

# ACAD Company for Financing and Development Code of Ethics

Draft

February 2015

(Approved by the BoD on the 10/02/2015)

## Contents

1	Introduction .....	1
2	Core Values and Principles.....	2
3	Ethics and Internal Relations .....	4
4	Ethics and External Relations.....	9
5	Compliance with the CoE.....	13
6	Sanctions .....	15
7	How to update the CoE.....	16

## Abbreviations

ACAD Finance	Arab Center for Agricultural Development Company for Financing and Development
BoD	Board of Directors
CoE	Code of Ethics
HR	Human Resources
MD	Managing Director

## 1 Introduction

### 1.1 Objectives and Audience

This Code of Ethics (CoE) establishes the ethical principles and norms of behavior that should govern the internal and external relations at ACAD Finance. It provides all employees with general guidelines how to behave and perform daily tasks in accordance with the approved internal regulations and unwritten rules of ACAD Finance. It is mainly designed to:

- Ensure that ACAD Finance adheres to the highest standards of responsible business practice in its interactions with each stakeholder;
- Promote the institutional culture among employees and facilitate faster decision-making at all levels of the institution;
- Ensure an uniform understanding and implementation of ethics by ACAD Finance,
- Create and retain a positive image of ACAD Finance in the environment in which it works.

This CoE provides ACAD Finance with more details about how its values apply in the workplace, including guidance for value-based decision making. The CoE is an important reference point for current and future policies. It is a complement to the rules and provisions required by the Palestinian laws.

The CoE is addressed to all members of the institution, regardless of the type of activity they perform, the type of contract they have (permanent/ temporary, part time/ full time) and their powers or responsibilities: all ACAD Finance Board of Directors members (BoD), managers and employees are obliged, without exceptions, to respect the corporate values and ethical principles embedded into this CoE.

### 1.2 Dissemination

In order to ensure that all staff knows the CoE, ACAD Finance expects all its employees and BoD members to read and understand the Code of Ethics and to become familiar with their role in relation to the CoE. To this end, the CoE will be formally presented to the employees, partners and stakeholders. It will be part of the training curricula and of the orientation of new employees and a copy of it will be delivered to each employee who will have one week's time to read and sign it<sup>1</sup>. Employees could be sporadically tested about the CoE contents. The Code is public and available to all clients, in all the company premises and at the company web site. The internal auditor monitors compliance with the CoE.

---

<sup>1</sup>By signing it, the employees make the promise to uphold its standards.

## 2 Core Values and Principles

### 2.1 Social Mission

The social mission of ACAD Finance is to provide sustainable efficient financial services to small farmers, women, low-income families, mainly in rural areas, to contribute to poverty alleviation and economic development of Palestine. ACAD Finance promotes the following values: accountability, professionalism, integrity, empowerment and transparency.

### 2.2 Corporate Values

ACAD Finance has adopted a set of core values and has developed its organizational culture, priorities and decision-making framework on the basis of these values. ACAD Finance's stakeholders and staff share these values and are committed to ensuring that they are practiced across the company.

Accountability	<ul style="list-style-type: none"> <li>•ACAD Finance is committed to being accountable to all of its stakeholders for its financial, operating and social performance. ACAD-Finance will implement USSPM, provide information on a timely basis, execute its annual and business plans and hold its employees accountable to their performance goals. Ultimately, ACAD-Finance is accountable to its clients through its ability to attract and retain them by providing high quality customer service.</li> </ul>
Professionalism	<ul style="list-style-type: none"> <li>•ACAD-Finance holds itself to the highest standards of professionalism and encourages all employees to do so. Performance evaluation includes a measure of professional conduct when interacting with clients, colleagues and the community.</li> </ul>
Integrity	<ul style="list-style-type: none"> <li>•ACAD-Finance's practices integrity across all levels of the organization. Management of the business and its employees is conducted with integrity by behaving honestly, with consideration for others, with respect for professional obligations, and with regard for legal and regulatory requirements. Staff is committed to deep respect and honesty when dealing with clients.</li> </ul>
Social Responsibility	<ul style="list-style-type: none"> <li>•ACAD-Finance empowers its clients, staff and other stakeholders to be socially responsible for promoting the economic development of Palestine. ACAD-Finance endorses the SMART Campaign CPP. By financing women and families living in rural areas, ACAD-Finance hopes to empower local communities by creating jobs and increasing their income .</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>•ACAD-Finance is committed to transparency in both external and internal communication and reports financial and social information to the MIX Market. To reflect its commitment to transparency to its clients, ACAD-Finance has endorsed the Microfinance Transparency Principles and ensures that clients are fully informed about the pricing prior to receiving a loan.</li> </ul>

