

ANTI-FRAUD AND CORRUPTION POLICY

The SMERU Research Institute

ANTI-FRAUD AND CORRUPTION POLICY

1. POLICY STATEMENT

11. The SMERU Research Institute (hereinafter referred to as SMERU) is committed to the highest standards of ethical conduct and integrity in all SMERU's activities. SMERU recognises that any fraud or corruption will hamper SMERU's image and business.
12. All employees of SMERU, and all individuals acting for SMERU, are expected to conduct themselves professionally and within the law.
13. In particular, SMERU takes a zero-tolerance approach to fraud and corruption.
14. SMERU does not condone the offering, provision or receiving of any unwarranted reward that is, or could be perceived to be, an inducement for acting improperly in relation to SMERU's activities.
15. SMERU has introduced an Anti-Fraud and Corruption Policy (AFCP) for the purposes of managing the risk of fraud and corruption occurring in relation to SMERU's activities.
16. This policy statement is a key element of SMERU's commitment against fraud and corruption, and any breach of this policy will be treated as a serious breach of SMERU's discipline and/or contractual obligations.
17. SMERU will cooperate with law enforcement investigations and reserves the right to refer any breach of this policy to the appropriate authorities.
18. All employees of SMERU, and all individuals acting for SMERU, are expected to report any concerns of fraud and corruption and to cooperate with investigations.
19. All reports will be treated in strict confidence.

2. INTRODUCTION

- 2.1. SMERU is committed to the highest standards of ethical conduct and integrity in all SMERU's activities. All employees of SMERU, and all individuals acting for SMERU, are expected to conduct themselves professionally and within the law. This AFCP is to ensure ethical and lawful business conduct.
- 2.2. This AFCP document describes SMERU's policy stance and is a reflection of the commitment of the Board of Trustees and Management of SMERU in protecting both SMERU and those acting for SMERU from contravening the law. SMERU, in particular, is subject to the Law of the Republic of Indonesia Number 20 year 2001. It is an amendment of Law Number 31 year 1999 concerning the Eradication of the Criminal Act of Corruption.
- 2.3. Moreover, individuals who commit violation of the law as mentioned above can be imprisoned for up to twenty years.

3. SCOPE

- 3.1. This policy applies to all persons working for SMERU or on behalf of SMERU in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns and agents, whether located in Indonesia or abroad.
- 3.2. In this policy, third party representatives means any individual or organization that SMERU comes into contact with, including actual and potential clients, customers, respondents, agents, advisers, government and public bodies, including their advisors, representatives and officials, politicians, and political parties.
- 3.3. This policy does not form part of any employee's contract of employment and it may be amended at any time.
- 3.4. Aspects of the anti-fraud and corruption described below may form part of SMERU's contractual arrangements with non-payroll consultants, agents, and other third parties.

4. PURPOSE

- 4.1. This policy aims to ensure that SMERU and all individuals acting for SMERU have a system and procedure to prevent any fraud and corruption activities.
- 4.2. The purposes of this AFCP document are to
 - (a) demonstrate the commitment of the Board of Trustees and Management to the prevention of fraud and corruption;
 - (b) describe the anti-fraud and corruption policy at SMERU;
 - (c) set out personal responsibilities in observing and upholding SMERU's position on fraud and corruption; and
 - (d) provide information and guidance on how to recognise and deal with fraud and corruption issues.

5. WHAT IS FRAUD AND CORRUPTION?

- 5.1. Fraud can be defined as "dishonestly obtaining a benefit or causing a loss by deception or other means", which includes
 - (a) obtaining property, a financial advantage or any other benefit by deception;
 - (b) causing a loss, or avoiding or creating a liability by deception;
 - (c) providing false or misleading information or failing to provide information where there is an obligation to do so;
 - (d) making, using or possessing forged or falsified documents;
 - (e) bribery, corruption or abuse of position;
 - (f) unlawful use of computers, vehicles, telephones and other property or services;

- (g) divulging confidential information to outside sources; and
 - (h) any offences of a like nature to those listed above.
- 5.2. There is no universally accepted definition of bribery. For the purposes of this policy, bribery is defined as “the offering, provision or receiving of any unwarranted reward that is, or could be perceived to be, an inducement for acting improperly in relation to SMERU’s business”.
- 5.3. Corruption is the abuse of entrusted power for private gain. Corruption can be large or small scale, political in nature, and is usually perpetrated for financial gain.

