

## Policies and Procedures

Policy Title	Board of Governance Independence Policy	Policy Number	106
Section	Governance, Organization, General Information	Approval Date	3 October 2023
Subsection	Governance and Organization	Authorizing Entity	Board of Governance
Responsible Office	Audit and Risk Committee	Effective Date	2 January 2024
Distributed To	AUBH Governors	Next Review Date	3 years after approval date

### 1.0 PURPOSE

- 1.1 The document defines the policy and procedure followed at the American University of Bahrain (AUBH or the University) followed by the Board of Governors (BoG) to report on and assess their independency and declare any conflict of interest. The policy applies to all Board of Trustee (BoT) members and Board of Directors (BoD) who collectively comprise the BoG of AUBH.

### 2.0 DEFINITIONS

- 2.1 **Conflict of Interest:** Any situation in which a BoG member's personal interests, or those of a close associate, could, or could be perceived to, interfere with their ability to make a decision in the best interests of AUBH.
- 2.2 **Financial Relationship:** Any relationship between a BoG member and the University, either directly or indirectly, that involves the exchange of money or other resources. This could include employment, consulting, ownership, investment, or any other business relationship.
- 2.3 **Business Relationship:** A relationship that is formed between two or more entities, involving commercial or economic activities. This may include partnerships, joint ventures, contractual relationships, or any other arrangement where the BoG member and AUBH are jointly engaged in business.
- 2.4 **Significant Interest:** A substantial or controlling interest in an entity. This could include being a BoG member, partner, or management-level employee, owning more than 5% of the entity, or having a compensation arrangement that is dependent upon a business or financial relationship with AUBH.
- 2.5 **Governors' Disclosure Form:** The document to be filled out by each BoG member on an annual basis, or whenever significant changes occur, to disclose any potential conflicts of interest in line with the policy.
- 2.6 **Immediate Family:** A member of one's immediate family means (1) a spouse; (2) a child, grandchild, parent, grandparent, sibling, uncle, aunt, nephew, or niece, or the spouse of any such person; (3) a person having a step-relationship described in (2) above; (4) a parent-in-law or a

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brother- or sister-in-law; or (5) any other person who resides in the same household as the board member.

### 3.0 POLICY

- 3.1 BoG members are required to fulfill their responsibilities with care and fidelity. All decisions and actions of the BoG are to be made for the sole purpose of advancing the best interests of the institution and the public good. The integrity of AUBH must always be protected, and the fiduciary relationship of BoG members must be respected in both actuality and appearance.
- 3.2 A lack of independence exists when a BoG member's direct or indirect personal interests are inconsistent with or interfere in any way with the best interests of the University.
- 3.3 As a general rule, it is the policy of the University that it will not engage in Business or Financial Relationships with BoG members.
- 3.4 No Business or Financial Relationship between the University and any BoG member, or a member of their Immediate Family, or any entity with which a BoG member or a member of their immediate family is affiliated, will be permitted unless it has been thoroughly reviewed and considered by the Audit and Risk Committee and has been found to be of clear benefit to the University, at arm's length.
- 3.5 No BoG member or a member of their Immediate Family, may knowingly invest directly in any non-publicly traded entity in which the University has an investment, or in any publicly traded entity in which the University owns more than 1% of the outstanding security in question. The University will not knowingly invest directly in any non-publicly traded entity in which a BoG member, or a member of their Immediate Family, has an investment, or in any publicly traded entity in which a BoG member, or a member of their Immediate Family, owns more than 1% of the outstanding security in question.
- 3.6 Any proposed Business or Financial Relationship between the University and an employee or other representative, a member of their Immediate Family, or any entity with which the employee or other representative or a member of their Immediate Family is affiliated, is subject to the prior review and approval of the Audit and Risk Committee. The Committee shall report to and be subject to the oversight of the Board of Trustees.
- 3.7 Any offer of full-time employment to a member of the Immediate Family of a BoG member is subject to the prior review and approval of the President and Nomination, Remuneration, Governance Committee.
- 3.8 Any BoG member who serves at the University's request and represents the University as a director, officer, employee, or other agents and representatives of another organization shall turn over to the University any compensation received from such other organization for such service. Personal participation in outside organizations shall be disclosed for conflict of interest (including conflict of duty and loyalty) assessment in the Governors' Disclosure Form (Appendix 1), but no indemnification will be provided by the University for such participation unless the University has specifically requested such service as its designated representative.

