

A hand is shown typing on a keyboard in the foreground. The background is dark with glowing blue and red icons of people and data points, suggesting a digital or networked environment.

Best Practice Conflict of Interest Management Using Technology

Case IQ

Introduction

End-to-end conflict of interest management refers to identifying, assessing, mitigating, and monitoring risks associated with actual, potential, and perceived conflicts of interest between employees and competitors, customers, vendors and suppliers, other outside organizations, and even other employees.

A conflict of interest is a situation where an employee's personal, social, financial, political, or other interests may come, or may be perceived to come, before the interests of the company. Conflicts of interest must be properly managed because they may indicate not only a potentially improper personal benefit for an employee, but may also implicate risks such as bribery and corruption, kickbacks, fraud, anticompetitive behavior, or sanctions violations. In addition, conflicts of interest, and even the appearance of a conflict of interest, can damage a company's reputation with its customers, shareholders, the media, activists, and other interested stakeholders.

A company must properly evaluate potential conflicts of interest to protect its integrity. A company's corporate decision-making should be undertaken in the best interests of the company and its shareholders and not driven by the personal interests of individual employees. A company should prioritize scrutiny of conflict of interest scenarios that are of highest risk to their specific industry, business model, or countries and regions where they operate. For example, for a business that sells to government officials or healthcare professionals, any relationships between employees and those individuals should be subject to very close scrutiny.

Chief Compliance Officers can find conflict of interest management challenging due to diverse and disparate global businesses and workforces coupled with a lack of resources to manage such wide-reaching risks. It can be difficult to reach all employees and for them to understand and comply with their obligations to disclose potential conflicts of interest consistently.

A comprehensive conflict of interest technology platform can support employees in centrally disclosing potential conflicts of interest and managing the subsequent review, mitigation, disposition, and monitoring steps taken on those disclosures. Since no technology can be foolproof, a company can further support an effective conflict of interest program by performing analytics to assess the completeness of disclosures and to search for potential undisclosed conflicts of interest.

In this white paper, we will explore practical guidance and innovative approaches to manage conflict of interest risks, beginning with each step in an end-to-end process from policy and training, capturing disclosures, disclosure disposition, ongoing real-time monitoring, and disclosure updates and renewals.

"End-to-end conflict of interest management, from disclosures through to monitoring, will protect employees and the company by mitigating reputational risks while ensuring compliance with requirements imposed by local laws and regulations, industry codes of conduct, and government or customer disclosure requirements"

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Policy and Training

A company should have a clear policy requiring employee disclosures of actual, potential, and perceived conflicts of interest. The policy should include examples of scenarios to report and the requirement for employees to disclose those scenarios in a timely and complete manner. Employees should be encouraged to report matters, even if they are not sure that it is an actual conflict. A company should communicate the policy and maintain it in an accessible location for employees to reference and ensure that employees are effectively trained on the requirements of the policy.

Capturing Disclosures

An employee should identify the type of matter that is being disclosed and provide details to help their manager and legal and/or compliance professionals to ascertain the nature of the matter and its implications for the employee and the company. Ideally, a company should have a technology platform to ensure such disclosures can be easily made and centrally documented. Managing disclosures over email or over simple shared drives or basic form systems can create challenges for users that may discourage disclosure, particularly as the end-to-end process scales within the organization across the globe. Technology is often also helpful in managing disclosures in multiple languages where a company has a global presence, helping to ensure employees understand the questions they are being asked.

Technology platforms should also allow central functions, such as compliance or investigations, to easily locate all conflict disclosures related to an employee or to a specific counter-party, such as a vendor or competitor. A technology platform should also help with reporting data to additional stakeholders, such as the C-Suite or Board.

Companies should also consider whether an annual conflict of interest disclosure process would be helpful to drive disclosures. For example, employees may be required to attest annually that they have either disclosed any new potential conflicts, updated and/or confirmed any existing conflicts, or have no disclosures to make. A company may find it helpful to consider risk prioritization in launching such disclosure campaigns as they typically involve larger populations across the company. For example, an initial phase may include Senior Management across functions with higher-risk interactions and transactions, with future efforts targeting those with lesser risk exposure and decision-making authority.



Case Study: Learn how Endeavor instituted an advanced conflicts of interest program across multiple businesses globally using technology.

