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PROGRAMME

Anti-Fraud Policy

SUMMARY

ERS commits to upholding the highest standards of honesty, integrity, and ethical conduct throughout its operations and with all involved parties. This document outlines ERS' anti-fraud procedures to ensure its legal, financial, and operational integrity.

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Introduction

SCOPE

To manage and mitigate all levels of risk, ERS devised a monitoring strategy based on three lines of defence: **prevention** (training, assessment of Third Parties, internal rules and procedures), **detection** (grievance mechanism, internal and accounting controls) and **remediation** (implementation of corrective measures and disciplinary sanctions) in the event of non-compliance.

In line with ERS' Code of Ethics and Business Conduct and Rules of Procedure, this Anti-Fraud Policy applies to all ERS Agents and independent Third Parties, namely Validation and Verification Bodies, Buyers, Developers and other contractors including, but not limited to, accounting firms, legal and technical consultancy, insurance services and suppliers.

NORMATIVE REFERENCES

This document must be read in conjunction with the following documents:

- ERS Programme
- Code of Ethics and Business Conduct
- ERS Long-Term Administration Plan
- Rules of Procedure
- Quality Management System

TEMPLATES

This document is linked with the following templates:

- AML/CTF Risk Analysis
- Anti Corruption Risk Analysis
- Anti-Fraud Inquiry
- Declaration of Interest
- Third-Party Screening
- Due Diligence Report
- Annual Report

GUIDING PRINCIPLES

ERS Anti-Fraud Policy allows to mitigate risks associated with fraudulent or harmful activities. This Anti-Fraud policy is built around four core principles:

- **Legal Compliance**. ERS must comply with various local, national, and international regulations, including anti-corruption, conflicts of interest, anti-money laundering, and counter-terrorism financing (AML/CTF).
- **Risk Mitigation**. ERS must identify and assess material risks associated with new or existing partnerships.
- **Quality Control**. ERS must perform Third Parties vetting.
- **Transparency.** ERS commits to transparent operations and partnerships.

By implementing this procedure, ERS ensures a secure, accountable, and transparent management of its activities. As such, non-compliance with this Anti-Fraud Policy may result in immediate termination of contracts and legal actions, as appropriate.

Prevention

ERS has instituted stringent preventive measures as the cornerstone of its Anti-fraud Policy. These measures exemplify ERS' commitment to proactively recognise, comprehend, and address potential fraud risks before they manifest.

1. Continuous Training

1.1. Anticorruption and AML/CTF are part of ERS' onboarding and periodic training for ERS Agents. ERS must ensure that all Agents are up-to-date on the latest compliance requirements and aware of the various forms of fraud.

2. Risk Assessment

2.1. Using a risk-based approach to AML/CTF and anticorruption, ERS has implemented the AML/CTF Risk Analysis and Anticorruption Risk Analysis tools to monitor and mitigate potential risk scenarios. Both documents are updated annually by the Executive team, and their results are communicated in the ERS Annual Report to inform the ERS Administration Plan.

3. Third-Party Screening

3.1. **Objective**. The objective of the Third-Party Screening process is to quickly evaluate the reputation and basic credentials of Third Parties before establishing any form of business relationship with them, ensuring alignment with ERS' values and policies.

3.2. **Scope**. The Third-Party Screening process applies to all ERS contractors and partners, including, but not limited to, VVBs, Buyers, accounting firms, legal and technical consultancy, insurance services, and suppliers.

3.2.1. Third Parties that are already audited annually are exempt from this procedure; in this case, the screening will consist of verifying their audit report.

3.2.2. Developers are also exempt from this procedure as they undergo a full Due Diligence investigation.

3.3. **Activation**. The Third Party Screening or an update of an existing screening - can be triggered in the following situations:

3.3.1. **Entering a New Business Relationship**. This applies to individuals or entities that contract with ERS.

3.3.2. **Reputational Concerns**. If rumours, news reports, or public discourse raise concerns about one of ERS's Third Parties' practices or reputation.

3.3.3. **Financial Transactions**. Before executing financial transactions of over 50,000 USD, especially if these have not undergone this screening process for more than two (2) years.

3.3.4. **Operational Red Flags**. Anytime internal operational red flags, such as late payments, irregular documentation, or frequent changes in points of contact, are noticed.

3.3.5. **Changes in Third Party Ownership or Management**. Anytime a significant change in the ownership, board members, or senior management of a Third Party occurs.