6. WHAT IS PROHIBITED BY THIS POLICY?

- 6.1. SMERU prohibits employees and associated persons from offering, promising, giving, soliciting or accepting any bribe. The bribe may be in the form of cash, a gift or other inducement. Bribes can be offered to, or solicited from, a private individual, a public or government official, official of a state-controlled industry or political party or a private person or institution.
- 6.2. For the purposes of this policy, it is irrelevant whether the bribe is made or received directly or through a third party.
- 6.3. Acts of bribery are designed to influence the recipients to act in a specific way. The act to be performed by the recipients may not necessarily be illegal, but could still be considered a bribe for the purposes of this policy.
- 6.4. In summary, all employees of SMERU, and all individuals acting for SMERU, must not
- (a) give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that an advantage will be received, or to reward an advantage already given;
 - (b) give or accept a gift or hospitality during any commercial negotiations or tender process, if this could be perceived as intended, or likely, to influence the outcome of the process;
 - (c) accept a payment, gift or hospitality from a third party that all employees know or suspect is offered with the expectation that it will provide an advantage for them or anyone else in return;
 - (d) accept hospitality from a third party that is unduly lavish or extravagant under the circumstances;
 - (e) offer or accept a gift to or from government officials or representatives, or politicians or political parties, without the prior approval of SMERU’s supervisor or director;
 - (f) threaten or retaliate against another individual who has refused to pay a bribe or who has raised concerns of bribery or corruption; or
 - (g) engage in any other activity that might lead to a breach of this policy.

7. FACILITATION PAYMENTS

- 7.1. SMERU prohibits its employees or associated persons from making or accepting any “facilitation” payment. Facilitation payment is defined as “a payment made to a government official to facilitate approval of some type of business transaction or activity”. Facilitation payments, or offers of such payments, will constitute a criminal offence under the Indonesia Bribery Act and gross misconduct under the Staff Regulation.
- 7.2. SMERU will support employees and associated persons who refuse to pay a bribe.

8. WHAT IS NOT PROHIBITED BY THIS POLICY?

- 8.1. Bribes paid under duress will not be a breach of this policy. Bribes paid under duress are payments made when the payee is in fear for his or her safety or liberty, or the safety or liberty of another person. An example could be where a policeman demands a bribe described as a “fine”, before allowing the payee to continue on with their journey.
- 8.2. All demands for bribes (including bribes paid under duress) must be reported at the earliest opportunity after the event to the Head of Human Resources.

9. THE ANTI-FRAUD AND CORRUPTION POLICY AT THE SMERU RESEARCH INSTITUTE

- 9.1. The AFCP comprises a number of key elements that complement one another:
 - (a) A commitment from the Board of Trustees and Management of SMERU to conduct activities lawfully.
 - (b) The assessment of bribery and corruption risks across the activities.
 - (c) Procedures that are designed to proportionately manage the risk of bribery and corruption occurring.
 - (d) Regular reviews of the AFCP.

Elements of AFCP are elaborated below.

- 9.2. Fraud and Corruption Risk Assessments
 - (a) The assessment of bribery and corruption risks is incorporated into standard risk assessment processes across SMERU.
 - (b) The bribery and corruption risk assessment process will consider how bribery and corruption might occur in relation to SMERU’s operations, and also how SMERU’s relationships and internal structures may contribute to the risks.
 - (c) The assessment of bribery and corruption risks will inform the AFCP which will be amended as required.
- 9.3. Anti-Fraud and Corruption Procedures

Key control measures related to the management of bribery and corruption risks in particular are

- (a) the management of gifts and hospitality;
- (b) the management of conflicts of interests; and
- (c) financial controls.

