

Anti-Fraud, Corruption & Bribery Policy



Last Update: May 2017

Policy Statement

It is the policy of Climate-KIC group (“**Climate-KIC**”, “**we**”, “**us**” or “**our**”) to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to fraud, corruption and bribery and are committed to acting professionally, fairly and with integrity in all our relationships and business dealings wherever we operate and to implementing and enforcing effective systems to prevent, detect and counter fraud, corruption and bribery.

We will uphold all laws and regulations relevant to countering fraud, corruption and bribery in all the jurisdictions in which we operate. For the avoidance of doubt, regardless of the guidelines and procedures set out herein, Climate-KIC and those persons working for and with us each have an overriding obligation to comply with applicable local laws and regulations at all times.

The purpose of this policy is to:

- (a) set out Climate-KIC’s responsibilities, and of those working for Climate-KIC, in observing and upholding Climate-KIC’s position on fraud, corruption and bribery; and
- (b) provide information and guidance to those working for and with us (including partners) on how to recognise and deal with fraud, corruption and bribery issues.

Fraud, corruption and bribery may be punishable for individuals by imprisonment and/or a fine. As an employer if we fail to prevent fraud, corruption and bribery we may face an unlimited fine, exclusion from tendering for contracts, substantial damage to our reputation and other consequences. Further, as the primary source of funding for our activities and that of partners performing activities included in the annual Specific Grant Agreement(s) with the European Institute of Innovation and Technology (**EIT**) is taxpayer funds, we therefore take our responsibilities very seriously.

Principles

Ethics and transparency are key concerns for Climate-KIC. Climate-KIC is fully committed to ensuring that these principles are properly applied. Climate-KIC and those working for or with us (including partners) must pursue the highest standards of honesty, propriety and integrity in the exercise of their duties. This needs to be visible to the whole Climate-KIC community and our external stakeholders.

Climate-KIC will not tolerate fraud, irregularities, impropriety or dishonesty. In respect of the EIT grant, Climate-KIC will report, without delay, any instance of suspected fraud to OLAF which is exclusively competent to investigate those cases.

Climate-KIC will take all actions and adopt all measures as appropriate against anyone defrauding or attempting to defraud Climate-KIC and/or stakeholders' assets and resources. In all such cases, Climate-KIC will cooperate fully with relevant authorities and institutions.

Risk Assessment

Climate-KIC has carried out an internal risk assessment in relation to fraud, corruption and bribery with full participation of the Executive Board. The objective of such risk assessment was to document the key fraud, corruption and bribery risks and produce a priority list as follows:

- Use of EIT (or CKIC) funds by partners,
- Conflicts of interest and impartiality of assessment,
- KAVA, direct grant and time allocations
- Goods and services procurement, and
- Recruitment

To address these risks we have taken or will undertake the following steps:

- (a) revision of Climate-KIC policies including Anti-Fraud, Corruption and Bribery Policy, Conflict of Interests and Gifts Policy and Procurement Policy;
- (b) implementation of Climate-KIC Delegation of Authorities, Consulting/Contracting Policy and Buying Conditions;
- (b) ongoing review of risk assessment exercise; and
- (c) required training from time to time for senior management, finance directors, those with authority for financial approvals and others.

In this policy, **third party** means any individual or organisation you come into contact with during the course of your work for us, and includes EIT, partner organisations, funders, actual and potential clients, customers, suppliers, service providers, distributors, business contacts, agents, advisers, and government and public bodies, including their advisors, representatives and officials, politicians and political parties.

We may amend this policy at any time.

Who Is Covered by the Policy?

This policy applies to all individuals working at all levels and grades within the Climate-KIC group including senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff (including those employed by a partner), homeworkers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us or for us, or any of our group entities or their employees, wherever located (collectively referred to as **Climate-KIC people** and individually **Climate-KIC persons** in this policy).

What is Fraud (or an Irregularity)?

As taken from Article 1 of the Convention for the Protection of European Communities' Financial Interests, **Fraud** means:

- (a) in respect of expenditure, as any intentional act or omission relating to:
 - (i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriate or wrongful retention of funds from the general budget of the Community or budgets managed by, or on behalf of, the Community;
 - (ii) non-disclosure of information in violation of a specific obligation, with the same effect; and
 - (iii) the misuse of such funds for purposes other than those for which they were originally granted;
- (b) in respect of revenue, any intentional act or omission relating to:
 - (i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effects the illegal diminution of the resources of the general budget of the Community or budgets managed by, or on behalf of, the Community;
 - (ii) non-disclosure of information in violation of a specific obligation, with the same effect;
 - (iii) misuse of a legally obtained benefit, with the same effect".

Therefore, the **concept of fraud covers not only, any infringement of the financial interests of the EU but also misbehaviour that may not have a direct effect on the EU's financial interests – for example reputational impact, concealment of material facts, security breaches of IT systems, cyber fraud and conflicts of interest that has not been declared intentionally. Favouritism and collusion are also included in the definition of fraud.**

Irregularity is "any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure"¹.

