

Conflict of Interest Policy

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1 Policy statement

EMEC's Conflict of Interest Policy refers to any case where a non-executive director or employee's personal interest might contradict the interest of the company which could result in impairment of judgement and/or commitment.

This policy will outline the rules regarding conflict of interest and the responsibilities of non-executive directors and employees.

2 Scope

The policy applies to non-executive directors, all employees and others who may be acting on behalf of the company.

Any breach of the policy is likely to constitute a serious disciplinary matter for the individual concerned. This could constitute gross misconduct for which an offending employee may be dismissed without notice. It may also cause serious damage to the reputation and standing of EMEC.

3 Principles of the policy

It is incumbent upon EMEC to provide guidance and also to avoid placing both non-executive directors and employees in positions where they may face a conflict of interest. The following are the general principles which underlie EMEC's procedures to avoid conflicts of interest:

- Always act with honesty and integrity.
- Ensure that you do not use any knowledge or information acquired through your role to inappropriately benefit yourself or others.
- Always make the company aware of any actual or potential conflict of interests and agree how they should be managed.
- Do not seek a profit (or avoid a loss) for yourself or others by making personal use of information acquired during your duties.
- Ensure you are not open to (or perceived to be open to) improper influence through the acceptance of gifts or hospitality.
- Exercise caution in managing your finances and do not undertake transactions that, by their nature or purpose, would be improper.

These principles are not exhaustive, and it is important that you follow the spirit, rather than just the letter, of the policy.

Further to these principles the following will also apply:

- EMEC should not appoint any non-executive director or employee to the board of any organisation without the prior approval of the EMEC board.
- EMEC should avoid putting a non-executive director or employee into any situation where they may be interpreted as acting as a shadow director.
- Any exceptions from the above principles must be agreed by the EMEC board.

4 Conflicts of interest

A conflict of interest arises when your work for EMEC could be affected by a personal interest, personal association or personal interest or association of your close family. It becomes significant if an independent third party might reasonably take the view that there is a risk of your resultant actions being affected, whether or not they are actually affected.

4.1 Registration and declaration of interests

General principles exist which should be applied when considering whether an interest should be registered or declared:

- If it is likely that an actual or perceived conflict of interest (direct or indirect) could arise, and EMEC could be subject to criticism or embarrassment, then the interest should be declared.
- In considering whether to make a declaration in any proceedings, an individual must consider not only whether they will be influenced but also whether anybody else would think that they might be influenced.
- With respect to any non-financial interest, the test to be applied when considering appropriateness of registration and/or declaration is to ask whether an independent third party, acting reasonably, might consider any non-financial interest could potentially affect an individual's responsibilities to EMEC, or could influence their actions or decision making.

Registration is a formal record on an annual basis of all direct interests whilst a declaration is made during day to day duties.

- EMEC non-executive directors and employees must register their own direct interests.
- Voluntary registration of indirect interests can be made.
- EMEC non-executive directors and employees should declare any direct or indirect interests as and when they arise.

4.2 Categories of interest to be registered or declared

The following 6 categories of interests should be considered for registration or declaration:

- **Remuneration** received by virtue of being employed, self-employed, the holder of an office, a director of an undertaking, a partner in a firm, undertaking a trade or profession.
- **Related undertakings** – including directorships.
- **Contracts** – where an undertaking, i.e. a corporate body, partnership or unincorporated association, has a contract with any part of the EMEC organisation.
- **Houses, land and buildings** which may be significant to the work and operation of EMEC.
- **Shares and securities** held in a company or organisation which may be significant to the work and operation of EMEC.
- **Non-financial interests** which may be significant to the work and operation of EMEC.

The value of any interest does not require to be declared, only the name and nature of the organisation in which the interest is held. This list is intended to provide examples of types of interests that should be considered for registration and/or declaration and is therefore not exhaustive.

4.3 Registration of own interests (direct interests)

All non-executive directors and employees, irrespective of grade, are required to formally register their own direct interests when they join the company and on an annual basis thereafter. Voluntary registration of indirect interests can also be made. A register of direct interests shall be maintained which will be updated at least annually. A summary of the register will be shared with the Managing Director and Chair of the Board.

