

## Annex V: Policy on Ethics and Conflicts of Interest for Active Observers of the Green Climate Fund

### I. Scope, purpose, and applicability

1. This Policy on Ethics and Conflicts of Interest for Active Observers of the Green Climate Fund sets out principles and ethical standards for the effective participation of the Active Observers in the meetings of the Board of the Fund. The Governing Instrument for the Fund specifies that the Board will invite two civil society representatives and two private sector representatives, to participate in its meetings as Active Observers.
2. As the Active Observers may, upon invitation of the Co-Chairs, participate in meetings of the Board and receive, in accordance with applicable rules and procedures and with the Fund's disclosure policies, Board meeting documents, this Policy has been adopted by the Board to provide guidance on matters of professional and personal behaviour of Active Observers, in connection with their participation in the meetings of the Board.
3. The Policy is in furtherance of the general principle set out in the Governing Instrument that the Fund shall operate in a transparent and accountable manner guided by efficiency and effectiveness.
4. The Policy acknowledges the role that Active Observers play in ensuring the transparency and accountability of the Fund's operation, and underpins the willingness of the Board to promote the input and participation of stakeholders throughout this process with a view to strengthening the role that they will play.

### II. Definitions

5. For the purposes of the Policy, the following terms shall have the meaning set out below:
  - (a) **Active Observers** means the four representatives, comprising two from developed and two from developing countries referred to in paragraph 16 of the Governing Instrument and paragraphs 2(a) and 37 of the Rules of Procedure of the Board, invited by the Co-Chairs, in consultation with the Board, to participate as active observers of the Board;
  - (b) **Associated Institution** means:
    - (i) Any entity, agency, organization, corporation, administration or similar institution in which a Covered Individual is serving as an officer, director, shareholder, person with an ownership interest, Stakeholder, trustee, business partner or employee or for which the Covered Individual is working as consultant, that receives or may reasonably be expected to receive directly or indirectly funding from the Fund or with which the Fund has, either directly or through an intermediary, a formal agreement, contract or memorandum of understanding;
    - (ii) Any entity, agency, organization, corporation or administration with whom a Covered Individual is applying for, or negotiating to have, an arrangement concerning employment or consultancy, that receives directly or indirectly funding from the Fund or with which the Fund has, either directly or through an intermediary, a formal agreement, contract or memorandum of understanding;
  - (c) **Board** means the Board of the Fund;

- (d) **Co-Chairs** means the two co-chairs elected by the Board;
- (e) **Confidential Information** means information that is marked as proprietary and/or confidential and excludes information obtained from a third party by the Covered Individual without a breach of confidentiality or in the public domain;
- (f) **Covered Individuals** means the Active Observers referred to in paragraph 16 of the Governing Instrument and paragraphs 2(a) and 37 of the Rules of Procedure of the Board;
- (g) **Ethics and Audit Committee** means the committee of the Board established by decision B.05/13, paragraph (e);
- (h) **Executive Director** means the executive director of the Fund Secretariat as referred to in paragraph 20 of the Governing Instrument;
- (i) **Fund** means the Green Climate Fund;
- (j) **Fund-related Activity** means any activity which is financed, administered or supported by the GCF, either by its own resources or those of others, or any activity that materially affects or may materially affect or otherwise be relevant to the Fund;
- (k) **Gift** means any gratuity, favour, discount, entertainment, hospitality, loan, forbearance, honorarium or other item having monetary value but does not include funding received during the normal course of operations of active observers' organizations and disclosed in accordance with this Policy. Gifts include services as well as gifts of training, transportation, local travel, lodgings, and meals, whether provided in-kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred;
- (l) **Governing Instrument** means the Governing Instrument for the Fund;
- (m) **Harassment** means unwelcome verbal or physical behaviour that unreasonably interferes with work or creates an intimidating, hostile or offensive work environment;
- (n) **Immediate Family Members** means a Covered Individual's spouse, domestic partner recognized under law and dependents;
- (o) **Policy** means this policy on ethics and conflicts of interest for Active Observers of the Green Climate Fund;
- (p) **Prohibited Practices** means any of the following practices in relation to Fund-related Activities:
- (i) **Corruption or Corrupt practice** means the promise, offering, giving, receiving, or soliciting, directly or indirectly, anything of value (including but not limited to gifts, gratuities, entertainments, favours, invitations, and benefits of any kind) or any undue advantage, or any act or omission that involves the abuse of authority or functions, for the purpose of influencing or to causing to influence improperly the actions of another party, or for the purpose of obtaining an undue advantage for oneself or for another party;
  - (ii) **Fraud or Fraudulent practice** means any act or omission, including misrepresentation or concealing material fact, that knowingly or recklessly misleads, or attempts to mislead, a party for the purpose of obtaining a financial or other undue advantage for oneself or for a third party, or to avoid an obligation;
  - (iii) **Coercion or Coercive practice** means the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party for the purpose of improperly influencing the actions of a party;