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3.9 The Governors' Disclosure Forms completed by the BoG members contain sensitive personal and business-related information. All data collected through these forms will be treated as confidential. Only authorized individuals, such as members of the Audit and Risk Committee and designated administrators, will have access to these forms for the purpose of assessing and managing potential conflicts of interest.

### 4.0 PROCEDURES

4.1 Effective implementation of this policy requires, first, the full disclosure of individual interests that might conflict with the best interests of the University. Second, the interested BoG member must refrain from participating in university decision-making with respect to any transaction or relationship in which they hold a direct or indirect interest. Finally, the Audit and Risk Committee shall determine whether the transaction or relationship meets the applicable standard and should be entered into or continued.

#### 4.2 Disclosure

4.2.1 All BoG members are required to disclose the information requested on the Governors'

Disclosure Form, including any Business or Financial Relationship they or members of their Immediate Families have or propose to have with the University, either directly or through another entity in which they have a significant interest (defined as ownership or control of 10% or more of the entity). The Form is to be filed annually by all BoG members. The secretary of the BoG will collect the forms from the BoG members. A BoG member shall provide advance written disclosure of any proposed Business or Financial Relationship covered by this policy to the Chair of the Board of Directors.

4.2.2 The following guidelines are provided to help members determine whether a relationship should be disclosed:

- A Business or Financial Relationship includes the sale or acquisition of goods, property, or services; the commitment of resources to a common venture; or, in the case of a member of one's Immediate Family, an employment relationship. It does not include attending AUBH as a student.
- A significant interest in another entity includes service as a governor, trustee, director, partner, or management-level employee; the actual or beneficial ownership of more than 5% of the entity; or a compensation arrangement that is dependent upon a Business or Financial relationship with the University.
- The foregoing guidelines are not intended to be exclusive; other relationships or interests that might conflict with the best interests of the University should also be disclosed. If a BoG member is uncertain whether to disclose a particular Business or Financial Relationship, the Chair of the Audit and Risk Committee should be consulted.

#### 4.3 Restraint on Participation

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4.3.1 BoG members who have disclosed a potential conflict of interest shall refrain from participating in the University's consideration of any proposed Business or Financial Relationship in which they are interested, except to respond to questions or to provide further information. If a transaction or relationship requires a vote, the interested party should not be present at the time of the vote.

### 4.4 Approval of Business or Financial Relationship

3.4.1 The Audit and Risk Committee will determine whether a Business or Financial Relationship involving a BoG member should be entered into or continued. In the case of any such relationship involving a BoG member, such a determination shall be set forth in the official minutes of the meeting at which the matter was discussed and reported to the Chair of the Board of Directors.

### 4.5 Confidentiality and Storage of Disclosure Forms

4.5.1 In compliance with Law No. (30) of 2018, with Respect to Personal Data Protection Law, the University is committed to ensuring the security and protection of the information contained in the disclosure forms. This includes implementing appropriate physical, technical, and administrative measures to safeguard the information from unauthorized access, disclosure, alteration, or destruction.

4.5.2 The completed forms will be stored in a secure location, whether in a physical format or digitally. If stored digitally, the files will be encrypted and stored on a secure server with restricted access.

4.5.3 The forms will be kept for a period in line with the University's document retention policy and any applicable laws and regulations. After this period, the forms will be safely and securely disposed of.

4.5.4 A BoG member can request access to their own completed disclosure form at any time. If a BoG member needs to update their form due to changes in their personal or professional circumstances, they should notify the Chair of the Board of Directors promptly, who will then provide them with a new form to complete. The updated form will replace the previous form in storage.

### 4.6 Enforcement and Remediation

4.6.1 Compliance with this policy is crucial to maintain the integrity and transparency of the decision-making processes at the University. Non-compliance can undermine the trust of stakeholders, potentially jeopardize the University's reputation, and may expose the University to legal risks.

4.6.2 Should a BoG member fail to comply with this policy, particularly in relation to disclosure obligations, they may face remedial measures. These measures will be proportional to the nature and severity of the non-compliance and may include, but are not limited to, formal warnings, mandatory training, or, in extreme cases, a recommendation for potential removal from the BoG and all other board and committee memberships.

