

# BEST PRACTICE FOR A CONFLICT OF INTEREST POLICY

# HELPSHEET

Conflicts of interest can undermine good governance and can damage the reputation and integrity of a charity. They can also lead to regulatory and financial issues for charities.

## What should a conflict of interest policy cover?

A conflict of interest policy should cover the following:

1. The purpose of the policy
2. Who the policy applies to
3. What a conflict of interest is
4. Duty to declare a conflict of interest
5. How to report concerns around a conflict of interest

As much as possible, the policy should be tailored to the specific charity, taking into account its size and risk profile. Examples of conflicts of interest specific to the charity can help bring the policy to life.

## Who the policy applies to

A conflict of interest policy would usually apply to:

1. Trustees
2. Any other committees or groups forming part of the governance function of the charity
3. Employees (including temporary employees)
4. Volunteers

In addition, some charities may decide to ask suppliers or partnership organisations to complete conflicts of interest declarations as a condition of working with the charity. This could help identify potentially undisclosed personal relationships between people working within the two organisations, which could lead to a perception of a conflict of interest, even if there is not any conflict.

## What is a conflict of interest?

A conflict of interest usually arises in the two following ways:

1. Personal conflicts - whereby a person working for or with a charity has a personal, financial or family interest that could influence their decision-making.
2. Where duties to another organisation, such as a person's employer, could conflict with their duties to the charity.

It is important to be alive to the potential for perceived conflicts. A perceived conflict is a situation where it could appear that a person's judgment could be improperly influenced, even if there is no actual conflict.

## Duty to declare conflicts of interest

It is usual to require any person joining the board of trustees (or other governance committee or board) to declare any conflicts of interest, as well as requiring them to confirm at the start of each trustee meeting or, potentially, in connection with a specific topic, that they do not have any conflicts of interest.

Again, it is usual to require any employees to declare conflicts of interest as part of joining the charity. Depending on the seniority and role of the employee, it may also be prudent to require them to make a declaration on an annual basis.

It is not always the most senior roles which carry the greatest risk from any conflict of interest. Anyone who is involved in decision-making for the charity, for example in procurement, may warrant a more rigorous approach.

The policy should make clear that the duty to declare conflicts of interest change, so that individuals are aware that as soon as their circumstances change they should update their declaration, rather than waiting to be asked.

## How to report concerns

What is appropriate will depend on the size and nature of the charity. If a charity has a whistleblowing procedure, for example an ability to submit concerns anonymously, then any conflict of interest policy can refer to that.

The policy should clearly set out how to report concerns and should provide for a way for individuals to report concerns to the trustees/board in the event they have concerns about senior management.

## Encouraging and empowering employees and volunteers

Similarly to whistleblowing, charities should encourage and empower staff by:

- Explaining the importance of declaring conflicts of interest
- Providing assurance that concerns reported to the charity will be taken seriously
- Reassuring staff that they will not suffer any adverse consequences for reporting concerns, even if those concerns prove to be unfounded
- Encourage staff to err on the side of caution by declaring any potential conflicts of interest, even if they turn out not to be

## Investigating and managing conflicts of interest

Charities should make sure that any conflicts of interest which are declared are properly investigated and considered.

A conflict, or perceived conflict, of interest, does not necessarily mean that an individual cannot, for example, work for the charity. It may be that for their particular role the conflict can be managed.

## Review the policy and remind everyone

The policy should be reviewed from time to time, potentially annually, or otherwise updated as needed. It is important to keep reminding everyone about the policy and why declaring conflicts of interest is so important to the charity.

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