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- (iv) **Collusion or Collusive practice** means an arrangement between two or more parties designed to achieve an improper purpose, including for the purpose of improperly influencing the actions of another party;
- (v) **Obstructive practice** includes:
- (1) Deliberately destroying, falsifying, altering, concealing, or unreasonably withholding evidence or other requested information, documents or records, which are material to a Fund investigation;
  - (2) Making false statements to investigators in order to materially impede a Fund investigation;
  - (3) Threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to a Fund investigation or from pursuing a Fund investigation; or
  - (4) Materially impeding the Fund's contractual rights of audit or access to information;
- (vi) **Abuse** means theft, misappropriation, waste or improper use of property or assets related to a Fund-related Activity, either committed intentionally or through reckless disregard;
- (vii) **Money Laundering**<sup>2</sup> is as more clearly defined in Clause 12 (g) of the GCF AML/CFT Policy and refers to : (a) the conversion or transfer of property, knowing that such property is derived from the crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of the crime to evade the legal consequences of his or her actions; (b) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of or rights with respect to property, knowing such property is derived from crime; or (c) the acquisition, possession or use of property knowing at the time of receipt such property was derived from a criminal offence;
- (viii) **Retaliation against Whistleblowers or Witnesses** means any detrimental act, direct or indirect, recommended, threatened or taken against a Whistleblower or Witness (as such terms are defined in the relevant GCF policy), or person associated with a Whistleblower or Witness, because of his or her report of suspected Wrongdoing or cooperation with a Fund investigation by the Whistleblower or Witness; and
- (ix) **Financing of Terrorism or Terrorist Financing** is defined as the commission of any offence as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.
- (q) **Secretary to the Board** means the staff member of the Secretariat of the Fund serving as secretary to the Board; and
- (r) **Stakeholder** means a person having a proprietary or economic interest in an entity.

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<sup>2</sup> Based on definitions used in the Interim Policy, as elaborated in the AML/CFT Policy (decision B.18/10).

### III. Basic standard of conduct

6. Amongst accredited observers, only the Covered Individuals are allowed to participate in the meetings of the Board. The opportunity of such attendance carries certain responsibilities. It is the duty of each Covered Individual to maintain the highest standards of integrity and ethics in their personal and professional conduct, to comply with this Policy and all policies of the Fund as and when in effect and all laws, rules, and regulations to which he or she is subject.

7. In order to reflect the importance of the Policy and the obligations contained in it, Covered Individuals shall, upon nomination as an Active Observer and being invited to participate in meetings of the Board and prior to attending every subsequent Board meeting, read and sign the Declaration of Confidentiality and Conflicts of Interest for Active Observers, a template of which is contained in Appendix I to the Policy, to be deposited with the Secretary to the Board.

8. Covered Individuals shall, in their interactions with others, act with tolerance, sensitivity, and respect for cultural differences. Any form of discrimination based on any ground, such as gender, race, colour, national, ethnic or social origin, language, religion or belief, membership of a national minority, disability, age or sexual orientation shall be against the Policy.

9. Covered Individuals shall abide by the following standards of conduct:

- (a) Covered Individuals shall in good faith seek not to act in a manner that undermines the objectives and guiding principles of the Fund. In particular, Covered Individuals shall refrain from engaging in Prohibited Practices or Harassment;
- (b) Covered Individuals must not encourage anyone to take any actions in violation of paragraph 9(a) above or to engage in any Prohibited Practice or Harassment; and
- (c) Covered Individuals must disassociate themselves from, and report to the Ethics and Audit Committee, any suspected misconduct in connection with the Fund or the activities of the Fund, including those actions that violate paragraph 9(a) above or constitute any Prohibited Practice and/or Harassment, when it comes to their attention, in accordance with the procedure set out in section V below.

### IV. Participation at the meetings

10. When participating in board meetings as an Active Observer, the Covered Individuals will focus their interventions on the merits of the subject-matter under discussion and shall in good faith act in furtherance of the objectives and guiding principles of the Fund.

11. Covered Individuals shall in the view of the Board not interfere with Board members, alternate Board members, their advisers, invited experts, other observers or the Secretariat, in any way which may hinder the work of the Board or the Fund.

12. Covered Individuals shall consistently attend Board meetings. However, they shall not attend any executive sessions of the Board unless explicitly invited by the Co-Chairs, in consultation with the Board. They may attend as observers the meetings of a Board committee or working group in special circumstances and if expressly authorized by the Board or the relevant Board committee or working group.

