



Adam Smith
International

Adam Smith International Group

Fraud and Corruption Policy

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Fraud and Corruption Policy

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Part 1

1. Policy statement

- 1.1. Adam Smith International Ltd and all companies in the same group of companies including its parent company, ultimate holding company and its direct and indirect subsidiaries (“**ASI**”) have a zero tolerance of fraudulent and corrupt business practices. ASI is also committed to eliminating the occurrence of fraud and corrupt business practices in relation to its operations. ASI does this through the development, implementation and regular review of its counter fraud and corruption strategies.
- 1.2 ASI seeks to proactively protect the organisation, its clients, its partners and its beneficiaries from instances of fraud, bribery and corruption. This means that ASI:
 - a) will always seek to take disciplinary and/or legal action against those found to have perpetrated, been involved in, or assisted with fraudulent or other improper activities in any of its operations;
 - b) is committed to developing an ethical culture and reducing to the absolute minimum the likelihood of fraud, bribery and corruption occurring in any of its operations;
 - c) expects immediate reporting of any actual or suspected incidents of fraud, bribery and corruption.

2. Policy Principles

- 2.1. The objectives of this fraud and corruption control policy (referred to as the **Policy**) are to:
 - a) explain the relevant principles and procedures for identifying and escalating all suspicions of corruption or fraud;
 - b) protect the integrity of the ASI's decision-making processes, to enable our stakeholders to have confidence in our business dealings, and to protect our reputation;
 - c) to allocate responsibilities for oversight of this Policy and its procedures and the Fraud and Corruption Control Plan; and
 - d) communicate ASI's approach in relation to the prevention, detection and response to acts of fraud and/or corruption.
- 2.2 This Policy is intended to supplement but not replace the ASI Code of Conduct and any applicable fraud or corruption laws.

3. Scope and application of this Policy

This Policy applies to ASI and ASI's business operations globally, including all ASI People¹ engaged by ASI.

- 3.1 This Policy applies to all ASI activities. It also applies to all ASI group entities.
- 3.2 ASI has adopted the following definition of corruption:

“An intentional unlawful act or concealment of an act in which the Personnel wrongfully abuses his/her official position or induces another to wrongfully abuse his/her official position to obtain a benefit or improper advantage.”
- 3.3 “Corruption” may include:
 - conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some

¹ “ASI People” shall include ASI Staff, Officers, Directors, Non-Executive Directors and ASI Associates. Where we refer to “ASI Person” we refer to an individual who falls within one of those categories.

form of improper advantage for the entity either directly or indirectly.

- bribery which is the offering, promising, giving or accepting a financial or other advantage such as money, gifts, loans, fees, hospitality, services, discounts, the award of a contract or anything else of value. It also includes the offering of or acceptance of a facilitation payment.

3.4 ASI has adopted the following definition of fraud:

"An intentional misrepresentation or concealment by personnel of a material fact made for the purpose of personal gain to the detriment of ASI."

3.5 Fraud may include:

- theft of moneys or other property by employees or other persons,
- theft of property belonging to an entity by a person or persons internal to the entity,
- deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.

3.6 Corruption and fraud constitute serious misconduct under ASI's Code of Conduct. Its unethical and amounts to criminal behaviour in the jurisdictions in which we operate.

3.7 ASI will not tolerate retaliation against People for reporting a concern in good faith or for cooperating with a compliance investigation, even when no evidence is found to substantiate the report.

4. Roles and Responsibilities

- 4.1. The **Board** of Adam Smith International Ltd and those of its parent and ultimate parent company are responsible for approving any changes to this Policy proposed by Executive Team of Adam Smith International Ltd (ASI ET) and/or LEC. The **Board** of each ASI company has overall responsibility for this Policy and compliance with it by ASI People working or engaged by that company.
- 4.2. The **Executive Team (ET)** of Adam Smith International Ltd and, where any such ET has been established, the ET for each ASI company is responsible for ensuring that this Policy is maintained and communicated to all ASI People.
- 4.3. The **Legal, Ethics and Compliance** Team (referred to as **LEC** in this Policy) is responsible for maintaining this Policy and ensures that it remains up to date and relevant to all ASI People. LEC also has primary and day-to-day responsibility for implementing this policy, monitoring its use and effectiveness and jointly with the Head of IA&I dealing with any queries about it. LEC will also deliver training on fraud and corruption control. It is the responsibility of the LEC team to work with colleagues to ensure that all reported incidents are, where required, reported to ASI's clients.
- 4.4. The **Head of Internal Audit and Investigations** (referred to as the **Head of IA&I** in this Policy) is responsible jointly with LEC to deal with any queries about the Policy. The Head of IA&I has the primary responsibility for auditing internal control systems and procedures to ensure they are effective in countering bribery and corruption. Head of IA&I is also responsible for ensuring that all reported incidents are appropriately investigated and dealt with.
- 4.5. **All members of ASI's management** including Country Leads, Programme Directors and managers are responsible for ensuring that People are aware of this Policy, how to report any breaches or suspected breaches and that they receive training on fraud and corruption control.
- 4.6. **ASI People** are responsible for reading, understanding, and complying with this Policy and for reporting any breaches or suspected breaches of this Policy.