## 2.3 General Principles

In addition to the core values indicated above, internal conduct, as well as relationship with customers, staff, partners, shareholders and community and environment at ACAD Finance, is guided by the following general principles that apply transversally to the different sections of this CoE:

- Quality of services: ACAD Finance primarily provides microfinance services that are grounded in sound financial discipline and adopted to clients' needs and preferences.
- Financial and Social Performance: ACAD Finance is committed to developing processes and services and adopting behaviors and standards that ensure social and financial performance and client protection.
- Environmental Performance: ACAD Finance respects environment and promote environmental attitude and awareness among its employees and partners.
- Equality and non-discrimination: ACAD Finance is committed to adopt the principles of fairness, equality, equal opportunities and non-discrimination or favoritism when lending or hiring. All written and unwritten rules of ACAD Finance have to be in accordance with this principle. Moreover ACAD Finance values and encourages diversity, since it allows different perspectives and viewpoints to emerge.
- Working as a team: ACAD Finance believes that as a team, the institution can achieve much greater success than as individuals. ACAD Finance values teams within and across business units, headquarter and branches.
- Confidentiality: ACAD Finance keeps sensitive information confidential and respects privacy of people.
- Avoid conflicts of interest: A conflict of interest can arise between personal interest and ACAD Finance's corporate interests or interests of others ACAD Finance business partners, project partners or target groups. Conflict of interest shall be immediately reported to the line manager and resolved.
- Prohibition of abuse and harassment: ACAD Finance does not tolerate any form of harassment and shall create a work and business environment that is free of harassment and intimidation. Harassment will be thoroughly investigated and severely sanctioned

## 3 Ethics and Internal Relations

### 3.1 ACAD Finance's relationship with staff

*ACAD Finance has the highest consideration for the dignity of its employees. ACAD Finance recognizes that there are obligations related to individual rights and strives to ensure that all employees have a dignified experience in their interactions with ACAD Finance*

- **Compliance:** ACAD Finance will fulfill contractual agreements and will respect the labor law in the country and any provision included in the HR Manual.
- **Respect and no abuse:** ACAD Finance respects all its employees and has the highest consideration for the dignity of its employees; it promotes mutual respect. Any abuse of any employee by anyone, including supervisors, coordinators or BoD members is strictly forbidden.
- **Privacy and Confidentiality:** ACAD Finance respects employee privacy and will only collect and retain personal information from employees that is required for the effective operation or as required by law. ACAD Finance protects the information provided by employees, keeps it confidential and releases it only to those who have a legitimate need/authorization to know.
- **Non-discrimination:** ACAD Finance's hiring, promotion and compensation policies are based on merit and are free from discrimination. Any decisions are based on objective reasons and criteria without discrimination in terms of race, gender, religion, culture, social status, political beliefs, sexual orientation or any other characteristic.
- **Equal treatment and opportunities:** ACAD Finance provides equal treatment to all its employees in the different business units and positions. It is committed to adopt the principle of equality and equal opportunities.
- **Adequate and safe working environment:** ACAD Finance strives to provide its employees with an adequate, healthy and safe working environment and with timely material, equipment and adequate tools for the development of their work. ACAD Finance ensures working venues that are comfortable, clean, and adequate to prevent accidents and occupational diseases and free of snuff smoke or other toxic substances that damage physical and mental health. ACAD Finance shall take all reasonable measures to prevent workplace accidents and injuries.
- **Workload:** ACAD Finance will encourage a fair distribution of work among employees and different areas and ensures that employees carry out manageable and sustainable workloads
- **Adequate training and promotion of personal development:** ACAD Finance will encourage and help its employees to develop to their full potential and will provide its staff with adequate training and opportunities for personal development. ACAD Finance shall facilitate the development of people through adequate training, coaching and mentoring, and on-the-job assignments. ACAD Finance promotes career plans and in case of vacancies gives priority to internal applications.
- **Fair performance evaluation:** ACAD Finance shall participate constructively and objectively in performance evaluation processes. This shall include clear and transparent communication

of criteria to all the employees, being consistent and giving and receiving feedback responsibly.

