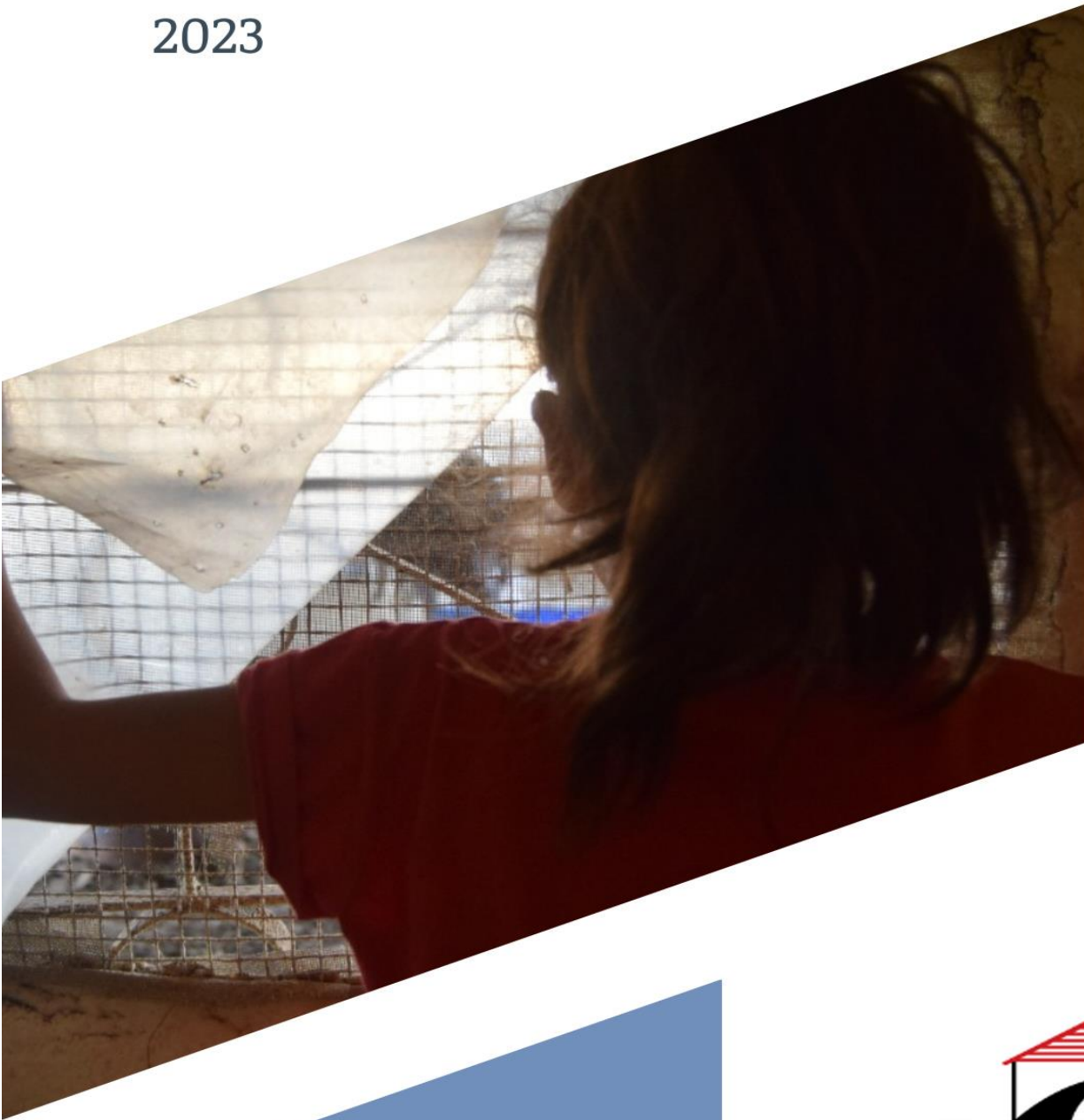


# ANTI-BRIBERY & CORRUPTION

POLICY

2023



المجلس الفلسطيني للإسكان  
Palestinian Housing Council

The strength of the Palestinian Housing Council (PHC) relies deeply on our steadfast commitment to implement all policies and guidelines throughout the execution of PHC's programs and projects. It is our endeavors that form the foundation of our enduring success, and strive to embody the highest ethical and professional standards. This commitment is essential to accomplishing our humanitarian and societal goals and mission. We emphasize the commitment of all PHC employees, across various administrative levels, to adhere to specific policies and frameworks applicable to their respective domains.

These policies and guidelines, signify our complete involvement in building a sustainable and equitable community. They express our fervor in delivering optimal housing services to the community in which we live and operate. The application of these policies is a fundamental pillar in building the PHC's reputation as a trusted entity, committed to sustainable development and earnest work.

