

**CONFLICT OF INTEREST
(COI)
POLICY**

AURAT FOUNDATION

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Section 1

Objective of COI Policy

Identifying and managing conflict of interest (COI) is central to shaping ethical culture in non-profit organizations such as Aurat Foundation (henceforth AF) .While AF recognizes the reality of people holding a wide range of legitimate interests outside the work place, it is the duty of employees and all those associated with AF's work to ensure that these interests do not create a conflict of interest or a perception of a conflict of interest. AF's conflict of interest policy sets out guidelines on how to deal with such situations in order to protect its organizational interests and reputation and to prevent its work from being compromised as a result of filial or business connections of its employees and board members partners with donors, grantees, private organizations and civil society organizations.

The objective of this policy, therefore, is to protect AF, its board members and its employees from potentially damaging instances of impropriety arising from conflict of interest issues.

Section 2

Scope of COI Policy

This COI Policy establishes guidelines and procedures regarding timely and proper disclosure of potential conflict of interest, on an annual basis and on a case by case basis where an employee or board member may have or develop a conflict in relation to another party that has dealings with AF. Disclosure is necessary to enable the management and Board of Governors of AF to set in motion procedure to review conflict of interest on case-by-case basis, in order to protect AF's reputation and institutional integrity.

While this policy is not intended to detail all situations giving rise to a potential conflict of interest, it is mandatory that each , real or perceived , conflict of interest issue is signposted to appropriate members of the staff in the management chain, as outlined in Section 2 for appropriate advice and required action in line with set procedure .

COI policy applies to the members of the Board of Governors, members of the Executive Council, Executive Director, Chief Operating Officer, Directors/Chiefs, Managers, Specialists and Officers of AF. The policy provides for specific disclosure and approval procedures to address situations where involvement of the above-mentioned AF members may give rise to real or perceived conflict of interest.

Section 3

Defining Conflict of Interest

For the purposes of this document, an **interested person** is a person who is involved in a material (real) or apparent (perceived) conflict of interest situation.

A conflict of interest arises when an individual's private interests compete with his/her professional obligations to an organization, which may result in the exercise of partial and biased judgment. Such situations can have potentially damaging consequences for the integrity and reputation of the organisation. COI can arise when an individual's professional decisions and/or actions actually have, or have the appearance of, being influenced by considerations of personal financial gains. Thus conflict of interest can compromise an individual's ability to perform his/her duties and

responsibilities objectively.

Though it is very hard to avoid conflict of interest in certain settings, AF is committed to putting in place a policy of identifying and disclosing conflict of interest early, to better manage such situations according to set procedures.

If any employee is in any doubt about whether conflict of interest applies in a particular case, he/she should speak to immediate line manager at the earliest.

Section 4

COI Reporting Lines in AF's Hierarchy

1. Officers report to Managers.
2. Managers report to the Director/Chief of the concerned department or programme.
3. Directors (including Resident Directors) report to the Chief Operating Officer.
4. National Directors and Chiefs report to the Chief Operating Officer
5. The Chief Operating Officer reports to the Executive Director
6. The Executive Director reports to the Board of Governors
7. A Member of the Board of Governors should declare any potential conflict of interest in the meeting of the Board with required quorum in attendance.

Section 5

Annual Declaration of Interest

The declaration of interest applies not only to members of the Board of Governors, members of the Executive Council, Executive Director, Chief Operating Officer, Directors, Chiefs, Managers and Specialists and Officers, but also to any other employee who can potentially influence AF's decisions. For example, this holds valid for employees charged with making procurement decisions, proposal vetting, management decisions at any level, or those with access to proprietary information affecting the interests and reputation of AF.

The declaration of interest should be filed every year and should cover the fiscal period from July 1st to June 30th of the following year. Human Resource Department should get all files updated within one month of the annual declaration, ie by July 31st of each year. The annual declaration format is presented in Annex 1.

Section 6

Interest to be Declared on a Case by Case basis

Conflict of interest situation may arise for members of the Board of Governors, members of the Executive Council, Executive Director, Chief Operating Officer, Directors, Chiefs, Managers, Specialists and Officers of AF in relation to the following relationships:

6.1 Filial Relationships

1. Family members including an individual's spouse, siblings (whether of whole or half-blood), children (natural or adopted), parents, grandparents, spouses of siblings (ie brothers

and sisters-in-law), children, grandchildren, great grandchildren, and any member living in the same home as the individual.

