



Integrity policy of PAX

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1. Introduction

PAX aims to strengthen a culture of integrity and responsibility which is based on the ethical and moral competences of our employees. These competences are closely related to the mission of PAX and the central values which we observe as an organization.

Rules are necessary for safeguarding integrity. At the same time we realize that it is both impossible and undesirable to draw up rules for all situations, because our employees are regularly confronted with both moral and intercultural dilemmas in conflict areas and the often conflicting and contradictory expectations of our stakeholders.

Integrity is an attitude which people have developed and/ or internalized over time. This attitude results in a correct perception of a difficult situation and in adequate actions. A person of integrity does not only observe rules, but is also someone who can bring this ideal into practice in such difficult situations.

The central question is therefore not so much 'Is a certain action allowed according to the rules?' ,but rather 'Do my actions contribute to realizing the mission and objective of the organization and the peace programme in an ethical and professional way?' By asking the question whether an action is ethical, our employees examine whether they are able to assume responsibility and whether their professional accountability is taken into account. This challenges persons to improve themselves. This means that integrity implies more than merely following rules. The integrity policy has a stimulating commitment, which primarily focuses on alertness, openness and on encouraging critical (self)reflection and constantly promoting an excellent performance.

With this *stimulation strategy* the emphasis is on the own responsibility of managers and the employees of the company. Aspects of this strategy include:

- Clear central values of the organization;
- Training and education;
- Promoting the dialogue about integrity issues;
- Coaching leadership and mentorship.

At the same time we realize that a stimulating integrity policy must be guaranteed in work processes and that instruments are required for the further development of the culture and competences that are important for the integrity of our peace work.

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We therefore also observe a *compliance strategy* in which we have formulated rules and instructions, and ensure its compliance. Aspects of this strategy include:

- Drawing up and communicating rules, instructions and accompanying procedures;
- Checking the compliance with the aforementioned;
- Procedures to report non-ethical behavior;
- Disciplinary measures in the event of violations.

This memorandum describes our policy and indicates how this policy is connected with our mission and central values and is embedded in our quality care. It also states which instruments we apply in this respect.

2. Integrity

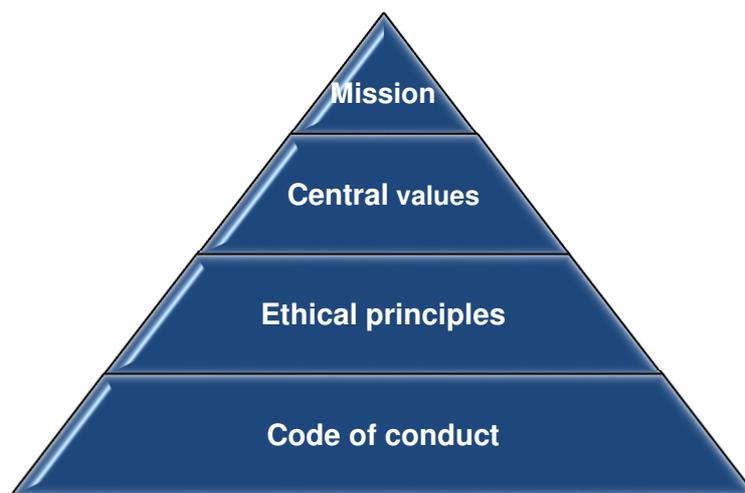
Our integrity is derived from and embedded in the mission and central values of PAX, as formulated in the strategic multiannual plan. Our mission is: *PAX works together with committed citizens and partners in conflict areas to protect human security, prevent and end armed violence and build up a just peace.*

When implementing our mission, we are guided by two central values:

- Human dignity, as the basis for justice and peace in the world,
- Solidarity with peace activists and victims of war violence.

These central values constitute the basic principles of our peace work and hence are the final basis for the quality of our work on the basis of which we are accountable towards our stakeholders: our partners, our supporters, our strategic coalition partners and our donors.

On the basis of this mission and central values, we have formulated ethical principles which are the reference points when implementing the responsibilities of employees and partners.

