ANTI-FRAUD POLICY AND PROCEDURES

Chairman, Board of Directors

Approved
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Glossary of terms

"Investment-related Activities" means any activity which is funded, administered or supported by the PACT, either with its own resources or those of others.

"Associate" means any party the PACT transacts with (other than a grantee/investee) or that contributes to, or benefits from, Investment-related Activities.

"Grantee/Investee" means any party that executes, implements, bids for, or in any way participates in, Investment-related Activities.

"Fraud" means the intentional, false representation or concealment of a material fact for the purpose of either inducing another to act upon it to his/her injury or obtaining a financial or other benefit.

"Corruption" means a form of dishonest or unethical conduct by a person entrusted with a position of authority, often to acquire personal benefit (including but not limited to gifts, gratuities, favors, invitations, and benefits of any kind)

"Crime" means any act punishable by law.

"Money Laundering" means the process of transforming the profits of crime and corruption into ostensibly "legitimate" assets, knowing that such profit/property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the profit/property.

"Terrorist Financing" means the act of, directly or indirectly, providing or collecting funds with the intention of providing financing or financial support to terrorist individuals or groups in order to carry out terrorist acts.

"Prohibited Practices", in relation to activities of the PACT, its grantees and associates, also include, but are not limited to:

a). “Coercion” meaning the practice of persuading a party to do something, either by using force or threat.

b). “Collusion” meaning an agreement between two or more parties, sometimes illegal and therefore secretive, designed to achieve an improper purpose or benefit, including to improperly influence the actions of another party.

c). “Obstruction” meaning (i) deliberately destroying, falsifying, altering, or concealing evidence material to the PACT investigation; (ii) making false statements to investigators; or (iii) intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation.

d). “Abuse” meaning the theft, misappropriation, or misuse of property, either intentionally or by reckless disregard.

e). “Conflict of interest” meaning a situation in which a party or any of its staff involved in the relevant decision making process has material interests, directly or indirectly, that could, or could be seen to, improperly influence or corrupt its performance of official duties or responsibilities.

f). “Retaliation against whistle-blowers or witnesses” meaning the recommending, threatening, or taking of any distressing or detrimental act against a whistle-blower or witness, or any associated person, because of the report or cooperation with a PACT investigation by the whistle-blower or witness.
STATEMENT

The Protected Areas Conservation Trust (PACT) is strongly committed to cultivating an environment that will promote the advancement of its core mission and to preventing and combating fraud, corruption, money laundering, terrorist financing and other prohibited practices, in accordance with local and international best practice, where appropriate. In that regard, it expects all individuals and entities involved in PACT-related activities to observe the highest standards of ethics and to take appropriate measures to prevent and combat such prohibited practices. The PACT will maintain a zero-tolerance regard.

BACKGROUND

The anti-fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of prohibited practices against the PACT. It is the intent of the PACT to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations. This document should be read in conjunction with the Human Resource/ Personnel Policy, Accounting Policy, and Corporate Governance Statement.

SCOPE OF POLICY

This policy applies to any irregularity, or suspected irregularity, involving employees, directors, officers, associates of the PACT, investment-related activities, and grantees. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the PACT.

POLICY

Management (middle and executive) is responsible for the detection and prevention of prohibited practices and other irregularities. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity. Any irregularity that is detected or suspected must be reported immediately to the Chair of the PACT Finance & Audit Committee, which coordinates all investigations with the appropriate parties, both internal (i.e. Management & Internal Audit) and external.

General requirements of all grantees/associates in relation to Investment-related Activities

The PACT requires all grantees/associates to:

1. adhere to the highest ethical standards;
2. take all appropriate measures to prevent or mitigate fraud, corruption, and other prohibited practices; and
3. refrain from engaging in prohibited practices in connection with Investment-related Activities.

All directors, officers, and employees will be expected to sign off on this policy. All grantees and associates, where relevant, will sign off on it as well (i.e. through the grant/investment agreements and sub-agreements).
ACTIONS CONSTITUTING FRAUD

The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

a). Any dishonest or fraudulent act
b). Disclosing confidential and proprietary information to outside parties
c). Disclosing to other persons, securities activities engaged in or contemplated by the PACT; and/or
d). Any similar or related irregularity, inclusive of all other practices generally prohibited.

OTHER IRREGULARITIES

Other irregularities concerning an employee’s moral, ethical, or behavioral conduct should be resolved by departmental management and the Executive Director, rather than the Chair of the PACT Finance & Audit Committee. If there is any question as to whether an action constitutes fraud, contact the Chair of the PACT Finance & Audit Committee for guidance.

INVESTIGATION RESPONSIBILITIES

The Chair of the PACT Finance & Audit Committee has the primary responsibility for the investigation of all suspected prohibited practices, as defined in the policy. Where deemed necessary, the Chair shall also follow the instructions of the Fund Provider on how to address such allegations, if and where different from the PACT’s procedures. If the investigation substantiates that fraudulent activities have occurred, the Chair of the PACT Finance & Audit Committee will issue reports to appropriate designated personnel and, if appropriate, to the Board of Directors. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and the Board of Directors, as will final decisions on disposition of the case. An estimated amount at which to consider referral to law enforcement is $8K and above, in the event it cannot be resolved.