2. Cousins including all blood relatives with whom an individual shares one or more common grandparents (other than those listed in point 1 above). The definition of cousin, for the purposes of this document, is restricted to “first cousin” as understood. The term covers children (natural or adopted) of the individual’s parents’ immediate families (i.e. siblings, whether of whole or half-blood) as well as the individual’s parents’ immediate families themselves (i.e. the individual’s aunts and uncles).

6.2 Business and Contractual Relationships

If an employee has shares in any of the following three categories of business concerns, this constitutes conflict of interest and requires to be disclosed:

1. Persons/firms/companies receiving awards or grants from AF.
2. Persons/firms/companies supplying goods and services to AF.
3. Persons/firms/companies from whom AF leases property and equipment.

6.3 Donors, Grantees, NGOs and Partner Relationships

1. Any filial, business and contractual relationship with donors, grantees, NGOs and partners of AF which carries potential conflict of interest, material or apparent, should be disclosed.
2. A seat on the board of a grantee or partner NGO (or a potential grantee or partner NGO), should be disclosed.

Section 7

Nature and Examples of a Conflict of Interest

A conflict of interest may arise in relation to any persons, firms and companies mentioned in Section 5. This might arise out of filial relationship with a person directly working with or for AF, or on AF’s programmes which involve donors, grantees, sub-grantees and partner NGOs. It may also arise from a business relationship with organizations competing with AF for projects.

7.1 Nature of Filial Relationship

1. Having a family member or a cousin as defined in Section 5.1 above, of any AF member in a managerial or decision making position, or in a key executive position within any organization that AF has a running programme or business dealings with.

7.2 Nature of Business Relationship

1. Owning any stock, partnership share, owning a self-proprietorship or other proprietary interests in a business that AF has a business relationship with.
2. Holding office, serving on the board, participating in management, or being otherwise employed with an organization that AF has running programme or business with.
3. Receiving remuneration for services from AF’s competitors, grantees, vendors and business partners in an indirect capacity.

4. Receiving personal gifts or loans from third parties dealing or competing with AF.

Section 8

Interpretation of this Statement of Policy

The situations and relationships which can give rise to a conflict of interest as listed in sections 5 and 6 are by no means exhaustive. Therefore, conflict of interest is likely to arise in others areas and relationships as well. It is expected that members of the Board of Governors, members of the Executive Council, Executive Director, Chief Operating Officer, Directors, Chiefs, Managers, Specialists and Officers of AF will be able to identify conflict of interest in areas and relationships not listed in this document, by drawing analogy with the listed areas and relationships.

In some cases a conflict of interest may be apparent (perceived), but it may not amount to a material (or real) conflict of interest. On the other hand, an apparent conflict of interest may turn out to be an actual conflict of interest upon disclosure of all material facts. Therefore, apparent conflict of interest has to be handled on a case by case basis, and it is AF's policy that there will be disclosure before execution of the transaction in question.

It is incumbent on the members of the Board of Governors, members of the Executive Council, Executive Director, Chief Operating Officer, Directors, chiefs, Managers, Specialists and Officers of AF to continually assess their transactions, business interests and relationships for potential conflict of interest and to make appropriate disclosures where conflict of interest is remotely perceived .

Section 9

Disclosure Policy and Procedure

9.1 Policy

Members of the Board of Governors, members of the Executive Council, Executive Director, Chief Operating Officer, Directors, Chiefs, Managers, Specialists and Officers of AF are mandatorily required to file Annual Declaration of Interest by submitting disclosure form provided in Annex 1. A copy of every individual's Annual Conflict of Interest Declaration will also be added to the individual files in HR Department.