Dr. Samieh Al-Abed



Chairman

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## **Introduction**

The Palestinian Housing Council (PHC) is committed to conducting its business ethically and in compliance with all applicable laws and regulations, including the Palestinian National Authority (PNA) and similar laws in other countries that prohibit improper payments to obtain a business advantage. This document describes PHC's Policy prohibiting bribery and other improper payments in the conduct of PHC business operations and employee responsibilities for ensuring the implementation of the Policy. Questions about the Policy or its applicability to particular circumstances should be directed to [COMPLIANCE OFFICER].

## **Definitions of bribery and corruption**

- Corruption is the misuse of office or power for private gain. Bribery is a form of corruption that means in the course of business giving or receiving money, gifts, meals, entertainment, or anything else of value as an inducement to a person to do something dishonest or illegal.
- Bribery is, in the conduct of the PHC's business, the offering or accepting of any gift, loan, payment, reward, or advantage for personal gain as an encouragement to do something dishonest, illegal, or a breach of trust, and is considered a criminal offense.
- The PHC prohibits any form of bribery; while requires compliance, from everyone connected with its business, with the highest ethical standards and anti-bribery laws applicable. Integrity and transparency are of utmost importance principles to PHC and have a zero-tolerance attitude towards corrupt activities of any kind, whether committed by PHC employees or by third parties acting for or on behalf of PHC.

## **Scope**

This policy applies to all PHC employees, regardless of seniority or site. It also extends to anyone working for or on PHC's behalf e.g., those engaged by PHC on a self-employed basis or an agency arrangement. PHC encourages the application of this policy where PHC business involves the use of third parties e.g., suppliers; contractors.

## **Purpose**

The purpose of this policy is to convey to all employees and interested parties of PHC the rules of the PHC in relation to its unequivocal stance towards the eradication of bribery and PHC's commitment to ensuring that PHC conducts its business in a fair, professional, and legal manner.

## **Offense**

It is a criminal offense to:

- Offer a bribe
- Accept a bribe

- Bribe a foreign official
- As a Non-Profit organization, to fail to prevent a bribe

## Policy

- It is prohibited, directly or indirectly, to offer, give, request or accept any bribe i.e., gift, loan, payment, reward, or advantage, either in cash or any other form of inducement, to or from any person or PHC in order to gain commercial, contractual or regulatory advantage for the PHC, or in order to gain any personal advantage for an individual or anyone connected with the individual in an unethical way. It is also prohibited to act in the above manner in order to influence an individual in his capacity as a foreign public official. You should not make a payment to a third party on behalf of a foreign public official.
- If you are offered a bribe, or a bribe is solicited from you, you should not agree to it unless your immediate safety is in jeopardy. You should immediately contact the COMPLIANCE OFFICER so that action can be taken if considered necessary. You may be asked to give a written account of events.
- If you, as an employee or person working on PHC behalf, suspect that an act of bribery, or attempted bribery, has taken place, even if you are not personally involved, you are expected to report this to contact the COMPLIANCE OFFICER. You may be asked to give a written account of events.
- Appropriate checks will be made before engaging with suppliers or other third parties of any kind to reduce the risk of PHC business partners breaching PHC anti-bribery rules.
- The PHC will ensure that all of its transactions, including any sponsorship or donations given to charity, are made transparently and legitimately.
- PHC takes any actual or suspected breach of this policy extremely seriously and will carry out a thorough investigation should any instances arise.
- This anti-bribery policy is intended to help PHC in creating its policy on anti-bribery and corruption. It can be modified and broadened as needed.
- PHC will uphold laws relating to bribery and will take disciplinary action against any employee, or other relevant action against persons working on PHC behalf or in connection with us, should we find that an act of bribery, or attempted bribery, has taken place. This action may result in your dismissal if you are an employee, or the cessation of PHC arrangement with you if you are self-employed, an agency worker, a contractor, etc.
- Staff is reminded of the PHC's whistleblowing policy which is available in the employee handbook, or upon request.

## Gifts and hospitality

- PHC realizes that the giving and receiving of gifts and hospitality where nothing is expected in return helps form positive relationships with third parties where it is proportionate and properly recorded. This does not constitute bribery and consequently, such actions are not considered a breach of this policy.
- Gifts include money; goods (flowers, vouchers, food, drink, event tickets when not used in a hosted business context); services, or loans given or received as a mark of friendship or appreciation.
- Hospitality includes entertaining; meals or event tickets (when used in a hosted business context) given or received to initiate or develop relations. Hospitality will become a gift if the host is not present.
- No gift should be given nor hospitality offered by an employee or anyone working on PHC behalf to any party in connection with PHC business without receiving prior written approval from the COMPLIANCE OFFICER. Similarly, no gift nor offer of hospitality should be accepted by an employee or anyone working on PHC behalf without receiving prior written approval from the COMPLIANCE OFFICER.
- A record will be made of every instance in which gifts or hospitality are given or received.
- As the law is constantly changing, this policy is subject to review and the PHC reserves the right to amend this policy without prior notice.