3.4. **Screening Procedure.** An ERS Agent performs the screening using the Third-Party Screening template to verify the following information:

3.4.1. **Online Reputation**. Conduct a quick online search on the Third Party using major search engines to gauge their public image, recent news articles, and any red flags. Special attention should be given to news relating to their involvement in ecosystem restoration Projects or other relevant areas.

3.4.2. **Database Check**. Use WorldCheck and regional registries to perform a basic check on the Third Party's background, any legal issues, or potential risks associated with them.

3.5. **Outcome**. Once the screening is completed, the ERS Agent may rate its outcome as "Clear" or "Flagged" in the Third-Party Screening report depending on whether the Third Party passed the screening without any concerns, or if discrepancies or potential concerns have been identified. In cases where a Third Party is flagged, a more detailed Due Diligence Report is needed before any further interaction.

4. Third-Party Due Diligence

4.1. **Objective**. The Third-Party Due Diligence process aims to collect identification information from Third Parties before establishing a contractual relationship. The process includes a questionnaire, to be completed by the Third Party, and a Due Diligence Report, composed of an investigation and a desktop review of disclosed information by an ERS Agent from the relevant team.

4.2. **Scope.** This process is the default procedure for Developers. Other Third Parties may undergo the Third-Party Due Diligence process **only** if they are flagged during the preliminary Third-Party Screening.

4.3. **Third-Party Declaration**

4.3.1. **Questionnaire.** ERS sends a questionnaire for Third Parties to disclose the following information:

- **Identity check**. Third Parties detail their legal identity and status.
- **Track-Record.** Third Parties must provide information (relevant experience, records and references) that confirms their capacity to perform their role in collaboration with ERS.

- **Financial and Legal Compliance**. Third parties must submit documents proving their financial standing and debt status, and confirm that they are not involved in any legal disputes. ERS cross-checks such information using available registries and WorldCheck.
- **Ethics**. Third Parties must provide proof of their commitment against all forms of fraud, especially bribery, AML/CTF and conflicts of interest by:
    - Filling out a Declaration of Interest to disclose all actual and potential conflicts of interest, including any material transaction or relationship that could be expected to give rise to a conflict of interest.
    - Filling out the Anti-fraud Inquiry to inform ERS of the bribery and AML/CTF risks associated with their activities and the mitigation measures they have implemented.
    - Both forms must be completed every four years.

💡Conflicts of Interests and AML/CTF risks are scanned thoroughly by the Certification Team as part of the Developer Due Diligence. As such, Developers are exempt from completing the Declaration of Interest & the Anti-Fraud Inquiry procedures.

4.4. Due Diligence Reports

4.4.1. **Objective**. Due Diligence Report ensures the accuracy of all information provided by Third Parties in the questionnaire, guaranteeing their competency, legal compliance, and alignment with ERS' requirements.

4.4.2. **Structure**. All Due Diligence Reports follow the same steps:

- **Verification**. Questionnaire answers are reviewed using WorldCheck and other national and regional registries to confirm the information.
- **Discrepancies**. The investigator cross-checks for discrepancies between the provided information and the results of their research.
- **Alert level assessment**. The investigator assigns an alert level for each risk category and summarises their findings for each item. This allows the report to be an effective decision-making tool.

4.4.3. **Validation**. Once the Due Diligence Report is completed, the investigator must sign it and, if the Global Alert Level is equal or superior to "3 - Medium Alert Level", they must transfer it to the Secretariat for review.

4.5. **Summary**

	VVBs	Developers	Buyers	Other Third Parties (consultants, brokers,...)
Objective	To collect and cross-check identification information from essential Third Parties before entering into contractual relationships.			To quickly evaluate the reputation and basic credentials of Third Parties before entering into contractual relationships.
Required level of assessment	Third-Party Screening (Third Party Due Diligence if	Third-Party Due Diligence	Third-Party Screening (Third Party Due Diligence if	Third-Party Screening (Third Party Due Diligence if flagged during the screening)

	flagged during the screening)		flagged during the screening)	
When?	As part of the Accreditation Process	As part of the Feasibility Review phase	Before having the account approved in the Registry	Before entering into contractual relationships with ERS.
Responsible ERS Entity	Secretariat	Certification Team	External Relations	Administrative Team

5. Contracts

5.1. **Know Your Customer (KYC)**. ERS stipulates that contracts with Third Parties should only be finalised once the relevant KYC process (either a Screening or a Due Diligence) is thoroughly completed and the involved parties are validated in line with established protocols.

