



# **Anti-terrorism and anti-money laundering policy**

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## 1. Objective

Cordaid is determined to prevent its funds from being used directly or indirectly for terrorist activities and to prevent that the proceeds of crime can be washed through Cordaid.

Funds that are diverted to terrorist organizations or used for criminal acts are funds that do not reach the intended projects, programs and beneficiaries and, therefore, the most vulnerable will suffer.

Further to this, suggestions that an NGO is linked to terrorism or money laundering in any way can be damaging to its reputation and undermine the trust and support of beneficiaries, partners, the wider public and donors.

The objective of this policy is to prevent Cordaid funding terrorism, breaching sanctions and being used as a vehicle for money laundering.

## 2. Scope

The policy also applies to **all staff members and consultants** of Cordaid at Global Office and Country Offices. All implementing partners, donors and suppliers are subject to the measures to prevent financing terrorism and/or money laundering.

Whilst we work in high risk locations for terrorism, Cordaid works with local partner organizations, the majority of whom we have known well over a long period of time. We believe that, by working in this way, there is a relatively low risk that our funds will inadvertently find their way into the hands of those who will use them for violent purposes. However, given the impact of any proven or alleged terrorist funding, Cordaid took several measures in its process to select partner organizations, suppliers and donors to further reduce this risk.

The prevention of funding terrorism and money laundering is in The Netherlands legally laid down in the "Wet ter voorkoming van witwassen en financieren van terrorisme" (Wwft). This law is not directly applicable for Cordaid. However through transferring funds through banks and working with chartered accountants, the law does apply indirectly for Cordaid.

## 3. Dissemination

The Anti-terrorism and anti-money laundering policy is openly available on Cordaid's external websites and her internal website (Intranet). All updates will be so directly communicated to all Cordaid staff, partners, donors and consultants. Critical checks in the policy are part of the primary process descriptions, that are part of the onboarding program of all new staff members.

The Anti-terrorism and anti-money laundering policy is mentioned in all legal agreements with partner organizations, donors, consultants and suppliers including a link to the full document.

## 4. Related policies, process descriptions, procedures and tools

This policy should be read in connection with the following Cordaid policies, process descriptions, procedures and tools:

Policies:

- Integrity Policy
- Fraud Policy
- Code of Conduct for staff
- Code of Conduct for third parties
- Donation policy (in preparation)
- Procurement policy
- Partner Alliance policy
- Enterprise Risk Management policy

Process descriptions:

- 2a Partner Contracting (subprocess of Project process)
- 2b Partner Monitoring process (subprocess of Project process)
- 3a Partner Final Reporting (subprocess of Project process)

Tools:

- Partner risk assessment
- Factiva check

## 5. Definition

A terrorist act is an act, or a threat to act, that meets both these criteria:

- Terrorism intends to coerce or influence the public or any government by intimidation to advance a political, religious or ideological cause.
- Terrorism causes one or more of the following: death; serious harm or danger to a person; serious damage to property; a serious risk to the health or safety of the public; and serious interference with, disruption to, or destruction of critical infrastructure such as a telecommunications or electricity network.

Advocating, protesting, dissenting or taking industrial action are not terrorist acts where the person doing the activity does not intend to cause serious harm to a person or create a serious risk to public safety.

Money laundering is the process by which the proceeds of crime are channeled through financial systems in an effort to disguise their illegal origin and returned to the launderer in an indirect manner.

## 6. Prevention

Cordaid has the following measures in place to reduce the risk of accidentally and deliberately funding of terrorism or being used for money laundering:

**Due Diligence on partners, suppliers and donors:** Cordaid has a partner alliance policy, procurement policy and donation policy in place that prescribe the limitations to the type of organizations with whom we cooperate. For all new partner organizations a partner risk assessment is performed, indicating the different risks of working together with this partner. Based on the assessment risk mitigating measures are taken to reduce the identified risks. To make sure that Cordaid doesn't enter into financial relations with terrorist or criminal organizations, new partners, suppliers and donors and their executive board members go through a Factiva check. Non-institutional donors never decide to which organizations or individuals their funds are paid. In case the Factiva

check reveals potential risks in relation to terrorism or money laundering, additional research will be done. Only when additional research gives guarantees, cooperation with the organization can be considered.