- Staff representative and collective bargaining: ACAD Finance respects employees' right to freedom of association, of having staff representative and third party consultation and collective bargaining where allowed by the national law.

### 3.2 Staff's relationship with ACAD Finance

*ACAD Finance's success, as well as its corporate image and reputation depend on the professionalism, commitment and ethical behavior of its employees. Staff shall protect ACAD Finance's identity as its own identity and commit to ensure the achievement of the financial, social and environmental objectives of ACAD Finance*

All of the existing and future staff will confirm in writing the understanding of and compliance with the standards of professional conduct stated in the CoE document.

**As employees at ACAD Finance we commit with the followings standards of professional conduct:**

- Social commitment: we are aware, promote and implement the mission, vision and corporate values of ACAD Finance.
- Compliance with rules and policies: regardless of our hierarchical position and function, we comply with all the rules and regulations of ACAD Finance and operate in lines with policies and procedures.
- ACAD Finance's Image and reputation: we make all possible efforts to protect ACAD Finance's reputation and image; we do not engage in any activity and behavior that could potentially affect ACAD Finance's reputation; we do not represent ACAD Finance with negative statements that could harm its reputation when interacting with both internal and external parties.
- Use of ACAD Finance's assets: we shall treat ACAD Finance's property, equipment and other physical assets with care and respect, avoiding any improper use, losses or theft. Improper use also occurs when an employee uses the company property or information for personal gain or advantage<sup>2</sup>, or for the advantage of others outside the company, such as friends or family members. Assets to which we have legitimate access, such as laptop computers, shall not be used unreasonably for purposes other than ACAD Finance's business.
- Protect ACAD Finance's Intellectual Property: we shall treat ACAD Finance's intellectual property as a valuable business asset, and disclose information on ACAD Finance intellectual property to relevant parties on a need-to-know basis only.
- Confidentiality: Under no circumstances shall confidential or sensitive information about ACAD Finance its business partners and/or target group, be shared with unauthorized persons or competitors. The obligation to maintain the secrecy also applies after the termination of the contract.

<sup>2</sup> For instance exaggerating in using office telephone for personal expensive calls

- Honesty: we will contribute to generate a positive working environment, always behaving and communicating honestly. We act transparently without performing actions that can generate personal benefits or undue advantages for third parties.
- Conflict of interest<sup>3</sup>: we shall avoid placing ourselves in positions in which personal interests conflict with our duties at ACAD Finance. We act with impartiality, fairness and ethics when facing situations that could create a conflict of interests. We will act solely in the best interests of ACAD Finance. ACAD Finance requires that employees disclose all potential conflicts of interest, including disclosure of personal or family interests that could influence business. Conflicts of interest shall be identified so that individuals are not involved in decisions where their actions could be seen as biased. For further information see conflict of interest policies<sup>4</sup>.
- Fraud: We fully commit to refrain from any kind of fraud and active or passive bribery. Any personal payment or bribe to individuals employed by ACAD Finance's customers or suppliers, or receipt of a bribe (as illegitimate commission payments) or personal payment by ACAD Finance employees is strictly prohibited. Strict disciplinary actions for violations of this policy will be taken, including termination of employment. Moreover, commercial bribery is illegal and subject to criminal penalties.
- Accepting gift: Receiving gifts, entertainments or other gratuities from people with whom we do business is generally not acceptable because doing so could imply an obligation on the part of ACAD Finance and potentially pose a conflict of interest. We shall never accept cash as a gift, and non-cash gifts or entertainment can only be accepted<sup>5</sup> when these gifts are of minor value (not more than 50 USD) and there is no impression that an improper relationship may exist and improper business advantage could be secured. Any gift received by any employees need to be reported to the line manager.
- Reporting unethical and criminal activities: We have the obligation to communicate as soon as possible to superiors and/or the Ethical Committee any unethical conduct or criminal activity (or when we feel pressure to commit improper acts), including among others theft, fraud, corruption or intimidation.
- Separation of professional and private life: We will not allow that personal relationships interfere with professional conduct. Private life will not affect operations and ACAD Finance's reputation.
- Commitment and punctuality: We will attend with continuity and punctuality all the institutional appointments.
- Avoid abuse of authority: We do not use delegation power and authority in improper way and to obtain illegitimate advantages.
- Respect organizational hierarchy: We respect the organizational roles and responsibilities; we respect the communication and decision-taking processes.

