

Foreword

Corruption is one of the most significant worldwide obstacles to development and hence must be seen not only as a moral problem, but also as an economic one.

Every Euro that falls victim to corruption is lost to the effort to achieve the humanitarian, social and political aims set by the development project. Corruption distorts fair competition and makes for decision-making which is no longer aimed at promoting the common good, but serving selfish personal interests.

Schmitz Foundations regard these guidelines as a self-imposed commitment designed to avoid and actively combat every kind of fraud and corruption in all areas of their work both at home and abroad.

Definition of Corruption

Corruption as defined in these guidelines is understood as "the misuse of power for private advantage." Examples are: offering, giving, demanding or receiving gifts, loans, rewards, commission payments or any other form of benefit or advantage to or from a third person as an inducement to perform an act which, in the normal course of business, may be regarded as unfair, illegal, or a breach of confidence. Among others, The following crimes fall into the category of corruption: paying or accepting bribes, granting or receiving favours, fraud and embezzlement, agreements that limit open competition, and money laundering.

Aims and Applicability

These guidelines constitute the fundamental principles and commitment of the Schmitz Foundations to act with integrity and responsibility, in conformity with the law, following high ethical and moral standards. In their work the Schmitz Foundations connect the following goals with these guidelines :

- To prevent and actively combat corruption. This applies equally to the Schmitz Foundations and their field of activity as well as to their project partners and project leaders in their fields of activity.
- To firmly establish integrity as an essential element in the fundamental principles of the Schmitz Foundation, their partners and project organisers. It is the personal concern of all members of the staff of the Schmitz Foundations to preserve and protect it.

These guidelines can only achieve their aims when they act as the essential basis of co-operation with project partners and project leaders. For this reason the principles, rules and procedures laid down in these guidelines are binding on:

- The staff of the Schmitz Foundations,
- the staff of all project partners and project leaders supported by the the Schmitz Foundations.
- Any other persons employed by, or working on a free-lance or service basis for the Schmitz Foundations.
- Members of the Boards of the Schmitz Foundations as well as all those working in an unpaid capacity for the Schmitz Foundations.

The principles, rules and procedures laid down in these guidelines will be included in appropriate form in all the respective contracts of employment, free-lance and service contracts as well as in our project agreements.

Principles

Protection against Corruption

We respect and emphasise the rights of all people to be protected against the practice and effects of corruption. This protection is to be accorded regardless of gender, skin colour, religion, culture, education, social status or nationality.

- *Transparency*

The greatest possible transparency will be guaranteed with regard to decision-making processes, the planned and actual use of resources, and the setting and achievement of goals. This commitment also means that, on the one hand, project partners are to inform their target groups about the goals they have set, budgets, and the results they have achieved, and, on the other, provide the Schmitz Foundations with full and honest reports on the funding received and the use to which it has been put.

As members of VENRO, the Schmitz Foundations are fully committed to the code of conduct governing transparency, management practices and controls.

- *Loyalty*

All directly employed or contract staff of the Schmitz Foundations will act with loyalty towards the concerns and interests of the Schmitz Foundations. This includes constructive criticism which is to be brought forward in the appropriate form. Should indications or rumours be directed against members of staff, they may expect, for their own protection, their employer to examine, analyse and assess them with all due care.

- *Confidentiality*

All sensitive data and information learnt in the course of operations is to be treated as confidential. The protection of all personal data is guaranteed.

- *Participation*

We regard the principle of participation in co-operative development work as an obligation: meaning that the target groups who are to benefit are to be accorded reasonable opportunities to express their views and have their share in constructing programmes and projects. Members of the Schmitz Foundations are also to be involved in decision-making processes in line with their responsibilities and tasks.

- *Expose corruption*

Every type of corruption, whether direct or indirect, is prohibited. Everybody has the right and the duty to refuse to become involved, against his or her will, in activities which they suspect to be corrupt. Every corrupt activity of which they may be a witness or a victim is to be reported in the appropriate form to their superiors.

- *Reporting*

Partners and project organisers funded by the Schmitz Foundations are to provide truthful, clear and transparent reports on the work carried out.

In addition, the sources of finance and the purposes for which funding is used are to be set out in detail, and as a rule checked by an independent professional such as a chartered accountant.

