

## **INDEPENDENT CUSTOMER CHALLENGE GROUP – SOUTH EAST WATER**

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### **Conflicts of interest policy Last updated 27/8/2018**

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#### **Introduction**

People who serve on the Customer Challenge Group (“CCG” or “Group”) need to be aware of conflicts of interest, what they could mean for the Group and how conflicts of interest should be managed to protect the independence of the Group. It is good practice to have a conflict of interest policy which sets out the procedure to identify and handle conflicts and to maintain a register of interests.

This policy applies to all members of the CCG.

#### **Why do we have a policy?**

The CCG has ultimate responsibility for all actions carried out by Group members in the performance of CCG’s functions.

Members of the CCG must act in the best interests of the CCG and in accordance with:

- a) the terms of reference of the CCG; and
- b) Ofwat’s Customer Engagement Policy Statement and the relevant sections of the PR19 Final Methodology.

While they act as member of the CCG they have a duty to the CCG and must act only in the interest of the CCG.

The purpose of this policy is to protect the CCG and its members from any actual or perceived impropriety or lack of independence.

## **What are conflicts of interest?**

A conflict of interest is any situation in which the interests of a Group member conflict with their duty to the CCG and/or those of the CCG.

The interest of a Group Member can be direct or indirect, and it can include the interest of parties connected to the Group member (see definition of connected person below).

Conflicts could affect the independence of a Group member or create a reasonable perception that their independence and the independence of the CCG as a whole has been compromised. They could inhibit free discussion or result in decisions or actions that are not in the interests of the CCG or South East Water's customers.

There is a conflict where there is a possibility that a Group member's interests could influence their decision-making or prevent them from making a decision in the best interest of the CCG or take into account considerations other than the performance by the CCG of its functions.

When considering whether they have a conflict of interest, a Group member must consider the situation in the context of:

- a) the terms of reference of the CCG and Ofwat's Customer Engagement Policy Statement and the relevant sections of the PR19 Final Methodology; and
- b) the need to maintain the independence of the CCG vis-à-vis South East Water, South East Water's shareholders and stakeholders.

## **What should you do if you believe that you may have a conflict?**

All conflicts of interest, whether actual or potential, should be declared promptly at the earliest possible opportunity.

Where possible they should be disclosed to the Chair before the meeting or at least at the start of the meeting where the matter in respect of which a conflict exists is due to be discussed.

Group members must declare their interests and any actual or potential conflict of interest in connection with their role at the CCG. A declaration of interests form is provided for this purpose, listing the types of interest that Group Members should declare (see below).

They should also declare any gifts or hospitality they receive in connection with their role as a Group member.

A register of interests declared by Group members will be maintained and published on the CCG website. The register will be updated annually and when any significant changes occur.

If a Group member is in any doubt about the application of these rules, they should consult with the Chair.

### **Identifying conflicts of interest**

A conflict of interest is any situation in which the interests of a Group member conflict with their duty to the CCG and/or those of the CCG.

The first step is to identify a conflict of interest. This can be difficult as the issues can be quite complex.

The interest of a person connected to a Group member must also need to be considered.

A connected person includes the following:

- a) a child, stepchild, grandchild, parent, grandparent, brother or sister of the Group member;
- b) the spouse, unmarried partner or civil partner of the Group member or of any person listed above;
- c) a person carrying on business in partnership with the Group member or with any person listed in paragraphs (i) and (ii) above;
- d) any company, business, trust or any other organisation or authority in which a Group member (or any other person connected to them) has an interest as a beneficiary or through ownership, control or influence.

