CONFLICTS OF INTEREST POLICY

1. Background

All trustees have a legal duty to act only in the best interests of their charity. They must not put themselves in any position where their duties as trustee may conflict with any personal interest they may have.

Trustees' personal and professional connections can bring benefits to the work of the charity and they often form part of the reason why an individual has been asked to join the trustee body. However, they can give rise to conflicts of interest, to which the trustees must respond effectively.

Conflicts of interest can lead to decisions that are not in the best interests of the Charity and which are invalid or open to challenge. Conflicts of interest can also damage a charity's reputation or public trust and confidence in charities generally. These harmful effects can be prevented where individual trustees can identify conflicts of interest, and the trustee body acts to prevent them from affecting their decision making. Following this policy should ensure that they can do this. The existence of a conflict of interest does not reflect on the integrity of the affected trustee, so long as it is properly addressed.

The Charity Commission expects trustees to maintain sufficient awareness and internal systems to be able to identify and address effectively any conflicts of interest that affect them or their charity. The Charity Commission published guidance 'CC29-Conflicts of Interest: a guide for charity Trustees' is available on the Charity Commission website and provides more detailed information to assist trustees in acting appropriately. It should be read in conjunction with this policy.

The same principles apply to senior staff within the charity, who should declare any conflict of interest to the Chair of Trustees, or in the case of the Chair, to a trustee.

2. Definitions

- A **conflict of interest** is any situation in which a trustee's personal interests or loyalties could, or could be seen to, prevent them from making a decision only in the best interests of the charity, where there is a potential financial or measurable benefit directly to a trustee, or indirectly through a connected person. A conflict of interest exists even where there is the possibility that a trustee's personal or wider interests could influence the trustee's collective decision making.
- A **conflict of loyalty** is a particular type of conflict of interest, in which a trustee's loyalty or duty to another person or organisation could prevent the trustee from making a decision only in the best interests of the charity.
- A **connected person** means family, relatives or business partners of a trustee, as well as businesses in which a trustee has an interest through ownership or influence. The term includes a trustee's spouse or unmarried or civil partner, children, siblings, grandchildren and grandparents, as well as businesses where a trustee or family member holds at least one-fifth of the shareholding or voting rights.
- A **related party** is a term defined in Charity SORP (FRS102) that combines the requirements of charity law, company law and the Financial Reporting Standard applicable in the UK. It identifies those persons or entities that are closely connected to the charity or its trustees (Appendix A).
- **Related party transactions** are the transfer of resources, services or obligations between

related parties, regardless of whether a price is charged.

- **Trustee benefit** includes any payments or benefits to trustees or a connected person, apart from their reasonable out of pocket expenses. The term also covers situations where a trustee could receive property, loans, goods or services from the charity.

3. The law

3.1. The charity has been formed under a charitable company arrangement and therefore the trustees are its Chair persons. The Companies Act 2006 places statutory duties and responsibilities with regards to conflict of interest and Chairman benefits. These are covered by CC29.

3.2. Failure to act properly where there is a conflict of interest is a breach of these legal responsibilities.

3.3. Trustees have a personal responsibility to declare conflicts of interest if they are to fulfil their legal duty to act only in the best interests of the charity.

3.4. Where a conflict of interest is declared or identified the Board of Trustees must ensure that there is appropriate authority in place to enable them to decide to confer any benefit to the trustee concerned. This will come from:

- a clause in the charity's governing document (see 3.5 below)
- a statutory provision such as the power in the Charities Act which allows charities, in some circumstances, to pay trustees for additional services they provide to the charity over and above normal trustee duties
- the Charity Commission
- the Court

3.5. The Charity's governing document includes the following paragraphs in relation to conflicts of interest:

- "No Company Member shall debate or vote on any matter in which he is personally interested without the permission of the majority of the persons present and voting.
- Nothing in this document shall prevent any payment in good faith by the Company: of the usual professional charges for business done by any Trustee who is a solicitor, accountant or other person engaged in a profession, or by any partner of his or hers, when instructed by the Company to act in a professional capacity on its behalf: Provided that at no time shall a majority of the Board benefit under this provision and that a Trustee shall withdraw from any meeting at which his or her appointment or remuneration, or that of his or her partner, is under discussion;
- Except to the extent permitted by the clause above, no member of the Board shall take or hold any interest in property belonging to the Company or receive remuneration or be interested otherwise than as a Trustee in any other contract to which the Company is a party."