- *Compliance with the law*

The Schmitz Foundations and their partners and project organisers commit themselves to comply in their activities with all relevant civil and criminal law. This applies in equal measure to regulatory statutes as well as to (internal) rules and regulations.

- *Active and Passive bribery*

It is not permitted, directly or indirectly, to offer bribes, or gifts or favours. Offering or accepting gifts, entertainment or expenses is forbidden when these may influence the transaction of business or the approval of projects and exceed reasonable and appropriate amounts.

We permit low-value tokens of esteem or small gifts for guests presented during project visits whose refusal would offend against local standards of politeness. Any gifts may be accepted should be for the benefit of the community. Invitations to dine, provided they fall within the customarily accepted limits, are also permitted.

The payment of bribes or other financial inducements with the purpose of speeding up or ensuring the performance of an official administrative act to which an entitlement exists is prohibited for the Schmitz Foundations, as well as for their project partners and organisers.

- Conflicts of interest, personal and financial connections

Working or business connections may not be used to gain private advantage. In order to avoid conflicts of interest, the spheres of work and private life are to be strictly separated at all times. Combining official journeys with private travel is generally not allowed. Exceptions may be decided upon by the Board or Executive Council on presentation of an explanatory application.

The employment of relatives or close acquaintances may only be permitted when such persons have gone through the usual, transparent and objectively valid, application and selection procedures.

- Internal Controls

Funding approvals, payment instructions, project agreements or project awards, are subject to the dual control system operated by the Schmitz Foundations. In addition the relevant internal controlling systems will ensure that operating procedures are properly carried out, and that laws, standing orders and internal regulations are duly followed.

The audit of project accounts of the partners and project holders as well as the financial and technical reports submitted respective to the use of funds is done by the staff members or persons appointed by the Schmitz Foundations, who are familiar with the specific and local requirements of the project accounting.

- Internal systems

The controlling of the project partner's and project organiser's project accounts as well as the itemised report on the use of funds will be conducted by the staff of the Schmitz Foundations who are familiar with any special local circumstances pertaining to project accounting.

- External Controlling

The activities and financial probity of the Schmitz Foundations are regularly controlled by independent bodies, such as the BMZ, the financial administration or the Supervisory Authority for Foundations. Criteria are properly conducted accounting, financial statements, detailed financial reports and project reviews, as well as the drawing up of an annual Statement of accounts, to be scrutinised and certified by independent accountants. The internal regulations of the Schmitz Foundations are also an essential part of this examination.

As a further control of the use of funds at the level of the project partner or organiser the report of an independent chartered accountant accredited in the country concerned may be required. Moreover inspections by the staff of the Schmitz Foundations or a person authorised by the Schmitz Foundations for the purpose are possible at any time.

Guidelines against Corruption

- *Social Auditing*

The involvement of the target group and local partners in the planning of the project and budgeting enables later social auditing where the local population can take over the role of controller. They determine whether the funding has served its designated purpose on their locality and if the finance has been effectively employed.

- *Cost effectiveness achievement of goals*

The available resources (funding, staff, assets) are to be directed to achieving the project goals and used with the optimum efficiency. Should this not be the case and resources not be used efficiently, this is to be reported to superior authorities so that they may put a stop to the potential waste of resources as soon as possible.

Sanctions

Particular in the case of a violation of the above mentioned code of conduct, disciplinary and measures or contractual sanctions will be implemented (written warning, giving notice, termination of project co-operation etc). Should any crime have been committed the appropriate legal steps will be taken.

In the event of corruption in a partner organisation, the Schmitz Foundations reserve the right to make the facts public and to warn others against any co-operation with the organisation concerned.

Concluding remarks

The code of conduct of the Children's emergency Aid Organisation (KIndernothilfe) in Duisburg forms the basis of this code of conduct which has been adapted to the requirements of the Schmitz Foundations.

Also used: the guidelines on the prevention of corruption for the Children's Mission (Kindermissionswerk) in Aachen, the guidelines on the avoidance of conflicts of interest and corruption for the work of Welthungerhilfe, Bonn, Principles of Behaviour with integrity - GIZ Bonn, as well as the Guidelines on combating corruption in the work of Caritas International in Frankfurt. The general framework is to be found in the BMZ strategic paper 4/2012 Anti-corruption and integrity in German development policy.

Date Dr. Erich E. Dumelin (President/Chairman of the Board)

Date Peter Schneiter

Date Christos Xafis