## Policy overview

- PHC strictly prohibits bribery or other improper payments in any of its business operations. This prohibition applies to all business activities, anywhere in the world, whether involving government officials or other commercial enterprises.
- A bribe or other improper payment to secure a business advantage is never acceptable and can expose individuals and PHC to possible criminal prosecution, reputational harm, or other serious consequences.
- This Policy applies to everyone at PHC, including all officers, employees, agents, or other intermediaries acting on PHC's behalf. Each officer and employee of PHC has a personal responsibility and obligation to conduct PHC's business activities ethically and in compliance with all applicable laws based on the countries wherein PHC does business. Failure to do so may result in disciplinary action, up to and including dismissal.
- Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage.
- These payments should not be confused with reasonable and limited expenditures for gifts, business entertainment, and other legitimate activities directly related to the conduct of PHC's business.
- PHC has developed a comprehensive program for implementing this Policy, through appropriate guidance, training, investigation, and oversight. [COMPLIANCE OFFICER] has overall responsibility for the program, supported by the executive leadership of PHC. [COMPLIANCE OFFICER] is responsible for giving advice on the interpretation and

application of this policy, supporting training and education, and responding to reported concerns.

- The prohibition on bribery and other improper payments applies to all business activities but is particularly important when dealing with government officials.
- The Palestine National Authority PNA Anti-Corruption Act and similar laws in other countries strictly prohibit improper payments to gain a business advantage and impose severe penalties for violations. The following summary is intended to provide personnel engaged in international activities a basic familiarity with applicable rules so that inadvertent violations can be avoided and potential issues recognized in time to be properly addressed.
- Under the law, PHC employees may be held liable for improper payments by an agent or other intermediary if there is actual knowledge or reason to know that a bribe will be paid. Willful ignorance – which includes not making reasonable inquiries when there are suspicious circumstances – is not a defense, and it also does not matter whether the intermediary is itself subject to anti-bribery laws. All employees therefore must be alert to potential “red flags” in transactions with third parties.
- PHC keeps accurate books and records that reflect transactions and asset dispositions in reasonable detail, supported by a proper system of internal accounting controls. These requirements are implemented through PHC’s standard accounting rules and procedures, which all personnel is required to follow without exception.
- Special care must be exercised when transactions may involve payments to foreign officials. Off-the-books accounts should never be used. Facilitation or other payments to foreign officials should be promptly reported and properly recorded, with respect to purpose, amount, and other relevant factors.
- Requests for false invoices or payment of expenses that are unusual, excessive, or inadequately described must be rejected and promptly reported. Misleading, incomplete, or false entries in PHC’s books and records are never acceptable.
- PHC has established detailed standards and procedures for the selection, appointment, and monitoring of agents, consultants, and other third parties. These standards and procedures must be followed in all cases, with particular attention to “red flags” that may indicate possible legal or ethical violations.
- Due diligence ordinarily will include appropriate reference and background checks, written contract provisions that confirm a business partner’s responsibilities, and appropriate monitoring controls.
- Personnel working with agents and other third parties should pay particular attention to unusual or suspicious circumstances that may indicate possible legal or ethical concerns, commonly referred to as “red flags.”
- The presence of red flags in a relationship or transaction requires greater scrutiny and implementation of safeguards to prevent and detect improper conduct.
- Appointment of an agent or other third party ordinarily requires prior approval by an appropriate senior manager, a description of the nature and scope of services provided in a written contract, and appropriate contractual safeguards against potential violations of law or PHC policy.
- This Policy imposes on all personnel specific responsibilities and obligations that will be enforced through standard disciplinary measures and properly reflected in personnel

evaluations. All officers and employees are responsible for understanding and complying with the Policy, as it relates to their jobs. Every employee has an obligation to:

1. Be familiar with applicable aspects of the Policy and communicate them to subordinates;
  2. Ask questions if the Policy or action required to take in a particular situation is unclear;
    - Properly manage and monitor business activities conducted through third parties;
    - Be alert to indications or evidence of possible wrongdoing; and
    - Promptly report violations or suspected violations through appropriate channels.
- Any employee who has reason to believe that a violation of this Policy has occurred, or may occur, must promptly report this information to his or her supervisor, the next level of supervision, or PHC's COMPLIANCE OFFICER]. Alternatively, information may be reported in confidence by calling the [PHC HOTLINE].
  - Retaliation in any form against an employee who has, in good faith, reported a violation or possible violation of this Policy is strictly prohibited. Employees who violate this Policy will be subject to disciplinary action, up to and including dismissal.
  - Violations can also result in prosecution by law enforcement authorities and serious criminal and civil penalties.

