

Financial Policies and Procedures Preventing Bribery, Corruption and Money Laundering (August 2018)

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1. Introduction

- 1.1. The Board and Trustees of IDS are committed to the highest standards of ethical conduct and integrity in its business activities in the UK and overseas. This policy outlines the Institute's position on preventing and prohibiting bribery, corruption and money laundering in accordance with the Bribery Act 2010 and Anti-Money Laundering (AML) regulations. The Institute operates a zero tolerance policy in respect of any form of bribery or corruption by, or of, its members of staff, agents or consultants or any person or body acting on its behalf. Senior management is committed to implementing effective measures to prevent and monitor incidents of bribery and corruption and money laundering. The Institute is committed to complying with the Bribery Act 2010 in its business activities in the UK and overseas and with the UK AML regulations.
- 1.2. Under the Bribery Act 2010, a bribe is a financial or other type of advantage that is offered or requested with the:
 - intention of inducing or rewarding improper performance of a function or activity; or
 - knowledge or belief that accepting such a reward would constitute the improper performance of such a function or activity.
- 1.3. The Bribery Act 2010 also covers corruption which is defined as "the misuses of public office or power for private gain; or misuse of private power in relation to business outside of the realm of government".
- 1.4. For the purposes of this policy, the term 'bribery' is taken to include corruption.
- 1.5. A relevant function or activity includes public, state or business activities or any activity performed in the course of a person's employment, or on behalf of another Institute or individual, where the person performing that activity is expected to perform it in good faith, impartially, or in accordance with a position of trust.
- 1.6. A criminal offence will be committed under the Bribery Act 2010 if:
 - a member of staff or associated person acting for, or on behalf of, the Institute offers, promises, gives to receive bribes; or
 - a member of staff or associated person acting for, or on behalf of, the Institute requests, receives or agrees to receive bribes; or
 - an organisation fails to prevent bribery by those acting on its behalf.
- 1.7. If a member of staff or associated person acting for, or on behalf of, the Institute offers, promises or gives a bribe to a foreign public official with the intention of influencing that official in the performance of his/her duties (where local law does not permit or require such influence), the Institute cannot simply offer in defence that it has adequate procedures in place to prevent bribery by its members of staff or associated persons.
- 1.8. This policy applies to all members of staff and officers of the Institute, and to temporary workers, consultants, contractors, agents and subsidiaries acting for, or on behalf of, the Institute ("associated persons") within the UK and overseas. Every member of staff and associated person acting for, or on behalf of, the Institute is responsible for maintaining the highest standards of business conduct. Any breach

of this policy is likely to constitute a serious disciplinary, contractual and criminal matter for the individual concerned and may cause serious damage to the reputation and standing of the Institute.

- 1.9. The Institute may also face criminal liability for unlawful actions taken by its members of staff or associated persons under the Bribery Act 2010. All members of staff and associated persons are required to familiarise themselves and comply with this policy, including any future updates that may be issued from time to time by the Institute.
- 1.10. The Bribery Act 2010 came into force from 1 July 2011. This policy covers:
- the main areas of liability under the Bribery Act 2010;
 - the responsibilities of members of staff and associated persons acting for, or on behalf of, the Institute; and
 - the consequences of any breaches of this policy.
- 1.11. The Institute believes that the nature and scale of its work means that most colleagues are unlikely to be at risk in normal operations. However, those conducting business overseas may be at more risk of being exposed to bribery or unethical business practices.
- 1.12. If a member of staff or associated person is in any doubt as to whether or not a potential act constitutes bribery, the matter should be referred to the Financial Accountant.
- 1.13. The Institute will communicate its anti-bribery measures to members of staff and associated persons. The Institute will set up training sessions and all members are encouraged to attend, particularly those involved in project management and overseas travel.
- 1.14. The Institute will remain alert to the threat of money laundering and will ensure that it takes reasonable steps to prevent the Institute from being used for money laundering purposes.
- 1.15. Money laundering can be defined in general terms as a process whereby criminals retain, disguise and conceal the financial proceeds of their crimes or to raise, consolidate or retain funds for use in financing terrorism.
- 1.16. The ultimate responsibility for compliance with the Bribery Act 2010 and AML regulations rests with the IDS Board of Trustees. Senior Staff and Managers have a responsibility for ensuring that those who report to them are made aware of and understand the policy. All staff have a responsibility to read, understand and comply with the policy at all times. The responsibility to prevent, detect and report bribery, AML and other forms of corruption rests with everyone who works for or is associated with the Institute.
- 1.17. The Risk Management Committee will monitor and review the implementation of this policy and related procedures on a regular basis, including reviews of internal financial systems, expenses, corporate hospitality, gifts and entertainment policies.