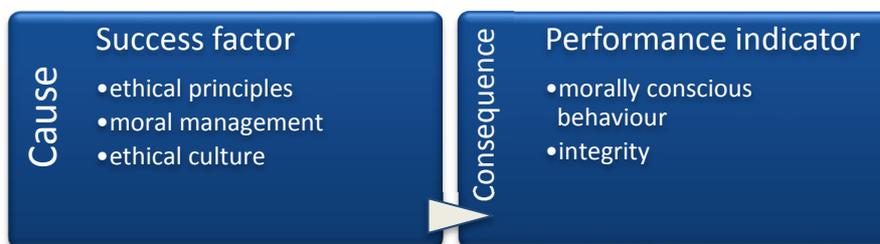


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The ethical principles which are the guiding principles in stimulating a culture of responsibility are:¹

1. Caution: the ability and wisdom to analyze and assess situations first in view of the objective to be achieved and then act accordingly.
2. Justice: both in the meaning of righteousness or honesty and in the meaning of justice. Everyone is entitled to an objective, equal and respectful treatment.
3. Moderation: restraint, the ability to resist temptations in a material sense, and avoiding excesses or extremities, especially in behavior, towards all human beings regardless environment or situation.
4. Courage: The courage, the boldness to do good, also in difficult times and circumstances. Determining one's own course when required by one's conscience and to resist the pressure of managers or the group.

With the implementation of the integrity policy, PAX is inspired by insights derived from research models which make a distinction between success factors and performance indicators²:



The observance of ethical principles by employees has a great influence on the ethically related performance of an organization. The degree to which they feel free and are stimulated to observe them also contributes to morally conscious behavior.

Moral management is defined as the degree to which the management propagates ethical standards, attaches value to ethical behavior, relates decision-making to ethical aspects and the degree to which sanctions are enforced on non-ethical actions. The importance that is attached to ethical principles and related activities is one of the most important influences on the ethical structures and practices of the organization, empirical research shows.³

A cultural aspect that affects the ethical practice is the relationship with colleagues: the willingness to help each other, the mutual cooperation and personal interest, addressing each other when something goes wrong on the basis of professionalism. Research shows that collegiality has a direct correlation with the understanding of employees of ethical principles, morally conscious behavior and integrity.

Morally conscious behavior is the degree to which employees are able to oversee the consequences of their actions, the degree to which employees seek advice of others in case of an ethical dilemma, the degree to which employees act in view of the consequences of their behavior for others and the degree to which employees feel responsible for the organization.

Integrity is a criterion for assessing the quality of the functioning of persons and the organization. It does not only indicate the degree of righteousness, incorruptibility and integrity, but is also a yardstick whether persons act in conformity with the values and standards of being a good employee and a good employer.

¹ P. van Tongeren, *Deugdelijk leven. Een inleiding in de deugdethiek. (an introduction to virtue ethics)*. Amsterdam, SUN 2003 and M. Becker, *Bestuurlijke Ethiek. (Administrative Ethics) Een Inleiding. (an Introduction)* Van Gorkum, Assen 2007.

² *Beleving van integriteit (Perception of Integrity)* by drs. R.A. Hogendoorn, *Tijdschrift voor HRM (Magazine for HRM)*, 2007, no. 1, p. 73-85

³ Idem

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3. Safeguarding integrity

Our integrity is safeguarded in:

- The organizational structure and the Code for Good Governance with Fundraising Charities (Wijffels Code). This code sets high requirements in terms of:
 - the separation of the functions of administration and supervision;
 - openness and clarity of the organization towards stakeholders (such as partner organizations in the South, members and donors, but also volunteers and institutional donors and society as a whole;
 - The self-reflective and self-correcting ability of administrators and supervisors of the organization.

As CBF quality mark holder, the observance of the Code for Good Governance is audited periodically by the Central Agency for Fundraising. In addition, administrators and supervisors must personally sign the CBF statement, appendix 12, regarding conflict of interests; they must also sign the accountability statement every year.
- Organizational culture.
- Policy, in particular the staff policy: Recruitment and selection policy, introduction programme for new employees, performance reviews, coaching, mentorship, safety policy.
- Procedures and processes such as financial and administrative procedures, internal management and monitoring policy, but also in the field of internal and internal communication, consultations and decision-making.

The culture and quality of structure and policy, processes and procedures in which integrity is embedded is guaranteed in our quality care. We will discuss the most important aspects of the quality care.



Integrity policy of PAX

3.1. Code of conduct

The code of conduct is based on our ethical principles and has the following objectives:

- Inspiring and supporting employees, interns and volunteers to act in line with the mission, vision and values of PAX;
- Protecting partners and vulnerable groups in the conflict areas where PAX is active;
- Promoting the security of employees, partners and others working for or with PAX;
- Promoting professionalism;
- Formulating a common vocabulary to discuss expectations and dilemmas with each other.

A code of conduct has been drawn up for operationalization of these ethical principles, which is also part of our safety policy. This code of conduct is included here in its entirety. Moreover, additional rules of conduct may also apply per region or country, which are discussed and laid down in the teams.

