Integrity in Business Relationships:
Managing the Risk of Conflicts of Interest

SCCE Compliance and Ethics Institute
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According to the Compliance & Ethics Leadership Council:

- Compliance and ethics executives consistently rank conflicts of interest among the most significant compliance risks faced by their companies.
- More employees observed conflict of interest dilemmas in 2010 (6.1%) than did in 2008 (4.8%).
- 34% of these employees did not report these observations.

Adding to the Challenge:

- Conflicts endanger a company’s ability to protect resources and information from inappropriate use by employees and others.
- Employees are often unclear when conflicts of interest occur.
- Conflicts of interest are difficult to detect from the corporate center due to limited resources.
Agenda

• Defining Conflicts of Interest (COI) for your organization

• Proactively identifying, assessing and monitoring the risk associated with COI

• Responding to COI questions and disclosures

• Educating different groups

Session Exercise

Defining Conflicts of Interest

Your Conflict of Interest policy should include:

• The types of activities, interests and relationships that can lead to real or apparent conflicts of interest for your employees

• Company-specific examples that illustrate what is and isn’t acceptable

Employee requirements for disclosure and approval
Defining Conflicts of Interest

- What types of activities apply?
  - Hiring, supervising, promoting, contracting, politics or any other area where you may be influenced into acting other than in the best interests of the company

- Relationships are tricky – where do you draw the line?
  - Leading companies have very broad definitions of close personal relationships that include relatives, domestic partners, friends, business partners

Defining Conflicts of Interest

- Are there regional differences to consider?
  
  "In the West, relationships grow out of deals. In the East, deals grow out of relationships."

- Stick to the common principles
Defining Conflicts of Interest

Key Points:

- Any situation in which you have a personal or financial stake in the outcome of a decision, as well as influence over that decision.

- Any arrangement or circumstance, including a family or other close personal relationship, which may cause the employee to act other than in the best interests of the company, or that creates the appearance of such a conflict.
Business Relationships, Gifts & Entertainment

At what point might a good business relationship become a potential conflict of interest?

- Maintaining objectivity in long-term supplier relationships
- Gifts & Entertainment policies and practices
Maintain trust and integrity in your Business Relationships

The Code
Building and maintaining trusted business relationships is critical to winning in beer. Gifts and entertainment can be appropriately used to thank customers, distributors and suppliers for working with Molson Coors. However, when it appears that we are trying to unfairly influence a business decision, it damages our reputation. If we work with suppliers, customers or distributors, we must stay independent and impartial in our relationships. We cannot give or receive gifts, money or entertainment in exchange for a favor or to influence a business decision.

We’re a global company and must also follow anti-corruption laws of other countries as well as the U.S. Foreign Corrupt Practices Act. These laws bar us from promising, offering or making any payment in money, products or services to foreign government officials in exchange for favorable treatment.

Tell Me More:
- PCBC Anti-Corruption Policy
- PCBC Travel & Entertainment Policy
- Local Gift & Entertainment Policy
- Ethics and Compliance Helpline

Before I give or accept any gift, I ask myself these questions:
- Is the value nominal and within my local policy limit?
- Does it give the appearance of influencing a business decision?
- Is it too frequent?
- Is it consistent with good business practice, given and received openly and transparently?
- Does it violate any laws, regulations, the Code or any other company policies?
- If I don’t get the right answers, I don’t do it.

I love the Rolling Stones and they are coming through town on their last tour, but tickets are impossible to get. I happened to mention this to an agency partner. I was working with and they said they could get the tickets for me at no charge! I was happy to accept them after all. I gave the agency a bit of business and deserve something nice on a weekend.

Integrity & Respect
Use this tool - How would this look in the newspaper? If you don’t like the heading, don’t do it.

Excelling
Doing things better than anyone else means we can build and maintain our business relationships the right way.

Passion
It’s easy to get caught up in the passion around our business, but always stay impartial and balanced in your dealings with suppliers, customers and distributors.

Creativity
Showing your appreciation doesn’t always have to include a gift. Take the time to send a handwritten note to a supplier that went above and beyond with a separate note to their boss. They will really appreciate it!
Assessing and Monitoring the Risk of COI

- Code of Business Conduct Affirmation and Disclosure
- Knowledge and Culture Surveys
- Individual Conflict of Interest Questionnaires
- Gift & Entertainment Register

Focus Groups in High Risk Areas

Assessing and Monitoring the Risk of COI
Code of Business Conduct Affirmation & Disclosure

- Code affirmation should include relevant examples, Q&A or scenarios for illustrative purposes
- Links to supporting policies or guidance
- Provide an opportunity and avenue for immediate disclosure
Assessing and Monitoring the Risk of COI
Knowledge and Culture Surveys

Questions geared to identifying risk areas may include:

• I’m familiar with the company’s position on conflicts of interest as outlined in the Code of Business Conduct.

