



AMERICAN UNIVERSITY

W A S H I N G T O N , D C

TO: AU Faculty and Staff

FROM: Scott Bass, Provost
Don Myers, CFO, Vice President and Treasurer

SUBJECT: Code of Business Ethics

DATE: November 22, 2010

The attached Code of Business Ethics is meant to be a living document that best reflects the culture and values of American University. It describes standards of conduct and integrity that are consistent with our vision and mission.

The American University Code of Business Ethics is intended to guide faculty and staff in identifying and resolving issues of ethical conduct that may arise in the course of their various transactions and relationships with each other and the wider community. This Code supplements but does not supersede the rights and obligations of faculty and staff under the law or those defined in formal University policies and procedures.

It is not the purpose of the Code of Business Ethics to address every situation, but merely to make each faculty and staff member aware of the general scope and application of business ethics in an institution of higher learning. Each faculty or staff member can and should make basic ethical decisions, and can and should consult with his or her dean, director or unit/department head on difficult or questionable decisions. Each faculty or staff member should feel free to contact the Executive Director of Human Resources or the Interim Sr. Vice Provost and Dean of Academic Affairs directly to discuss any situation about which there could be differences of opinion or legitimate exceptions to the guidelines contained in the Code.

It is an underlying principle of the University that all of its transactions are conducted with the highest degree of integrity and honesty. This is a responsibility that we share and a duty we owe each other.

AMERICAN UNIVERSITY CODE OF BUSINESS ETHICS

INTRODUCTION

American University's (AU) Code of Business Ethics ("Code") covers a wide range of practices and procedures. It does not cover every issue that may arise, but it sets out basic ethical principles to guide all staff, faculty, executives, and officers ("Employees") of the University. The standards discussed in this Code may be the subject of more detailed University policies and procedures that can be found in the *Staff Personnel Policy Guide, Faculty Manual*, and on the University's policy page www.american.edu/policies.

Employees are expected to comply with the standards in this document and all University policies which apply to their work. Violations of these standards and university policies may subject Employees to disciplinary action up to and including termination.

Questions about the Code should be directed to the Employee's dean, director, or department/unit head ("Supervisor").

1. Compliance with Laws, Rules and Regulations

Obeying the law, both in letter and in spirit, is the foundation on which this University's ethical standards are built. Employees must respect and obey the city, state, and country laws, rules and regulations that are related to the work they are performing for the University. If there are conflicting laws which apply to a particular situation, Employees are encouraged to discuss the matter with their Supervisor and comply with U.S. laws in the first instance. Although Employees are not expected to know the details of each of these laws, rules and regulations, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

2. Conflicts of Interest

The University expects Employees to perform their duties without conflict of interests. A conflict of interest exists when a person's private interest interferes in any way – or even appears to interfere – with the interests of the University. A conflict situation can arise when an employee or officer takes actions or has interests that may make it difficult to perform his or her University work objectively and effectively. Conflicts of interest may also arise when an Employee, or a member of the Employee's family, receives improper personal benefits as a result of his or her position in the University.

It is a conflict of interest for an Employee, or a member of the Employee's family, to work for a vendor who provides goods or services to the University, or is a University competitor. Employees should avoid any direct or indirect business connection with University vendors, suppliers, or competitors, except as required on AU's behalf. Service (whether paid or unpaid) on boards of directors or advisory

boards of financial institutions or other organizations that have business dealings (e.g. providing educational loans to AU students) with the University may be a conflict of interest. Employees must seek prior approval from their Supervisor before accepting such service. In all cases, Employees must recuse themselves from participating in any decisions regarding business between the University and the involved third-party organization.

As a preliminary matter, an Employee is responsible for disclosing potential conflicts to his/her Supervisor. If it is not clear whether disclosure is needed, Employees should disclose. It is the University's responsibility to determine if the disclosed interests could materially affect the Employee's performance of University duties and, if so, to require the management, reduction, or elimination of the conflict.

3. **Competition and Fair Dealing**

The University wants to compete in the marketplace fairly and honestly. Competitive advantages are sought through superior performance, never through unethical or illegal business practices. Each Employee should endeavor to respect the rights of and deal fairly with the University's clients, suppliers, vendors and competitors.

The purpose of business entertainment and gifts in a business setting is to create goodwill and sound working relationships for the benefit of the University, not to gain unfair advantage in a business activity. No gift or entertainment should ever be offered, given, provided or accepted by any Employee, or Employee's agent unless it meets **all** of the following requirements: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is of modest value, (4) cannot be construed as a bribe or payoff, and (5) does not violate any laws, regulations or applicable policies of the respective organizations. Employees should discuss any gifts or proposed gifts with their Supervisor prior to acceptance.

4. **Political Contributions**

Except as approved in advance by the President or Chief Financial Officer, the University prohibits political contributions (directly or through trade associations) by the University or its business units. This includes: (a) any contributions of University funds or other assets for political purposes, (b) encouraging individual Employees to make any such contribution; or (c) reimbursing any Employee for any contribution.

Individual Employees are free to make personal political contributions as they see fit.

5. **Discrimination and Harassment**

The diversity of the University's Employees is a tremendous asset. The University is firmly committed to providing equal opportunity in all aspects of education and employment and will not tolerate any illegal discrimination or harassment based on race, color, religion, sex, sexual orientation, national origin or any other protected

class. For further information you should consult the University's Discrimination and Discriminatory Harassment Policy and policies on sexual harassment.

6. **Health and Safety**

The University strives to provide Employees with a safe and healthy work environment. Each Employee has responsibility for maintaining a safe and healthy workplace for all University community members by following environmental, safety and health rules and practices, and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence, harassment, and threatening behavior are not permitted.