Disposition, Approvals & Mitigation

After a matter is disclosed, a company is obligated to provide timely review and disposition by appropriate management and functions, based on the type of matter. Using intelligent questionnaire workflows can allow a company to route different types of conflict disclosures to different functional approvers. For example, a conflict disclosure related to a personal relationship with another employee may require Human Resources review while a disclosure related to membership on a Board may require Corporate Communications review. In addition, as most conflict of interest disclosures should be reviewed by the employee's line manager, integrations into HR systems can automate this escalation using the most up-to-date employee hierarchy information. Such sophisticated routing of disclosures requests becomes far more difficult, and error prone, in an email-based process or one using basic form software.

The company should also conduct reputational screening on any counter-parties (e.g., charities, suppliers, vendors, etc.) identified within conflict of interest disclosures to ensure that those individuals and entities are not on any government sanctions or other watchlists, not related to politically exposed persons (PEPs), and do not have other adverse media that might increase reputational or regulatory risk to the company. Integrating such screening, provided by reputable reputational data providers, directly into the conflict of interest workflow will make the process more efficient and ensure that documentation around that screening, and any related mitigation, is maintained in a centralized place.

An approver may determine that there is no conflict posed by the disclosed scenario or relationship. At the other end of the spectrum, an approver may determine that the risk to the company is too high to allow the potential scenario or relationship to move forward. Somewhere in the middle, an approver may determine that the scenario or relationship may be approved with certain mitigation to provide adequate protection for the company. Mitigation might include requesting and reviewing further documentation, contractual provisions, recusal of the employee from certain situations related to the conflict, or modification of responsibilities for the employee. The documentation and rationale for these decisions and the mitigation items, from assignment to completion, should be maintained and easily accessible, especially in the event of an audit or investigation, and can be done most easily within a technology solution.



Case Study: Learn how Halliburton streamlined their conflicts of interest program alongside other risk areas using technology.

Ongoing Monitoring, Updates, and Renewals

After the matter is dispositioned, a company should consider multiple aspects of monitoring.

First, the company should perform analytics to identify “hidden” conflicts of interest that were not disclosed, either accidentally or intentionally, or that employees proceeded with despite a prohibition. For example, transaction monitoring using vendor, customer, and employee master data, from HR and financial systems, can identify matches between names, addresses, phone numbers, and other attributes that may indicate that an employee has a hidden relationship with a customer or vendor. For example, an employee may set up a vendor as a limited liability company with a unique name but may have used their personal phone number for the company, which would be detected using this data analysis.

Second, for relationships that are allowed to proceed, ongoing reputational data screening of counter-party individuals and entities can identify any subsequent issues in real-time. In addition, adding additional risk weighting to specific customers or vendors with known conflicts in any transaction monitoring system can provide further focus on those customers and vendors.

Third, employees should be able to update or retire conflicts on a real-time basis. For example, if an employee cleared their service on a charitable board but the term is over or is being extended, the employee should be able to retire or update the disclosure to reflect the new end date, without needing to create a new disclosure. Companies can also use refresher campaigns, often annually, to have employees revalidate their conflicts of interest. To make a refresher annual campaign most efficient, and protect the integrity of your disclosure data by avoiding duplication, such campaigns should pull together all active disclosures made by an employee in prior campaign cycles or ad hoc between cycles, so that an employee does not need to enter all of their prior disclosures again.

Conclusion

An end-to-end approach to conflict of interest management is critical for all organizations. From defining its policy, to capturing disclosures, reviewing and approving disclosures, and monitoring for potential conflicts in company data, a comprehensive approach to conflicts of interest management requires a number of key steps. A technology platform can be critical to accomplish these steps to quickly capture, prioritize, route, remediate, and monitor for conflicts of interest. A company can improve their risk posture, protect their data and assets, maintain compliance with regulatory requirements, and ultimately protect their reputation and enterprise value with an effective end-to-end approach to conflict of interest management using technology.

One-on-One Advice

Our team of experts has implemented Case IQ for compliance teams around the world.

They are available - free of charge - to speak with you and share the best practices we've learned. No pushy salespeople, just a chance for you to learn from our experts.

With our suite of compliance tools, reporting hotline, and case management software, plus a 25-year track record of successful implementations, Case IQ is the global leader for end-to-end compliance risk management. To get a demo please visit www.caseiq.com/request-a-demo.

To book your one-on-one, please contact:



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