As a representative of PAX you must abide by this code of conduct which requires you to:

1. Conduct yourself in a manner consistent with your position as a positive role model to adults and children and as a representative of the peace movement PAX.
2. Comply with the security framework of PAX, and actively participate in the reporting process.
3. Even in the case of the behaviour not being defined or intended in any code of conduct, policy or warning, employees, interns, volunteers and consultants must refrain from any behaviour which is understood or should be understood to be inadmissible.
4. Comply with relevant local, state and national law of the country you are working in, as well as the Dutch law, pertaining to working with adults and children.
5. If, as part of your role, you are required to work with adults and children in any capacity, you should:
 - Be respectful of human rights, background, culture and beliefs as set out in the UN Convention of Human Rights and the Convention on the Rights of the Child;
 - Ensure that you behave and dress in a way that shows respect for local culture and does not cause offence to local communities;
 - Use language and topics appropriate to the situation avoiding suggestive comments to an adult or children. Avoid any actions or words intended to humiliate or belittle humans;
 - Ensure that your relationships with adults and children are not exploitative or abusive.
6. Follow the relevant local, state and national law pertaining to the use and possession of alcohol and drugs. During working hours, the use of drugs and alcohol are always forbidden. In your free time, alcohol – if permitted by national law – should only be consumed in a moderate way.
7. Photography is normally permitted, but you should check with your local partners and local people before taking photographs and ask specifically for permission if the intention is to publish these photos.

Employees, interns, volunteers and consultants carry out their work without making a distinction based on religion, philosophical beliefs, political persuasion, race, gender or other personal characteristics. This applies to everyone with whom an employee comes into contact: partners, colleagues, members of the broader group of supporters they represent, etcetera.

Collegiality and a positive work climate: colleagues must be treated in a positive and correct way in order to create a good work climate. PAX does not allow any undesired behavior such as bullying, discrimination, sexual discrimination, aggression and violence or intimidation.



Integrity policy of PAX

The prohibition on Discrimination concerns both direct and indirect distinction, as well as orders issued thereto.

We refer to 'direct distinction' if a person is or would be treated in a different manner to another person in a comparable situation, based on: religion, philosophical beliefs, political persuasion, race, gender, nationality, sexual orientation and gender identity, marital status, age, handicap or chronic illness. Gender-based direct distinction also includes distinction based on pregnancy, childbirth and motherhood.

We refer to 'indirect distinction' when an apparently neutral condition, criterion or procedure has a particular effect on persons with religious beliefs, philosophical beliefs, political persuasion, race, gender, nationality, marital status, sexual orientation and gender identity, or with a handicap or chronic illness, in comparison with other persons.

'Intimidation' is taken to mean: behaviour with the purpose or consequence of damaging the person's dignity, and which creates a threatening, hostile, insulting, humiliating or offensive situation.

'Sexual intimidation' is taken to mean: any form of verbal, non-verbal or physical behaviour with a sexual connotation with the purpose or consequence of damaging the person's dignity, particularly when creating a threatening, hostile, insulting, humiliating or offensive situation.

'Aggression and violence' is taken to mean: incidents whereby an employee is harassed, threatened or attacked under circumstances directly related to the work carried out.

'Bullying' is taken to mean: any form of intimidating behaviour of a structural nature, by one or more employees (colleagues, superiors) aimed at an employee or group of employees unable to defend themselves against this behaviour. An important element regarding bullying at work is the repetition of such behaviour in time.

8. Employees, interns, volunteers and consultants strictly separate their business and private interests. In all activities developed by employees, interns, volunteers and consultants within the scope of their employment, the interests of the organization must set the standard.
9. It is customary within certain cultures and in certain situations to give and receive small gifts. This is not necessarily a problem, but there may be integrity risks when gifts are accepted. This is why gifts or invitations must be handled with great care. It is never allowed to accept a gift when something has to be done in return and the independence of the employee is at risk. This is why this should be assessed on the basis of the following criteria:
 - at what moment is something offered? (for example, before or after rewarding a partner contract);
 - is the gift or service proportionate to the service actually provided? (requirement of proportionality and reasonableness);
 - is there a risk that something will have to be done in return?
 - does it concern an incidental case or does the person in question receive something from the same contact more frequently?
 - what is the value of the gift or service?

It is never allowed to receive gifts at the home address.

Gifts or invitations are always discussed with the manager or in work consultations. In this way, it can be decided in all openness whether a gift or an invitation can be accepted.

10. Only functional expenses that are required to carry out the work will be compensated. PAX has financial administrative rules and procedures regarding the declarations. However, there may be circumstances that are not covered by these rules or not fully covered by these rules. In that case the following criteria are applied:
 - Does the expense serve the interest of the organization?
 - Is the expense related to performing the work?