The annual declaration and disclosures shall be governed by procedures as under:

9.2 Procedures

1. All members of the Board of Governors, members of the Executive Council, Executive Director, Chief Operating Officer, Directors, Chiefs, Managers, Specialists and Officers of AF shall file a declaration of interest form by July 31st of each year. All are required to thoroughly acquaint themselves with COI policy and certify in writing annually that they have read and understood the policy and undertake to fully comply with the policy.
2. If new affiliations are formed that may have implications for conflict of interest issues , a declaration of interest highlighting the specific conflict of interest arising out of the new situation should be filed for immediate review by using the form in

Annex 2.

3. All newly hired employees, from the Chief Operating Officer down to the Officer level, are required to file the completed Annual Declaration of Interest form within 30 days of appointment. All new appointees shall be briefed on, and provided with a copy, of COI policy by HR Department.

9.3 Duty to Disclose

In case of any actual or potential conflict of interest issue arising, a fuller disclosure of financial interests or all facts material to the case should be made to the relevant reporting officer in AF hierarchy as listed in Section 4.

AF may also provide copy of COI policy to outside parties and obtain from them a written commitment to comply, where applicable. The outside parties for the purpose of this document include consultants, partners, grantees, vendors and any other party defined as such by AF from time to time.

In case of violation of COI policy, disciplinary action will be initiated which may, in some extreme cases, result in termination. All employees' inquiries regarding any aspect of COI policy should be directed to HR Manager.

Section 10 Determining Whether a Conflict Exists

In case of a clear filial or business conflict of interest, the person will declare the interest and remove himself or herself from the decision-making process. This shall be duly recorded in the minutes, note for record or other appropriate record-keeping documents.

In case of an ambiguity, the reporting officer in AF Hierarchy shall bring the material or apparent conflict of interest issue before the Chief Operating Officer (COO) who will then convene Conflict Resolution Committee (CRC), comprising of a minimum of 3 members for further consultation. CRC will be composed of the following members:

1. One member of the Board of Governors who will Chair the committee.
2. Chief Operating Officer of AF.
3. One Senior Manager from a programme or department other than the programme or department involved in conflict of interest issue.

In cases where a nominated member of the committee may have conflict of interest and may also be categorized as an interested person, that committee member will be replaced with another member from the Board of Governors of AF.

CRC will thus make a final determination of whether a conflict exists.

Section 11

Procedures for Managing a Conflict of Interest

11.1 Removing Interested Person from Decision Making

The best way to manage a conflict of interest is by removing the interested person from the decision making process.

However, if the COO is the interested person, a member of the Board may replace him/her in the decision-making process.

11.2 Transactions with Parties with Whom a Conflicting Interest Exists

Transactions with parties with whom a conflicting interest exists, may be undertaken if the conflict of interest is fully disclosed and the person with the conflict of interest is excluded from the approval process of such transaction. However, if the interested person's technical skill is deemed to be critical for the purpose of that transaction, then the CRC, upon consultation among its members, may allow the person to take part in the discussion process. However, the interested person can never play a role in the approval process.

If CRC deems the conflict of interest to be insignificant and/or the expertise of the person in question is critical to the process, then the following procedure should be followed:

1. The interested person will make a presentation at the meeting of the CRC explaining why the conflict is insignificant. The presentation will be followed by discussion and vote in the absence of the interested person to determine whether transaction triggering conflict of interest should go ahead.
2. The Chair of CRC (ie a Member of the Board or, if that Member of the Board is the interested party, another Member of the Board) shall, if appropriate, appoint a disinterested person or a committee, to investigate alternatives to the proposed transaction or arrangement.
3. After exercising due diligence, the CRC shall determine whether AF can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not trigger a conflict of interest (ie a competitive bid or comparable valuation exists).
4. If a more advantageous transaction or arrangement is not reasonably obtainable under circumstances that would not give rise to a conflict of interest, the CRC shall determine by a majority vote of the disinterested members whether the transaction or arrangement is in AF's best interest and whether the transaction is fair and reasonable to AF.
5. CRC will check if the transaction is not expressly prohibited by any applicable law of Pakistan or guidelines of the donor agencies of AF.

The CRC shall then make its decision as to whether to enter into a transaction or arrangement in conformity with such determination and minute the proceedings and decision in detail.