---

<sup>3</sup> A conflict of interest arises when an employee has a personal relationship or financial or other interest that could interfere with this obligation, or when they use their position with the Company for personal gain.

<sup>4</sup> Example of conflict of interest policies in ACAD: no disbursement of loans to BoD members or their first-degree relatives; not being involved in the credit approval process of relatives, not hiring first degree relatives, etc.

<sup>5</sup> As for example gift provided by suppliers and other partners for marketing strategies



- Team working: We will work in team to facilitate the achievement of results, overcoming difficulties and strengthening professional and personal relationships.
- Personal Development: We will do efforts to develop our capacity and skills in order to contribute to the success of ACAD Finance.
- Dressing Code: Staff should be well dressed and with good appearance in a way that establishes confidence and respect for the institution. They should always have ACAD Finance badge when conducting a field visit.
- Religious beliefs: We avoid spreading by any means, religious beliefs on behalf of ACAD Finance.

### 3.3 Relationship among staff

*A pleasant, respectful and friendly working environment is essential to the success of the entity and for the personal balance of everyone*

**As employees at ACAD Finance**, we will contribute to generate a pleasant, respectful and loyal working environment, characterized by trust and confidence among each other. To this end, we commit ourselves to the following standards of professional conduct, in interacting and working with our colleagues:

- Respect and avoid harassment: We treat our colleagues with respect and dignity, and we never offend or commit abuses<sup>6</sup>. We behave courteously and respectfully and never (regardless of the hierarchy) act in a way that may be perceived to intimidate or harass others. We avoid any action that can be considered as sexual or moral harassment.
- Tolerance: We do not impose our personal philosophies and beliefs on others. We recognize that different people have different perspectives; any misunderstanding is explored constructively and in a spirit of mutual respect. We respect ideological, religious, cultural, gender and other differences among us.
- Courtesy: We remain courteous with our colleagues at all times. We make sure that our habits do not harm or cause discomfort, and make sure to take our colleagues' health and well-being into account.
- Team work: When working in teams, we are clear on what the role of everyone is, and every one of us is personally accountable for his/her own responsibilities within the team. We respect the commitments *vis-à-vis* the team.
- Team spirit: We value the work of our colleagues and accept their opinions, complaints and constructive criticism.
- Constructive dialogue: We are open to support our colleagues.
- Personal/professional relationship: We act professionally, not allowing that personal differences and problems ruin the working environment.
- Privacy: We avoid public disqualification, and do not reprimand others in front of other colleagues, customers or third parties

---

<sup>6</sup> "Abuse" means any behavior that hinders employees' work, insults their professional and human dignity or creates a working atmosphere in which one cannot perform activities qualitatively.

- Preventing favoritism: We do not allow friendship or personal preferences or interests to influence decision making.
- Abuse on subordinates: We do not give impolite orders or put pressure on our subordinates to perform services of personal nature.
- Respect of superiors: We accept and implement decisions issued by superiors, if these are in line with the internal policies, corporate values and in accordance with our job description.
- Respect hierarchy of authority: We avoid skipping levels of hierarchy.