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11. PAX employees are encouraged to carry out unpaid volunteer work. However, sometimes additional positions, whether paid or unpaid, may harm the interests of PAX. The employee must first decide whether an additional position must be reported or not. The employee is responsible himself or herself (and is also held responsible afterwards) for taking a correct decision on whether or not to report the additional position. When an employee has any doubts, the advice is to report the additional position. The following points serve as a guide for weighing the pros and cons of an additional position, both for the employee and the management:
- the nature of the additional position;
 - the position of the employee in the organization;
 - the field within which the additional position is carried out;
 - the question whether there is an interconnectedness with the main job;
 - the question whether the reliability and integrity of the employee are at stake;
 - the reputation of the organization, company or branch in which the additional position is carried out;
 - the question whether the effects may be so great that an additional position, which may be acceptable in itself, will nevertheless be assessed negatively by external parties;
 - the scope and difficulty of the work.
12. During the work, employees, interns and volunteers may use email and the intranet and browse the internet. The email, intranet and internet system is made available to employees, interns and volunteers for business use. Its use is therefore related to tasks which result from the position in question. However, a limited personal use of these systems is allowed, providing this does not interfere with the daily work or performance of the work and it does not result in prohibited use. For example, the employee, intern or volunteer is not allowed to use email, the intranet and internet system for messages with a pornographic, racist, discriminating, insulting, offensive or (sexually) intimidating content.
13. Purchasing goods or services must be done independently. It must be prevented that items such as gifts influence an employee in the purchasing or hiring process. In order to prevent a conflict of interests, several persons are involved in the decision-making process as part of the purchasing procedure. When employees know a person from the other party in private, they will always have the purchase decision made by somebody else.
14. Employees, intern, volunteers and consultants are expected to manage the materials, equipment, devices and other assets assigned or made available to them with due care and use them for business purposes. In this respect, they comply with the protocols that apply at PAX.
15. Any breaches of this code of conduct by PAX staff members, interns, volunteers and those associated with PAX programs and activities (including all concerns regarding suspected abuse and exploitation), must be reported by noticing directly the Integrity officer or Security manager of PAX.

Enforcement

If an employee, intern, volunteer or consultant violates the terms of this code of conduct or rules, or displays any other form of inadmissible behavior, this may lead to disciplinary action, which can include a warning, suspension and dismissal.

All employees of PAX sign this code of conduct on appointment.

Integrity policy of PAX

3.1.1. Corruption

- Bribing and corrupting government officials are serious crimes. PAX has its registered office in the Netherlands. Dutch legislation and regulations with regard to corrupting government officials also apply when persons are guilty of this outside the Netherlands. This law therefore also applies to representatives of PAX.
- Representatives of PAX are not allowed under any condition to offer, promise, give, request or accept bribes or other gains, either directly or indirectly, with the intention to obtain or retain any improper privilege.
Representatives of PAX are also not allowed to engage third parties in order to pay bribes to government officials, business contacts or their family through tender contracts, purchase orders or consultancy agreements.
- If a representative of PAX is confronted with a situation in which bribes or other gains are requested or offered, he/she is obliged to report this to the management of PAX.

3.1.2. Reporting suspicions of abuse

- The employee, intern, volunteer or consultant may be confronted with a situation that others violate rules or standards within the organization. It is expected of the employee, intern, volunteer or consultant that such suspicions are reported. The employee can contact his or her managers, or the board of directors when it concerns a manager. It is also possible to discuss such a case with a confidential advisor of PAX. This confidential advisor may be a colleague, a mentor or the integrity officer from P&O and can help the employee to discuss any misconduct within the organization.
- The "Policy on dealing with reports concerning suspicion of misconduct or irregularities (whistleblower policy) " gives information on internal as well as external organizations or persons an employee can turn to in case of suspicion of abuse of organizational rules or standards.

3.1.3. Sanctions

- If an employee, intern, volunteer or consultant violates the code of conduct and/or rules of conduct or does not work ethically in other respects, this may lead to disciplinary action. This may also include private conduct which harms the interests of the organization or whereby one's integrity with regard to carrying out one's work is at stake.
- The extent of any disciplinary action depends on the seriousness of the conduct and varies from a written warning to dismissal.
- The management is authorized to take disciplinary measures and will hereby ask the manager in question for advice.

Besides the sanctions for an employees, interns, volunteers or consultants, PAX has a separately established and approved sanction policy for partners.

Integrity policy of PAX

3.2. Quality system ISO 9001/ Partos

PAX is certified in conformity with ISO 9001, the international standard for quality management systems.

