never* acceptable:

- Gifts of anything of value to a public official for the purpose of influencing the official to misuse his or her position in a way that benefits Olin (see "Special Concerns When Dealing with Public Officials")
- Gifts that are solicited or offered in exchange for personal gain or unfair business advantage
- Gifts in cash or cash equivalents, such as stocks, bonds, stock options, loans or certificates redeemable for cash
- Gifts that are illegal, sexually oriented or would violate our commitment to mutual respect

Occasionally, a gift that exceeds the U.S. \$100 limit may be offered or accepted in certain situations. Usually these situations involve a group event attended by an Olin employee and representatives of one or more other companies where the item is provided to all attendees. There may also be a situation where a more expensive gift item is presented in recognition of a special event or milestone. However, any gift that exceeds the U.S. \$100 limit must be approved by the Chief Ethics and Compliance Officer.

Meals and Entertainment

We may offer or accept meals, hospitality and entertainment in connection with a business relationship as long as they are reasonable and customary with respect to frequency and cost, and the provider is in attendance. If the provider is not in attendance, anything offered or given is considered a gift and is subject to Olin's gift limitation.

"Reasonable and customary" means that the meals, hospitality or entertainment has a legitimate business purpose and is:

- Consistent with acceptable business practices for the industry and geographic location
- Infrequent in nature
- Not lavish or extravagant

In addition, since we are representing our company, the entertainment must not violate Olin's Code or the business standards of the other party nor include any establishment or activity that would reflect negatively on our company. An example of inappropriate entertainment is sexually oriented entertainment or entertainment that exploits anyone's ethnic identity, race or religion.

Offers of Travel and Lodging

We may not accept gifts of commercial transportation, lodging or other living and travel expenses unless we are part of a group, the supplier or customer representative is present, the trip is business related and the activity is approved in advance by a Senior Staff Officer or, in the case of a foreign subsidiary, the executive officer of that location.

Special Concerns When Dealing with Public Officials

It is unlawful for Olin or its employees and third parties to offer or give anything of value to a public official for the purpose of influencing the official to misuse his or her position in a way that benefits Olin.

In the U.S., government procurement laws generally prohibit the offer of anything of value to a U.S. government employee other than business-related meals or refreshments that are served to participants in a meeting at which government employees may contribute to a fair share of the expense. For details, refer to the "Special Responsibilities When Working with Our U.S. Government Partners" section of this Code.

Outside the U.S., global anti-corruption laws and regulations restrict gifts, hospitality, entertainment and travel offered or provided to public officials to reasonable expenses that relate to the promotion, demonstration or explanation of Olin's products or to Olin's execution or performance of a contract. For details, including requirements for advance approval from Olin's Law Department, refer to the "Participating in the Global Marketplace" section of this Code.


Q&A

Q Maria manages several of Olin's suppliers. Maria likes to meet in person whenever possible, especially when she is working with one supplier in particular. Whenever she visits their offices, they take her to an expensive restaurant, and several times a year they invite her to concerts or sporting events. Recently, she's been going there every month. Could Maria be violating our meals and entertainment policy?

A Possibly. Occasional, moderately priced restaurant meals and other entertainment can foster goodwill between our company and a business partner. However, we should keep in mind that accepting entertainment from a particular company on a frequent basis may become – or appear to become – a conflict of interest. Maria should discuss these invitations from the supplier with her manager to make sure that she is following our policy. If there are any doubts, Maria and her manager should contact the Corporate Ethics and Compliance Office.


CONFLICTS OF INTEREST

Guidelines for avoiding activities, interests or relationships that conflict with your job at Olin.



TM

OPERATING WITH INTEGRITY
Everyday. Every way. Everyone.



Typically, a conflict of interest exists when outside work, financial interests, family relationships or other activities influence—or appear to influence—your judgment and actions on behalf of Olin.

Situations That Can Create a Conflict of Interest

While it's impossible to list every situation that can present a conflict of interest, the following are a few common situations that can conflict with your job responsibilities at Olin:

- Outside employment
- Independent business activities
- A significant investment in another company
- Service on boards or committees of certain organizations
- Doing business with or supervising a family member
- Offering or receiving certain gifts and entertainment
- Using Olin's information or assets to pursue an opportunity

Outside Employment

Holding a second job with a competitor or an outside company that does business or is soliciting business with Olin can create a conflict of interest, or at least the appearance of a conflict if your job duties at Olin require you to select, influence, manage or make decisions related to the company.

Examples of outside jobs that require your disclosure:

- Working for a current or potential Olin supplier, sub-contractor or other business partner if you or someone who reports to you are involved in influencing, recommending, selecting, negotiating or managing the relationship with the company
- Working for a current or potential Olin customer if you or someone who reports to you are involved in selling to, servicing, influencing or managing the customer relationship
- Working for any other organization if your outside work could prevent you from devoting the time and effort to Olin's business that your position requires
- Working for any Olin competitor
- Pursuing any outside work that could damage our company's reputation
- Using Olin time or resources to pursue any independent business interests

You must disclose any outside employment that creates a potential conflict of interest to your supervisor or higher level of management and ask for a conflict of interest review. You must also remove yourself from any negotiations, influence or decisions related to the company until a final determination has been made.

