1 Policy Aim

1.1 This policy provides guidance on the management of both declarations and conflicts of interest faced by STEP members serving on central governance entities.

1.2 Its purpose is to protect the integrity of STEP’s decision making processes, enable our membership to have confidence in the probity of our governance arrangements and safeguard the reputations of serving members and of STEP itself. As set out in our corporate mission and values, STEP has a duty to promote and uphold high professional standards, and to act in the public interest.

1.3 It is essential that members serving on STEP’s central governance entities are transparent about actual and potential conflicts of interest that arise in relation to that entity, recognising that avoiding any perception of conflict is as important as avoiding an actual conflict. Both of these can be damaging to STEP, to the entity concerned and to the serving member. When considering how a situation would be perceived, a simple rule of thumb might be to ask: how could or would this be portrayed on social media if it came to light?

Policy Definitions

1.4 A declaration of interest is the proactive disclosure by a serving STEP member of pecuniary and personal interests that may have the potential to develop into future conflict of interests, or if undisclosed give rise to perceptions of a lack of transparency. Declarations of interest are made on appointment. It is a member’s responsibility to update their declarations if circumstances change throughout the year. This can be done via their Chair, or at the meeting itself.

1.5 The kind of interests disclosed may be, for example, details of any business a serving member owns, or in which they or their immediate family has an interest, of any personal company directorships they hold (excluding directorships of trusts within their professional capacity), of any contractual relationship they have with STEP, in addition to memberships of other relevant professional bodies, or any immediate family connections to the STEP entity on which they serve.

1.6 A conflict of interest is situational and will specifically arise in relation, for example, to a piece of business, or a decision, or a discussion that the body the member serves on is undertaking. See Section 4 for further detail.

1.7 The register of member interests and conflicts of interests ("the register") is the written record that each relevant body will keep at London head office in order to record both types of declarations. The exception to this is in relation to the STEP Board of Directors, where two separate registers will be kept, and where declarations of interest will not only be sought on appointment, but proactively annually each January. Declarations will also be made throughout the year where circumstances change. See Section 6 for further detail.

2 Policy Scope

2.1 The policy applies to members serving on the STEP Board and Council, as well as to members serving on those committees, panels and special interest groups (SIGs) reporting directly into the Board. It is also
binding on any regional committees administered directly by STEP head office in London and any sub-committees of the above.

2.2 The policy may be adopted in its entirety by other regional or branch committees, or tailored locally with input from STEP’s Governance Team.

3 Directors – Legal Duties

3.1 Directors on the STEP Board, wherever they are based, have statutory duties under the UK Companies Act 2006 to avoid situations where they could have, or could have, a direct, or indirect conflict of interest in relation to STEP’s interests. This could be a conflict between their duties as a director and their own personal interests, family interests, commercial interests, or any duties owed to another third party.

3.2 A breach of this statutory duty does not depend on whether the director is aware that their actions are a breach, so it is important that directors consider their position and that of those connected with them very carefully.

3.3 The duty applies in particular to exploitation of information, property or opportunity, whether STEP takes advantage of it or not. An example of this might be a director exploiting for their personal benefit a commercial opportunity that could have otherwise been taken up by STEP.

3.4 Where avoidance is not possible, directors have a duty to declare interests before the company enters into an arrangement or transaction in which they may have an interest.

3.5 Some conflicts may be authorised by the other directors and STEP’s Articles of Association set out the procedures to be followed in this situation.

3.6 The duty around conflicts of interest still applies once a director has left the Board and for a two year period after. This is designed to stop a director from exploiting an opportunity they became aware of while overseeing STEP’s business, by simply resigning as a director.

4 Conflicts of Interest

4.1 Conflicts of interest are:

- Any direct or indirect interest which a member has in a transaction or arrangement or piece of business being proposed by the STEP body on which they serve and/or
- Any duty or any direct or indirect interest which the member has which conflicts, or may conflict, or may be perceived to conflict with the interests of STEP as represented on that body.