This means that PAX has a documented quality management system, consisting of a formally established quality policy in which established processes, procedures and responsibilities are described.

There are regular internal audits as well as management assessments, so that corrective and/or preventive measures can be taken in time. As a result of this, we can guarantee our internal process control is adequate and we monitor the risks that may exist in procedures. Complying with legislation and regulations is an integral part of this.

In addition, periodical external audits are carried out by an accredited certification agency that verifies objectively whether the conduct takes place in conformity with the ISO 9001 standard.

Besides the ISO standard, we have used the INK model to diagnose the strengths and weaknesses of the organization. The promotion of integrity is supported by the INK management model in an integrated manner, in particular by:

- A focus on leadership: as a result of this, practicing an authoritative, but serving attitude is promoted, in which the central values and ethical principles of PAX are regarded as an important task for all employees. The managers play an important role in this. He/she stimulates the focus on positive values, identifies ethical dilemmas and borderline cases and sets a good example.
- Management of employees: commitment, decisiveness, quality and a learning ability are the criteria that we apply to our employees. Integrity is an obvious part of the professionalism of our employees and we discuss integrity and dealing with dilemmas through a number of instruments:
 - a. We discuss mutual expectations, possibilities, objectives and developments with each other in a structured way. All employees understand what is expected of them in terms of objectives and competences. This is laid down and evaluated in a dialogue cycle.
 - b. Internal consultation: applying advice between colleagues, exchanging know-how and experience, receiving feedback and reflecting about one's own functioning in a structured way.
 - c. Mentorship whereby senior employees supervise junior employees.
 - d. Focused competence development and related and cross-curriculum training programs per team and person.

3.2.1. Administrative Organization and Internal Management (AO/ IB)

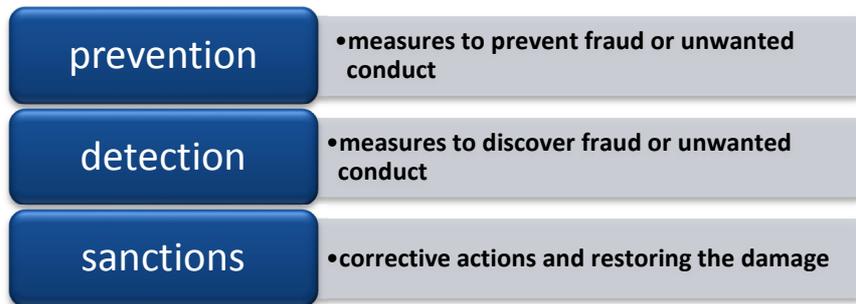
Our administrative organization and the internal management have been laid down in the quality manual. As a result of this, the efficient planning, implementation, inspection and improvement (PDCA cycle) of processes are described, and preventive measures and detection measures are integrated.

Anti-fraud measures

In the accountancy sector, fraud is defined as 'an intentional act by administrators, supervisors, the management or staff, whereby deception is used to obtain an unlawful or illegal advantage.'

Our approach covers three areas. However, they form an integral whole and have strong mutual links.

Integrity policy of PAX



All processes have been identified and described in conformity with the international ISO standard, including the planning cycle (content-related planning and accountability), control cycle (the financial planning and accountability), payment to partners and declarations to employees, purchase and concluding contracts with partners.

The frequency of the control cycle is as follows:

- Financial reporting by partners to program managers: depending on the contractual arrangement, usually twice annually.
- Financial statements by the controller to team managers: three times annually.
- Financial reporting by team managers to MT/board: twice annually.
- Reporting to Supervisory Council: twice annually. (usual planning: adoption of the financial statements in May and approval of the budget in October and in the interim period, if necessary)

The fixed planned moments for a check on adjustments are when a partner report has been received and after the half-yearly report.

The accounting justification for the use of the funds is monitored by the external registered accountant. In addition, individual programs are also monitored.

Every year, the registered accountant meets with the Supervisory Council, whereby the fraud policy is also subject of discussion.

Risky/ vulnerable functions and work areas, actions or processes have been identified and specific measures and procedures have been agreed for this. Powers are separated and laid down in various ways:

- In job descriptions
- In the quality manual (process descriptions and documentation management)
- In the signature register.

Contracts are concluded with the partners every year, in which it is stated when and how they should report. These reports are checked by the program manager with regard to their contents and by the financial administration with regard to their accuracy. When contracts exceed an agreed scope, the partner is under a contractual obligation to submit an unqualified audit opinion by a certified accountant regarding the expenditure.

Besides the sanctions for employees (also see point 3.1.3), PAX has a sanction policy for partners which is laid down and approved separately.