

The Institute of Internal Auditors Philippines

CONFLICT OF INTEREST POLICY FOR IIA-P EMPLOYEES AND MEMBERS

I. Purpose

This Conflict of Interest policy is designed to foster trust and confidence in the integrity of the Institute of Internal Auditors Philippines Inc. (IIA-P) and to protect IIA-P's interest:

- a) in transactions that might benefit the private interest of a member or employee;
- b) activities or relationships of its members and employees that may conflict with the interest of IIA-P

This policy also aims to provide clarity on situations that may create real or perceived conflict of interest.

II. Scope

The following statement of policy applies to members of IIA-P who acts as trustee and/or volunteer and to all IIA-P employees, regardless of position.

By definition:

A **Trustee** is a member elected to the Board of Trustees.

A **Volunteer** is a member, doing or conducting activities for IIA-P, either as training facilitator, program developer, or member of a committee, who is not receiving regular salary or any form of regular compensation. A volunteer also includes past presidents, directors/trustees and/or officers of IIA-P who by their connection can

influence any transaction directly or indirectly by the IIA-P and a third party.

Training facilitator or individual service provider who are not members of IIA-P shall be covered by their duly signed engagement contracts.

An **Officer** is a i) member of the Board of Trustees elected as Chairman, Vice Chairman, Secretary and Treasurer; ii) an employee holding executive or managerial position.

An **Employee** is a regular, probationary or contract employee directly employed by IIA-P and receiving regular salary or any form of remuneration.

The discussion on the situations that may present conflict of interest is not all inclusive. There may be situations that may not have been addressed and discussed in this Policy which may be referred to the Board, or in cases where the Board may deem appropriate, to the Governance Committee, for clarification and determination.

III. What Constitute Conflict of Interest

Conflict of Interest is a situation where the judgment of a trustee, a volunteer, an officer or an employee relating to certain transaction or decision may be influenced by any commitment, investment, relationship, obligation, or involvement – financial or otherwise, direct or indirect. Conflict of interest exists even if no wrong-doing is committed.

Transaction means any business transaction, agreement, or arrangement between IIA-P and a trustee, or an officer, or a volunteer, or an employee, or between IIA-P and any third party where a trustee, or an officer, or a volunteer, or an employee has an interest in the transaction or any party to it.

Examples of situations that may constitute or may be perceived to constitute conflict of interest:

- Buying goods or services from a business of the trustee, or officer, or volunteer, or employee, or a member of his family where he/she has significant interest
- Hiring a family member of the family of a trustee, or officer, of volunteer or employee.
- A trustee sitting in the board of another organization in the same field or one that may be a direct or indirect competitor for funding and prestige (conflict of loyalties).
- A member who is also training facilitator of IIA-P conducting training on similar subject matter for other organizations involve also in training.
- A training facilitator of IIA-P soliciting business opportunities from participants in training sessions he or she is conducting for IIA-P.

The above discussion of what constitute conflicts of interest is not all inclusive. There may be situations that may give rise to conflict of interest that have not been identified here. In case of uncertainty on whether a certain situation constitutes conflict of interest, procedures under Section IV of this Policy shall apply.

IV. Determination Whether Conflict of Interest Exist

Any IIA-P member serving as trustee or volunteer or an IIA-P employee who is uncertain about possible conflict of interest in any matter may request the Board, or when the Board may deem appropriate, the Governance Committee, to determine whether a possible conflict exists. The Board, or the Governance Committee, shall resolve the question by majority vote.

V. Recognition of Fiduciary Responsibility

Trustees, officers, volunteers and employees in the performance of their respective roles in their relationship with IIA-P, serve the interest

of the IIA-P, its members and that of the internal audit profession. Thus, each one of them has a clear fiduciary obligation to IIA-P and its members. All decisions of the board, officers, volunteers and employees of IIA-P where such decision affects IIA-P are to be made solely on the basis of a desire to promote the best interests of IIA-P and the good of its members and the internal audit profession.

The trustees, officers, volunteers, and employees, individually, are inevitably involved in the affairs of other institutions and organizations. Effective boards and organizations will include individuals who have relationships and affiliations that may raise questions about real or perceived conflicts of interest.

Although many such potential conflicts are and will be deemed inconsequential, every individual trustee, officer and employee has the responsibility to ensure that the entire board is made aware of situations that involve personal, familial, or business relationships that could create a real or perceived conflict of interest. Thus, the board requires each trustee, volunteer, officer and employee to:

- a) be familiar with the terms of this policy;
- b) to, annually, disclose to the Chairman of the Board or the COO, as the case may be in accordance with Section VIII of this Policy, any possible personal, familial, or business relationships that reasonably might give rise to a conflict involving IIA-P; and
- c) To acknowledge by his or her signature that he or she is in accordance with the letter and spirit of this policy.