4.6.3 If a BoG member is found to be in violation of this policy, the matter will be promptly reviewed by the Audit and Risk Committee. The Committee will investigate and document the alleged non-compliance and provide an opportunity for the implicated board member to present their case.

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- 4.6.4 After a thorough review, the Audit and Risk Committee will present its findings and recommendations to the Board of Governors. If the BoG member is found to potentially be in violation of this policy, the Board of Governors will review the case and, based on the severity of the violation, initiate an appropriate remedial process. This could extend up to a review of the BoG member's continuation in their role, should that be deemed necessary.
- 4.6.5 In the case of a significant violation that justifies the removal of a BoG member, the process for such removal will be conducted in line with the stipulations outlined in the Board of Trustees and Board of Directors Charters. The member in question will not partake in any process pertaining to their potential removal. The exact procedure and authority for such removal will abide by the specific rules outlined in these governing documents.
- 4.6.7 All steps in the enforcement and remediation process will be documented, providing a record of the actions taken. This ensures transparency, fairness, and the ability to review and learn from these situations to prevent future non-compliance.

### 5.0 RELATED DOCUMENTS AND REFERENCES

- 5.1 Institutional Governance Guidelines
- 5.2 Board of Directors Charter
- 5.3 Board of Trustees Charter
- 5.4 Audit and Risk Committee Charter

### POLICY HISTORY

Date of Last Action	Action Taken/Changes	Authorizing Entity	Effective Date
3 October 2023	Policy Initial Approval	BoG	1 January 2024

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**Appendix 1**

**Governors Disclosure Form**

Name of the Governor \_\_\_\_\_ Board \_\_\_\_\_ Date \_\_\_\_\_

(i) Details of Other Boards' memberships of education institutes in Bahrain

No.	Name of Organization in which you are a Board Member	Nature/Type of Business	Organization Legal Status (Proprietorship, WLL, BSC etc.)

(ii) Details of interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other forms of significant participation).

No.	Name of Organization	Organization Legal Status (Proprietorship, WLL, BSC. etc.)	Your Shareholding % in the Organization

(iii) Details of ownership either directly or indirectly (including for this purpose ownership by any **family member or related person\***) 5% or more of the shares of any type or class of AUBH during the last 1 year.

No.	Name of the Shareholder	Relationship	No. of Shares

*\* Where the term family or family member or a related person is used, reference is made to a spouse, father, mother, son(s), or daughter(s).*

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- (iv) Please disclose if you feel there is any conflict of interest between your other Board memberships and that in AUBH. If there is none, please write 'Nil'.

- (v) Do you have any relatives within AUBH, either at board or management level? If yes, please provide details.

- (vi) Declaration of Other Interests

**I Confirm that, I:**

Statement	Yes	No	Comments
am not an employee of AUBH	<input type="checkbox"/>	<input type="checkbox"/>	
Did not receive any payments from AUBH beyond normal reimbursements for board involvement	<input type="checkbox"/>	<input type="checkbox"/>	
Do not have any significant contractual or business relationship with AUBH which could be seen to materially interfere with the person's capacity to act in an independent manner	<input type="checkbox"/>	<input type="checkbox"/>	
Did not engage, directly or indirectly, as a paid auditor or paid professional advisor for AUBH	<input type="checkbox"/>	<input type="checkbox"/>	
Did not accept from any member of AUBH, directly or indirectly, any consulting, advisory, or other compensatory fee other than in the capacity as a board member. This includes payments to a family member or an entity in which the board member is a partner or occupies a similar position in an educational competitor and which entity provides legal, financial, consulting, or other similar services to AUBH	<input type="checkbox"/>	<input type="checkbox"/>	
Did not participate in any share-based incentive schemes or performance-related pay schemes of AUBH's shareholders	<input type="checkbox"/>	<input type="checkbox"/>	

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Please also note to disclose to the Board of Trustees Governance Committee through the Board Secretary:

1. Any change in your board memberships in other organizations, as soon as such changes happen, at any date subsequent to your current response.
2. Any conflict of interest between your other memberships and that in AUBH, if any, as soon as these arise, at any date subsequent to your current response.

Signature \_\_\_\_\_

Name \_\_\_\_\_

Date \_\_\_\_\_