RESPONSIBILITIES OF PACT GRANTEES/ ASSOCIATES

In order to combat prohibited practices in relation to Investment-related Activities, grantees/associates shall take timely and appropriate measures to:

a). disclose and address conflicts of interest. The grantee/associate shall promptly inform the PACT of such occurrences and follow the necessary PACT instructions on addressing the matter;
b). prevent prohibited practices from occurring, including adopting, implementing, and enforcing appropriate fiduciary and administrative practices to ensure that the funding proceeds are used only for the purposes for which such financing or support was granted. The grantee/associate shall promptly inform the PACT of allegations of prohibited practices found, suspected or alleged;
c). investigate allegations of prohibited practices and report preliminary and final findings of investigations to the PACT;
d). respond to, mitigate, and remedy prohibited practices that are found to have occurred and prevent their occurrence;
c). cooperate fully with the PACT in any PACT investigation into allegations of prohibited practices, and take all appropriate measures to ensure the full cooperation of relevant persons and entities, including allowing the PACT to meet with them and to inspect all of their relevant accounts and records; and

f). ensure that parties sanctioned by the PACT do not participate in Investment-related Activities in violation of their sanction.

RESPONSIBILITIES OF THE PACT

In cases of prohibited practices, in relation to Investment-related Activities, the Chair of the PACT Finance & Audit Committee, shall:

a. notify a grantee/associate of credible and material allegations or other indications of prohibited practices;

b. have the right to investigate allegations independently or in collaboration with competent authorities and/or the grantee/associate;

c. inform the grantee/associate of the outcome of any investigation;

d. have the right to reject or disqualify an investment proposal if it determines that the applicant has directly or indirectly engaged in any prohibited practices;

e. have the right to sanction any grantee for engaging in prohibited practices in accordance with the PACT’s policies and procedures, as may be amended from time to time; sanctions may result in that grantee’s exclusion from participating in an Investment-related Activity indefinitely or for a stated period of time;

f. have the right to impose one or more of the following measures on a grantee:
   i. Reprimand – the PACT may send a formal letter of reprimand of their behaviour;
   ii. Cancellation or suspension – the PACT may cancel or suspend a portion of funding allocated to them but not yet disbursed under a financing agreement or contract for goods or services;
   iii. Exclusion – the PACT may declare a grantee/associate, either indefinitely or for a specified period of time, ineligible:
      1) To be awarded future financing from the PACT;
      2) To be awarded a contract financed by the PACT;
      3) To benefit from a contract financed by the PACT, financially or otherwise (i.e. as a subcontractor); and
      4) To otherwise participate in any Investment-related Activity, in whole or in part;
   iv. Conditional Non-Exclusion – the PACT may require the grantee to comply, within specified time periods, with certain remedial, preventative or other measures as a condition to avoid exclusion. In the event the grantee fails to demonstrate its compliance with the prescribed conditions within the time periods established, exclusion may automatically become effective for a period of time;
   v. Restitution of funds – the PACT may require restitution of improperly used or diverted funds; and

g. have the right to (i) share information on sanctions imposed pursuant to subparagraphs e and f with other local organizations, international organisations, multilateral institutions and competent authorities, and (ii) recognise sanctions determined by other local organizations, international organisations, multilateral institutions and competent authorities, if appropriate.
CONFIDENTIALITY

The Chair of the PACT Finance & Audit Committee treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Chair of the PACT Finance & Audit Committee immediately, and should not attempt to personally conduct investigations or interviews/interviews related to any suspected fraudulent act (see Reporting Procedure section below). Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the PACT from potential civil liability.

AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

The Chair of the PACT Finance & Audit Committee (or appropriate authorized assigns) will have:

a). Free and unrestricted access to all PACT records and premises, whether owned or rented, and, where the PACT has a legal right, to those of grantees/associates; and

b). The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

REPORTING PROCEDURES

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will contact the Chair of the PACT Finance and Audit Committee immediately. Since the PACT operates within the scope of the national protected areas landscape this responsibility extends to our external partners, members of affected communities and the general stakeholder community in the execution of projects. Upon conclusion of investigations, the outcomes, along with the PACT’s recommendations, will be handed over to the relevant grantee/associate for final measures to be taken.

Any PACT Director, Officer or employee who engages in retaliatory conduct against a complainant is liable for disciplinary action including dismissal. Any person who files a complaint must be acting in good faith and have reasonable basis to believe that the information and circumstances reported are a genuine violation of law, regulation or ethical conduct. Unsubstantiated or malicious reporting will be subject to disciplinary action including dismissal for employees of the PACT. Unsubstantiated or malicious reporting from individuals outside of the PACT may be subject to legal recourse. The appropriate personnel will be trained on this policy.

The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Chair of the PACT Finance & Audit Committee, and where appropriate, to the PACT’s legal representative. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: “I am not at liberty to discuss this matter.” Under no circumstances should any reference be made to “the allegation,” “the crime,” “the fraud,” “the forgery,” “the misappropriation,” or any other specific reference.
The reporting individual should be informed of the following:

1). Do not contact the suspected individual in an effort to determine facts or demand restitution.
2). Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Chair of the PACT Finance & Audit Committee.

TERMINATION

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the Board of Directors and, if necessary, by outside counsel, before any such action is taken. The decision to terminate an employee is made by the Board of Directors.

With regards to prohibited practices relating to a grantee/associate, and the recommendation to terminate, the recommendation, as mentioned above, will be handed over to the grantee/associate for final decision and, if deemed appropriate, implementation.

ADMINISTRATION

The Chair of the PACT Finance & Audit Committee is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed, in order for it to remain useful, relevant, and effective.