- 1.18. Queries about specific activities should be referred to the Financial Accountant in the first instance (or to the Director of Finance and Operations as set out in Section 7). In the event of more serious concerns or a dispute, the Director of Finance and Operations will make the final determination.

2. Principles

2.1. The Institute depends on its members of staff and associated persons to ensure that the highest standards of ethical conduct are maintained in all its business dealings. Members of staff and associated persons are requested to assist the Institute and to remain vigilant in preventing, detecting and reporting bribery, corruption and to follow AML procedures and practices.

2.2. The following principles apply:

- To ensure the proper use of public and other funds, ensure that payments provide legal and tax compliance and that they withstand the test of public scrutiny.
- To exercise extra vigilance when conducting international business.
- To follow the "Know Your" principles and undertake appropriate levels of due diligence prior to entering into any contract, arrangement or relationship with a potential donor, supplier of services, agent, consultant or representative in accordance with the Institute's procurement and financial policies and procedures.
- Ensure that all financial transactions related to IDS business activities follow the principles of segregation of duties and that transaction accounting and records are kept in ledgers specific to the activity they relate to and are traceable from origin to end recipient.
- Not to make or accept any facilitation payments (payments made to government officials for carrying out or speeding up routine procedures).
- To permit corporate entertainment, gifts, hospitality and promotional expenditure that is undertaken:
 - for the purpose of establishing or maintaining good business relationships;
 - to improve the image and reputation of the Institute; or
 - to present the Institute's goods/services effectively;provided that it is:
 - arranged in good faith, and
 - not offered, promised or accepted to secure an advantage for the Institute or any of its members of staff or associated persons or to influence the impartiality of the recipient.

3. Bribery Prevention General Guidance

a) What is prohibited?

3.1. The Institute prohibits members of staff or associated persons from offering, promising, giving, soliciting or accepting any bribe. The bribe might be cash, a gift or other inducement to, or from, any person or company, whether a public or government official, official of a state-controlled industry, political party or a private person or institute, regardless of whether the member of staff or associated person

is situated in the UK or overseas. The bribe might be made to ensure that a person or company improperly performs duties or functions (for example, by not acting impartially or in good faith or in accordance with their position of trust) to gain any commercial, contractual or regulatory advantage for the Institute in either obtaining or maintaining Institute business, or to gain any personal advantage, financial or otherwise, for the individual or anyone connected with the individual.

3.2. This prohibition also applies to indirect contributions, payments or gifts made in any manner as an inducement or reward for improper performance, for example through consultants, contractors or sub-contractors, agents or sub-agents, sponsors or sub-sponsors, joint-venture partners, advisors, customers, suppliers or other third parties.

b) What is not prohibited?

3.3. This policy does not prohibit:

- normal and appropriate hospitality and entertainment with clients, such as meals in restaurants with workshop participants or when hosted by a partner in the course of fieldwork (please see the Institute's expenses policy); and
- the use of any recognised fast-track process that is publicly available on payment of a fee.

3.4. Any such practices must be proportionate, reasonable and made in good faith. Clear records must be kept.

c) Records

3.5. Members of staff and, where applicable, associated persons, are required to take particular care to ensure that all Institute records are accurately maintained in relation to any contracts or business activities, including financial invoices and all payment transactions with clients, suppliers and public officials.