### **Key elements of an effective anti-bribery and corruption (ABC) program**

1. Tone at the top & ABC accountability;
2. Policies and procedures;
3. Training and awareness;
4. Recruitment, vetting, & performance management;
5. Gifts, entertainment, and hospitality;
6. Charitable & political contributions & sponsorships;
7. Whistle-blowing;
8. Third parties;
9. Risk assessment;
10. Internal financial controls;
11. Ongoing monitoring & reporting of meaningful Management Information (MI);
12. Audits and reviews .

#### **1. Tone at the top & ABC accountability:**

- A critical first element is a tone at the top and senior management's commitment to ethical conduct and zero tolerance for bribery acts. This needs to flow top-down across the organization and translate into actions that demonstrate management walks the talk.
- The Board of Directors should demonstrate visible and active commitment towards the implementation of the ABC program cascaded down to all employees. The ABC program, policies, and procedures should be communicated clearly and



effectively throughout the organization. The Board should provide ongoing oversight of the ABC Program through a review of relevant Management Information (MI).

- Responsibilities for implementing the ABC program should be clearly defined, and job descriptions at all levels should be enhanced to include reference to ABC accountability. ABC activities can be delegated to an ABC Champion (e.g. within Compliance or Risk Management) or a Control Committee comprised of related control functions.
- A clearly defined governance structure should incorporate the following key responsibilities to ensure the effective functioning of the Program:

Role	Responsibilities
Board of Directors / CEO	<ul style="list-style-type: none"> <li>▪ Foster an anti-bribery and corruption culture through regular communication with Business Heads and Senior Management.</li> <li>▪ Review and approval to the ABC policy.</li> <li>▪ Provide ongoing oversight of the ABC Program</li> </ul>
ABC Champion or Control Committee	<ul style="list-style-type: none"> <li>▪ Serve as the organization's center for competency for all ABC matters.</li> <li>▪ Develop the ABC policies and procedures manual to be cascaded down to all employees.</li> <li>▪ In coordination with Business Heads, conduct a risk assessment exercise (gap analysis exercise) of the concerned standard procedures, systems, and controls against the defined principles of the manual. Depending on findings; categorization, and define a mitigation/action plan respectively.</li> <li>▪ Receive, analyze, and take appropriate actions with regard to whistle-blowing reports (related to bribery matters).</li> <li>▪ Submit regular reporting to the Control Heads with the risk assessment report and mitigation/action plan proposed.</li> </ul>
Departments Managers	<ul style="list-style-type: none"> <li>▪ Model the way and ensure that respective Business lines conduct their activities with integrity; promote ABC culture to direct employees to act with integrity and in compliance with ABC principles.</li> <li>▪ Understand bribery and corruption risks faced by the respective Business line, the materiality of the risks, and the extent to which existing ABC systems and controls are adequate and effective.</li> <li>▪ Stay fully abreast of bribery and corruption matters.</li> </ul>
PHC Employees	<ul style="list-style-type: none"> <li>▪ Comply with PHC policies and procedures, as well as the Code of Conduct, and report any misconduct or policy violations or breaches.</li> </ul>

## 2. Policies and procedures

Policies and procedures play a crucial role in the overall tone for an organization and impact the day-to-day operations. Adopting a code of conduct, formalizing policies and procedures, widely disseminating these policies, conducting awareness training, and establishing the overall internal control systems and the controls focused on bribery and corruption are key elements to successful tone setting. The sections below covers a number of the key anti-corruption policies in detail.

## **Code of Conduct**

The Code of Conduct is a critical document that sets the organizational values and provides the compass that guides employees in their daily actions including as it relates to compliance with regulatory requirements and exercising ethical judgments. The Code of Conduct is typically approved by the board of directors and reviewed on an annual basis. The code of conduct should be incorporated into new-hire orientation (that is, all new employees must read and sign the code as part of their condition of employment) and periodically reaffirmed by all employees.

### **Anti-Bribery and Corruption Policy**

The policy should be an unambiguous statement of the company's position that both governmental and commercial bribery on any scale or level is not tolerated. It also should discuss the PHC's commitment to accuracy in reporting and recording transactions and having internal controls to ensure proper control, accountability, and safeguarding of assets. The anti-corruption policy should be approved by the Board of Directors, made available to all employees, posted on the organization's internal website with other compliance-related policies, and be the central focus of anti-corruption compliance training. The policy encourages employees to report violations or seek guidance as well as offers examples of "red flags" for employees to recognize or avoid problematic situations. In reference to the anti-corruption policy, that should be included in the Code of Conduct, and shall be acknowledged by all employees. The Code of Conduct shall contain a short and simple statement of the requirements and of employees' duty to comply. Compliance with the anti-corruption policy should have a prominent place in the overall corporate compliance program.