## V. Non-compliance with the Policy

13. Alleged breaches of a provision of the Policy by a Covered Individual shall be referred to the Ethics and Audit Committee.
14. The Ethics and Audit Committee shall afford such Covered Individual an opportunity to explain the alleged breach of the Policy.
15. The Covered Individual who is alleged to have violated the Policy will be informed in writing and will be provided the opportunity to present his or her views of the alleged violation to the Ethics and Audit Committee who will then make a recommendation to the Board on action to be taken against the Covered Individual. Pending the assessment of the alleged violations, the Covered Individual shall follow any measures that the Ethics and Audit Committee may determine to be taken on a temporary basis which may include placement of limits on their participation in the meetings or suspension. Non-compliance with this Policy may lead the Board to exclude such Covered Individual from the meeting in question and potentially from future meetings of the Board. The corresponding observer constituency may subsequently be requested to consider a replacement.
16. A Covered Individual against whom action has been taken pursuant to paragraph 15 above may appeal that action to the Board.

## VI. Conflicts of interest

17. A conflict of interest arises when a Covered Individual has an interest, which may include but is not limited to a financial interest, that could, or reasonably could be perceived to, improperly influence the performance of her or his conduct as an Active Observer. It is acknowledged, however, that Covered Individuals are serving in a representative capacity of the broad group of civil society or private sector organizations, as the case may be, which themselves may have inherent interests in the outcome of issues before the Board. The Covered Individuals shall inform the accredited observer organizations and the broader group of civil society or private sector organizations they represent of this Policy in order to avoid the Covered Individuals from being put in breach of this Policy.
18. In general, and without limitation, conflicts of interest may be deemed to exist in the following situations:
  - (a) Where a Covered Individual's interests, or the interests of an Immediate Family Member or Associated Institution (other than the civil society or private sector organizations the Covered Individual is representing) could affect the conduct of his or her participation in the meetings of the Board or result in a reasonable perception that a conflict of interest exists; and
  - (b) Where the Covered Individual's actions create the perception that the Covered Individual is using his or her position at the Fund for his/her personal benefit or for the benefit of an Immediate Family Member or an Associated Institution.
19. If there is doubt whether a conflict, actual, apparent or perceived, exists, the Covered Individual concerned shall promptly refer the matter to the Chair of the Ethics and Audit Committee for guidance.
20. In order to avoid conflicts of interest and to strengthen the proper, transparent and independent governance of the Fund and its governing bodies, Covered Individuals shall, upon nomination as an Active Observer and being invited to participate in meetings of the Board, submit to the Secretary to the Board a list of their functions and roles outside the Fund that

would have relevance or potential relevance to the business of the Fund and shall update such a list if and when required to reflect amendments. The Ethics and Audit Committee shall review the declaration but shall not make this list publicly available. Where a specific case of a conflict of interest arises the Ethics and Audit Committee will disclose it to the full Board and to the Executive Director.

21. Each Covered Individual shall:
  - (a) Exercise personal discretion in deciding whether he or she has an actual or perceived conflict of interest with respect to any matter under consideration by the Board; and
  - (b) Remain committed to observing, developing and implementing the principles embodied in this Policy in a conscientious, consistent and rigorous manner.

## **VII. Procedure when a conflict of interest arises**

22. Covered Individuals must make a timely and full disclosure in any situation where they have a conflict of interest or where an appearance of a conflict of interest may reasonably be perceived. If a conflict of interest or the appearance of a conflict of interest arises, the Covered Individuals should take action, as appropriate, to address the conflict.

23. As a matter of principle, Covered Individuals shall disclose to the Head of the IIU and the Chair of the EAC any actual or perceived conflict of interest they may have in relation to any items on the agenda of Board meetings. Unless the EAC, in consultation with the Head of the IIU, directs otherwise, the Covered Individual shall be recused from participating in discussions of that item. A recused Covered Individual shall refrain from attempting to exert personal influence in connection with the issue being discussed or decided.

24. All actual or potential conflicts of interest or the reasonable appearance thereof that are not addressed through the recusal of the Covered Individual shall be immediately disclosed in writing to the Ethics and Audit Committee. In addition, any official of the Fund or any individual or entity may bring an actual or potential conflict of interest of a Covered Individual to the attention of the Ethics and Audit Committee.

25. The Ethics and Audit Committee shall promptly review these disclosures or any alleged conflicts of interest communicated to it and determine whether an actual or potential conflict of interest exists and, if so, whether to issue a waiver defining the extent to which such a Covered Individual may participate in any discussion of the issue that has given rise to the conflict, or to take any other action to manage, reduce, or eliminate the conflict. The Ethics and Audit Committee may also bring any conflicts of interest issue to the Board for further consideration and decision.

