

DUE DILIGENCE POLICY

Purpose	To ensure that we have effective measures to receive and use funds, with appropriate partners, for the intended purposes and to protect our reputation.
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1. POLICY STATEMENT

- 1.1 It is the policy of International Tree Foundation (ITF) to strive to ensure that:
 - (a) We receive funds only from bona fide sources;
 - (b) The third party organisations we support are genuine and use the funds we provide for the intended purposes.
- 1.2 Our Anti-Corruption, Fraud and Bribery Policy lays out our zero-tolerance approach, our legal responsibilities and defines the various forms of corruption.
- 1.3 This zero-tolerance approach applies not only within ITF but also to the third party organisations we work with.
- 1.4 The aim of this policy is to:
 - (a) Set out our commitment and responsibilities in observing and upholding our approach to due diligence
 - (b) Set out the due diligence measures we take to ensure that we receive funds only from bona fide sources and that ITF is not used e.g. for money laundering
 - (c) Set out the due diligence measures we take to ensure we select appropriate organisations to work with, who will use our funds for the intended purposes
 - (d) provide information and guidance to those working for us on how to carry out due diligence
- 1.5 We aim to ensure that:
 - (a) Due diligence with regard to funds received is proportionate and appropriate
 - (b) Due diligence with regard to our grants and partnerships is proportionate to the scale and type of projects and organisations involved. ITF supports both small scale projects with local community based organisations and larger scale projects with organisations that have capacity to manage international grants. Different types of due diligence are applicable in these situations.
 - (c) Due diligence is applied and effective at different stages in the project cycle
 - (d) Due diligence measures help grantees and partners to deliver good projects

2. DEFINITION

Due diligence is an investigation of a business or person prior to signing a contract. The Concise Oxford English Dictionary defines due diligence as: "Reasonable steps taken by a person in order to avoid committing an offence".

For ITF, due diligence focuses on checking the bona fides of our partners especially where they are new to us and do not have a recognised profile in the public domain.

3. RISK ASSESSMENT AND MITIGATION

3.1 ITF receives and is entrusted with funds from a variety of sources. We work to ensure that funds are received and used transparently and properly. We have identified that the following areas are particular risks for our business.

- (a) As a charitable foundation we receive donations from a wide range of sources. There is a risk that we may receive funds derived from the proceeds of crime or from sources which are not transparent;
- (b) As a grant making foundation we may attract applications from criminals: short-term one-off grants with a low probability of direct monitoring are attractive to such operators;
- (c) As a grant making foundation the grants we award to third parties could be subject to fraud, misuse and corruption. This may be intentional but may also arise in part due to lack of capacity to manage funds;
- (d) As a grant managing organisation, there is a risk that donor funds for which we are responsible could be subject to fraud, misuse and corruption by partner organisations;
- (e) Some of the countries where ITF currently operates are among those most at risk of corruption according to Transparency International's Corruption Perception Index <http://www.transparency.org/cpi2015#results-table;>
- (f) Due diligence may also be required when issuing contracts to consultants or contractors, but this is not a large part of our business.

Where abuses take place the positive impact of our grants and programmes is reduced and our reputation is damaged, potentially affecting our ability to raise funds and make grants in future.

We have experienced some instances of abuse which occurred in spite of the due diligence measures that were already in place. These abuses related to risks (b), (c), (d) and (e) above. This Policy has been developed to address these risks and ensure

that similar abuses do not affect our programmes in future. It incorporates existing, upgraded and new measures.

One of the ways in which we manage risks and reduce the burden of due diligence is to grow our relationships with existing partners. This enables us to build an in-depth understanding of our partners (and donors) - their people, their governance, their strengths and weaknesses and ways of working. As an organisation committed to working with small community based organisations (CBOs) one of the useful roles we play is to build the capacity of our CBO partners to manage grants and deliver projects. We therefore usually start with small and short-term grants before moving to larger scale and longer term grants. It is important not to encourage our partner organisations to take on projects which exceed their capacity. Funding and capacity building should generally work together, and where appropriate we will build an element of capacity building or mentoring into projects at the outset.

