

Conflict of interest Policy, Ekta



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1st updated the policy on August, 2023

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CONFLICT OF INTEREST POLICY

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1. INTRODUCTION

Ekta is a registered nongovernmental developmental organization has been working in different districts of Odisha along with Andhra Pradesh & Chhattisgarh for the socio-economic and political development & empowerment of the most marginalized sections of the society. Through garnering resources from various sources, it has been working with the communities with the issues of peoples' importance in their greater interest. For smooth and effective functioning of the organization, it has adopted many policies at its level by approving at the appropriate levels. These policies will be helpful in catering the needs and expectations of the employees, employers, supporting agencies and other key stakeholders who has been associating with us in some or other ways.

In order to function & manage the organization in a systematic and effective manner, there is need of a policy which will be abide by both the employees as well as employers and the people & institution associated with it either directly or indirectly in the greater interest of all. A Policy is a guiding document for an organization which helps in better understanding the conduct of working and action. This will also certainly helpful during the orientation of new employees. Conflict of Interest policy is one such policy which guides the standard operating protocol of an organization to be adopted wherever the organization or an individual in the organization has an interest in different capacities. Taking the issue with serious consideration, the organization has decided to adopt this policy at the organizational level.

2. NEED OF CONFLICT OF INTEREST?

Before adopting any policy at the organization, it is highly essential to know what the policy and how it will be helpful to the organization. One such policy which the organization would like to adopt is Conflict of Interest. Conflict of interest is a situation where a person has an interest in different capacities. Interest in different capacities may be understood as a situation where a person has a responsibility for promoting an interest, but has another competing interest at the same time. When the competing interest is exercised over the fiduciary interest, this situation is termed as Conflict of Interest. In simple terms, when an interested person is involved in decision making, it is termed as conflict of interest.

A. Illustrations for conflict of interest in an organization

When the decision-making person of an organization is involved in the following transactions, conflict can arise in some or other ways:

- Appointment of relatives in board or senior management;
- Selection of a vendor who is in relation;
- Deciding and Payment of fees and remuneration to self or relatives;
- Purchasing/Leasing a property for organization from a relative or self;
- Selling/taking on lease a property for organization from a relative or self;
- Directorship or management position in other competing organization;
- Providing consultancies in personal capacities;
- Having personal interest in any decision or resolution;
- Having relations/ownership or substantial interest in an organization giving or receiving donations.

In the above-mentioned points, the organization will try their level best to avoid such situation or decision which is supplemented to conflict of interest in any way

B. Who comes under Interested Person/s?

Whenever a person involved in decision making has another competing interest as illustrated in section 2.1, she/he should be considered as an interested person. Generally, the following persons are involved in the decision-making process and may face a conflict of interest while making a decision.

- Founder(s),
- Board Members/Trustees,
- Senior Management: Executive Director, Director of Programs, Chief Executive Officer, Chief Finance Officer, other Head of Departments etc.

Those who have been occupied above important post or position in the organization, he/she should follow the policy where there is no question of conflict of interest arise.

C. WHAT IS CONFLICT OF INTEREST POLICY?

Conflict of Interest Policy is a guiding document which sets the standard operating protocol of an organization to be adopted wherever the organization or an individual in the organization has a Conflict of Interest. The organization has decided to adopt this policy at the organization.

a. Objectives of Conflict-of-Interest policy

Conflict of Interest policy helps the organization to establish robust structures and procedures to be adopted in case a conflict of interest is identified. Following are the key objectives of a Conflict-of-Interest policy.

- To provide guidelines for identification of the conflict of interest,
- To provide formal procedures to be adopted in case of a conflict of interest,
- To provide clear reporting structures that spell out the nature and persons having a conflict of interest,
- To provide guidelines to the individual/organization for avoiding conflict of interest.

b. Mechanism to handle Conflict of Interest

The conflict of interest within the organization shall be handled with due transparency and the decision shall be made in interest of the organization instead of the interest of an individual involved in decision making. The proper handling of conflict of interest in case of a selection of employee in an organization ensures that all the applicants get a fair chance of selection irrelevant of his/her relations with the employer.