### **Whistle-blowing Policy**

Whistleblowing is the term used when a person passes on information concerning wrongdoing. Whistle blowing allows the detection of corruption or other matters of concern that might otherwise remain hidden. The Whistle blowing Policy shall clarify willful blindness, at which is considered equivalent to the actual knowledge. In essence, employees are obliged to report any conduct that is inconsistent with the PHC's ethical fabric including potential human rights violations such as slavery or compulsory labor whether by customers or third parties acting on the PHC's behalf.

## **3. Training and Awareness**

- Anti-corruption legislation is complex, and employees need an appropriately qualified resource to turn to for support and guidance. The Code of Conduct, Anti-Corruption Policy, and other policies must be disseminated widely within PHC. Formal and informal communications, along with training, reinforce management's message.
- A lack of reinforcement of PHC's policies, procedures, reporting protocols, and corruption risks exposes an organization to employees, vendors, customers, and other stakeholders not knowing what is considered acceptable behavior or how to effectively report suspected improper activities.

Key Factors for an effective ABC Training	
What should be covered?	<p>The training should clearly articulate the organization's zero tolerance for bribery and corruption and explain the key policies and procedures applied and enforce employees' duty to report any questionable conduct. The following are considered critical components of an organization's ABC training:</p> <ul style="list-style-type: none"> <li>▪ Overview of the company's code of conduct and anti-corruption policy</li> <li>▪ Overview of the relevant laws as well as international treaties such as the UN Convention Against Corruption.</li> <li>▪ Explanation of the importance of ABC and potential implications, both for the organization as a whole and individuals</li> <li>▪ Protocol and channels for reporting potential incidents, questions, and concerns</li> <li>▪ Contact information for the ABC Champion, the Control Committee, or the responsible party</li> <li>▪ Policies and procedures around gifts and entertainment, and rules around charitable contributions, donations, and sponsorships</li> <li>▪ Real-life examples relative to the organization's business and practical instruction on how to handle those issues</li> <li>▪ Real-life examples of ethical dilemmas relative to the organization and how to make the right judgment</li> <li>▪ The training should be extended to all employees including trainees and temporary workers. No one should be excluded from the scope of training including upper management and Board members.</li> <li>▪ Organizations should consider providing enhanced ABC training to targeted departments based on areas of responsibility (e.g. Finance, Accounting, Procurement). For example, employees in Finance or Accounting responsible for reviewing expense reports of employees who travel internationally should be trained to identify potential corruption red flags as well as to enforce adherence to anti-corruption policies and procedures. Finance and Accounting employees should be trained to verify that name, business affiliation, and business purpose are documented for any individual to whom gifts, meals, or entertainment are provided</li> </ul>
Who should take the training?	<p>There is no one size fits all answer in this area, however, below are some areas to consider:</p> <ul style="list-style-type: none"> <li>▪ Training is often most effective when it is conducted in person. However, for large organizations, online training is more suitable with targeted face-to-face training provided to staff in higher-risk positions such as Procurement</li> </ul>
What is the appropriate format?	<ul style="list-style-type: none"> <li>▪ Typically, training is given by individuals from the Risk, Legal, and Compliance departments, such as the Anti-Corruption Champion if appointed.</li> <li>▪ Also, for organizations with employees or business units around the world, training should be conducted in multiple languages, and anti-corruption policies should be made available in local languages accordingly</li> </ul>

<p>What about third parties?</p>	<ul style="list-style-type: none"> <li>▪ Third parties refer to any person or entity acting on behalf of your organization (i.e. representatives, consultants, brokers, contractors, suppliers, joint ventures, affiliates, or any other intermediary or agent of your organization).</li> <li>▪ Organizations should consider training third parties on their bribery and corruption policies. Third parties that interact with governmental organizations (e.g. to obtain permits or approvals for your organization) should receive such training.</li> <li>▪ The content of the training should be similar to that provided to employees or can be similar to a targeted training offered to business development or sales executives.</li> </ul>
<p>Critical factors</p>	<ul style="list-style-type: none"> <li>▪ Training should be provided to all new hires as well as existing staff regularly; providing a refresher ABC training on regular basis is a key enforcement tool!</li> <li>▪ Its important for the organization to maintain full records of training provided to demonstrate full compliance with regulators.</li> </ul>

