

AREMA CONFLICT OF INTEREST POLICY EXPLANATION

(Revised: April 3, 2001)

There are two areas of concern regarding Conflict of Interest Statements in AREMA's bylaws, the "**Declaration Form**" and the "**Letter Ballot**". Both are used for quite different purposes. Both are very important to safeguard the liability of the association and the integrity of the committee work product.

AREMA Conflict of Interest Declaration Form

This declaration form is intended to be used to inform AREMA headquarters and all Committee members of a possible conflict of interest with normal committee activities including, but not limited to: deliberations, motions, discussions, votes (other than by formal Letter Ballot), work in progress of recommended practices and any other committee work product. The declaration can be of general nature, such as a supplier declaring that he/she represents a firm that manufactures products that typically are built and marketed per AREMA practices recommended by their technical committee. The declaration can be specific in nature such as an individual who is a member of a committee that is developing content and/or specifications for a specific program/project that will be outsourced via RFP/RFQ, and that individual's company has the ability to bid on the program/project. It makes no difference whether an individual works for a railroad company, a railroad manufacturing company, a public entity, a law firm, or is self-employed. The fact that a declaration form is filed does not prohibit an individual from participating in any general committee activities - unless the AREMA Board's Ethics Committee informs the individual otherwise.

AREMA Letter Ballots

Per AREMA bylaws, any formal Letter Ballots **MUST** be voted **ABSTAIN**, if there is a possible conflict of interest on the particular topic being considered by ballot. Topic comments are still welcome beyond describing the reason for abstention. A committee member's record of responding to a ballot is also important to his/her continued committee membership. The fact that a specific ballot topic is voted **ABSTAIN** because of a possible conflict of interest does not prohibit an individual from participating in any of the other general committee activities unrelated to the ballot question.

Examples:

1. A committee is drafting specifications for development of a training package that AREMA intends to put out for bids. Once completed, the training will eventually be marketed and sold under AREMA's name. Members of the committee represent some of the firms that will be quoting on the training package development.

Guidance: This is clearly a conflict of interest where the deliberation of the committee could influence which firm gets the business. Individuals representing firms that could possibly bid on this work need to complete a "Conflict of Interest Declaration Form" and send it to AREMA headquarters with a copy to the committee chairman. This type of a declaration would be forwarded to the Board Ethics Committee which would likely stipulate that the individuals remove themselves from that particular committee work process or formally declare that their firm will never bid on the work involved.

2. A member of a committee requests that the committee consider and draft a recommended practice/specification for a new type of connector that is being touted by his firm as being a modern substitute for the old "AAR Terminal". His firm is the only one that currently makes the new connector.

Guidance: This could be a conflict of interest depending on the details. The committee member needs to complete a "Conflict of Interest Declaration Form" and send it to AREMA headquarters with a copy to the Committee chairman.

3. A railroad member of a committee is reviewing a ballot topic that considers a new recommended practice which could have a material affect on his particular Railroad - depending on whether the ballot topic passes or fails.

Guidance: The member should vote - ABSTAIN - giving their reason as a potential conflict of interest. This preserves the members voting record for retaining his Committee membership. The ballot (with the ABSTAIN vote), still gives the member an opportunity to make any other comments they feel needs to be considered.

4. An individual representing a firm that builds and sells railroad electronics is a member of a technical committee that routinely discusses and revises recommended practices that could have an impact on the future design of his/hers firm's product.

Guidance: If it would not be considered blatantly obvious to all of the other committee members (via membership roster/listing) what interests are being represented by this individual, the individual should complete a "Conflict of Interest Declaration Form" and send it to AREMA headquarters with a copy to the Committee Chairman. This would not preclude the individual from participating in any of the general Committee work, unless

informed by AREMA headquarters otherwise. The individual must still be alert for any particular ballot topic that might represent a conflict of interest, and the need to vote **ABSTAIN** when appropriate.