To maintain the University's valuable reputation, compliance with our quality processes and safety requirements is essential. All inspection and testing documents must be handled in accordance with all applicable specifications and requirements. Employees are expected to perform their University-related work in a safe manner, free of the influences of alcohol, illegal drugs or controlled substances.

7. **Environmental**

The University expects Employees to follow all applicable environmental laws and regulations (e.g. handling of hazardous materials). Information regarding specific requirements is available from the Employee's Supervisor.

8. **Record-Keeping, Financial Controls and Disclosures**

The University requires honest, accurate and timely recording and reporting of information to make responsible business decisions.

All business expense accounts must be documented and recorded accurately in a timely manner and according to Accounts Payable policies. Information about permissible expenses is available from the Office of the Controller.

All of the University's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the University's transactions, must be promptly disclosed in accordance with any applicable laws or regulations and must conform both to applicable legal requirements and to the University's system of internal controls.

Business records and communications must be factual and accurate. Business records should not contain exaggerations, derogatory remarks, guesswork, or inappropriate characterizations of people and companies. This applies equally to e-mail, internal memoranda, and formal reports. Records should always be retained or destroyed in accordance with the University's Record Retention and Disposal Policy. In accordance with that policy, in the event of litigation or governmental investigation, the General Counsel's office needs to be consulted regarding records retention.

9. **Confidentiality**

Employees must maintain the confidentiality of proprietary information entrusted to them by the University or its clients, vendors or suppliers, except when disclosure is authorized by the Supervisor or as required by laws or regulations. Proprietary information includes all non-public information that might be of use to competitors or harmful to the University or its associates if disclosed. It includes information that has been entrusted to the University by others. The obligation to preserve proprietary information continues even after employment ends.

Employees must take reasonable steps to protect and restrict the transfer of confidential information to unauthorized persons and may only share such information within the University on “need-to-know” basis. All relevant protocols applicable to the safeguarding of information, including computer use protocols, must be followed.

10. **Protection and Proper Use of University Assets**

Employees should protect the University’s assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the University. All University assets are to be used for legitimate University purposes. Any suspected incident of fraud or theft should be immediately reported for investigation. University assets should not be used for non-University business. University property should not be leased, donated, sold, or traded without proper authorization.

The obligation of Employees to protect the University’s assets includes the University’s proprietary information. Proprietary information includes intellectual property such as, patents, trademarks, and copyrights, as well as business plans, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information is a violation of University policy.

11. **Payments to Government Personnel**

Employees are not authorized to give anything of value on behalf of the University, directly or indirectly, to foreign government officials or political candidates. In addition, Employees are obligated to follow state and federal rules regarding business gratuity to government personnel. In keeping with the strict prohibition against providing a gratuity to any government personnel, there are certain limited exceptions, such as:

- Acceptance of unsolicited advertising or promotional items that are less than \$20.00 in retail value, not to exceed \$50.00 in any one year period; and
- Modest items of food and refreshments of nominal value offered as a normal courtesy in conjunction with a professional interaction with the University.

12. **Trade Issues**

From time to time, the United States, foreign governments and the United Nations have imposed boycotts and trading sanctions against various governments and regions, which must be obeyed. Advice regarding the current status of these matters may be obtained from the Chief Financial Officer.

13. **Reporting any Illegal or Unethical Behavior**

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed behavior which they believe may be illegal or a violation of this Code or University policy or, when in doubt about the best course of action in a particular situation. It is the policy of the University not to allow retaliation for reports made in good faith by Employees of misconduct by others. Employees are expected to cooperate in internal investigations of misconduct.

14. **Financial Reporting**

The University's policy is to comply with all applicable financial reporting and accounting regulations. If any Employee has concerns or complaints regarding accounting or auditing matters of the University, the Employee is encouraged to submit those concerns to the Chief Financial Officer.

15. **Social Responsibility**

The University seeks to promote the highest standards of professional integrity, act in the public interest, and give due consideration to the ethical, social and environmental issues arising from its activities.

The University intends that all its activities should have a positive impact and should improve the quality of the living, studying and working environment of its staff, faculty, students, and the larger community.

The University undertakes activities that are environmentally sustainable and conform to high standards of environmental stewardship. AU strives to link effectively with the local and regional community, be a good neighbor, communicate honestly, and endeavors to be an employer of choice, treating employees fairly and with respect. The University requires the same high standards of its vendors, contractors, suppliers, and business partners.

16. **Compliance Procedures for the Code of Business Ethics**

Ensuring prompt and consistent action against violations of this Code is a collective effort. It is difficult to give guidance for every situation which may arise. At times,

there may be instances in which the required action may not be clear. The following are steps that may assist Employees in determining the best course of action in an uncertain situation:

- a) Be sure to have all the facts. In order to reach the right solution, it is important to be as fully informed as possible.
- b) Ask the following questions: What specific action is being requested? Does it seem unethical or improper? Asking these questions focuses the analysis and assists in identifying alternatives to the dilemma at hand. Common sense and judgment are generally good barometers: if something seems unethical or improper, it probably is.
- c) Seek help from University resources. This is the basic guidance for all situations. In many cases, a Supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is the Supervisor's responsibility to help solve problems. If the Supervisor is not available for any reason or if an Employee prefers another resource, Employees may contact the Office of Finance and Treasurer, Office of the Provost, or the employee relations office for guidance.
- d) Should report violations of law, University policies, and this Code . Reporting may be done in confidence and without fear of retaliation. AU's Whistleblower policy, found at <http://www.american.edu/policies/Index.cfm>, provides guidance on reporting suspected violations. The University does not permit retaliation of any kind against Employees for good faith reports of suspected violations.
- e) Ask first, act later. Generally in an uncertain situation, asking first before taking action is the better approach.