**Code of Conduct:** Cordaid enforces a Code of Conduct among its staff and its contract partners. Staff and contract partners sign up to the Code of Conduct on joining the organization or signing a contract with Cordaid. The Code of Conduct specifically mentions that staff and contract partners should contribute to preventing unethical and criminal activities.

**Audit Committee:** Cordaid's Audit Committee (committee of the Supervisory Board) assists the Supervisory Board in fulfilling its responsibilities by independently reviewing financial statements and the effectiveness of our internal controls. This Committee monitors the effectiveness of the external and internal audit functions and assists the Supervisory Board in fulfilling its responsibilities for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives

**Procedures:** Cordaid has Global Quality Management System with procedures for support functions in the areas of finance, procurement, administration and asset management, which are required to be followed by all of the Country offices and Global Office.

**Segregation of duties:** Responsibilities in key financial processes are separated among several employees rather than entrusted to one employee. Signatures and/or system workflow approvals are required at different stages in any financial transaction process in order to avoid unauthorized transactions.

**“Three lines of defense”-internal control system:** Cordaid has an internal control system that follows the “three-lines-of-defense”-approach. The first line is the policies, processes and procedures for the management of operations. The second line is the risk management processes which seek to identify gaps and exposures. The third line is the internal audit function, which independently monitors these first two lines.

**Budget management:** Budget versus actual expenditure reports are prepared and reviewed with senior management on a monthly basis per project and organizational unit. Every 4 months an extensive consolidated report is shared with the Supervisory Board. Budgets are maintained on the accounting system.

**Proper books and records:** Cordaid maintains a multi-currency accounting system that allows tracking of income and expenditure with unique referencing to projects, funding sources and external third parties in the system. All income and expenditure is linked to donor/source coding and all program expenditure is linked to specific projects and partner coding. In addition, Cordaid retains all supporting documentation (receipts, invoices and supporting documents) in line with legislative requirements.

**Cash and Bank management:** Controls include regular cash counts and monthly bank reconciliations, authorization levels to carry out financial operations, segregation of duties, signatures/system approvals. In addition, when used, cheques require two signatures, and all bank transfers require dual signatures.

## 7. Detection

**Annual external audit and external project audits:** Cordaid undergoes an annual external audit of its financial statements and approximately 60% of all projects are subject to an external audit. All transactions that are suspicious related to funding terrorism or money laundering, require specific

attention from the external auditors, notification to authorities and further investigation by the auditors according to the Wwft.

**Banking system:** Cordaid transfers 95% of its funds through Dutch and international banks, that fall under the Wwft (Dutch) and the sanction regulations of the UN and European Union. As a consequence, all transfers Cordaid makes are screened and transfers to high risk countries are explicitly checked and need detailed information on purpose and destination of the transfer. In case of insufficient documentation, transfers will not be accepted by the banks. Dutch banks are also obliged to notify tax authorities in case of suspicious transactions related to money laundering.

## 8. Monitoring & reporting

**Integrity Committee:** All incidents of possible criminal activities that are proactively and/or retroactively noticed within Cordaid, will be reported to the Integrity Committee. Suspicions of financing terrorism and/or money laundering will be dealt with by the Integrity Committee and follow the same routing as suspected fraud, including possible sanctions. Refer to paragraph 6 and 7 of Cordaid's Fraud Policy.

## 9. Responsibilities

The Board of Directors is the owner of this Anti-terrorism and anti-money laundering policy and approves the policy.

The Corporate Controller is responsible for keeping this procedure up to date and review the policy at least on an annual basis.

Compliance & QMS, External Relations & Business Development, Corporate Finance and Internal Audit are consulted when updating the policy.

All staff will be informed through Cordaid's Intranet on updates of the policy.