To address these risks we will:

- Continue to apply appropriate due diligence measures whenever receiving funds from previously unfamiliar donors;
- Discourage false or criminal applications by:
 - offering only very small scale grants at the outset, with repeat funds dependent on proof of proper use
 - linking provision of funds with mentoring or capacity building;
- Continue to develop and apply appropriate application processes for our grant programmes;
- Continue to develop and apply thorough screening and assessment processes for applications;
- Continue to develop and apply a thorough due diligence process for proposed new grantees and new partners;
- Include provisions to guard against fraud and corruption in all our grant agreements;
- Continue to develop and apply robust and rigorous monitoring processes for all projects.

4. WHO IS COVERED BY THE POLICY?

- 4.1 This policy applies to all partner organisations of ITF including donors, grantees and collaborators.

- 4.2 It is to be implemented by all staff of ITF who deal with donors and partner organisations working at all levels and grades, including Trustees (Directors), employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff, casual and agency staff, volunteers, interns, consultants, sub-contractors, sponsors, grantees, partners or any other person(s) associated with us, wherever located (collectively referred to as **representatives** in this policy).

5. WHAT IS COVERED BY THE POLICY?

- 5.1 The following areas are covered by the Due Diligence Policy:

- receipt of donations
- grant making
- grant and project management
- project monitoring.

6. DONATIONS

- 6.1 We do not allow any organisation or individual to use ITF to launder money and must be vigilant to ensure that ITF does not accept the proceeds of a crime from any organisation or individual. Further guidance is provided in our Anti-Corruption, Fraud, and Bribery Policy.

7. GRANT MAKING

ITF continues to develop robust due diligence procedures in respect of awarding grants to third parties.

- 7.1 **Pre-grant** due diligence is the process of assessing the appropriateness of potential recipients of a grant. Our due diligence procedures for grant giving are as follows:

7.1.1 Initial screening stage:

- (a) Robust application and selection processes which discourage false or criminal applications. The process includes a focus on track record and direct evidence such as photos and videos.
- (b) Verification with the concerned registration authority that a prospective grantee is a bona fide and registered Community Based Organisation (CBO) or Non-Governmental Organisation (NGO).

7.2.2 Following shortlisting of strong applications:

- (c) Submission of a copy of photographic ID for principal contact person in the prospective grantee organisation.
- (d) Submission of audited annual accounts where possible (this is not considered essential in the case of small-scale CBOs receiving small-scale grants).
- (e) Receipt of three independent references and checks on the identity of referees.
- (f) Independent checks on the identity of prospective grantees and their staff, volunteers and office bearers using the internet and social media.
- (g) Use of trusted in-country consultants to check on the legitimacy of a prospective grantee and the project for which they have requested funding, and to check if the organisation is involved in controversial or high risk activities.
- (h) In some cases making checks with national CBO or NGO accrediting bodies and networks, other grantees and/or CBO/NGO databases.
- (i) Requiring prospective grantees to have a bank account (into which any grant will be paid) in the name of the organisation.

7.2.3 At the grant-making stage:

- (j) Including provisions to guard against fraud and corruption in grant agreements.
- (k) Making transfers in local currency to guard against currency exchange manipulation.

Due diligence is also required when the scale of our support to an existing partner increases. A partner may have a good track record with ITF operating at a small scale, but this does not necessarily prove that the partner organisation will be able to manage a larger scale project. They may have to recruit additional staff or strengthen governance. For these partners, in addition to the measures listed above, we will require audited annual accounts to ensure that they are solvent and manage their finances properly, their governing documents and the CVs of Board members and senior staff. ITF will review the strengths and weaknesses evident in the existing track record and will address any concerns about governance or capacity before proceeding with larger-scale funding. In addition ITF will apply all requirements stipulated by the programme donor at this stage.

ITF will also assess risks relating to the context of the project or partner, for example risks of insecurity that could affect the project or prevent monitoring visits.

Records will be maintained of due diligence steps taken for all new projects and grants.