VI. Disclosure of Conflicts of Interest

In the event any financial transaction involving IIA-P also involves:

- a) a trustee, officer, volunteer, employee or a member of their extended family, or
- b) an organization with which any trustee, officer, volunteer, or employee of IIA-P has any material financial interest,

the trustee, officer, volunteer, or employee having the affiliation or interest, at the first knowledge of the transaction, shall disclose fully the precise nature of the interest or involvement.

Trustees, officers, volunteers, and employees shall also disclose all affiliations which may not be financial in nature, such as membership on the boards of other organizations or professional societies and all activities outside of IIA-P that are of similar nature as their involvement with IIA-P, especially if these activities are conducted for parties with which IIA-P has existing or past business relationships.

VII. Disclosure Statement

Each trustee, officer, volunteer and employee of IIA-P shall be requested annually by IIA-P to submit a disclosure statement listing all organizations with which he or she is affiliated and describing the nature of the affiliation as defined below.

In the event there is any material change in the information contained in any disclosure statement, the person who submitted it shall promptly submit written notification of the change.

A trustee, officer, volunteer or employee is deemed to be affiliated with any organization that may potentially be related to the operations of IIA-P, if:

- a) He or she, or a member of his or her family, is a director, officer, trustee, partner, employee, or agent of the organization; or
- b) He or she or members of his or her family receive direct financial benefit from sales of goods or services; or
- c) He or she or members of his or her extended family have a 35 percent or greater interest in the organization.

The term ***immediate family*** shall be deemed to include an individual's spouse and children (including legally adopted children), and members of that individual's household.

The term ***extended family*** shall be deemed to include an individual's spouse, children (including legally adopted children), parents, grandparents, great grandparents, siblings (whether by whole or half blood), spouse of that individual's siblings, children, grandchildren and great grandchildren and members of that individual's household.

VIII. Administration.

All disclosures required under this policy and amendments thereto, if by trustees, shall be directed in writing to the Chairman of the Board, or if by employees, to the Chief Operating Officer (COO). The Chairman and the COO shall be responsible for the administration of this policy.

Specific guidelines and procedures in addressing the conflict of interest as reported shall be covered by separate implementing rules and procedures on specific administration, reporting procedures, documentation, investigation and penalties and sanctions for violations of the policy.

Exemptions in the administration of the Conflict of Interest Policy shall only prevail if such transaction is the only source of the service and that said transaction is considered necessary and to the best interest of IIA-P.

Issues under this policy concerning trustees, volunteers and officers shall be reported initially to the Chairman for appropriate action; those concerning employees shall be referred initially to the COO. Information disclosed under this policy shall be held in confidence by the persons authorized to receive and act upon it except where, in the judgment of any of such persons, the best interest of IIA-P requires further disclosure. This review process shall be reported to the board.

Deliberations in resolving any conflicts involving conflict of interest shall be done at the Board level. The Board may seek guidance from the Governance Committee, as they may deem necessary.

IX. Restraint on Participation

A trustee, officer, volunteer, or employee who has declared or has been found to have a conflict of interest in any proposed transaction or other matter shall refrain from participating in discussion of the proposed transaction or other matter, unless for special reasons the Board of Trustees requests information or interpretation from the person or persons involved.

In the case of a trustee, he or she shall not vote on the matter in question and shall not be present at the time of the vote. With respect to restraint on participation by employee, the COO or, where applicable, the Chairman, shall take such action as is necessary to assure that the transaction is completed in the best interests of IIA-P without the substantive involvement of the person who has the possible conflict of interest.

X. Records of Proceedings

The minutes of any meeting of the Board pursuant to this policy shall contain:

- a. The name of the trustee, volunteer, officer or employee who disclosed or otherwise found to have financial interest in connection with an actual or possible conflict of interest; the nature of the conflict of interest and whether it was determined to constitute a real conflict of interest; any adverse effect on IIA-P;
- b. The members of the Board who were present during the deliberations; to what extent interested persons were excluded from the deliberations; any data or other information obtained

and relied upon by the Board and how the information was obtained; and the result of the vote, and how each one of the members of the board present voted on the issue.

XI. Adoption and Approval

The Conflict of Interest Policy is adopted and approved by the 2014 Board of Trustees by majority decision on February 24, 2014.

The conflict of Interest Policy shall be a living document of IIA-P and shall be reviewed by the Board of Trustees in such frequency as deemed necessary to reflect the true essence of the policy in the best interest of the members, the IIA-P and the internal audit profession.