## 4 Ethics and External Relations

### 4.1 ACAD Finance relationship with clients

*Customers want to do business with organizations that speak their language, are sensitive to their culture, value what they value, help them succeed financially through adapted products and do not harm them. Thus, we must put our customers at the center of everything we do and put their interest at first.*

ACAD Finance commits to implement **Responsible Finance** which means delivering financial services in a way that is transparent, fair and safe, effective and likely to generate benefits for low income clients. To this end, ACAD Finance commits to be guided by the followings principles when conducting its operations:

**Financial Inclusion:** ACAD Finance is committed to maximize, with its products and services, the financial inclusion of low income and vulnerable people in Palestine (in particular farmers and women).

**Client satisfaction:** ACAD Finance commits to do all the best for ensuring high client satisfaction, designing products, services, delivery models and channels that meet its clients' needs and preferences and offering timely services.

**Client Protection:** ACAD Finance commits not to harm clients with improper financial products and lending procedures. To do so, ACAD Finance commits to embrace the following 7 SMART Campaign client protection principles:

- **Appropriate product design and delivery:** We take adequate care to design products and delivery channels in such a way that they do not harm clients. Products and delivery channels will be designed taking into account client characteristics.
- **Prevention of over-indebtedness:** We take adequate care in all phases of the credit process to determine whether clients have the capacity to repay without becoming over-indebted. In addition, we implement and monitor internal systems that support prevention of over-indebtedness.
- **Transparency:** We communicate clear, sufficient and timely information in a manner and language that clients can understand so that they can make informed decisions. We do not use misleading words. We commit to disclose our effective interest rate to customers.
- **Responsible pricing:** We do all efforts to set pricing, terms and conditions in way that is affordable to clients while ensuring financial sustainability.
- **Fair and respectful treatment of clients:** We commit to treat clients fairly and respectfully. Providers ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by staff and agents, particularly during the loan sales and debt collection processes, applying fair collection practices.
- **Confidentiality and privacy of client data:** We respect the privacy of individual client data in accordance with the laws and regulations of individual jurisdictions. Such data are only used

for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.

- Mechanisms for complaint resolution: We enable borrowers to express their views and possible complaints about ACAD Finance operations, products and employees. We provide a timely response to the complaints and we take the necessary corrective actions.

ACAD Finance commits to put these principles into action along the whole lending process, before, during and after the credit is disbursed to clients.

In implementing the client protection principle and in addition to them, the following behaviors are expected by ACAD Finance staff when dealing with clients:

- No false advertising: ACAD Finance operates with honesty. Neither deceptive advertising nor questionable promotional activity can ever be justified. These are vital tenets of ACAD Finance dedication to consumers and essential to gaining and keeping their continuing loyalty to ACAD Finance brand.
- Financial Education: ACAD Finance MFIs must have a dedicated process to raise clients' awareness of the options, choices and responsibilities vis-à-vis financial products and services available. New clients must be informed about the organization's policies and procedures to help them understand their rights and duties as borrowers.
- No discrimination: We treat all customers equitably and do not give any customer an unfair advantage over another competing customer. We do not discriminate by customer size, type, gender, etc. when approving loans.
- No gifts: ACAD Finance staff does not accept gifts from clients, in line with what is stated in the paragraph 3.2 of this document.

## 4.2 ACAD Finance's relationship with shareholders and investors

*ACAD Finance's reputation affects investors' credibility. Shareholders and investors risk their capital in our institution; we must answer to their confidence with an effective and transparent management.*

- We shall act truthfully and honestly with all our investors and shareholders
- We aim for sustainable development and we want to achieve our social mission but we also acknowledge the need to generate profits to re-invest in our development and to remunerate our shareholders.
- We honor contractual agreements, do not submit false financial data and information, do not manipulate systems and information for improper institutional or personal gain and do not engage in activities such as "insider trading".
- We report in an accurate, timely and transparent manner to our shareholders and investors on the financial situation and results of the institution as well as on our operations.
- We take care of the assets of the entity, promoting a positive image and protecting ACAD Finance's reputation and credibility.
- We meet our financial obligations timely.

- We comply with the provisions included in the Shareholder agreement.