Independent Business Activities

In addition to outside employment with other companies, independent business activities such as operating a part-time or "side" business have the potential to create a conflict of interest if the business activities compete with Olin's interests, reflect negatively on Olin or if they are provided to a current or potential Olin supplier, customer, partner, or sub-contractor. In addition, an employee's side business may not act as a vendor or supplier to Olin without advance disclosure and approval.

Investments in Other Companies

A significant financial interest in an organization that does business or is soliciting business with Olin has the potential to conflict, or appear to conflict with your judgment and activities on behalf of our company. For this reason, you are required to disclose significant financial interests that you or a family member may have in any current or potential Olin supplier, customer, partner, sub-contractor or competitor.

A "family member" includes your spouse, child, sibling, parent, stepchild, stepparent, as well as mother-, father-, son-, daughter-, brother-, or sister-in-law, and any other person living with you, except tenants and household employees.

A "significant financial interest" in a company or organization is defined as:

- a 5% or more ownership interest in the company
- a 5% or more obligation to or from the company

Service on Boards and Committees

If you are asked to serve on the board of directors or a committee of a board of an outside company or non-profit organization, you must ensure that your service does not conflict with our company's interests or provide the potential for reputational damage.

You should disclose board service in the following situations:

- Service on the board of a current or potential Olin supplier, customer, partner, sub-contractor or an Olin competitor
- Service on the board of a non-profit organization if the organization receives contributions or other payments from Olin
- Service on *any* board or board committee if the service conflicts with your job responsibilities at Olin or reflects negatively on our company

Doing Business with Family Members

A conflict of interest may arise when a family member has a personal interest in an organization that does business or is soliciting business with Olin.

Examples of situations involving family members that require your disclosure include:

- Recommending the hiring of a supplier or other business partner when you have a family member who has a significant investment in or works for the company
- Participating in negotiations or influencing transactions with a supplier or other business partner when a family member stands to gain from the transaction
- Providing a business opportunity learned about at Olin to a family member when it rightfully belongs to our company
- Having a family member who works for an Olin competitor

You should disclose any situation where a family member creates a potential conflict of interest and ask for a conflict of interest review. You must also remove yourself from any negotiations, influence or decisions related to the company until a conflict of interest determination has been made.

Supervising a Member of Your Family

To ensure fairness and objectivity, Olin does not allow direct reporting relationships between family members. In cases where family members work in the same department or location, job duties and overtime assignments are to be based on objective criteria and pay decisions and job performance evaluations are to be handled by an independent person and monitored on an ongoing basis to ensure objectivity and fairness.

Offering or Receiving Gifts, Entertainment and Travel

Offering and receiving legitimate, business-related gifts and entertainment is acceptable as long as the gift or activity adheres to company policy limits and does not compromise, or appear to compromise your ability to make objective, “arms length” decisions based on merit and good business judgment.

Olin’s policy includes the following restrictions:

- Gifts must be infrequent and valued at less than \$100 US dollars
- Gifts in cash or cash equivalents are prohibited
- Entertainment, meals and social invitations must be, reasonable and customary for your business unit and location and the provider must be in attendance. If the provider is not in attendance, the hospitality is considered a gift.

- Gifts, meals and entertainment offered to government officials are highly regulated and often prohibited
 - Never offer gifts or entertainment to U.S. government officials unless you have specific knowledge that they are acceptable under federal, state or local laws and regulations
 - Gifts to foreign officials are *always* prohibited

In addition, neither you nor any member of your family may accept payment for transportation, hotel or other travel-related expenses from any outside company unless the travel is business-related, you are part of a group hosted by an Olin supplier or customer representative *and* the travel is approved in advance.

Corporate Opportunities

Each of us is expected to promote Olin’s interest when the opportunity to do so arises. A conflict of interest may exist if you personally benefit from an opportunity that:

- is related to any current or prospective business of Olin
- was learned about or developed in the course of your employment with Olin
- was developed without Olin’s knowledge and consent

If you discover a business opportunity through your work at Olin, you must disclose it so that Olin may fully evaluate the opportunity. You may not use the opportunity for yourself or offer it to any other individual (even if you do not personally benefit from it) without prior disclosure and approval.

How to Disclose and Resolve Potential Conflicts of Interest

Many conflicts of interest can be avoided if they are fully disclosed and appropriate steps are taken to resolve the situation. You may disclose potential conflicts to:

- your supervisor or a higher level of management
- Human Resources
- your local or division Ethics Office
- Olin’s Corporate Ethics Office
- the Legal Department
- Olin’s confidential, 24-hour Help-Line service

Upon full disclosure and consideration of the facts and circumstances, Olin management will determine if a conflict in fact exists and what steps, if any, must be taken to ensure that your activities are in compliance with our Code and conflict of interest policies.