The handling has three common steps irrelevant of the size, nature or operations of an organization. The procedure starts with Identification followed by Disclosure and ends with the Decision making. We will follow the following procedures in case of any conflict of interest within the organization.

i. Identification

All the Conflict of Interests should be duly identified by the persons holding an office, Board Members, and Senior Management team of the organization.

We have been following the tool i.e. “Related Party Questionnaire” which is relevant for identification of Conflict of Interests. The format of the Related Party Questionnaire is herewith attached in ***Annexure 1***.

ii. Disclosure

Once the Conflict of Interest has been identified, the disclosure shall be made by all the interested parties. As a good practice, the disclosure shall be submitted as per the following:

Person having a Conflict of Interest	Disclosure to be submitted with
Employees	→ Senior Management / Director of Programs
Senior Management	→ Board
Board Members	→ Secretary / Executive Director
Secretary / Executive Director	→ Board Members

The organization adopts a system for submission of disclosure in which disclosures should be submitted either annually or upon occurrence of a conflict of interest.

I. Decision Making

Once the disclosure is made by every individual, the decision regarding such transactions/events have been made by the Board or the concerned committee. In that case, person(s) having a conflict of interest should refrain from being part of such processes to ensure transparency and fair decision making in the process. The organization will ensure all such processes of decision making shall be duly documented, i.e. the minutes of the proceedings should be duly recorded for future reference.

c. Processes followed for Developing a Conflict-of-Interest policy

While developing a conflict-of-interest policy in the organization, we have followed the below suggested processes:

Step 1: Need Establishment

To adopt a policy on conflict of interest in the organization, we made internal discussion on the need of the policy taking the key personnel of the organization into account. accordingly, the process of discussion cum deliberation on the policy had started at the board level.

Step 2: Formation of Drafting Committee

In order to move forward in this direction, the board had formed a committee to prepare a draft of the policy. The key issues and requirements have been thoroughly and elaborately discussed within this team for a better understanding of the members.

For the drafting committee, the following members have been the part of the drafting committee:

- one board member
- Executive head / Chief Functionary
- Representative from Finance team
- Representative from HR/Administration team
- Representative from Programme Team

Step 3: Preparation of Draft

The drafting committee had prepared the draft of the policy after thorough discussion and identifying the procedure to be adopted in case of a conflict within the organization. The committee has also sought advice from external experts; however the suggestion from the experts should be included only after unanimous consent of the committee members. While preparing the draft, the committee has defined the scope and purpose along with the procedures to be adopted. This will help the stakeholders in better understanding the applicability and purpose of this policy.

Step 4: Review of the Draft

The draft had been reviewed individually by each drafting committee members who have made the required changes as per their discussion with majority acceptance.

Step 5: Approval

The drafting committee had finalized and satisfied with the draft prepared at their level which has been shared with the Board for their information, reference & approval.

After receiving the draft, the Board had made the desired changes in the draft or direct the drafting committee to make certain changes and thereafter approve the policy after unanimous consent within the Board members.

D. Violations of Policy

No one as a capacity of individual or organization has been allowed to violate the policy of Conflict of Interest. If anyone irrespective of their post and position in the organization or in the project, necessary action will be taken to the concerned. It may be verbal warning, explanation, suspend, transfer, demotion or restricted from the organization subject to their gravity of mistakes committed

E. Reviews and amendment of Policy

Every scope is there in the policy for reviews and necessary amendment from time to time. Taking the needs, requirements and expectations of both the employees as well as the organization, on a regular and timely basis (at least once in six months), reviews of the policy shall be done. In that date, the organization may take the support of external persons. But, whatever recommendation/s or suggestion/s has been given by the experts is not binding at all. Before approval of the same, the recommendations or suggestions will be properly discussed at various

levels of the organization by taking the views and opinions of the staffs and other related person/s. The final say will be done by the general body after due discussion and approval.

F. Formation of Committee on Conflict of Interest

For the smooth and systematic function of the conflict-of-interest policy, a committee has been formed at the organization taking different members into account. It will be sat at least once in six months. The committee shall orient the staffs on conflict-of-interest policy on a regular and timely basis. Any employees or any others who are associated with the organization either directly or indirectly, they can suggest for any change in the document. After thorough discussion at its level, they will give their suggestions cum feedback to the Governing body for their information and further action.