26. When it is determined by the Ethics and Audit Committee that an actual or potential conflict of interest exists, the Covered Individual shall not participate in the matter that has given rise to the conflict absent a waiver from the Ethics and Audit Committee or, if the matter has been referred to the Board, from the Board, and shall follow any other relevant direction given by the Ethics and Audit Committee or the Board.

## **VIII. Documentation of conflicts**

27. The existence and resolution of the conflict of interest must be documented in the proceedings and/or report of the Board meeting at which such conflict of interest or an appearance of a conflict of interest arose.

## IX. Transparency and disclosure of information

28. Covered Individuals explicitly acknowledge that they may have access to information regarding the Fund and its operations that is deemed confidential according to the Fund's information disclosure policies and agree that they shall at all times respect the confidentiality of such information, and shall not disclose such information to anyone or use for the purpose of furthering their personal interest or the personal interest of any other person or entity for whom or which such information is not intended. The Covered Individuals shall comply with the information disclosure policies of the Fund. Covered Individuals shall not seek access to any documents containing confidential information or documentation relating to any agenda item where their participation is excluded.

29. Covered Individuals shall not disclose, both during and after their term of office, Confidential Information obtained from the Fund and/or project participants, without the written consent of the Fund and/or the provider of the information. If a Covered Individual believes that Confidential Information may have been improperly disclosed, he or she shall promptly inform the Ethics and Audit Committee and the Executive Director.<sup>3</sup>

30. Covered Individuals shall consult the Executive Director if they have doubts as to whether certain information is deemed confidential.

## X. Gifts and entertainment

31. All Covered Individuals and their Immediate Family Members are prohibited from accepting Gifts under circumstances where it could reasonably be construed that the Gift is motivated by the position of the Covered Individual in relation to the Fund and interests that could be substantially affected by the Fund.

32. All Covered Individuals and their Immediate Family Members are prohibited from giving Gifts where it could reasonably be construed that the Gift is intended to affect the policies or practices of the Fund or any of the programmes it funds.

33. Covered Individuals shall disclose any funding received during the normal course of operations of active observers' organizations to the Ethics and Audit Committee.

## XI. Employment by the Secretariat

34. Any Covered Individual and Immediate Family Member shall not be eligible for employment by the Secretariat, including as a consultant, until one and a half years following the last date of service of the Covered Individual in the relevant position. The Board may waive this provision upon recommendation from the Ethics and Audit Committee. A request for such a waiver must be submitted by the individual concerned to the Ethics and Audit Committee before he or she applies for employment by the Secretariat. The Secretariat shall not take action on or accept an application for employment from such an individual unless a waiver has been granted by the Board.

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<sup>3</sup> The Executive Director is to be informed promptly in order to manage any potential liability towards third parties to whom the Fund has confidentiality obligations, for example under a non-disclosure agreement.

## **XII. Review and amendment**

35. The Board shall keep the Policy under regular review and, on the recommendation of the Ethics and Audit Committee, amend the Policy, as necessary, to ensure that the highest ethical standards are applied to the Covered Individuals.

## **XIII. Effective date**

36. The Policy shall come into effect upon adoption by the Board and shall remain in effect until amended or superseded by the Board.

37. Covered Individuals who have Active Observer status at the time this Policy comes into effect shall submit the signed Declaration of Confidentiality and Conflicts of Interest promptly upon the effective date of the Policy in accordance with paragraph 7 above and a list of roles and functions outside the Fund in accordance with paragraph 20 above.

38. Amendments to the Policy and any amendments thereto shall come into effect in accordance with paragraph 36 above.

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## **Appendix I: Declaration of Confidentiality and Conflicts of Interest for Active Observers of the Green Climate Fund**

I hereby undertake to act in the performance of my role and responsibilities as an Active Observer in the general interest of the Green Climate Fund.

I solemnly declare that I accept and will be bound by the policy on ethics and conflicts of interest for the Active Observers of the Green Climate Fund.

I explicitly acknowledge that I may have access to information regarding the Fund and its operations that is deemed confidential according to the Fund's information disclosure policies and agree that at all times I shall respect the confidentiality of such information and shall not use such information for the purpose of furthering my personal interest or the personal interest of any other person or entity for whom or which such information is not intended. I shall comply with the information disclosure policies of the Fund.

I shall disclose to the Ethics and Audit Committee, as the case may be, any interest in any matter under consideration by the Board which may constitute a conflict or potential conflict of interest or which might be incompatible with the requirements of integrity and transparency in my role as an Active Observer and I shall refrain from participating in the proceedings of the Board in relation to such a matter, unless a waiver has been granted by the Ethics and Audit Committee or the Board.

Except as disclosed pursuant to the Policy on ethics and conflicts of interest for active observers of the Green Climate Fund, I confirm that at present, I have no personal, contractual or financial interest in an Associated Institution.

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Name of Active Observer

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Signature

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Date