Non-executive directors and employees must inform the Finance Director of any changes to their direct interests which occur during the year.

4.4 Declaration of interests (direct and indirect interests)

A general disclosure of interests under the provisions of the policy is not a substitute for making specific disclosures when you are faced with a potential conflict of interest in a meeting or otherwise.

A non-executive director or employee should not be involved in any discussions or the decision-making process where they have a direct or indirect interest or where a perceived conflict may exist. Any non-executive director or employee with such an interest should declare this either verbally or in writing to the Finance Director as soon as possible after they become aware of it.

Potential conflicts should be identified at the earliest possible opportunity. This should preferably be in advance of any meeting at which an agenda item, which may result in a potential conflict, is to be discussed. Where direct or indirect interests are known in advance, relevant papers should not be copied to the relevant non-executive director or employee. The individual concerned should take no further part in the deliberations and should withdraw from the meeting during discussion of this item unless they have been invited to stay.

Where a potential conflict has not been identified in advance, and where a non-executive director or employee attends a meeting at which an item in which they have a direct or indirect interest is to be discussed, this should be declared immediately at the relevant meeting. This declaration should be included in the minute of the meeting as appropriate and the individual concerned should take no further part in the deliberations and should withdraw from the meeting during discussion of this item unless they have been invited to stay.

4.5 Indirect interests

The most common category of indirect interests is likely to be interests of close family of the non-executive director or employee, but any interests of any partnership, company, trust or other entity which is a direct interest of the individual should also be considered an indirect interest. Voluntary registration of such interests can be made but is not required.

Close family is defined in Section 33 of The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as *“those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.”* It is intended to include at least those relatives identified as ‘immediate family’, i.e. spouse, partner, parent, child, brother, sister and the spouses of any of these. Although not specifically stated it is presumed that the individual’s dealings in a business capacity only are covered, i.e. social dealings are excluded.

5 Other issues

5.1 Employment offers

Individuals must not be involved in taking a decision if at the same time they are having discussions with the organisation on possible employment. Any prospective move to employment that might arouse criticism must be brought to the attention of the Managing Director.

5.2 Shadow director

The Companies Act states that a shadow director is defined in law as being “a person in accordance with whose directions or instructions the directors of the company are accustomed to act. However, a person is not deemed a shadow director by reason only that the directors act on advice given by them in a professional capacity”.

Care should be taken to avoid any suggestion that EMEC has assumed the role of shadow director. Where a company acts on advice given by a non-executive director or employee acting in a professional capacity they will not be regarded as a shadow director. However, where advice is not given in a professional capacity (or goes beyond advice given in a professional capacity) and has the effect of a direction or instruction upon which the company acts, such an adviser may be found to be a shadow director. Non-executive directors and employees should therefore ensure that all communication is clearly provided on the basis of mere advice or recommendations to the company, and that the decision on what course of action to take is left to the company. EMEC employees should be wary of attending board meetings of client companies especially if their presence becomes a matter of routine.

Shadow directors can include non-professional advisers – the test is whether the adviser has real influence over the company’s affairs.

5.3 Appointments to other organisations

EMEC should not appoint a non-executive director or employee to the board of any organisation without the prior approval of the Board. Appointments should not normally be for more than 3 years, any exception to this should be justified and approved by the Board. When making a decision regarding appointment to the board of any other organisation, EMEC should take into account the financial and reputational risks involved.

The nature and activity of the organisation being appointed to, should be kept under constant review. An annual review should be undertaken and the continued appropriateness of EMEC engagement should be reassessed and formally presented to the board. When making appointments consideration should be given to developing an appropriate exit strategy.

Where non-executive directors or employees are appointed to the boards of other organisations by EMEC they should never assume an executive role. This would preclude acting as signatory, signing applicant legal documentation, setting up or operating a bank account.

A non-executive director or employee who is asked to take a position on EMEC’s behalf on the board of another organisation should be made aware of their personal responsibilities to both organisations.

6 Communication and review

This policy will be communicated to staff via the Employee Handbook, during induction, and at staff meetings.

This policy will be reviewed on a biennial basis.

7 Related documents

FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

[00 FRS 102-title 1..2 \(frc.org.uk\)](https://www.frc.org.uk/00FRS102-title1.2)