Frequently Asked Questions

- Q** I've been offered a part-time job in an outside company. The company does not compete with Olin or take time or attention away from my job at Olin. Can I accept the position?
- A** You can accept the position as long as it is not with a current or potential Olin supplier, customer, sub-contractor or other business partner. If it is, and if your job duties at Olin require you or anyone who reports to you to deal with the company, you must disclose the situation in advance and ask for a conflict of interest review.
- Q** Is it okay if I operate a side business from home while I am an employee at Olin?
- A** You may operate a side business if your work in the business does not create a conflict of interest with your work at Olin. For example, your side business must not interfere with your job duties, use company resources, compete with Olin or reflect negatively on our company. In addition, your business may not supply products or services to Olin or any current or potential Olin supplier, customer, sub-contractor or other business partner without prior disclosure and approval.
- Q** I am interested in investing in a company that sells materials to Olin. Could this be a potential conflict of interest?
- A** It could under certain circumstances. You should disclose the situation in advance and ask for a conflict of interest review if your interest would exceed a 5% ownership interest in or obligation to or from the company.
- Q** I'm negotiating a service contract with a new supplier. An employee who reports to me wants to recommend her husband's company. Can I ask the company for a bid?
- A** Yes. You may ask the company to compete for the bid as long as the employee who reports to you does not participate in the bidding, selection or management of the company should it be chosen. You must also ensure that the employee who reports to you does not share any confidential information about Olin that could help the company be selected.

- Q** One of my close friends is working with an Olin supplier. Since he's not a "family member," do I have to disclose the situation?
- A** Olin's conflict of interest policies always apply to family members, but they also apply to friends if the relationship could influence your objectivity or decisions on behalf of our company. In this case, if you or anyone who reports to you deals with this supplier as part of their job at Olin, you should disclose the situation and ask for a conflict of interest review.
- Q** As a sales rep for Olin, I've become aware of a business opportunity to invest in a service that could be sold to some of our customers. Can I tell my brother-in-law about this opportunity so he can pursue it?
- A** As an Olin employee, you are expected to notify our Company of any opportunity that you learn about in the course of your employment so that Olin can determine whether or not to pursue it. If you give the opportunity to someone else without Olin's knowledge or consent, even if you do not personally profit from it, you could be violating Olin's Code of Conduct and conflict of interest policies.
- Q** A potential supplier has offered me an all-expense paid trip to view their facilities. Can I accept the reimbursement for travel expenses?
- A** Olin employees and family members may not accept payment for travel expenses (commercial transportation, hotel room or other living and traveling expenses) unless travel and participation is as part of a group hosted by a supplier or customer representative, is business-related and is approved in advance by a Senior Staff Officer or the Executive Officer of a foreign subsidiary. A Senior Staff Officer is any executive reporting to Olin's President and CEO.

Additional Q&As on conflicts of interest are available on Olin's Business Practices web site at: <http://insideolin/BusinessPractices/AdviceandGuidance/Conflicts/default.aspx>



Where can I go for help?

For Olin's policies on conflict of interest, refer to:

- CPS 3.2 Conflicts of Interest
- CSP 4 Business Travel, Entertainment and Gifts
- CSP 42 International Marketing Practices (FCPA)
- CSP 60 Doing Business with the U.S. Government

Olin's policies on conflicts of interest are available on Olin's Business Practices website at: <http://insideolin/BusinessPractices/Policy/default.aspx>.

To speak with someone directly, contact any of the following Olin resources:

- Your supervisor or manager
- The head of your department, location or business unit
- The Human Resources Department
- The Legal Department
- Your local or division Ethics Office
- Olin's Corporate Ethics Office:
618-258-3261

or

Olin's confidential,
24-hour Help-Line service

In the U.S. and Canada,
call toll-free: 1-800-362-8348

Other locations, call the USA
collect: 203-750-3100

On the Internet, go to:
www.OlinHelp.com

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Conflicts of Interest Benchmarking Group

This report is a result of collaboration among a group of ECI members dedicated to advancing the discussion on conflicts of interest and providing valuable resources to fellow E&C practitioners.

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Kaplan & Walker LLP (www.kaplanwalker.com) is a law firm with offices in Princeton, New Jersey and Santa Monica, California, whose practice is devoted exclusively to developing, enhancing and assessing compliance and ethics programs. Partner Jeff Kaplan – who co-chaired the Benchmarking Group with Mark Snyderman of Laureate Education – has been active in the ECI (including its predecessor entity, the ECOA) since 1992. He is also editor of the Conflict of Interest Blog (www.conflictinterestblog.com) and co-editor (with Joseph E. Murphy) of Compliance Programs and the Corporate Sentencing Guidelines. Partner Rebecca Walker is author of Conflicts of Interest in Business and the Professions: Law and Compliance.