

### **Managing conflicts of interests effectively**

The relentless rise in regulation promoting disclosure and transparency experienced in recent years, suggests that organisations may not have been responsive enough to the concerns of all their legitimate stakeholders, beyond the capital markets.

While some may argue that this is simply the outcome of overzealous regulators, the responsible enterprise is likely to take a good look in-house for some answers. After all, trust from stakeholders is key to the very survival of any enterprise.

Management and boards must explain themselves by embracing a set of corporate values that guide them in the conduct of business and clarify the logic underpinning their decisions. Public scrutiny has proved to be unforgiving in exposing any inconsistencies which – more often than not – have led to the inevitable increase in reputational risk. In South Africa, part of the greater responsibilities accorded to Directors by King II - specifically contained in the Code of Corporate Practices and Conduct - is that of identifying, averting and resolving conflicts of interest. Indeed, avoiding conflicts of interests is a key legal responsibility of a board member.

The aim of implementing a conflicts of interest policy is to protect both the organization and the individuals involved from any appearance of impropriety and to ensure compliance to statutory and best practice requirements.

Designing adequate policies and frameworks to avoid and, should the case arise, manage conflicts of interests, has become an essential component of quality and risk management initiatives and is inextricably linked to corporate ethics.

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