7.2 GRANT AND PROJECT MANAGEMENT

Recipients of ITF grants are required to provide:

- (a) Proof of receipt of funds into the nominated bank account in the form of a bank generated statement or other acceptable document;
- (b) Regular financial reports (at least every six months) with copies of receipts provided for major items of expenditure and for all items of expenditure over £100;
- (c) Regular narrative reports (at least every six months) with photographic or video documentation of progress including e.g. equipment, tree nurseries, tree planting, community meetings etc.;
- (d) Follow up discussions by telephone or Skype to clarify any areas of doubt.

Further funds are not issued until satisfactory financial and narrative reports and clarifications are received.

ITF programme staff will maintain regular contact with grantee and partner organisations.

- (e) In the case of small-scale grants (up to £5,000 per year) this will consist of regular email contacts, 6-monthly narrative and financial reports and a follow-up call after reports are received and before further funds are disbursed. Any issues will be resolved before further funds are disbursed. Significant issues will be escalated to the Chief Executive.
- (f) In the case of medium-scale projects (£5,000 to £30,000 per year) this will consist of regular email contacts, quarterly narrative and financial reports, and monthly minuted monitoring calls. Any issues will be resolved before further funds are disbursed. Significant issues will be escalated to the Chief Executive.
- (g) In the case of large-scale projects (over £30,000 per year) this will consist of regular email contacts, quarterly narrative and financial reports, monthly minuted Steering Group meetings and quarterly minuted Management Group Meetings. Any issues will be resolved before further funds are disbursed. Significant issues will be escalated to the Chief Executive. Issues that threaten the reputation of ITF will be escalated to the Board.

7.3 PROJECT MONITORING

ITF will develop and apply a robust and rigorous monitoring process of projects including site visits and examination and verification of project expenditure using independent third parties when appropriate.

Site visits will include: verification of reported progress through observation and discussion with local participants; verification of purchases through spot checks on equipment and materials; and checking of financial records and systems.

It is important to discuss issues face to face with local partners and address and resolve any concerns immediately.

It is not always possible or cost effective for ITF to make field visits directly. Where we cannot visit a project we will seek to identify suitable trusted in-country third parties to make visits on our behalf, and will draw up Terms of Reference (TOR) for the monitoring visit including the due diligence elements above.

We will aim to make monitoring visits to projects on the following basis:

- Small projects: it is not possible for ITF to visit all small-scale projects annually. ITF will arrange a monitoring visit as early as possible, especially for projects that receive more than one grant.
- Medium-scale projects: ITF will make at least one monitoring visit in the first year of the grant or as soon as possible after.
- Large-scale projects will receive annual monitoring visits.

8. YOUR RESPONSIBILITIES

As a Representative of ITF (see 4.2 above):

- 8.1 You must ensure that you read, understand and comply with this policy.
- 8.2 You must notify your line manager, the Chief Executive, the Chair or other Trustee (as appropriate) as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. For example, if a new grant is issued without due diligence having been completed.
- 8.3 Our Anti-Corruption, Fraud, and Bribery Policy provides guidance on what to do in case you suspect that funds are being misused. Our Whistleblowing Policy provides guidance on how to raise a concern.

8.4 Our Anti-Corruption, Fraud, and Bribery Policy provides guidance on how to investigate all reports of potential corruption and recover assets. It also provides guidance on external reporting where corruption is identified.

9. TRAINING AND COMMUNICATION

9.1 Briefing on this policy forms part of the induction process for all new representatives (see 4.2 above). All existing representatives will receive regular, relevant training on how to implement and adhere to this policy.

10. RESPONSIBILITY FOR POLICY IMPLEMENTATION AND COMPLIANCE

10.1 The ITF Board of Trustees has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it.

10.2 The Programmes Manager has primary and day-to-day responsibility for implementing this policy, and for monitoring its use and effectiveness and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

11. MONITORING AND REVIEW

11.1 The Chief Executive will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

11.2 All representatives are responsible for the success of this policy and should ensure they use it to disclose any suspected danger or wrongdoing.

11.3 Representatives are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the Chief Executive.

11.4 This policy does not form part of any employee's contract of employment and it may be amended at any time.