Conflicts of interest may arise:

- a) when a Group member (or a person connected to them) stands to obtain a benefit that is inconsistent with its duty to the CCG or the functions of the CCG for example where a Group member has a financial interest in the matter under discussion or where a Group member would receive payment for services provided to the CCG;
- b) When a Group member would receive a payment for carrying out their role as a member of the CCG (other than a payment fully and transparently disclosed and acknowledging that the compensation paid to the Chair by South East Water does not affect the independence of the Chair);

- c) when a Group member has a specific interest because the matter under discussion affects them or connected persons or organisations they (or connected persons) are associated with more than the generality of people that may be affected by the decision, as this could be seen as creating a risk of bias;
- d) when a Group member or a connected person has (or is contemplating) any interest in a company or other organisation that has a direct or indirect relationship (whether commercial or of another nature) with South East Water, its shareholders or suppliers, or with stakeholders especially where this has the potential to be relevant to the functions of the CCG;
- e) when a Group member or a connected person is considering potential employment opportunities with companies or other organisations that have a direct or indirect relationship (whether commercial or of another nature) with South East Water, its shareholders or suppliers, or with stakeholders especially where it has the potential to be relevant to the functions of the CCG;
- f) when a Group member stands to benefit from a decision made by South East Water, their shareholders or other third party stakeholders;
- g) when a Group member (or a person connected to them) has a legal obligation or duty to a third party that conflicts with their duty to the CCG or the duties of the CCG.

### **Example:**

ABC, a research company wants to contract for the research programme for South East Water and one of the members of the CCG owns ABC. This is a direct conflict of interest of the Group member.

An indirect interest in the above example would be if the Group member did not own the company but a relative (or other connected person) owned or worked at ABC.

### **How the CCG will deal with conflicts of interest**

Conflicts of interest may be difficult to avoid completely but they should be managed to avoid any adverse effect on the CCG and to promote accountability and transparency in the CCG's affairs.

Possible conflicts or perceived conflicts should be considered as well as actual conflicts as it is crucial to preserve the integrity and reputation of the CCG.

## Manage the conflict

When a conflict of interest is identified, the following shall apply:

- **Declare a conflict** – once identified, a Group member must declare a conflict of interest at the earliest opportunity.
- **Leave the meeting** – unless the likelihood and/or effect of the conflict is considered to be minimal by the other members present of the CCG, the Group member who declared a conflict should leave the meeting whilst the relevant issue is being considered by the rest of the CCG.
- **Decide on next steps** – In deciding on the steps to take the CCG will have regard to the nature, likelihood and effect of any actual conflict. The CCG may conclude that the risk of actual conflict is so low that the relevant Group member can be allowed to take part in the discussions or otherwise may decide that the relevant Group member should abstain and that he or she may not be present for the discussion of the relevant matter. Where conflicts are so frequent or serious that the Group member's is unable to continue to perform its duties, the CCG may ask the relevant member to resign unless they cease the conflicting activity. In the unlikely event that conflicts cannot be resolved through the usual procedures then the CCG will seek external independent moderation from a chair of another CCG who has no interest in the matter to be resolved.
- **Decision Process** – In the event of the CCG having to decide upon a question in which a Group member has an interest, the relevant decisions will be made by vote, with a simple majority required. Interested parties will not be counted when deciding whether the meeting is quorate. Interested Group members may not vote on matters affecting their own interests.
- **Record the process** – All decisions under a conflict of interest will be recorded and reported in the minutes of the meeting. The minutes will record the nature and extent of the conflict, an outline of the discussion and the actions taken to manage the conflict. The register of interests should be kept up to date.

## Gifts and hospitality

The CCG shall apply the following policy in respect of personal gifts or hospitality and protect itself against claims that these have been given in a way that is intended to influence the decisions of the CCG.

- All gifts and hospitality should be declared and recorded in a register kept for this purpose. The register will include the estimated value of the gift or

hospitality, the date on which it was received, who it was given by and the reason for it;

- Group member shall never solicit gifts and hospitality;
- Gifts and hospitality with nominal value can be accepted but only if there is no expectation that there is an obligation owed as a result of the gift;
- If a gift is received that exceeds a nominal value, the gift should be returned to the sender, the market price should be paid or the gift should be donated to a charitable organisation;
- Gifts and hospitality intended to influence organisational decision making should never be accepted.