#### 4.3 ACAD Finance relationship with regulators and governmental authorities

*Our operations are conducted in compliance with the legal and regulatory framework.*

*Any of our relations are free of fraud and corruption*

- We shall act truthfully and honestly with all local authorities and regulators, including the Palestinian Monetary Authority (PMA), The Ministry of Finance and the Ministry of Economic.
- We comply with the laws, rules and regulations of Palestine and with the legal and reporting requirements of the PMA, The Ministry of Finance and the Ministry of Economic and the Labor Law.
- We severely condemn any tentative of corruption or fraud, we do not accept any monetary or non-monetary gift from public authorities. We reject any form of bribery (gifts, money, favors, etc.) to government officials either to fulfill their obligations or hurry their own routines.
- We do not submit false information or reporting.
- We maintain the books of accounts and prepare the necessary reports in accordance with the law and regulations, we send periodic reports to the public bodies and regulatory authorities and the disclosure of the financial situation in a transparent and professional manner in accordance with the provisions of the law.
- We fulfill our tax obligations.
- We apply the KYC's (Know your customers) and comply with Anti-Money Laundry procedures for client identification and client due diligence, account monitoring, record keeping and reporting.

#### 4.4 ACAD Finance relationship with competitors

*ACAD Finance firmly believes that fair competition contribute to an health and prosperous financial market*

- We act truthfully and honestly with all stakeholder groups, including competitors.
- Under the umbrella of Al-Sharakeh network, we commit to cooperate and coordinate with other network members for the development and promotion of the microfinance sector in Palestine.
- We believe in competing fairly because we all benefit from fair, free and open markets; we compete strictly on the merits of our products and services and not win clients by creating unfair disadvantage for its competitors.
- We do not engage with competitors in ways that go beyond accepted competitive practices: we do not enter into collusive agreements with our competitors concerning prices, production volumes, customers or sales territories joint boycotts of suppliers or customers.
- We do not disparage the products or services of a competitor.

- We collect competitive information through proper public or other legal channels but do not use information obtained illegally or improperly by others, including through misrepresentation, invasion of property or privacy, or coercion.
- Hiring an employee from competitors can only happen through spontaneous application of the candidate to a public advertisement of a vacancy.

#### 4.5 ACAD Finance relationship with community and environment

*ACAD Finance integrates social and environmental concerns in our business operations.*

- With our financial operations we try to reach excluded people, farmers and other micro entrepreneurs to promote financial inclusion and agricultural and sustainable economic development for Palestine.
- We respect the environment, minimizing the generation of waste and rationalizing the use of water, paper and energy resources.
- We commit to develop environmentally friendly products and services and to ensure that our products do not have a strong and irreversible adverse impact on the environment.
- We promote the dissemination of information that drives the social development of the community and environmental preservation.
- In line with our dividend policy, we are committed to re-invest part of our profit in community development initiatives and projects.
- We do not use child labor and we sensitize our clients to the importance of their children attending regularly school.

## 5 Compliance with the CoE

### 5.1 Channels to report violations

*Safeguarding the reputation of the Company in general and complying with this Code in particular, is the responsibility of every employee, managers and directors. If you become aware of or suspect any violation of the CoE by any employee, you have the responsibility to report it immediately*

ACAD Finance has the responsibility to ensure that safe and effectively managed processes are in place for employees to seek advice or report unethical conduct. In turn, it is the responsibility of all employees to report unethical conduct or to seek advice when they are uncertain about the ethics of any decision or operations. Any ACAD Finance members who are faced with, or observe situations inconsistent with the ethical principles, have indeed an obligation to resolve and report confidentially or anonymously these incidents, using the approaches described hereafter:

1. The issue may sometimes be resolved by addressing it with the individual(s) involved, when such a course of action is not possible or appropriate, concerns or issues shall be brought to the attention of an higher level of authority (line manager);
2. The issue is then addressed with the direct supervisor or the department head most directly concerned, excluding the person accused of the prohibited behavior or discriminatory harassment; the case is investigated and documented and documentation is sent to the HR manager and the internal auditor.
3. In case of serious violation, a special committee is convened to review the case<sup>7</sup> and selects an appropriate sanction;
4. Senior management (and internal auditor) follows-up on the case to make sure appropriate steps were taken to resolve the issue.