5.2. **Validation**. Before finalisation, these contracts must undergo scrutiny by the Administrative team, with the support of ERS's legal advisor. To be considered fully endorsed by ERS, a contract must then be signed by ERS's relevant highest level of management:

5.2.1. The Director of Secretariat is the authority on all contracts with VVBs, TAB members and all other Third Parties providing services related to the operation of the Standard, its affiliated documents and the certification process.

5.2.2. The CEO is the authority on all contracts with Buyers, Developers (at the sourcing phase only) and all other Third Parties providing services related to the administrative and financial management of ERS.

Detection

To uphold the integrity and reputation of ERS, it is essential to promptly detect any discrepancies, irregularities, or potential misconduct that might emerge during ERS's activities. This section outlines the procedures and mechanisms that ERS follows to detect fraud.

1. Internal and Accounting Controls

1.1. **Internal Controls**. The Administrative team is responsible for conducting yearly randomised internal audits focusing on high-risk areas. To complement the Administrative monitoring role, the Secretariat can act on its initiative when suspicion emerge or concerns are raised via the Grievance Mechanism. These internal controls are informed by ERS' AML/CTF Risk Analysis and Anticorruption Risk Analysis, and consist of:

1.1.1. **Regular Operational Reviews**. Examination of the efficiency and effectiveness of various operational processes to ensure they align with ERS' objectives.

1.1.2. **Compliance Checks.** Verification that all activities are compliant with local, national, and international laws and regulations.

Refer to ERS Quality Management System for more details.

2. Accounting Measures

2.1. In collaboration with ERS chartered accountants, the Chief of Staff is responsible for:

2.1.1. **Transaction Monitoring**. ERS monitors all its financial transactions in real time. Any irregularity triggers an immediate investigation.

2.1.2. **Budget Analysis**. Monthly meetings with ERS's subcontracted accountant to reconcile financial records with bank statements and to accurately compare budgeted and actual expenses with revenues.

3. Grievance Mechanism

3.1. If an ERS Agent or a Third Party has suspicion of any problem or possibility of wrongdoing, they are encouraged to report it through the Grievance Mechanism. The Secretariat must then thoroughly investigate the grievance and provide a resolution.

4. Renewal of Due Diligence Reports

4.1. The Due Diligence process shall be updated for each Third Party every four (4) years. The Secretariat can also request an update before this four-year delay if an event is expected to significantly change the situation.

5. External Audits

5.1. External audits are essential to evaluate the effectiveness of the other lines of defence and should take place annually or as required by the Executive team. These checks verify that ERS's stringent criteria are continually maintained and updated as necessary.

Remediation

ERS acknowledges the potential for unexpected challenges and discrepancies. This section outlines ERS's systematic approach to addressing such issues, guaranteeing prompt, transparent, and efficient resolution of any non-compliance or anomalies that may arise.

IMPLEMENTATION OF CORRECTIVE MEASURES

Should non-compliance or irregularities be detected, ERS has established a robust set of remedial actions. The Secretariat, in consultation with the Executive and Administrative teams, will lay out a roadmap for corrective measures:

1. **Suspension or termination of the business relationship**. If violations of ERS's Anti-Fraud rules are discovered, ERS reserves the right to take immediate action such as suspending or terminating the business relationship with the Third Party.

2. **Disciplinary sanctions**. Individuals violating ERS's policies or legal obligations may face disciplinary action, as outlined in the Code of Ethics and Business Conduct.

3. **Corrective action plan**. If ERS decides to pursue the business relationship with the Third Party, a detailed corrective action plan outlining the actions to address the issue must be developed and implemented. The timeline for implementation will depend on the severity of the non-compliance.

4. **Third-party notification**. If a violation is discovered, ERS should inform other potentially affected Third Parties of the issue and the steps taken to resolve it, preserving the integrity and trustworthiness of the ERS business relationships.

5. **Policy review**. All incidents, non-compliances and grievances will be analysed to determine if systemic issues require adjustments to ERS' Policies or Procedures.

6. **Reporting**. All corrective measures and outcomes will be fully documented and included in ERS' Annual Reports for full transparency.

Confidentiality

DATA PROTECTION

All collected data will be stored securely, compliant with data protection laws, and accessible only to authorised ERS Agents. Personal data is stored for three years. At the end of this period, ERS will request the Third Party to renew its file-keeping authorisation.

More information can be found in ERS' Privacy Policy.

DATA WITHDRAWAL

Stakeholders who wish to withdraw their accreditation or request data deletion are advised to contact **secretariat@ers.org**.

The email subject should read "GDPR - AUDITOR DATA DELETION," and the body of the email should describe the specific scope of the data deletion request.

Ecosystem Restoration Standard

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