4.2 Conflicts of interest may arise where a serving member’s personal, professional or family interest and/or loyalties conflict with those of the STEP entity on which they serve, or with STEP itself as a company. A conflict may create problems that:

- Inhibit free discussion of an agenda item
- Result in decisions or actions that are not in the best interests of STEP
- Lead to loss of trust among the members serving on a body
- Risk an accusation that STEP or that member has acted improperly.
Serving members will also take care that where amendments to their entity’s governing documents are proposed that they are fully defensible as being in STEP’s overall best interests. This is particularly important in an organisation such as STEP, where there are no independents serving on Board, Council, or any committees.

Types of Conflict

4.3 The most common types of conflicts of interest include:

- **Direct financial interest** – where the member obtains a direct financial benefit from their dealings with STEP (e.g. award of a contract to a business with which the member is involved)
- Indirect financial interest – where the close relative (e.g., spouse, partner, dependent) or close friend of the member benefits financially from decisions taken at STEP. For example, this may be where a member influences the award of a contract for goods or services to a person with whom they are closely connected.
- **Personal/non-financial interests** – where the member does not receive a financial benefit, but may gain an intangible benefit, such as kudos, or influence, or STEP office from their involvement in or knowledge of a STEP decision or arrangement. Alternatively, the serving member may be trying to use their influence to achieve this on behalf of another member. For example, those members involved in the operation of the STEP honours system need to be scrupulous in maintaining independence of judgement.
- **Conflicts of loyalty** - where members may have competing loyalties between STEP and another person or entity (this can either be internal to STEP, or external), either of which they may owe a primary duty to. It often arises where a director, for example, holds multiple company directorships.
- **Lobbying** - members must also declare if they have been lobbied by anybody, organisation or individual in relation to a discussion or decision, as this may also represent a conflict of loyalty.

The Golden Rule

4.5 Members are asked to err on the side of caution and bear in mind that the golden rule is: **If in doubt, declare it.** Advice may always be sought from STEP’s Governance Team.

5 All Members - Annual Declaration of Interests

5.1 All STEP members whether serving or not, are required to disclose any material interests annually when they renew their membership. Serving members are also required at this point to report any new conflicts of interest that may impact on their governance role at STEP.

6 Procedures: Identify, Record, Manage, Report

Identification

6.1 As standard, each meeting agenda for the relevant STEP bodies will include an item at the start of the meeting where the Chair requests declarations of conflicts from members.
Recording

6.2 Conflicts raised in relation to a meeting’s agenda will be recorded by the meeting minute taker in the register for that entity. The register requires that the nature of the conflict is recorded, as well as its perceived duration, whether permanent, or for a time limited period. There will also be a record in the meeting minutes.

6.3 Ideally, we would expect that members have already raised potential conflicts of interest with the Chair prior to the meeting, although we recognise that this is not always possible.

6.4 Declarations of interest will be declared by members on appointment and recorded on the register. It should be noted that registration is in the interests of the member making the declaration, to avoid any subsequent accusation of a conflict of interest, so the relevant member should ensure registration takes place.

Management

6.5 Together, the Chair and the meeting must decide what action is to be taken in relation to a particular conflict of interest. For example, it may be that the individual is asked to not take part in a particular discussion, or decision, or that they are asked to either physically or electronically leave the meeting for a certain agenda item. Alternatively, a member may be permitted to take part in a discussion, but not a vote. The meeting must use its good judgement in these matters.

6.6 Any determination regarding the existence of a conflict and what action is to be taken will be made by a majority vote at the meeting. The interested member cannot vote or be counted as part of the quorum in relation to this particular decision.

6.7 Sometimes the meeting’s decision may be that no action beyond recording the conflict needs to be taken. This can be the case where a permanent conflict applies. It is the Chair’s role to monitor conflicts via the register and each member’s role to ensure that the register is up to date.

6.8 Where a situation arises that all meeting members have a conflict of interest, this will be declared and recorded and all members may then remain at and contribute to the discussion, be counted in the quorum, and vote on the matter.

Reporting

6.9 All registers for the relevant bodies will be reviewed by the Board annually and maintained at STEP’s London head office.

6.8 However, where a declaration or a conflict of interest is identified that potentially or actually creates a significant risk for STEP itself, then the Chair of that body needs to report it to governance@step.org, so that it can be reported onwards to the STEP Board.

8. Key Documents

- STEP Articles of Association
- STEP’s Standing Orders of the Board and Council
- STEP Code of Conduct for Council and Committee Members
- Elected Members, Acting in STEP’s Best Interests policy
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