

Fraud & Corruption Prevention Policy

DNDi POLICIES

March 2005

DNDi
Drugs for Neglected Diseases initiative

I. Preamble

DNDi's mission is to improve the health of people suffering from neglected diseases by developing new drugs or new formulations for these patients. Acting in the public interest, DNDi will bridge existing R&D gaps by initiating and coordinating drug R&D projects in collaboration with the international research community, the public sector, the pharmaceutical industry and other relevant partners.

DNDi has always been committed to the highest possible standards of openness, transparency, honesty and accountability, and is determined to maintain a culture of transparency and an opposition to fraud and corruption.

Based on this commitment, this "Fraud & Corruption Prevention Policy" (FCP Policy) outlines the principles to which DNDi is committed in relation to preventing, reporting and managing Fraud, Bribery and Corruption. This policy reinforces our core values, by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption.

This policy shall be considered in relation to other pillars guiding our conduct at

DNDi, in particular:

- DNDi HR policy
- DNDi procurement policy
- DNDi financial conflict of interest policy
- DNDi Policy on research misconduct

Recognizing that addressing fraud, bribery and corruption risks is a normal requirement for the conduct of business by all organizations, the Executive Director, the Executive Team and the Board of Directors of DNDi fully support the current Policy.

This Policy applies to all members the Boards of Directors, members of consultative bodies set upon DNDi by-laws (e.g. SAC, Audit Committee), the Directors and staff members of DNDi, and to external consultants (hereafter collectively referred to as "DNDi members").

In order to ensure a clear, achievable and relevant standard of ethical conduct for the activities and decision-making all authorized signatories shall disclose their potential financial conflict of interests according to DNDi Financial Conflict of Interest Policy.

This Policy shall be implemented immediately by staff and external consultants upon its approval by the Executive Team, and by all Boards and all Committees once approved by their relevant governing body. If necessary, an addendum shall be signed between DNDi and relevant local entities to reflect local requirements.

This first version of the DNDi FCP policy shall be revised to ensure its terms are adapted to DNDi operational realities and key stakeholders' expectations.

II. Definitions

Fraud: For purposes of this Policy, fraud is defined as the use of deception by an individual with the intention of obtaining an advantage for himself or herself or for a third party or parties, avoiding an obligation, or causing loss to another party. The term fraud is used to describe offences such as, but not limited to, deception, extortion, theft, misappropriation, false representation, concealment of material facts. This Policy is intended to apply to both internal and external fraud. Internal fraud is a fraud committed directly against DNDi by a DNDi member. An external fraud is fraud committed against DNDi by an external party, for example the employees of a partner or supplier.

Some examples of fraud or fraudulent behavior include:

- Misappropriation of assets, embezzlement and theft,
- Payroll schemes, ghost employees, falsified wages,
- Expense reimbursement schemes, mischaracterized expenses, overstated expenses, fictitious expenses, multiple reimbursements,
- Billing schemes, personal purchases,

NB: This is not an exhaustive list. If you are in doubt about the seriousness of your concern, advice and guidance can be sought from the FCP Committee (see below).

Bribery and Corruption: For purposes of this Policy, bribery concerns the practice of offering something of value, usually money, to gain an illicit advantage and corruption is an abuse of a position of trust in order to gain an undue advantage.

Some examples of bribery and corruption behaviors include:

- Payment or receipt of bribes,
- Kickbacks or other inappropriate payments,
- Participation in sham or fraudulent transactions, Billing schemes, Shell Company

NB: This is not an exhaustive list. If you are in doubt about the seriousness of your concern, advice and guidance can be sought from the FCP Committee (see below).

In this Policy, words importing a specific gender shall include the other gender.

III. Overview of DNDi mechanism

III.1 – Prevention

DNDi members conduct themselves with integrity and demonstrate awareness of the importance of ethical practices in their day to day work. DNDi will not tolerate any level of fraud, bribery or corruption.

Everyone in DNDi has a responsibility as well as obligation to contribute to the management of fraud, bribery and corruption risks. Any detected case will be thoroughly investigated, with disciplinary or criminal sanctions pursued where appropriate and possible, and losses recovered by any lawful means.

DNDi is also committed to ensuring that opportunities for fraud are reduced to the lowest possible level of risk; that effective internal controls are maintained to prevent fraud, and that systems and procedures are reviewed and improved following detected cases of fraud. The DNDi prevention mechanism is articulated around 4 principles:

- A Culture of Honesty and Ethics,
- Risk Management and Internal Control Capabilities,
- Awareness Raising and Training,
- A clear Oversight Process (see section IV - Roles & Responsibilities)

Third parties: DNDi will systematically aim at engaging its contractors to comply with FCP good practices. With respect to specific jurisdictions or origin of funding, such engagement can be obtained through, for example:

- Declaration of compliance ahead of contract signature (against fraud, money laundering, etc.)
- Inclusion of a compliance clause in the contract
- ...