Part 2

5. ASI's approach to controlling fraud and corruption

Methodology

- 5.1. ASI has adopted a clear methodology and approach to fraud and corruption prevention, detection, investigation and reporting. Please refer to ASI's Fraud and Corruption Control Plan and Investigation Manual. This approach is based on recognised international standards and best practices for combating fraud and corrupt conduct.
- 5.2. ASI's zero-tolerance approach to fraud and corruption must be communicated to all partners, suppliers, advisers and other third parties with whom ASI works (referred to as **Third Parties** in this Policy) at the outset of our business relationship with them and as appropriate thereafter. ASI will also ensure that commitments to adhere to all applicable laws relating to fraud and corruption are included in all contracts with Third Parties and any breaches of such provisions will lead to termination of contracts.
- 5.3. The Head of IA&I will undertake audits of ASI's programmes and will also lead on investigations in accordance with ASI's Investigation Manual.
- 5.4. ASI will ensure that all ASI People have access to training. ASI will also ensure that ASI People are aware of the fraud and corruption reporting procedures and actively encouraged to report suspected fraud or corrupt practices through the appropriate channels. ASI People should consult ASI's Speak Up Policy.
- 5.5. All information about suspected fraudulent or corrupt conduct will be collected, classified and handled appropriately having regard to privacy, confidentiality, legal professional privilege and the requirements of procedural fairness and natural justice.
- 5.6. In the event that a proven incident involving fraud or corrupt conduct impacts a client, partner or provider, ASI will provide the affected entity with a report of the findings of the internal investigation once that investigation is complete.

Expectations

- 5.7. ASI has the following expectations:
 - a) ASI People are expected to act in accordance with the ASI Code of Conduct at all times. This requires that they always operate in a professional and ethical manner, follow legal requirements, care for property, and maintain and enhance the reputation of ASI;
 - b) ASI People who have involvement in financial matters are expected to check all financial records in accordance with ASI's standard financial processes to minimise the risks of any fraud or corruption being missed;
 - c) ASI People are expected to remain vigilant to any suspected fraudulent behaviour or corrupt practice that may be occurring around them and are expected to report such instances and fully cooperate with any investigations and the implementation of control strategies;
 - d) ASI People who become aware of suspected fraudulent or corrupt conduct must report the matter in accordance with this Policy and the Speak Up Policy;
 - e) ASI People must maintain confidentiality with regard the details of any internal investigation into alleged fraud or corruption of which they have knowledge; and
 - f) Managers must uphold and monitor fraud and corruption control strategies within their area of responsibility.
- 5.8. Any failure by Personnel to comply with this Policy may result in disciplinary action or termination.
- 5.9. Examples of fraud and corrupt activities are listed in the Annex to this Policy.