4. Process

4.1. Identify any conflicts of interest

- A copy of CC29 and this policy is included in the induction pack given to all trustees on their appointment, to provide guidance on identifying potential conflicts of interest.
- Every trustee and senior employee is asked annually to make an updated declaration of interests (Appendix B), including business and personal interests and those of their spouse, partner, family and close relatives, which is kept on file.

- Each individual trustee must avoid putting themselves in a position where their duty to act only in the best interests of the charity could conflict or appear to conflict with any personal interest they may have.
- Where a perception of a conflict of interest is not accurate because there is no conflict of interest, the trustees should always be able to respond appropriately to the situation by managing the risks to the charity and being prepared to explain how they have made their decisions only in the best interests of the charity.
- If a trustee is uncertain whether or not he or she is conflicted, he or she should err on the side of openness, declaring the issue and discussing it with the other trustees.
- If a trustee is aware of an undeclared conflict of interest affecting another trustee, they should notify the other trustees or the Chair.

4.2. Prevent the conflict of interest from affecting the decision

- In addition to the annual declaration of interests, at each trustee meeting there is a formal opportunity for trustees to declare any interest in any item to be discussed.
- Trustees must consider the issue of the conflict of interest so that any potential effect on decision making is eliminated. How they prevent the conflict from affecting decision making will depend on the circumstances. In cases of serious conflicts of interest they may decide that removing the conflict of interest is the most effective way of preventing it from affecting their decision making and demonstrating that they have acted only in the best interests of the charity.
- They must follow any legal or governing document requirements which say how the conflict of interest must be handled and be satisfied that doing so is an appropriate way of demonstrating that their decision was made only in the best interests of their charity.
- Before making any decisions the Board of Trustees should determine the appropriate course of action by consulting Charity Commission guidance (CC29) and, if necessary, taking legal advice.
- In most cases the conflicted trustee should withdraw from relevant meetings, discussions, decision making and votes. Affected trustees should not participate in any decisions where they stand to gain, whether directly or indirectly, through a connected person. Where there is a conflict of loyalty, trustees should carefully handle any participation by a conflicted trustee.
- Trustees must be able to demonstrate that their decision was made only in the best interests of the charity.
- Trustees may, exceptionally, need to seek the authority of the Commission where the conflict of interest is so acute or extensive that the trustees consider they are unable to clearly demonstrate that they have acted in the best interests of the charity.

4.3. Record the conflict of interest

Trustees should formally record in writing any conflicts of interest and how they were handled, showing:

- the nature of the conflict
- which trustee or trustees were affected
- whether any conflicts of interest were declared in advance
- an outline of the discussion
- whether anyone withdrew from the discussion

- how the trustees took the decision in the best interests of the charity

Any trustee benefits must be disclosed in the charity's accounts. The Charities Statement of Recommended Practice (SORP) (FRS 102) requires the disclosure in the Trustees' Report of most transactions with related parties to provide transparency to users of the trustees' annual report and accounts and so that they can assess whether the relationship between the charity and the other party or parties to a transaction may have been influenced by interests other than those of the charity. Disclosing related party transactions also shows how far, if at all, the reported financial position and activities may have been affected by such transactions.

5. Review and Monitoring

The Secretary to the Board of Trustees and/or the Chair of Trustees is responsible for requesting, reviewing and recording annual declarations of interests from trustees and the Charity's senior staff and for ensuring that this policy is reviewed on an annual basis and is followed in full during the course of all trustees' business decision making.

RTD Policy Framework

Policy Area	Lead Policy	Linked Policies
Risk	Risk Management	SIR, AML, Anti Bribery, Safeguarding
People	Safeguarding	SIR, Complaints
Finance	Anti Money Laundering	Tainted Donations, Anti Bribery
Conduct	***Conflict of Interest***	Complaints, SIR , Data Protection, Privacy
Information	Privacy	Acceptable IT Use, Complaints, Social Media, Data Protection

SIR – Serious incident Reporting AML – Anti Money Laundering

APPENDIX A

Related party

This is a term used by the Charity SORP (FRS102) that combines the requirements of charity law, company law and the Financial Reporting Standard applicable in the UK and the Republic of Ireland. The term is used to identify those persons or entities that are closely connected to the reporting charity or its trustees.