III.2 – Reporting

a) Individual rights & duty to report trustfully

DNDi members are trained on the potential for fraud, bribery and corruption (together referred hereunder by “fraud”) and individually declare their understanding of the terms of the policy (declaration in Appendix).

DNDi members should report any reasonably suspected fraud and present any available supporting evidence to relevant reporting person (see b. & c. below). When the latter is suspected to be involved in the fraud, he shall be excluded from the reporting and investigation process; reporting shall be escalated to his supervisor – potentially up to the Chair of the Board (and for the latter, reporting shall be made to the Chair of the Audit committee). In case of obstruction or unnecessary delay in dealing with a situation, reporting shall be made to the supervisor or another person.

Anyone reporting a potential fraud must act in good faith and have reasonable grounds for believing that the information disclosed constitute a potential fraud.

b) For DNDi Directors, Staff and Consultants

Reporting shall be made to the Line Manager member of the Executive team, the

Director of Operations, the Finance Director, the Head of Human Resources or Head of Legal, or through the use of a dedicated reporting mailbox (ethics@dndi.org – see section V-key contacts for the list of recipients).

For significant matters (e.g >€5.000 and/or potentially involving litigation/criminal prosecution and/or potentially damaging DNDi reputation – thresholds shall be adjusted by the Executive committee), as well as for situations directly involving DNDi Directors and Heads, the Executive Director must be consulted by the Director of Operations.

c) For DNDi Boards and Committees members, Executive Director and Friends

The Chair of the Board and the Audit Committee shall be consulted for all cases involving a member of the Board(s) of Directors, of the Scientific Advisory Committee, the Executive Director, a Friend of DNDi, or a member of any ad hoc committee set by the Board (as per DNDi by-laws).

The Chair of the Board of Directors and/or the Chair of the Audit committee can request investigation and advice from the FCP Committee. They consult with the Executive Director.

III.3 – Case characterization

As a matter of principle, at least two persons need to decide how to handle the case. It is proposed to set up an FCP committee with relevant people. Once an alleged fraud is reported, the FCP committee will determine whether the report has sufficient substance to undertake an investigation and whether the case can be dealt with internally, or whether and what external involvement is necessary.

For DNDi directors, staff and consultants, the Director of Operations sets up the FCP committee to deal with the specific case, which is composed of:

- Permanent members: Dir. of Operations, Finance Director, Head of Legal
- The line Manager, member of the Executive team
- The Executive Director, for any significant situation (as described above)
- The Head of HR (upon request)
- Any other relevant person deemed necessary to ensure independence and effectiveness of the committee.

For DNDi Boards and Committees members, Executive Director and Friends, an ad hoc FCP committee shall be set up:

- Permanent members: The Chair of the Board, the Chair of the Audit Committee and the Executive Director
- The chair of the consultative body (e.g. SAC) if one of its members is involved
- Support from Director of Operations, Head of Legal or Finance Director, or any relevant staff member can be requested.

III.4 - Case Investigation

Investigations will be conducted under the leadership of the FCP committee, without regard to any person's relationship to the organization, position or length of service. Investigations will be carried out in complete independence, objectivity and confidentiality. The name of the person that reported the suspected fraud will be kept confidential. The suspected perpetrator of fraud will be given the opportunity to be heard.

The Finance Director will keep records of all actions in the investigation, to ensure success in any future criminal, civil or disciplinary action.

The Chair of the Board will be informed of any significant issue. Similarly, the Audit Committee will be provided, each semester, with a synthesis of occurred cases and investigations

III.5 - Case management

Where an investigation confirms that an illegal act of fraud was committed, DNDi will take **immediate steps to mitigate potential loss of DNDi's reputation** and credibility with donors and partners who are involved in funding or delivering work in the particular context in question. The Executive Director shall disclose the details of the significant fraud (nature of the fraud, amount and corrective measures) to the partner and/or donor in a timely manner and with great care to be transparent and responsible, without communicating the name of the perpetrator, as well as to the External auditors.

Where DNDi has suffered pecuniary loss or loss of other material assets, efforts will be made to seek **restitution** from the individual(s) responsible for the fraud.

In case of substantiated fraud, DNDi will pursue **disciplinary, legal action**, and criminal prosecution if appropriate.

Following a case of fraud, the Director of Operations will ensure that all managers and staff in the affected area are **debriefed** on the process and outcome of the investigation. The individual(s) who reported the initial suspicion of fraud will also be informed to provide assurance that their claims have been taken seriously.

A thorough review of operating procedures in the areas affected by the fraud will be performed and **lessons learned** will be disseminated throughout the organization.

