

POLICY ON RELATED PARTIES, CONFLICT OF INTEREST AND CONFIDENTIALITY

1. Background

The Board of Governors at its November 2003 meeting adopted the following general policy on conflict of interest, amended in November 2013, in November 2015, and included disclosure on related parties in November 2017.

2. Principles of Conduct set out in Article VII of the Act of Foundation

Article VII of the Act of Foundation states that:

1. *Persons elected to the Board of Governors or to any other committee, shall act in the best interest of the International Baccalaureate Organization.*
2. *The business and affairs of the Foundation will at all times be conducted ethically.*

3. Principles of Related Parties disclosure

In accordance with the requirements of the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS 24), the members of the Board of Governors shall disclose their related parties.

“The objective of the IFRS IAS 24 is to ensure that an entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.”¹

4. What are related parties?

Under International financial reporting standards, a related party is a person or an entity that is related to a reporting entity if any of the following situations apply to it:

- *Associate:* The party is an associate of the entity.
- *Common control:* The party is, directly or indirectly, either under common control with the entity or has significant or joint control over the entity.
- *Family member:* The party is a close family member of a person who is part of key management personnel or who controls the entity. A close family member is an individual's domestic partner and children, children of the domestic

¹ [IAS 24 Related Party Disclosures](#)

partner, and dependents of the individual or the individual's domestic partner.

- *Individual control:* The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the entity.
- *Joint venture:* The party is a joint venture in which the entity is a venture partner.
- *Key management:* The party is a member of the entity's or its parent's key management personnel.
- *Post-employment plan:* The party is a post-employment benefit plan for the entity's employees.

5. What are interests?

Interests cover employment, consultancies, directorships, memberships, trusteeships, material shareholding, ownership or other investments.

6. What is conflict of interest?

Members of governing bodies have a general duty of care and a responsibility to act in the best interests of the organization. Conflict of interest is generally taken to arise if there is any direct pecuniary, professional, family, or other personal interest relating to a member in respect of the matter being considered or determined. Conflicts of interest can be actual or potential. They can also be indirect (for example in situations of divided loyalties, such as a conflict between the Board member's roles or responsibilities on two different boards or between the mission and aims of organisations where the Board member has an active interest in, and those of the IB, which may either be competing with, or contrary to the mission of the IB). They can involve perceptions of conflict of interest as well as actual ones. Indirect potential conflicts of interest may be the most difficult to assess and each will have to be judged on its merits.

7. What safeguards are necessary to protect the best interests of an organization in situations of conflict of interest?

It is a normal recommended practice that a member of a governing body or other committee should not participate in the discussion or decision of any matter where there is a conflict of interest (and for that conduct to be recorded in the minutes of the body concerned). In some circumstances it would be good practice for the member to withdraw from the meeting for that item of business.

These are important general principles of good practice and apply in all situations of conflict of interest. But it is also necessary to anticipate actions that can safeguard against conflict of interest in particular circumstances. A range of actions might be considered and they should satisfy the test of reasonableness as judged by an informed but disinterested third party.

Similarly, members receiving compensation from the IB in exchange for ordinary or extraordinary services (for instance as an IB examiner, school visitor, consultant or otherwise) should disclose amounts received in the disclosure register as provided in section 10 below.

Members of the Board of Governors come from a broad range of organizations and positions within them and diversity is a welcome and important attribute of its membership. Heads of IB schools (all of whom by definition have a formal relationship with the IB) are the single largest constituency and we accept that, as members of the Board of Governors, they will act in the best interests of the IB as a whole at all times.

8. What other safeguards are necessary?

The main consideration is to disclose related parties and actual or potential conflict of interest.

The introduction of a formal declaration and register should be implemented. This does not remove the obligation on members to be alert to new situations that may arise and to disclose these at the time, but it does ensure that there is a transparent framework in place. The register should be open to inspection by members of the Board and should be maintained by the Governance & Executive Support department.

9. Confidentiality of Board business

Although wider in its application, our lawyer has suggested that the Board should have a policy on confidentiality in respect of Board business. The following statement was adopted.

"Board of Governors members are subject to a general responsibility of confidentiality in respect of Board business and that of its committees. In respect of personal information relating to individual staff, students or others involved in the IB the duty is absolute and unlikely to raise matters of interpretation. It will also usually be clear cut in respect of commercial or business or academic policy decisions under consideration by the Board or its committees or in relation to the examining process. There may however be other matters where the case for confidentiality is less clear cut either because the matter is already in the public domain or because open and public debate will be in the best interests of the IB. Members in doubt about whether or not a matter should be considered confidential should in the first instance consult the director general for advice. Where a ruling is necessary this should be made on the authority of the Chair of the IB Board."

10. Disclosure register

Members of the Board will make formal declarations to the Governance & Executive Support Manager on an annual basis. The declaration would either state that the member does not know of any related parties and conflict of interest situations or, if there are any, they should be declared. Any such disclosure would then list the potential matters of related parties and conflict that could arise, including those of potential divided loyalties. Any compensation received from the IB in exchange for ordinary or extraordinary services (for instance as an IB examiner, school visitor, consultant or otherwise) should be disclosed. The register should be open to inspection by members of the Board and should be maintained by the Governance & Executive Support Department.

November 2017