Failure to report any observed or suspected breach of the CoE may have very serious consequences for the employee as well for the offender. ACAD is committed to protect its employees reporting in good faith the possible violations. Any employee who attempts to intimidate the employee, who makes such a report, will be subject to disciplinary actions.

### 5.2 Procedures to deal with cases of serious violations

In case of serious breach to the CoE and when there are controversial matters relating to the application of the CoE, a special committee is convened upon the initiative of the Internal Auditor and with approval of the MD and the BoD Chairman.

---

<sup>7</sup> The special committee can delegate investigations functions to the internal auditor.

---

The committee's main objective is to determine whether, in a controversial situation, a conflict of interest<sup>8</sup> or a breach of the CoE existed and to assist ACAD Finance's staff in putting an end to it. The special committee will assess whether violations of the code occurred, conduct the necessary investigations<sup>9</sup>, and take ultimate decisions about actions (including disciplinary) to be undertaken.

The composition of this special committee is flexible, but it shall generally include the management team, the Internal Auditor and the Branch Manager /Direct Line Manager of the person involved<sup>10</sup>. Minutes of the meetings are kept and a summary report is presented to the BoD Ethics and Audit Committee to inform about the results of the investigation and the actions undertaken.

### 5.3 Internal Audit

The internal audit team regularly checks staff compliance with anti-corruption and conflict of interest policies and procedures as part of regular internal audits. It also checks compliance with the norms of conduct presented in this CoE and reports at least annually (or upon request) to the Board Audit and Ethics Committee about CoE implementation, results of its investigations and disciplinary actions undertaken by ACAD. The Internal Auditor's annual report also includes recommendations for improving ethical conduct at ACAD.

The Internal Auditor, as monitoring agent of the respect of ACAD Finance policies and procedures, receives delegation to investigate when apparent conflict of interest or breach of the CoE may exist.

---

<sup>8</sup> Specific conflict of interest cases (as for example loans to friends and family members) are treated in line with the conflict of interest policy contained in the Risk Management Framework.

<sup>9</sup> Investigation function can be delegated to the internal auditor.

<sup>10</sup> Except the manager who is involved in the violation.



## 6 Sanctions

Every behavior that is not in accordance with this CoE is a severe violation of responsibilities and shall be sanctioned. When an individual violates the CoE there must be consequences associated with his/her misconduct. Sanctioning individuals for unethical conduct has four major goals:

- To inform all stakeholders and staff that ACAD Finance is serious in enforcing its ethical standards and to alert them that there are penalties for engaging in professional misconduct.
- To penalize the person in violation.
- To serve as a mechanism to educate and rehabilitate: It is important to provide feedback to individuals who violate the CoE so that they understand and appreciate exactly how their past conduct was inappropriate.
- To protect the reputation and integrity of ACAD Finance.

A staff member who is the object of any disciplinary action is ineligible for promotion. Of course, more serious offenses may result in employee probation or termination, in line with what is regulated in the Human Resource Manual.

Depending on how serious the misconduct is and on the gravity of the offense, there are a range of disciplinary actions/sanctions that can be imposed, from less to more punitive.

1. Reprimand, A formal expression of disapproval of conduct communicated privately;
2. A written notice stating appropriate sanction to be applied in case of recidivism;
3. Suspension for a certain number of days;
4. Termination of employment;
5. Decision to refer the matter to the police for investigations and eventual prosecution if the misconduct constitutes a criminal offence.

## 7 How to update the CoE

### 7.1 Updating the CoE

ACAD Finance will implement this CoE from the day of its approval by the BoD. This Code will be updated on a regular basis in line with internal policies, corporate governance issues and external regulations. The Code will be also updated with both national and internationally accepted principles and practices related to ethics of financial service providers and consumer protection regulation and self-regulation (for example: any change in the SMART Campaign framework will be adopted, ACAD Finance reaffirms its commitment to disseminate and promote ethical norms of conduct.

This CoE should be ideally reviewed and updated at least once every two years. Revisions and updates to the CoE should be participatory and include collecting feedback/comments (possibly through workshops). The management committee will appoint a special committee with the responsibility to update the CoE.

Based on the feedback collected and on the recommendations from the internal auditor, the special committee will submit to the BoD the proposed changes for final authorization and decisions.