Dealing with Public Officials

- 5.10. ASI generally prohibits the provision of money, gifts, entertainment or anything else of value to any government or public officials for the purpose of influencing such officials in order to obtain or retain business or a business or commercial advantage, or otherwise in relation to decisions that may be seen as beneficial to ASI's business interests. However, there may be rare occasions for programmatic reasons where per diems may be provided to Public Officials. ASI has established clear processes to identify, disburse and monitor such payments.
- 5.11. From the perspective of anti-bribery and corruption legislation, public sector interactions are perceived as giving rise to a greater risk of bribery in relation to winning contracts, obtaining favours or political influence. A **Public Official** is anyone paid directly or indirectly by the government or performing a public function, including officials of state-owned enterprises, regulators and public international organisations. This could even be a tribal leader or village elder. This term also encompasses officials of a political party, magistrates and judges. It is not necessary for the individual to be a politician or a high-ranking decision-maker.
- 5.12. Given the nature of our sector and the types of programmes we deliver, ASI People may be required to deal with Public Officials as part of programme delivery. Whilst this may be an important and unavoidable part of programme delivery, particular care is required in relation to any dealings with governments, government agencies, or government owned or controlled businesses, especially where a contract is already held with the relevant government or government entity and/or you are pitching for business from that government or government entity. Anti-bribery and corruption legislation applies stricter standards to public sector corruption, and any breaches involving Public Officials may expose ASI to greater risk of prosecution.
- 5.13. ASI People are at particular risk of being asked to make unofficial payments (known as **Facilitation Payments or grease payments**) in some of the jurisdictions in which we work². A Facilitation Payment is a payment made to a public official to circumvent or influence routine governmental administrative controls. Administrative Fees for expediting government services are not prohibited payments, provided that such fees are identified in the authorized written instructions of the relevant authorities and a proper receipt is retained for such payment. Examples include additional fees paid for express passport or visa applications.
- 5.14. Facilitation Payments are not permissible under this Policy. ASI People must avoid any activity that might lead to facilitation payment being made or accepted directly or on behalf of ASI, or that might suggest that such a payment will be made or accepted. ASI People should always ask for a receipt which details the reason for the payment and if there are any suspicions or concerns regarding the payment, ASI People should write to legal@adamsmithinternational.com.
- 5.15. ASI acknowledges that the giving and receiving of nominal benefits (such as small gifts, meals and entertainment) is a common business practice and is intended to strengthen and build long term business relationships. However, before a benefit (whether given or received) can be considered proper and legitimate under this Policy, certain criteria must be met. In general, the benefit in question must be proportionate and fall within the scope of permitted gifts and hospitality as set out in ASI's Gifts and Hospitality Policy.

The following principles apply:

- a) Lavish gifts, entertainment or travel expenses, particularly where they are disproportionate, frequent or provided in the context of ongoing business negotiations can be used to influence or induce a person to act improperly, and therefore constitute a bribe.
 - b) As a general rule, ASI does not believe that giving and receiving gifts is appropriate to the efficient conduct of its business. However, all ASI People should familiarize themselves with the required approval processes and forms set out in ASI's Gifts and Hospitality Policy.
 - c) Cash or gifts that are cash equivalent such as shopping vouchers must never be given or accepted.
- 5.16. Administrative Fees for expediting government services are not prohibited payments, provided that such fees are identified in the authorized written instructions of the relevant authorities and a proper receipt is retained for such payment. Examples include additional fees paid for express passport or visa applications.

² ASI workers should review the FAQs on facilitation payments which appear on the LEC Sharepoint site.

- 5.17. ASI recognizes that there are circumstances in which relationships with third parties such as advisors, clients, consultants, agents, business partners, subcontractors and grantees will be required for the delivery of projects. However, public corruption often occurs when organisations use third parties as intermediaries to obtain business or influence action on their behalf. Further, Anti-corruption Laws do not always differentiate between acts made by an organisation or by someone acting on its behalf. As such, ASI could face liability under Anti-corruption Laws based on improper payments made by its subsidiaries, joint venture or other business partners, agents, consultants, advisors, suppliers, subcontractors and grantees or anyone performing services on ASI's behalf, regardless of whether ASI had any knowledge of the improper payments.

For that reason, we need to be certain that we only deal with third-party intermediaries who are prepared to apply the same standards of business conduct as ASI does itself. In those circumstances where third-party relationships are required, the ASI must them very carefully. Prior to entering into an agreement with any such third-party, appropriate due diligence must be performed in accordance with the ASI's current policies and procedures with regard to the due diligence including the Third Party Screening Manual.

6. Reporting instances or suspicion of fraud and/or corruption

- 6.1. Reporting responsibilities:
- a) Reports of suspected fraud or corruption must be escalated in accordance with ASI's Speak Up Policy;
 - b) All incidents are to be investigated in accordance with the ASI Investigation Manual, which require a preliminary investigation (to ascertain whether there are sufficient grounds to launch an investigation), establishment and sign off of terms of reference and conduct of a formal investigation;
 - c) The extent to which a report can be investigated will be limited by the details contained in the report. For a report to be investigated, it must contain sufficient information to form a reasonable basis for investigation;
 - d) The extent of the investigative effort will be shaped by the severity of the alleged wrongdoing; and
 - e) Whistleblowers must be protected and reassured that the investigation will be conducted in accordance with the principles of fairness and confidentiality and ASI's Speak Up Policy.
- 6.2. Notification of the findings of the investigation will be shared with any impacted entities including all clients and prime contractors as well as police and any relevant regulatory bodies following review by ASI's Head of LEC.