What is Corruption? What is Bribery?

Corruption is the **abuse of entrusted power or position for private gain**. For example, favouring the funding of partners or projects which involve persons or entities in which you have a personal interest such as a shareholding, management/advisory position or other relationship. The Conflicts of Interest and Gifts Policy is important for identification of situations where there is a risk of a conflict and/or corruption. Please also refer to 2013 research study "Identifying and reducing corruption in public procurement in the EU" as commissioned by the EC (via OLAF).

¹ Article 1(2) of Regulation (EC, Euratom) No 2988/95

A **bribe** is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage.

Examples:

Offering a Bribe

You offer a vote in favour of KAVA inclusion to a partner, but only if they agree to employ your niece (or you following departure from Climate-KIC).

This would be a bribery offence as you are making the offer to gain a personal advantage. It may also be an offence for the a partner to accept your offer.

Receiving a Bribe

A third party supplier agrees to support your spouse's initiative or company (or gives you or a person connected to you some other advantage), but makes it clear that in return they expect you to use your influence in our organisation to ensure a consulting contract.

It is an offence for a partner to make such an offer. It would be an offence for you to accept the offer as you would be doing so to gain a personal advantage.

Bribing a Foreign Official

You arrange for the organisation to pay an additional payment to a foreign official to speed up an administrative process, such as a cost reporting review.

The offence of bribing a foreign public official has been committed as soon as the offer is made. This is because it is made to gain a business advantage for us. We may also be found to have committed an offence.

Hospitality and Gifts

Subject to the further terms of the Conflicts of Interest and Gifts Policy, this policy does not prohibit reasonable and appropriate hospitality (given and received) to or from third parties and the giving or receipt of gifts, provided that this is done in accordance with normal business practices. However, for the avoidance of doubt, **in accordance with the terms and conditions of the conflicts of interest and gifts policy, all Climate-KIC people must declare any gifts or hospitality received where the value of each such gift or hospitality is more than €75.**

Normal and appropriate hospitality and gifts would include where the hospitality or gift:

- (a) is not made with the intention of influencing a business decision , or to reward the provision or retention of business a business advantage, or in explicit or implicit exchange for favours or benefits;
- (b) complies with local law;
- (c) is given in our name, not in your name;

- (d) does not include cash or a cash equivalent (such as gift certificates or vouchers);
- (e) is appropriate in the circumstances (for example, it may be customary for small gifts to be given at Christmas time);
- (f) taking into account the reason for the gift, is of an appropriate type and value and given at an appropriate time;
- (g) is given openly, not secretly; and
- (h) is not offered to, or accepted from, government officials or representatives, or politicians or political parties, without the prior approval of the CFO or General Counsel.

Promotional gifts of low value such as branded stationery to or from existing customers, suppliers and business partners will usually be acceptable.

The test to be applied is whether in all the circumstances the gift, hospitality or payment is reasonable and justifiable. The intention behind it should always be considered.

What is Not Acceptable?

It is not acceptable for you (or someone on your behalf) to:

- (a) give, promise to give, or offer, a payment, gift or hospitality or other advantage with the expectation or hope that a business or personal advantage will be received, or to reward a business or personal advantage already given;
- (b) give, promise to give, or offer, a payment, gift or hospitality or other advantage to a government official, agent or representative to "facilitate" or expedite a routine procedure;
- (c) accept payment or other advantage from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage (eg inclusion in KAVA) for them;
- (d) accept a gift or hospitality or other advantage from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage (eg lucrative consulting contract) will be provided by us in return;
- (e) threaten or retaliate against another Climate-KIC person who has refused to commit an act of fraud or corruption or a bribery offence or who has raised concerns under this policy; or
- (f) engage in any activity that might lead to a breach of this policy.

Facilitation Payments and Kickbacks

We do not make, and will not accept, facilitation payments or "kickbacks" of any kind.

Facilitation payments are typically small, unofficial payments made to secure or expedite a routine government action by a government official.

If you are asked to make a payment on our behalf, you should always be mindful of what the payment is for and whether the amount requested is proportionate to the goods or services provided. You should always ask for a receipt which details the reason for the payment. If you have any suspicions, concerns or queries regarding a payment, you should raise these with the CFO or General Counsel. Alternatively, you may report such suspicions or concerns via the third party whistle blowing service. This is currently provided by Expolink and is anonymous, free to call (or email) and confidential. Contact details can be found on Sharepoint.

Kickbacks are typically payments made in return for a business favour or advantage and may include any proposed payments to Climate-KIC by third parties in order to secure additional funding.

All Climate-KIC people must avoid any activity that might lead to, or suggest, that a facilitation payment or kickback will be made or accepted by us.

Donations

We do not make charitable donations or contributions to political parties.

Your Responsibilities

You must ensure that you read, understand and comply with this policy. Senior managers, finance directors and those with authority for financial approvals will be asked to complete additional training from time to time and certify such completion.

The prevention, detection and reporting of fraud, corruption and briber are the responsibility of all those working for us, under our control and with us. All Climate-KIC people are required to avoid any activity that might lead to, or suggest, a breach of this policy.