Section 12

Violations of the Conflict of Interest (COI) Policy

This section applies to a situation where a conflict of interest was not disclosed by an interested person before the transaction took place. Upon discovery of the violation, the issue should be brought to the notice of the CRC that can take the following routes:

1. If the CRC has a reasonable cause to believe that a person has failed to disclose actual or possible conflicts of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.
2. If, after hearing the response of the interested person and making such further investigation as may be warranted in the circumstances, the CRC determines that the person has in fact failed to disclose an actual or possible conflict of interest, it will initiate appropriate disciplinary and corrective action. This action may include, but is not limited to, issuance of a warning, financial penalty or termination.

Section 13

Recordings of Proceedings

The minutes of the meeting of the CRC shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was material, and the Committee's decision as to whether a conflict of interest in fact existed.
2. The names of the persons who participated in the discussion and accurate recording of the transaction or arrangement, the content of the discussion, any alternatives to the proposed transaction or arrangement, and a record of any votes taken in relation to the issue under discussion .

All paperwork related to the Conflict of Interest Policies and minutes of the CRC meetings will be maintained by the HR department in a separate cabinet.

Section 14

Avoiding Conflict of Interest

1. **Disclosure - It** is essential to disclose any possible conflict of interest immediately. Disclosure should be made as soon as possible to ensure an early resolution without negative consequences at a later stage.

2. **Compliance and Circulation** - It is AF's HR Department's responsibility to circulate COI policy and ensure that it is read, understood and complied with as part of established institutional practices.
3. **Be the Change You Want in Others** - We learn from each other. One person working with integrity and professionalism can act as a role model and exercise a profound influence on colleagues and the work environment. Managers in particular are expected to set the tone as to what is acceptable and what is not.
4. **When in Doubt, Ask** - When unsure about whether a conflict of interest issues arises, staff can seek the advice of their reporting officers as listed in Section 4 of this document.

ANNEX 1

**AURAT FOUNDATION (AF)
ANNUAL DECLARATION OF INTEREST FORM**

I, _____ Designation _____ Station _____

Hereby disclose the following:

1. Businesses Interest (any Capital Share, Partnership Share or Self-proprietorship Share):

2. Professional Affiliations (including Voluntary NGO work, Boards, Memberships, Voluntary Associations):

3. Political Affiliations (including Membership of, or Office held, in a Political Party)

I hereby confirm that I have read and understood AF's COI policy. My responses to the above questions are complete and correct to the best of my knowledge and belief. I agree to immediately file a new disclosure form if my new changed circumstances are likely to trigger a potential conflict of interest issue. I agree that if I become aware of any subsequent information that might indicate that this disclosure is inaccurate or that I have not complied with COI policy, I will duly notify it to my reporting officer in AF Hierarchy as listed in Section 4 of AF's COI policy immediately.

Signature: _____

Date: _____

ANNEX 2

AURAT FOUNDATION (AF)

CASE BY CASE DECLARATION OF INTEREST FORM

I, _____ Designation _____ Station _____

Hereby disclose that I have the following type of interest

in relation to the following:

(name of grantee, sub-grantee, vendor, business partner, program partner, donor, as applicable)

as part of

(Name of Project or Programme etc.)

Signature (Interested Person):

Date: _____

ANNEX 3

Specific Guidance that Applies to Grant Making Process

On any grant making programmes, AF will constitute a Grant Management Committee and a Project Steering Committee.

Any Grant Management Committee (GMC) of AF will have at least 5 members. If a situation arises where 1 or 2 members of the GMC turn out to be interested persons on a particular sub-grant award, the interested persons must declare their conflict of interest and become disassociated from the decision making process, letting the remaining 3 or 4 GMC members make a decision on that particular grant.

In case of more than 2 GMC members excusing themselves from the committee on account of declaration of conflict of interest on a particular sub-grant, the GMC will take one of the following routes:

1. Reject the proposal even if it looks like a deservedly winning proposal
2. Get 1 or 2 members (in order to fill the minimum quorum of 3 in the GMC) from the Programme Steering Committee (PSC) to sit on the GMC for the specific sub-grant.

If a member of the PSC is requested to sit on the GMC, then that member cannot be part of the PSC when the PSC is reviewing the same proposal. This measure is meant to manage the dangers of self-review.