G. Declaration

It is hereby declared that all the matters mentioned above in the documents are correct and true to be best of our belief and knowledge. The mentioned things have been properly followed and adopted at the organization level in the greater interest of the staffs in particular and the organization in general. The organization is hereby declared that it is accepted the policy for the organization.

H. CONCLUSION

It should be understood that the policy on Conflict of Interest is merely a tool for handling the cases of identified conflict of interests. The policy does not ensure addressing all the potential cases until and unless the cases are identified. Further, the identification of the cases is subjective to the integrity and conscience of the persons concerned. The organization should ensure to cultivate a sense of integrity and accountability within all its stakeholders for a better management of Conflict of Interest.

Annexure 1
RELATED PARTY QUESTIONNAIRE

Sl. No.	Question	Answer
1	Do you or any related party of yours have any material interest, direct or indirect, in any completed or pending transaction?	
2	Do you or any related party of yours been indebted to the organization at any time during your tenure with the organization? Please exclude amounts due for purchases on usual trade terms and for ordinary travel and expense advances.	
3	If you have ownership or management control of another entity which could significantly affect the operating results or financial position of organization, please indicate the nature of the relationship.	
4	Please list all companies, partnerships, associations, or other organizations of which you or a related person are a Director, Trustee, Partner, or Member	
5	Please list all companies, partnerships, associations, or other organizations of which you or a related person is an officer or employee	

The answers to the foregoing questions are correctly stated to the best of my knowledge and belief.

I. Definitions for Purposes of This Questionnaire

- a) **Related Person:** A related person means the same as defined in Income Tax Act 1961 and Companies Act 2013.

Following is an extract from Section 6 of The Companies Act, 1956 which defines relative:

[Meaning of "relative" - A person shall be deemed to be a relative of another if, and only if, -

- (a) They are members of a Hindu undivided family; or
- (b) They are husband and wife; or
- (c) The one is related to the other in the manner indicated in Schedule IA.]

Schedule IA List of Relative

- | | |
|---------------------------------------|--------------------------------------|
| 1. Father | 12. Son's daughter |
| 2. Mother (including step-mother) | 13. Son's daughter's husband |
| 3. Son (including step-son) | 14. Daughter's husband |
| 4. Son's wife | 15. Daughter's son |
| 5. Daughter (including step-daughter) | 16. Daughter's son's wife |
| 6. Father's father | 17. Daughter's daughter |
| 7. Father's mother | 18. Daughter's daughter's husband |
| 8. Mother's mother | 19. Brother (including step-brother) |
| 9. Mother's father | 20. Brother's wife |
| 10. Son's son | 21. Sister (including step sister) |
| 11. Son's son's wife | 22. Sister's husband |

The Income Tax Act 1961 defines a 'person' as:

- i. an individual,
- ii. a Hindu undivided family,
- iii. a company,
- iv. a firm,
- v. an association of persons or a body of individuals, whether incorporated or not,
- vi. a local authority, and
- vii. every artificial juridical person, not falling within any of the preceding

- b) **Control:** Means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a specified party whether through ownership, by contract, or otherwise.
- c) **Management:** Means any person(s) having responsibility for achieving the objectives of the organization and the concomitant authority to establish the policies and make the decisions by which such objectives are to be pursued. It would normally include members of the Board, the President, secretary, Joint Secretary, treasurer and Vice President in charge of an organization and other individual persons who perform similar policy making functions.
- d) **Disclosure:** Means disclosure by the Secretary who has a conflicting interest of:
 - The existence and nature of the Secretary's conflicting interest, and
 - All facts known to the Secretary respecting the subject matter of the transaction that an ordinarily prudent person would reasonably believe to be material to a judgment as to whether or not to proceed with the transaction.
- e) **Ownership:** Means beneficial ownership of a company, including, but not limited to, stock options, warrants, debentures, and other convertible securities.

1st Approval of the policies by the Board: 30th June 2022