3.6. Members of staff and associated persons are required to keep accurate, detailed and up-to-date records of all corporate hospitality, entertainment or gifts accepted or offered.

d) Reporting and Whistle-blowing

3.7. Members of staff and associated persons are required to cooperate with the Institute's financial policies and procedures and to follow the guidance of the Institute's Whistleblowing Policy in reporting suspicions of bribery or corruption. While any suspicious circumstances should be reported, members of staff and associated persons are required particularly to report:

- requests for payment from public officials;
- any gifts, rewards or entertainment received or offered from clients, public officials, suppliers or other business contacts;
- any suspected or actual attempts at bribery;
- concerns that other members of staff or associated persons may be being bribed; or

- concerns that other members of staff or associated persons may be bribing third parties, such as clients or government officials.

4. Subcontracting

4.1. In the process of developing and managing a new project or partnership, members of staff should follow the Institute's policy on subcontracting and due diligence procedures and undertake due diligence of third parties and associated persons; and communicate its zero-tolerance approach to bribery to third parties, including actual and prospective customers, suppliers and joint-venture partners. They should also include the potential for bribery in their considerations of the project's risk profile, putting in place any necessary measures to guard against bribery. In particular, they should consider:

- close family, personal or business ties that a prospective partner, representative or joint-venture partner may have with government or corporate officials, directors or members of staff;
- experience or local knowledge suggesting a high risk of corruption in a particular location or organisation which whom a project may need to engage;
- a history of corruption in the country in which the business is being undertaken.

4.2. In the conduct of projects with partners, the following should be brought to the attention of the Head of Finance:

- requests for cash payments from contractors or partners;
- requests for unusual payment arrangements, for example via a third party;
- requests for reimbursements of unsubstantiated or unusual expenses;
- a lack of standard invoices and proper financial practices.

5. Facilitation payments

5.1. Facilitation payments are distinct from an official, publicly available fast-track process. Facilitation payments, or offers of such payments, will constitute a criminal offence by both the individual concerned and the Institute under the Bribery Act 2010, even where such payments are made or requested overseas. Members of staff and associated persons are required to act with greater vigilance when dealing with government procedures overseas.

5.2. Where a public official has requested a facilitation payment, members of staff or associated persons should ask for further details of the purpose and nature of the payment in writing or for a receipt for the payment showing details of what the payment was for and identifying the recipient of the payment. If the public official refuses to give these, this should be reported immediately to the IDS project manager.

5.3. If the public official provides written details, the IDS project manager will consider the nature of the payment. If unsure, the project manager may refer this to the Financial Accountant. Local legal advice may be sought by the Institute.

5.4. If it is concluded that the payment is a legitimate fee, for example, part of a genuine fast-track process, or is permitted locally, the Institute will authorise the member of staff to make the payment.

- 5.5. Where the project manager and/or the Financial Accountant considers that the request is for a facilitation payment, the member of staff or associated person will be instructed to refuse to make the payment and notify the public official that the member of staff or associated person is required to report the matter to the Institute and the UK embassy.
- 5.6. The Institute will seek the assistance of the relevant member of staff in its investigation and may determine that the matter should be referred to the prosecution authorities.
- 5.7. Whilst facilitation payments are prohibited, the Institute prioritises the security of the life, liberty or welfare of its members of staff and associated persons. If demands for payment are made and the member of staff or associated person feels that they or their colleagues are in a vulnerable position, then they should take the necessary action to ensure their welfare. Any such payments made in such circumstances should be reported to the Financial Accountant at the earliest available opportunity and a clear and accurate record should be made of all such payments.
- 5.8. If a member of staff or associated person has any other concerns about the nature of a request for payment, he/she should report it to the Financial Accountant.

6. Business entertaining and gifts

- 6.1. The Institute's Travel and Subsistence Expenses Policy (March 2013) sets out general guidance on business entertainment. Business entertainment needs to have a clear business objective and be appropriate for the nature of the business relationship. The Institute will not support business entertainment where it considers that a conflict of interest may arise or where it could be perceived that undue influence or a particular business benefit was being sought (for example, prior to a tendering exercise).
- 6.2. If a member of staff or associated person wishes to provide gifts to suppliers, clients or other business contacts over a value of £50 per recipient, prior written approval from the Director of Finance and Operations is required, together with details of the intended recipients, reasons for the gift and the business objective.
- 6.3. Members of staff and, where applicable, associated persons must supply records and receipts, in accordance with the Institute's expenses policy, for claims for business entertainment and gifts. Openness and transparency of transactions is required.
- 6.4. Any gifts, rewards or entertainment received or offered from clients, public officials, suppliers or other business contacts should be reported immediately to the Financial Accountant. They should be given and received in the Institute's name, not the individual.
- 6.5. As a general rule, small tokens of appreciation or local custom, such as flowers or a bottle of wine or a small Christmas gift (in the UK), may be accepted. In circumstances where the gift is significant or comes with expectations, it may not be appropriate to retain such gifts or be provided with the entertainment and members of staff and associated persons may be asked to return the gifts to the