#### 4. Recruitment, vetting, & performance management

- Human resources can support the Board and senior management in embedding a culture of integrity across the PHC functions. In essence, procedures on recruitment, performance evaluation, remuneration, & promotion should reflect commitment against corrupt practices which is a key enforcement tool.
- PHC ensures its recruitment process is merit-based and fair, free from corruption, and respects human rights. If the local environment is prone to corruption, it may be important to demonstrate publicly that recruitment is systematic and untainted by bribery, conflicts of interest, favoritism, or nepotism. Detailed operating procedures on recruitment which are followed in all situations with no exceptions allowed is a key compliance tool.
- PHC conducts appropriate due diligence on potential employees on a risk-based approach, taking into account the corruption risk (including but not limited to, previous employment checks, credit checks, and basic criminal records checks).
- PHC focus on hiring people who align with its purpose and values as it strives to foster the appropriate organizational culture, recognizing that recruiting is a critical element in creating the right culture. This may involve changes to the interview process, such as equipping interviewing staff with tools to assess candidates' behavioral competencies and sense of ethics.
- PHC ensures compliance with the employee Code of Conduct, and ideally, the anti-bribery program, which are key terms under employment contracts (please refer to the example below).
- PHC has a clear sanctions mechanism for anti-corruption failures including termination of employment.

Example - Employment Contract Provisions	
Observance of organizational values	Observance of the organization's values with a specific focus on requiring integrity and honesty from the employee when s/he is acting on the organization's behalf and engaging with the organization's third parties including customers, subcontractors, and other intermediaries.
Code of conduct	Adherence to the Code of Conduct and specifically to the organization's anti-bribery program as a condition of employment.
Annual attestation	Directors and employees are required to attest when they first join the organization and then annually, that they have read, understood, and will observe the requirements of the Code of Conduct or business conduct guidelines and in particular, the anti-bribery policy.
Remuneration	A provision that remuneration shall take into consideration the "how" of achieving objectives ensuring the business is conducted only the right way and through ethical means.
Reporting breaches	A clause requiring the employee to report bribes, suspicion of bribery, or other breaches of the ABC Program through the channels set by the organization. This would also entail specification of the procedures and channels that the employee should use for raising concerns or seeking advice. The organization should commit that it will protect the identity and confidentiality of the employee.
Disciplinary procedures	A provision that any breach of the anti-bribery program will be dealt with under the review and disciplinary procedure. Gross misconduct may lead to summary dismissal with the termination of the employee's employment.

## 5. Gifts, entertainment, and hospitality

- Gifts, hospitality, and expenses are vulnerable to being used for bribery. They can be used as bribes on their own but they also pave the way for bribery by entrapping a person. They can also be used to build or maintain relationships during a bribery scheme.
- The PHC's gift and hospitality policies and procedures must be proportionate to the bribery risk the organization faces and the nature, scale, and complexity of its activities. They must also be clear, practical, accessible, effectively implemented, and enforced.
- The policies and procedures should set out when and how a gift or hospitality may be offered or accepted. This may involve setting financial limits.
- PHC considers how gifts and hospitality details should be recorded centrally. Some organizations may prefer to allow open access to the register and require employees to populate it directly while other businesses may prefer a notification system that allows more control over the register.
- PHC also considers setting out guidance on how staff can refuse gifts or hospitality.
- PHC Setting the policy is one thing, however, it is equally important to ensure the policy is appropriately communicated, monitored, and enforced. Refer to the table below.

Gifts and Hospitality Roles and Responsibilities - Appropriate Enforcement	
ABC Champion /Control Committee and Business Heads	<ul style="list-style-type: none"> <li>▪ Develop a process to identify unusual or unauthorized gifts and business entertainment and deviations from the relevant approval limits.</li> <li>▪ Ensure staff is trained on the policies to an extent appropriate to their role in terms of both content and frequency.</li> </ul>
Senior Management	<ul style="list-style-type: none"> <li>▪ Foster a culture that promotes an ethical environment and requires employees to adhere to high standards of integrity.</li> <li>▪ Lead by example in adhering to standards set for giving and receiving hospitality/gifts and entertainment.</li> </ul>

## 6. Charitable & political contributions & sponsorships

- The ABC program should develop a policy, controls, and procedures to supervise political and charitable donations. Such policies and procedures shall be provided at the minimum, as follows:
- Under all circumstances, comply with applicable regulatory requirements -Require that political and charitable donations are never made in cash and should always be registered in the organization's books and records.
- Provide for public disclosure of political and charitable donations, such as on the organization's website or in its annual report.
- All charitable and political contributions on behalf of the organization should be subject to appropriate due diligence
- Require prior approval of Senior Management or designated committee for any political or charitable donation.
- Require additional scrutiny to contributions to political or charitable organizations in which prominent political figures or their close relatives, friends, and business partners are involved.
- Accurate books and records of contributions should be maintained as well as the relevant pre-approval which are in line with internal policies.
- PHC also maintains full records on the due diligence conducted on the beneficiary including named screening and negative media search results. The scope of due diligence would also include natural persons owning/controlling the beneficiary (where the beneficiary is in an entity), e.g. members of the management body, authorized signatories, and owners.