It is DNDi's policy to protect all DNDi staff from reprisal, retaliation or other adverse action when reporting alleged acts of fraud if such reporting is done in good faith and with reasonable grounds for suspicion. Conversely, DNDi will protect the position and reputation of the person(s) falsely suspected of fraud.

IV. Roles and responsibilities

The **Board of Directors** approves the policy. The Chair of the Board and the **Audit committee** are informed of any significant fraud and consulted for any fraud involving a member of a governance or consultative body (as per DNDi by-laws) and for situations involving the Executive Director.

1 - The **Executive Director** sets the vision and the overall tone to reinforce the message that fraud, bribery and corruption is not tolerated in DNDi and provides strong support to the Director of Operations and to the Head of Legal in the implementation of the Policy. He reports to the Chair of the Board and the Chair of the Audit Committee any significant event related to this Policy as appropriate. He consults with the **Executive team**, who sets the levels of significance of frauds and approves the policy for staff and consultants.

2 - The **Director of Operations** is responsible for implementing the FCP Policy. He coordinates risk management at DNDi and is responsible for establishing mechanisms to investigate suspected fraud. He receives reports of fraud from staff, managers or third parties, and provides guidance to the Finance Director in determining the scope of the fraud and contacting external experts or legal authorities. He ensures that vigorous and prompt investigations are carried out without delay. He also ensures timely follow-up and strengthening of preventive measures. He consults with the Executive Director and/or the Line Manager of the suspected perpetrator of fraud to assess facts, risks and response. Besides, he is responsible for taking appropriate measures in case of frivolous or bad faith allegations. Together with the Finance Director and with the support of Head of HR, he ensures proper measures are taken to raise awareness about fraud.

3 - All **Line Managers** (in Geneva and Regional Offices) are responsible for assessing the risks, including but not limited to fraud risks, involved in their area

of responsibility, and ensure that an adequate system of internal control exists and operates to address these risks. They shall encourage staff to report reasonable suspicions of fraud, treating all allegations seriously, and promptly reporting allegations to the Director of Operations.

4 - The **Finance Director** promotes the deterrence and prevention of fraud by evaluating the effectiveness of internal controls, and report periodically on their adequacy to the Director of Operations, to the Head of Legal and to the Audit Committee of DNDi. In case of fraud detrimental to DNDi, he conducts internal investigations, including gathering evidence, conducting interviews, and writing reports on investigations. He shall keep records of any allegations made, any subsequent actions taken, and the ensuing result. He proposes changes to the system of internal controls, subsequent to a case of fraud to evaluate their efficiency and effectiveness.

5 - The **Head of Legal** provides guidance to the Director of Operations and the Finance Director on the course of action to be taken, the involvement of external experts or legal authorities, and the conduct of investigations. He communicates with and manages external criminal lawyers engaged in the particular jurisdictions in which cases of fraud arise.

6 - The **Head of Human Resources**. In case of fraud not detrimental to DNDi, he conducts internal investigations, including gathering evidence, conducting interviews, and writing reports on investigations. He shall keep records of any allegations made, any subsequent actions taken, and the ensuing result. In all cases, he consults with the Director of Operations regarding the appropriate disciplinary action to be taken against the perpetrators of fraud and supervisors whose failures have contributed to the commission of fraud or those who have made frivolous or bad faith allegations. He ensures that more detailed reference checks are carried out in recruitment processes for staff positions that may be more vulnerable to opportunities for fraud (handling money, procurement, etc.). It is his duty to ensure, with the support of his colleagues, that staff knowledge of this Policy is sufficient and that appropriate training is provided. He files individual declarations.

7 - All **DNDi members** conduct themselves lawfully and properly in the use of DNDi resources. They remain alert to the possibility of fraud and report suspicious behavior to their Line Manager, the Director of Operations, the Finance Director, the Head of Human Resources or to the Head of Legal, or through the use of the a dedicated mailbox (ethics@dndi.org). They sign and accept this Policy as an integral part of their contract or engagement letter with DNDi.

NB: Roles and responsibilities shall be adjusted in addendum with local legal entities

	Step 1: Reporting	Step 2: Case characterization		Step 3: Case management		Step 4: Case closing	
Suspected Perpetrator of fraud or illegal act	Handling Instance	Handling Instance	Informed	Handling Instance	Informed	Handling Instance	Informed
Members of BoD, Gov. Committees, Exec Director	Chair of BoD / Chair of Audit Committee / Chair of committee + Exec Director	ad hoc FCP Committee	Audit Committee + Head Legal, Dir Finance, Dir Ops	2 FCP committee members + relevant expertise	BoD, Audit Committee	FCP Committee	BoD and relevant consultative committees + External auditor and relevant third parties + Extended Exec. Team + filing
Directors and/or major impact	Executive Team Member (line manager) + Exec Director + Dir Ops / Dir Finance / Head Legal	FCP Committee, including Executive Director	Audit Committee				Executive Team
Other DNDi staff and/or minor impact	Executive Team Member (line manager) + Dir Ops / Dir Finance / Head Legal	FCP Committee, including HR	Executive Director				