10. GIFTS AND HOSPITALITY

- 10.1. Gifts or hospitality that are reasonable and proportionate and seek to showcase SMERU's services or to improve SMERU's professional relationships are acceptable business practice. SMERU recognises that gift-giving and -receiving is a cultural norm in Indonesia. However, inappropriate gifts, entertainment and hospitality can constitute bribery. Even if not received or given as a bribe, gifts and hospitality can give the impression of bribery or otherwise garner a sense of obligation.
- 10.2. Particular care must be taken in this regard when engaging with individuals who represent a government or government agency, or during contract/tender negotiations.
- 10.3. Cash or cash equivalents will never be given as a gift, irrespective of the value (such as gift certificates or vouchers). This is not to be confused with per diem payments as part of a documented arrangement covering legitimate living, travel, and accommodation costs or payments to SMERU's professional services provisions.
- 10.4. This policy allows reasonable and appropriate gifts or hospitality to be given to or received from third parties, for the purposes of
 - (a) establishing or maintaining good business relationships;
 - (b) improving or maintaining SMERU's image or reputation; or
 - (c) marketing or presenting SMERU's products and/or services effectively.
- 10.5. Promotional gifts of low value, such as branded stationery provided to or received from existing customers, suppliers, and business partners will be acceptable.
- 10.6. Reimbursing a third party's expenses, or accepting an offer to reimburse SMERU's expenses (for example, the costs of attending a business meeting) will not be accounted as bribery. However, a payment in excess of genuine and reasonable business expenses (such as the cost of an extended hotel stay) is not acceptable.
- 10.7. If hospitality is provided, SMERU's representative must be present at the event.
- 10.8. SMERU recognises that it is unreasonable to expect individuals to seek permission before accepting spontaneous gifts and hospitality. Therefore, this policy allows for the acceptance provision of unplanned gifts and hospitality.
- 10.9. In summary, the giving and accepting of gifts may be allowed with one of the following situations:
 - (a) the value is not in excess of IDR 1,000,000 per person;
 - (b) it is not made with the intention of influencing a third party to obtain or retain business or a business advantage, or to reward the provision or retention of business or a business advantage;

- (c) it is not an explicit or implicit exchange for favours or benefits;
 - (d) it is given in the name of SMERU's representative;
 - (e) it does not include cash or a cash equivalent;
 - (f) it is appropriate in the circumstances, taking account of the reason for the gift, its timing and value;
 - (g) it is given openly, not secretly; or
 - (h) it complies with any applicable Indonesian and local law.
- 10.10. All instances of gifts and hospitality provided or received (in excess of IDR 1,000,000) must be reported by email to Deputy Director of Administration and Finance who maintains a Gifts and Hospitality Register as part of the AFCP. The information required are
- (a) date/time/place of the event;
 - (b) circumstances including purpose of the expenditure;
 - (c) nature (including value) of the expenditure; and
 - (d) the person(s) who were present.

11. CONFLICT OF INTEREST

- 11.1. Conflict of interest may arise where an individual's personal interest, family interests or loyalties conflict with those of SMERU. All employees and associated persons as indicated in Section 3 have the obligation to act in the best interests of SMERU.
- 11.2. Those indicated in Section 3 must not derive any financial or other benefit (other than remuneration from SMERU) from transactions entered into by SMERU with any third party, without first disclosing such interest to SMERU and obtaining written approval to proceed from the Deputy Director of Administration and Finance.
- 11.3. Neither employee nor anyone representing SMERU may have personal interest in any third party engaged, or expecting to be engaged, in business with SMERU.
- 11.4. If an employee or associated person has such interest, they must declare it immediately and obtain authorisation from the Deputy Director of Administration and Finance.
- 11.5. In addition to declaring potential and actual conflict of interest, employees and associated persons must also inform the Director of SMERU should a change occur in the status of the conflict of interests, for example when the conflict ceases to exist.
- 11.6. As part of the AFCP, a Register of Conflicts of Interest is maintained by the Deputy Director of Administration and Finance. The Conflicts of Interest Register will record all relevant details including
- (a) the nature and extent of the (potential) conflict of

interest;

- (b) a summary of the discussion; and
 - (c) any actions taken to manage the conflict of interest.
- 11.7. If an employee is not sure what to declare, or whether/when their declaration needs to be updated, the employee must seek guidance from the Deputy Director of Administration and Finance.

12. FINANCIAL CONTROLS

- 12.1. SMERU has strict financial controls in place which are subject to regular independent audit. This includes delegated authority matrices, supervision protocols, and segregation of finance functions.

13. COMMUNICATION

- 13.1. Communication of the AFCP is central to the effectiveness of the policy. Frequent communication in the regular staff meeting of the zero-tolerance approach to bribery reinforces the policy and reduces risk to individuals and SMERU.
- 13.2. All employees of SMERU will receive information and AFCP awareness in relation to this policy, through the provision of a copy of this policy, to employees, and relevant suppliers, contractors and business partners at the outset of SMERU business relationship with them and as appropriate thereafter.