## 7. Whistle-blowing

- Employees are encouraged to promptly report any violations of codes of conduct, applicable policies, potential violations of applicable laws and regulations, and any other misconduct. To that end, the organization should establish clear reporting channels and protocols for reporting any questionable conduct and ensure such protocols are appropriately communicated.
- An essential starting point for any effective whistle-blowing framework supports "from the top" in the form of vocal and practical endorsement (through, for example,

supporting statements and raising awareness) from the board, executive directors, and senior management.

- PHC should also record the number of whistleblowing disclosures they receive and their nature, maintain records of the date and content of feedback provided to whistleblowers, and conduct regular surveys to ascertain the satisfaction of whistleblowers.

## **8. Third parties**

- Relationships with third parties refer to relationships where the organization may have a responsibility and/or may be subject to reputational risk in the event the third party engages in corrupt or otherwise illegal activity.
- In-scope activities including outsourced products and services, use of independent consultants, payment processing services, services provided by affiliates and subsidiaries, joint ventures, and entities franchising the organizations' attributes.
- PHC avoids dealing with third parties known or reasonably suspected to be paying or receiving bribes, involved in human rights violations, or otherwise illicit activities. To that end, the organization should apply appropriate due diligence procedures to third parties including name screening, integrity, and corruption checks; no new third parties may be dealt with unless they have passed due diligence reviews. Further, the results of the due diligence process should be adequately recorded and documented.
- All agreements with third parties should require prior approval from senior management. The level of approval however should be commensurate with the level of risk presented and the level of significance of the engagement with the third party. To that end, the organization should deploy a clear approval matrix while mandating a special committee approval comprising key functions (e.g. Risk, Procurement, and Finance) for significant engagements with third parties.

### Dealing with Associated Persons / Contracted Parties/ Third Parties

*Conducted due diligence should be risk-based, taking into consideration the nature of the activity, the level of reliance, the country of registration/ operation of the third party, the level of supervision it is subject to, and its ownership structure including the presence of any public official. EDD should be applied for higher-risk arrangements.*

Initial due diligence	<ul style="list-style-type: none"> <li>▪ Identify the associated person, business sector, and reputation and validate their credentials and background.</li> <li>▪ Search commercially-available intelligence databases and the internet for adverse information on the third party including potential human rights violations.</li> <li>▪ Confirm the nature of the service to be performed and verify that such service is necessary and that any proposed payments or benefits are commensurate with those services.</li> <li>▪ Identify potential or actual conflicts of interest and reputational risks.</li> <li>▪ Identify networks and relationships with presenting entities</li> <li>▪ Enhanced risk (e.g. public officials “Politically Exposed Persons”).</li> <li>▪ Border activities are anticipated and in-line with expectations.</li> <li>▪ Define whether the associated persons will have contact with public officials throughout providing services.</li> <li>▪ Ensure the amount of proposed consideration or payment to the associated person is proportionate to the tasks required and in line with market rates.</li> </ul>
Enhanced due diligence	<ul style="list-style-type: none"> <li>▪ Conduct additional background and screening searches.</li> <li>▪ Provide reasonable assurance about the associated person’s conduct in the past.</li> <li>▪ Validate direct requests for information (reference checks) and verify the information through official sources.</li> <li>▪ Determine the financial standing and credibility of the associated person and, to the extent possible, whether any public official has a beneficial interest or relationship with the associated person.</li> <li>▪ Ensure the associated party has a clear and proven track-record in their area of service provision.</li> <li>▪ Identify any adverse media relating to the associated party.</li> </ul>

- Existing third parties should also be subjected to reasonable and proportionate monitoring including appropriate due diligence on the reputation and the capacity of the third party whereas negative events may occur after the contracting phase.
- Third Party’s remuneration shall not be paid in cash and shall only be paid in (i) the country of incorporation of the third party, (ii) the country where its headquarters are located, (iii) it's country of residence, or (iv) the country where the mission is executed.
- PHC maintains adequate control over the relationship with third parties and in particular maintains a record of the names, terms of engagement, and payments to third parties retained by the organization. This record should be made available for inspection and review by the organization’s internal auditing procedures.
- Agreements with business partners should impose commitments to fully comply with laws and regulations with a particular emphasis on anti-bribery and corruption as well as respect for human rights. Further, the agreements should provide the organization the right to immediately exist any contractual arrangement in case of violations of laws and regulations including as it relates to anti-corruption and bribery, and human rights violations.



## 9. Risk assessment

To support the effectiveness of the ABC control framework, the identification and assessment of bribery and corruption risks are very essential. The anti-corruption risk assessment process is a business process and not an investigation. The risk assessment is not designed to uncover all corrupt activity that may be occurring but to assess the control environment to mitigate risk to corruption. The process is more akin to an audit than an investigation.

The risk assessment entails four basic elements.