V. Key contacts (status March 2015)

According to the principles set above, reporting shall be made to the following:

Title	Name	e-mail address	Phone number
Reporting Mailbox	Dir. of Operations + Finance Director + Head of Legal	ethics@ndi.org	

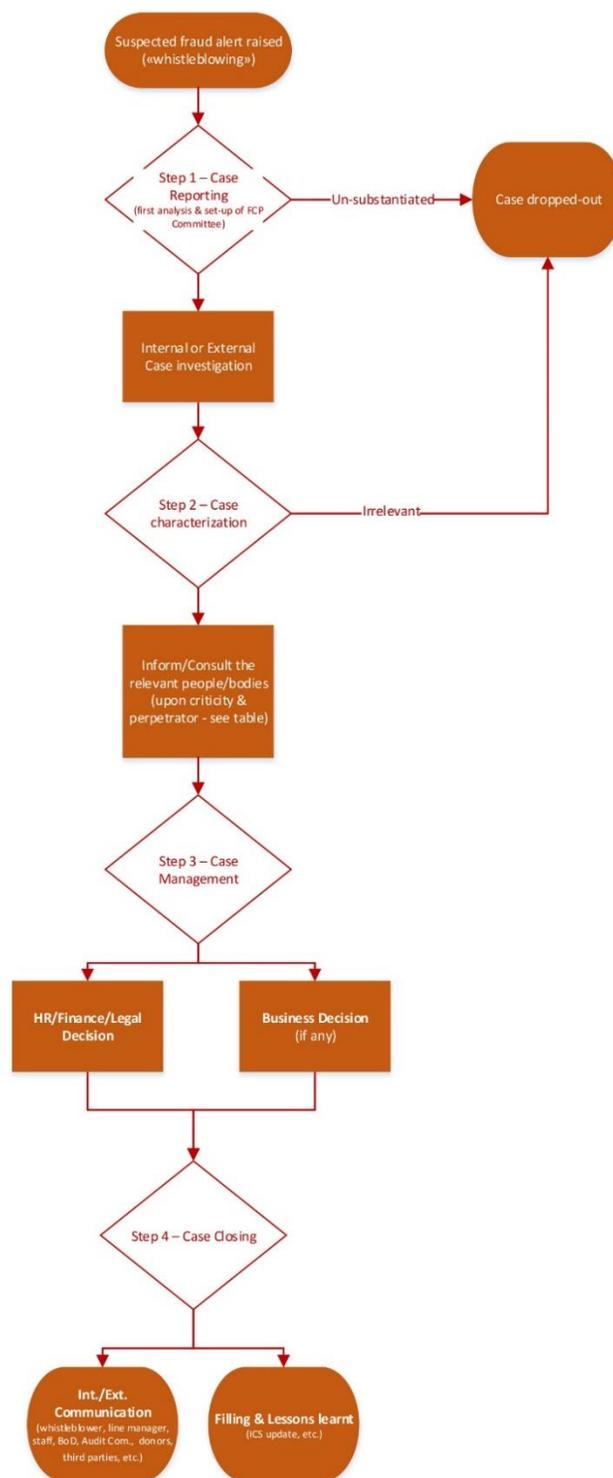
Policy version control

Title	DNDi Fraud & Corruption Prevention policy (FCP Policy) – formerly AFABAC policy
Written by	Director of Operations
Review by	ICS Steering Committee
Approved by	Executive Team
Distribution list	All boards, all committees, all staff and external consultants

Revision History

Version	Reasons and Changes	Date
Version 0.1	Draft for discussion – Admin week	25 th Jun. 2014
Version 0.2	Issued for ICS Steering Committee review	4 th Sept. 2014
Version 0.3	Issued for Executive Team review	22 nd Sept. 2014
Version 1.0	Executive Team validation	24 th Sept. 2014
Version 1.0	Board presentation	3 rd Dec. 2014
Version 1.1	Policy name change following ICS Steering Committee decision	23 rd Mar. 2015

VI. Appendix 1 – Overall FCP Process



Appendix 2 – Individual certification form

CERTIFICATION

I acknowledge that I have read the DNDi FCP Policy and understand its content.

I understand my obligations to comply with the principles and content of the Policy

I further understand that any violation of the Policy may subject me to disciplinary measures, including dismissal, termination of my relationship with DNDi, or other penalties, as applicable.

Name: _____

Title: _____

Date: _____

Signature: _____