14. SEEKING GUIDANCE AND RAISING CONCERNS

- 14.1. Advice and guidance in relation to this policy can be obtained from the Deputy Director of Administration and Finance.
- 14.2. All employees of SMERU, and all individuals acting for SMERU, are expected to report any concerns of bribery and to cooperate with any investigation of such concerns. All employees do not need to be certain of the occurrence of bribery, only to raise their concerns. It follows that all employees are not expected to investigate their suspicions.
- 14.3. The reporting of concerns is undertaken in the same way as the seeking of guidance under this policy, i.e. by contacting the Deputy Director of Administration and Finance.
- 14.4. Concerns relating to the Deputy Director of Administration and Finance herself should be reported to the Director of The SMERU Research Institute.
- 14.5. Individuals who refuse to accept or pay a bribe, or who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. SMERU encourage openness and will support anyone who raises genuine concerns under this policy, even if they turn out to be mistaken.
- 14.6. Personnel should be responsible and accountable to the delivery partner for preventing and reporting fraud as part of their routine responsibilities. This

includes reporting potential fraud matters within five (5) business days of detection.

15. RESPONDING TO CONCERNS RAISED

- 15.1. The Deputy Director of Administration and Finance will be responsible for ensuring that all concerns raised under this policy are investigated.
- 15.2. Those raising concerns will be regularly informed of the progress of the investigation, unless the report is raised anonymously or the person raising the concern does not wish to be kept informed.
- 15.3. The matter will be dealt with confidentiality. However, it should be noted that SMERU cannot guarantee confidentiality as there may be legal requirements to disclose information relating to a matter raised. Furthermore, SMERU cannot prevent the identity of a person raising an issue being deduced by others.
- 15.4. Although concerns may be raised anonymously, SMERU would like to stress the importance of those raising concerns to fully cooperate with any investigation process. It is quite usual for further information to be sought from those raising concerns as an investigation progresses. Concerns raised anonymously can be more difficult to investigate.
- 15.5. As a matter of routine, the following minimum information will be retained securely by the Deputy Director of Administration and Finance:
 - (a) Date and time of receipt of the concern
 - (b) The identity of the person raising the concern (if known)
 - (c) A summary of the concern, its background, and other relevant information
 - (d) Whether confidentiality was requested, explained or promised
 - (e) Whether the concern was raised elsewhere and if so where, to whom, and when
 - (f) Any advice or feedback given to the person raising the concern
 - (g) Details of any investigation undertaken and its result
- 15.6. SMERU is committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in bribery or corruption, or for reporting their genuine suspicions that a bribery or other corruption 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 one has suffered such treatment, he or she should inform the Director of SMERU, immediately.

16. CONSEQUENCES FOR BREACHING THIS POLICY

- 16.1. Any employee who breaches this policy will face disciplinary action, which could result in dismissal.

- 16.2. SMERU may terminate SMERU's relationship with other individuals and organisations working on SMERU's behalf if they breach this policy.
- 16.3. SMERU will cooperate with law enforcement investigations and reserves the right to refer any breach of this policy to the appropriate authorities.

17. ANTI-FRAUD AND CORRUPTION POLICY REVIEW

- 17.1. The AFCP will be reviewed every three years or more frequently, if changes to the operating or legal environment justify a review.
- 17.2. The review will consider the adequacy of the AFCP in terms of its design and operational effectiveness. This is a separate process to the bribery risk assessments described at Section 9.
- 17.3. The results of the AFCP review will be reported to the Director of SMERU and the Management.

18. RECORD-KEEPING

- 18.1. SMERU Research Institute must keep financial records and have appropriate internal controls in place, which will evidence the business reason for making payments to third parties.
- 18.2. All gifts and hospitality given or received in excess of the threshold described in Section 10 must be reported.
- 18.3. All expenses claims relating to hospitality, gifts or payments to third parties must be in accordance with SMERU's expenses policy.
- 18.4. All potential, anticipated, and actual conflict of interest as described in Section 11 must be reported.
- 18.5. All accounts, invoices, and other records relating to dealings with third parties, including suppliers and customers, will be prepared with strict accuracy and completeness.
- 18.6. SMERU should be able to demonstrate and evidence the records related to AFCP to a third party, if required.
- 18.7. The AFCP documentary evidence includes, *inter alia*,
 - (a) communications of the AFCP;
 - (b) bribery risk processes;
 - (c) gifts and hospitality;
 - (d) conflict of interest;
 - (e) records of concerns raised and investigations conducted; and
 - (f) reviews of the AFCP.

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