You must notify the CFO or General Counsel as soon as possible if you believe or suspect that a breach of this policy has occurred, or may occur in the future. Alternatively, you may report such belief or suspicion of a breach via the third party whistle blowing service (currently provided by Expolink – contact details on SharePoint). For example, if a colleague indicates that they have been offered something in order for a partner or third party to gain an advantage with us or funding/KAVA inclusion from us, or indicates to you that they expect a gift or payment is in exchange for securing funding to a third party. Further "red flags" that may indicate fraud, corruption or bribery are set out at the end of this policy.

Any employee who breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct.

Record-keeping

We must keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties including partners.

Subject to the further terms of the group conflicts of interest and gifts policy, you must declare (see conflicts of interest and gifts declaration form) and keep a written record of all hospitality or gifts accepted or offered, which will be subject to review.

You must ensure all expenses claims relating to hospitality, gifts or expenses incurred to third parties are submitted in accordance with our expenses policies and specifically record the reason for the expenditure.

All accounts, invoices, memoranda and other documents and records relating to dealings with third parties, such as partners, suppliers, clients, start-ups and other business contacts, should be prepared and maintained with strict accuracy and completeness. No accounts must be kept "off-book" to facilitate or conceal improper payments.

How to Raise a Concern

You are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If you are unsure whether a particular act constitutes bribery or corruption, or if you have any other queries, these should be raised with the CFO or General Counsel or via the whistle blowing service (currently provided by Expolink – details on Sharepoint).

What to do if you are a victim of fraud, corruption or bribery

It is important that you tell the CFO or General Counsel as soon as possible if you suspect fraud or corruption or are offered a bribe by a third party, are asked to make one, suspect that this may happen in the future, or believe that you are a victim of another form of unlawful activity. Alternatively, you may report the issue via the whistle blowing service (currently provided by Expolink – details on Sharepoint).

Protection

Climate-KIC people who refuse to act in a fraudulent or corrupt manner or refuse accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.

We are committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in fraud, corruption or bribery, or because of reporting in good faith their suspicion that an actual or potential fraud, corruption, bribery or other offence has taken place, or may take place in the future. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the CFO, General Counsel or report via the third party whistle blowing service immediately. If the matter is not remedied, and you are an employee, you should raise it formally using the appropriate grievance procedure.

Training and Communication

All senior managers, finance directors and those with authority for financial approvals will receive training from time to time on how to implement and adhere to this policy.

Our zero-tolerance approach to fraud, corruption and bribery must be communicated to all partners, suppliers, contractors, agents and business and other partners at the outset of our relationship with them and as appropriate thereafter.

Who is Responsible for the Policy?

Senior managers who act as geography heads as well as theme directors have primary and day-to-day responsibility for implementing this policy in the applicable geography or theme, monitoring its use and effectiveness and ensuring that all those under their control comply with it.

General Counsel will deal with any queries on its interpretation.

Management at all levels are responsible for ensuring that those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

You are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to General Counsel.

Monitoring and Review

The CFO, General Counsel and senior managers who act as geography heads as well as theme directors will monitor the effectiveness and review the implementation of this policy in the applicable local geography or theme, regularly considering its suitability, adequacy and effectiveness. Any suggested improvements identified should be notified to General Counsel. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

All Climate-KIC people are responsible for the success of this policy and should ensure they use it to disclose any suspected danger or wrongdoing.

Further Potential Risk Scenarios: "Red Flags"

The following is a list of possible red flags that may arise during the course of you working for or with us and which may raise concerns under various anti-fraud, corruption and bribery laws. The list is not intended to be exhaustive and is for illustrative purposes only.

If you encounter any of these red flags while working for us, you must report them promptly to the CFO or General Counsel or report via the third party whistle blowing service (note third parties includes partners):

- (a) you become aware that a Climate-KIC person or a third party engages in, or has been accused of engaging in, improper business practices;
- (b) you learn that a Climate-KIC person or a third party has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a "special relationship" with foreign government officials;
- (c) a Climate-KIC person or a third party promises you an advantage if you secure or agree to approve certain grants, projects or other proposals;
- (d) a Climate-KIC person or a third party insists on receiving a commission or fee payment before committing to sign up to a contract with us, or carrying out a government function or process for us;

- (e) a Climate-KIC person or a third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;
- (f) a Climate-KIC person or a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- (g) a Climate-KIC person or a third party requests an unexpected additional fee or commission to "facilitate" a service;
- (h) a Climate-KIC person or a third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services;
- (i) a Climate-KIC person or a third party requests that a payment is made to "overlook" potential legal violations;
- (j) you receive an invoice from a Climate-KIC person or a third party that appears to be non-standard or customised;
- (j) a Climate-KIC person or a third party insists on the use of side letters or refuses to put terms agreed in writing;
- (k) you notice that we have been invoiced for a commission or fee payment that appears large given the service stated to have been provided; or
- (l) a Climate-KIC person or a third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to us.