sender or refuse the entertainment, for example, where there could be a real or perceived conflict of interest. Gifts of cash or cash equivalent must not be offered and always refused.

6.6. Local laws relating to giving and receiving gifts and hospitality should be observed. No gifts and hospitality should be given to or received from foreign public officials or their representatives.

7. Anti-Money Laundering General Guidance

7.1. The Institute must recognise and consider the risk of individual or organisational attempts to launder money through our day to day business operations, particularly in consideration of our work globally.

7.2. There is no single identifier or common sign of money laundering but situations which include any of the following should be considered as high risk and raised with either a senior financial accountant, the contracts and compliance manager or the director of finance and operations;

- Large unexpected donations from unknown individuals or organisations
- Donations which are conditional upon the involvement of individuals or organisations who are unknown to the Institute and whose involvement cannot be independently validated as necessary
- Offers of goods or services which seem very expensive or include unusually high amounts on overheads or administration costs when compared to industry standards
- Requests from partners and suppliers for payments to be made to third party accounts

7.3. The Institute has procedures in place which help to prevent and detect incidents of money laundering. Staff should ensure that they are aware of the following;

- All new private donors, whether individual, trust, foundation or corporation will undergo due diligence in line with the Institutes fundraising ethics policy
- All transactions shall be approved in line with the segregation of duties as set out within finance manual
- Project and other general activities shall be handled and accounted for in line with the Institutes financial policies and procedures
- All prospective partners shall undergo risk based and proportionate levels of due diligence before any formal contracting or financing arrangements are put in place in accordance to the IDS due diligence procedures
- Payments made overseas will be made in accordance to international sanctions which may be in place in certain countries which restrict some business or economic activities relating to the government, organisations or individuals operating within country in question

- Procurement of goods and services will be made in line with the Institutes procurement processes as specified with the finance manual
- All payments to sub-contractors shall be made via official banking methods and shall only be paid direct to the verifiable account of the named sub-contractor individual or organisation.

If you are unfamiliar with any of the above procedures or are unsure how they relate to your role, you must inform your line manager at the first opportunity.

8. Reporting, investigation and actions

- 8.1. Members of staff should report any incidents of suspected bribery or money laundering in accordance to the Institutes Whistleblowing Policy. Any such reports will be thoroughly and promptly investigated in the strictest confidence. Members of staff and associated persons will be required to assist in any investigation into possible or suspected bribery.
- 8.2. Members of staff or associated persons who report instances of bribery in good faith (whistle-blowing) will be supported by the Institute. The Institute will ensure that the individual is not subjected to detrimental treatment as a consequence of his/her report. Any instances of detrimental treatment by a fellow member of staff because a member of staff has made a report will be treated as a disciplinary offence. An instruction to cover up wrongdoing is itself a disciplinary offence. If told not to raise or pursue any concern, even by a person in authority such as a manager, members of staff and associated persons should not agree to remain silent. They should report the matter to the Director of Finance and Operations.
- 8.3. The Institute will fully investigate any instances of alleged or suspected bribery or money laundering. Members of staff suspected of bribery may be suspended from their duties while the investigation is being carried out. The Institute will invoke its disciplinary procedures where any member of staff is suspected of bribery, and proven allegations may result in a finding of gross misconduct and immediate dismissal. The Institute may terminate the contracts of any associated persons, including consultants or other workers who act for, or on behalf of, the Institute who are found to have breached this policy.
- 8.4. The Institute may also report any matter to the relevant authorities, including the Director of Public Prosecutions, Serious Fraud Office, Revenue and Customs Prosecutions Office and the police. The Institute will provide all necessary assistance to the relevant authorities in any subsequent prosecution.