• I’m required to disclose actual or potential conflicts of interest.

I understand that neither I nor a member of my family may own an interest in a company that competes with my organization.

Assessing and Monitoring the Risk of COI
Knowledge and Culture Surveys

• I understand that I should not be employed by or serve in any capacity with any company that competes with my organization or any of its subsidiaries

• True or false: It’s okay to take personal advantage of business opportunities that arise through company property, information or business.

• Which of the following situations is not likely to create a potential conflict of interest?

When doing business or working with family members, which of the following situations could create a conflict of interest?
Assessing and Monitoring the Risk of COI
Individual COI Questionnaires

- Directors and Officers Disclosure
  - Questions driven by both regulatory and policy criteria
  - Performed at screening and annually thereafter

- Periodic Employee Questionnaires to prompt disclosure
  - Questions driven by policy criteria

Stored and referenced if/when needed

Sample questions may include:

- Do I (or anyone I have a close personal relationship with) have an ownership interest in a competitor or company who does business with our company?

- Do I (or anyone I have a close personal relationship with) hold an influential position at a competitor or company who does business with our company?
Assessing and Monitoring the Risk of COI
Individual COI Questionnaires

Sample questions may include:

- Do I hold a public office that may require me to handle issues of interest to our company?

- Is there anything that may cause me to act other than in the best interests of our company when making a business decision?

Note: If the answer is yes to any of these, a more complete disclosure is required.

Assessing and Monitoring the Risk of COI
Gift & Entertainment Register

- Primarily used to record gifts & entertainment transparently in compliance with G&E and Anti-corruption policies

- Also used to monitor potential conflicts of interest, i.e. supplier relationships
Assessing and Monitoring the Risk of COI
Gift & Entertainment Register

Focus Groups

• Once a high risk area is identified, focus groups can be used to gather more information regarding the challenges faced

• Also an excellent way to gather authentic scenarios for training
Responding to COI Questions and Disclosures

Voluntary Question or Disclosure:

- Gather all relevant facts and review related policies
- Evaluate the risk
- Review similar case history
- Propose a solution
- Document outcome in common database

Note: If a report of possible misconduct related to a Conflict of Interest is received, your investigation process should be followed.

Educating Employee Groups

All Employees

- Code of Business Conduct Affirmation Process
- Awareness of channels for asking questions and making disclosure

High Risk Groups

- Live Scenario-based training
Educating Employee Groups

Code of Business Conduct training and affirmation

- Principle based
- Function specific examples (Sales & Marketing, Supply Chain)
- Self-assessment tool (right way/wrong way, questions)
- Links to disclosure channels

Educating Employee Groups

Scenario-based training for high risk groups

- Focused on maintaining integrity in business relationships
- Identify “red flags”
- Role model the right way (best practices for dealing with potential conflicts)
- Create an environment of openness and transparency
For the session exercise, we will demonstrate on a smaller scale how we use scenario based training to educate high risk groups.

Thank You!
Appendix – Red Flags

Red Flags are warning signs that we could be acting in our personal interests, rather than in the best interests of the company. Red flags can signal potential conflicts of interest, lack of objectivity or inappropriate gifts and entertainment.

- Friendships and familiarity that make it difficult to do business at “arms length”.
- Excuses and justifications that indicate you may be about to cross the line of acceptable business behavior.

Appendix – Red Flags

- Temptation that could cause you to act in your own personal interest rather than the best interests of the company.
- Financial pressure that could cause you to accept gifts and entertainment you otherwise would not.
- Frequent giving or receipt of gifts from the same supplier or client.

Giving or receiving a gift or entertainment when there is an implied quid pro quo.
Appendix – Best Practices

These are best practices to help you act consistently with the company’s standards regarding conflicts of interest and business relationships, gifts and entertainment as outlines in our Code of Business Conduct.

- In any relationship-building activity, I focus on the best interests of the company.
- I disclose any situation where there may be a trade off or perception of a trade-off between my personal interests and those of the company.

- I disclose any close personal relationships with customers or suppliers, second jobs or financial interest in a customer, competitor, or supplier.
- I pay attention to how friendships and familiarity could influence my behavior.
- I use extreme caution when giving or accepting gifts and entertainment because they can create conflicts of interest.
- I avoid frequency of gifts and/or entertainment with the same person, group or company.