7. Record keeping

- 7.1. ASI must keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.
- 7.2. All ASI People must declare and keep a written record of all hospitality or gifts given or received, which will be subject to managerial review.
- 7.3. All ASI People must submit all expenses claims relating to hospitality, gifts or payments to third parties in accordance with ASI's expenses policy and record the reason for expenditure.
- 7.4. All accounts, invoices, and other records relating to dealings with third parties including clients, partners, suppliers and advisers should be prepared with strict accuracy and completeness. Accounts must not be kept "off-book" to facilitate or conceal improper payments.

8. Consequence of non-disclosure

- 8.1. Breaches of this Policy may have serious legal and reputation repercussions and could cause material damage to ASI. Consequently, breaches can potentially lead to disciplinary action that could include summary dismissal and to legal sanctions, including criminal penalties.

- 8.2. All ASI People are expected to promptly and fully report any significant breaches of the Policy. Reports should be made following the procedures set out in the Speak Up Policy. Reports made in good faith by someone who has not breached this Policy will not reflect badly on that person or their career at ASI.
- 8.3. If there is a failure to make the required timely disclosure and ASI becomes aware of an instance of conflict of interest that ought to have been disclosed by ASI People, the LEC team will assess the severity of the situation and, if appropriate, may suggest suitable disciplinary action to the P&T team, as per the relevant Person's terms of employment or engagement and the applicable disciplinary action guidelines.
- 8.4. ASI People who are employees and fail to report a known or suspected conflict of interest will also be subject to ASI's disciplinary process.

9. Reporting and corruption concerns

- 9.1. If any ASI Person believes they have experienced or witnessed unethical behaviour in relation to conflicts of interest, they have a responsibility to report it. Please follow the processes set out in the Speak Up Policy
- 9.2. For anonymous reporting, please use the ASI Speak Up hotline:
Email: adamsmith@safecall.co.uk
Web: www.safecall.co.uk/report
Call: +44 191 516 7749 from anywhere in the world

10. Related Documents

The following are related documents and are all available on the LEC SharePoint site:

- All applicable Codes of Conduct
- Gifts and Hospitality Policy
- Speak Up Policy
- Procurement Policy
- Fraud and Corruption Response Plan
- Investigation Manual
- Third Party Screening Framework
- Guidelines and FAQs on and examples of fraud and corruption (available on the LEC SharePoint site)
- Conflict of Interest Policy

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Who does this policy apply to:	All ASI People

Annex

1. The following list, whilst not exhaustive, provides examples of conduct that may constitute fraud:
 - a) Theft of equipment or consumables by employees.
 - b) Theft of controlled drugs by employees.
 - c) False invoicing (involving staff or client personnel creating a fictitious invoice claiming payment for workshops or other services not provided).
 - d) Theft of funds other than by way of false invoicing.
 - e) Theft of petty cash.
 - f) Accounts receivable fraud (misappropriation or misdirection of remittances received by an entity from a debtor).
 - g) Theft of intellectual property or other confidential information.
 - h) Financial reporting fraud (falsification of the entity's financial statements with a view to obtaining some form of improper financial benefit).
 - i) Release or use of misleading or inaccurate information for the purposes of deceiving, misleading or to hide wrongdoing.
 - j) Misuse of position by employees in order to gain some form of financial advantage.
2. The following list, whilst not exhaustive, provides examples of the types of conduct that would be included within the company's definition of corruption:
 - a) Payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the receiver (e.g. building projects completed at an employee's private residence) and may relate to a specific decision or action by the receiver or generally.
 - b) Accepting an unusually generous gift or offered lavish hospitality by a third party;
 - c) Processing payments in a country where neither the third party resides nor delivers the project.
 - d) Release of confidential information for other than a proper business purpose in exchange for some form of non-financial benefit or advantage accruing to the employee releasing the information.
 - e) Serious conflict of interest involving an employee acting in his or her own self-interest rather than the interests of the company (e.g. failing to declare an interest in a transaction the entity is about to enter into).
 - f) Assisting an unqualified individual to obtain a position with ASI where the appointee is inadequately qualified to perform the role to which he or she has been appointed (i.e. nepotism or cronyism).
 - g) Falsifying documentation or making false statements in order to satisfy compliance requirements. third party requests an unexpected additional fee or commission to "facilitate" a service;
 - h) Falsifying invoices or accepting forged invoices and sending them for processing.
 - i) Kick-backs³ from providers.

³ payments made in return for a business favour or advantage.

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