- A review of the PHC's business to identify and understand its most significant corruption risks.
- A review of the current state of the organization's current anti-corruption program.
- A "gap analysis" of the current program versus the anti-corruption risks identified.
- Recommendations for improving the program based on common and leading practices while trying to acknowledge and state the most practicable for the particular organization in terms of achieving compliance.

Conducting the Risk Assessment	
What are the key steps?	<p>The principal activities in the risk assessment are:</p> <ul style="list-style-type: none"> <li>▪ Conducting interviews of selected officers and employees.</li> <li>▪ Obtaining and reviewing documents, financial and other evidentiary matters.</li> <li>▪ Reviewing or testing transactions to further understand or clarify issues.</li> <li>▪ Reporting the results to senior management and the Board, usually by a written findings and recommendations report.</li> </ul>
What is the scope?	<p>The risk assessment exercise should cover the various inputs under each business, including, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ Third Parties including Suppliers, advisers, and consultants;</li> <li>▪ Politically Exposed Persons (PEPs);</li> <li>▪ Offshore Companies;</li> <li>▪ Government Interactions;</li> <li>▪ Mergers &amp; Acquisitions;</li> <li>▪ Charitable Donations and Fundraising;</li> <li>▪ Gifts &amp; Business Entertainment;</li> <li>▪ Employee Risk;</li> <li>▪ Procurement Risk;</li> <li>▪ Services/Products Risk;</li> <li>▪ Customer Risk;</li> <li>▪ Organization Risk;</li> <li>▪ Country Risk;</li> <li>▪ Client/Project Type or Business activity; <ul style="list-style-type: none"> <li>• Sector Risk;</li> <li>• Internal hiring, staff remuneration, and training.</li> </ul> </li> </ul>
How do we keep it up to date?	<p>Risk assessments should be reviewed and updated regularly as internal and external bribery and corruption risks evolve.</p> <p>Changes to risk assessments can be triggered by the approval of new products or businesses or new legal or regulatory developments. Periodic reviews can be undertaken on a semi-annual basis to assess the effectiveness and efficiency of the existing risk assessment process.</p>

## 10. Internal financial controls

Internal controls are generally designed to provide reasonable assurance that operations are effective, financial reporting is reliable, and the entity is compliant with laws and regulations. Examples of internal controls include segregation of duties, authorization of the transaction, records retention, supervision of operations, physical safeguards, and information technology security. As it relates specifically to ABC, the PHC needs to ensure the following at the minimum:

- PHC's policy utterly prohibits the maintenance of undisclosed or unrecorded funds or assets for any purpose and records that disguise or misrepresent any aspect of a transaction.
- Each transaction and disposition of assets in the organization must have proper authorization, must be timely recorded, must be accurately recorded in terms of amount, accounting period, and accounting classification, and must accurately reflect the substance and purpose of the transaction.
- PHC ensures no transaction shall be entered into that requires or contemplates the making of false or fictitious entries or records in whole or in part. No accounting balances shall be created or maintained that have no documentary support or that have no reasonable basis.
- Accounting and recordkeeping practices should be subject to regular audits to verify compliance.

## 11. Ongoing monitoring & reporting of meaningful Management Information (MI)

Ongoing monitoring is essential to ensure the ABC Program continues to operate as intended and effectively mitigates any evolving risks. To that end, the organization needs to ensure clear accountability is assigned for ongoing monitoring of various aspects of the ABC Program.

- The activities for monitoring and review are to be integrated within the existing role and responsibilities of the ABC Champion, Control Committee, or the responsible person. In essence, the ABC Champion, the Control Committee, or the responsible person is responsible for the following:
  - Ensure that the processes mitigating bribery and corruption are followed by all Business units.
  - Gather and analyze feedback from business units regarding the implementation of policies and procedures, breaches or gaps encountered.
  - Review and report Management Information (MI) periodically and trend information to Senior Management and the Board.
- Appropriate reporting through meaningful MI is required to support Senior Management in mitigating bribery and corruption risks. Sufficient MI should enable Senior Management and the Board of Directors to fulfill their functions by including an overview of the bribery and corruption risks faced by the organization, the existence, and effectiveness of systems and controls to mitigate those risks, and legal and regulatory developments.

- MI essential for appropriate oversight of the ABC Program may include but is not limited to:
  - The volume of internal staff bribery and corruption investigation -Hiring practices
  - Rate of ABC training completion
  - The number of new associated persons accepted and the number declined, the number of red flags raised
  - Number and value of gifts and hospitalities received and provided -Percentage of employee salary received as a bonus payment
  - Number of reported breaches, and
  - Analysis of the whistle-blowing trend.

## **12. Audits and reviews**

The ABC Policy and other key documentation should be subject to review by the Audit Committee on an annual basis. These should also be reviewed on an ad hoc basis when any material business change may be identified. The impact of such changes should be determined on a case-by-case basis through consultation between the Audit Committee and the business lines, with any remedial action being taken forwards as necessary.