The following 'natural persons' are classed as related parties:

A. any charity trustee and custodian trustee of the charity;
B. a person who is the donor of any land to the charity (whether the gift was made on or after the establishment of the charity); and
C. any person who is:
    a. a child, parent, grandchild, grandparent, brother or sister of any such trustee (A) or donor (B) of land;
    b. an officer, agent or a member of the key management personnel of the charity;
    c. the spouse or civil partner of any of the above persons (A, B, C1 and C2);
    d. carrying on business in partnership with any of the above persons (A, B, C1, C2 and C3);
    e. a person, or a close member of that person's family, who has control or joint control over the reporting charity;
    f. a person, or a close member of that person's family, who has significant influence over the reporting charity. '

    Close member of a person's family' refers to:

    - that person's children or spouse;
    - the children, stepchildren or illegitimate children of that person's spouse or domestic partner;
    - dependents of that person; and
    - that person's domestic partner who lives with them as husband or wife or in an equivalent same-sex relationship.

A charity is not necessarily related to another charity simply because a particular person happens to be a trustee of both. It will only be 'related' if the relationship means that one charity, in furthering its charitable aims, is under the direction or control of the trustees of another charity. The following entities, which are not 'natural persons', are classed as related parties of a reporting entity (including a reporting charity) if any of the following conditions apply:

- the entity and the reporting charity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- one entity is an associate or joint venture of the other entity (or a member of the group in which the other entity is the parent or a member);
- both entities are joint ventures of the same third entity;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity;
- an entity that is controlled or jointly controlled by a person, or two or more persons,

identified in A, B or C;

- an entity in which a person, or two or more such persons, identified in A, B or C, taken together, have a substantial interest or significant influence over the entity;

Control is presumed to exist when one or more persons identified in A, B or C, taken alone or together, hold directly or indirectly, more than half the voting power of an entity. However, control can also exist when they, directly or indirectly, control half or less than half of the voting power of an entity, if they have:

- power over more than half of the voting rights by virtue of agreement with other investors;
- the power to govern the financial and operating policies of the entity under a statute or an agreement;
- the power to appoint or remove the majority of the members of the board of Chairmans or equivalent governing body, and control of the entity is by that board or body; or
- the power to cast the majority of votes at the meetings of the board of Chairmans or equivalent governing body, and control of the entity is by that board or body.

An individual has a substantial interest or significant influence in an entity where that person, or two or more persons identified in A, B or C, taken together, have an interest in the equity share capital of that entity of a nominal value of more than one-fifth of that share capital, or is entitled to exercise, or control the exercise of, more than one-fifth of the voting power at any general meeting of that entity

APPENDIX B

Form for declaration of interests by Trustees and senior management of Red Trouser Day (RTD)

Please record your interests under the appropriate heading in the table below.

1 Remuneration *List the names of any organisations (including your present employer) from which you currently draw a salary or other remuneration including honoraria, long-term or regular consultancies, and any Chairmans' fees or other emoluments from private companies or PLCs. Short-term or one-off consultancies need not be included unless the organisation concerned is likely – or possibly seeking – to do business with **RTD**. In no case are you expected to disclose the level of salary or other payments.*
2 Chairmanships *List the names or any private companies or PLCs of which you are currently a Chairman, or of which you have been a Chairman at some point during the last three years, or of which you expect to become a Chairman within the next year (whether paid or unpaid). You are not expected to disclose the level of any Chairmans' fees or other emoluments.*
3 Significant Share-Holdings *List the names of any companies or businesses – whether private or publicly-quoted – in which you hold a significant share-holding. 'Business' should be taken to include consultancies, partnerships and the like; you will be deemed to have a 'significant share-holding' if you own more than 5 per cent or more of the business (normally 5 per cent or more of the issued share capital). You are not expected to disclose the level of your financial interest in these companies or businesses.*
4 Grants received from RTD *List the names of any related organisations, which you are a trustee/member/Chairman of, that receive grants from RTD*
5 Unremunerated work in the pursuance of activities related to those of RTD *List the names of any unpaid offices you hold – for example, in a company, higher education institution, charity or not for profit or public body – which you consider might have a bearing on your role as a trustee or member of the senior management team of RTD. You should include any charity trusteeships you hold, or any other way in which you participate in the management of a charity or not for profit organisation.*

6	**Membership of organisations or associations including political pressure groups where their objectives bring you into conflict with the activities and objects of RTD.**
7	**Family Interests** *List any interests you have through members of your family having interests which might be considered to have a potential to influence the exercise of impartial judgement by you in your connection with RTD*

I declare that the interests recorded below include each and every interest which might be considered to have a potential to influence the exercise of impartial judgement by me in my connection with ***RTD*** for the year ended 31 March 20xx

Name: ……..

Role: ……

Signature: …… Date: ……..