

MICROLOAN FOUNDATION

CODE OF ETHICS AND CHILD AND VULNERABLE ADULT PROTECTION POLICY

1. Code of Ethics

The MicroLoan Foundation Code of Ethics requires that staff treat clients fairly and with respect at all times, and ensure that clients are aware of their rights and responsibilities. Staff must follow the Code of Ethics even if clients do not fulfil their own contractual obligations.

All new staff must receive training on the Code of Ethics and the Rights and Responsibilities document, and will be required to sign the Code to demonstrate their understanding of and commitment to MicroLoan values. This includes – but is not limited to – demonstrating an obligation to improve clients' lives through the provision of high quality services, and never accepting gifts and entertainment (as more fully described below).

i. Balancing client rights and responsibilities

Staff and clients must understand their responsibilities to each other. Clients have a responsibility to fulfil their contractual obligations. Staff has the responsibility to provide good service to clients with fairness and respect, and to discharge their duties as set out in job descriptions and directed by their managers. Staff must follow the Code of Ethics at all times.

The client and staff rights and responsibilities document, which links to MicroLoan's key values, lists the rights of clients and what they are entitled to expect from MicroLoan in terms of service. It also lists client responsibilities to MicroLoan.

ii. Appropriate collections practices

The following collections practices must be followed:

1. Clients must be treated with respect at all times even if they do not fulfill their contractual obligations with MicroLoan (e.g. do not repay their loan, do not repay on time, do not attend repayment meetings).
2. Assets must never be taken by MicroLoan in lieu of repayment.
3. Staff should discourage groups from selling assets to make repayment.
4. A Loan officer (LO) and other staff must never handle a group's or client's money (unless written permission by the CEO has been given in exceptional cases).
5. The below box acts as a guide for how staff should respond to different types of groups (good versus problem groups) who have faced different types of problems.

Under all circumstances acceptable collection practices must be used, and these along with those that MicroLoan considers unacceptable are detailed below for reference:

<p>Good groups</p>	<p>Willingness to repay and capacity to repay e.g. individual problem(s) <i>Solution: group solidarity and LO to persuade group to repay using appropriate pressure – see list of acceptable collections approaches below.</i></p>	<p>Willingness to repay but no capacity to repay (can't pay) e.g. natural disaster (e.g. flood, drought), other major event affecting more than 50% of the group <i>Solution: reschedule group. See the latest rescheduling policy and procedures documents for further detail.</i></p>
<p>Problem groups</p>	<p>Not willing to repay but capacity to repay (won't pay) e.g. lack of group solidarity/poor group formation/training <i>Solution: payment overdue and LO to persuade group to repay using appropriate pressure – see list of acceptable collections approaches below.</i> <i>Provision of additional training to try to convert group to being a good group.</i></p>	<p>No willingness or capacity to repay (can't and won't pay) e.g. lack of group solidarity/poor group formation/training, poor loan decisions <i>Solution: close group and take savings up to compulsory savings minimum with permission from group</i></p>

Acceptable collection approach

LO sitting with a group all day:

- LO discussing the situation with the group to **understand the problem(s)**
- LO emphasising **group repayment** and **ongoing group supportiveness** (e.g. by helping client with problems in running her business)
- LO helping the group to come to an agreement as to **how the problem will be resolved by the group**

Group going to a client's home to collect money

Unacceptable collections approach

LO sitting at the group all day:

- Not trying to understand the problem(s) the group is facing
- Forcing the group to repay at any cost
- Not focusing on group supportiveness
- Not helping the group to come to an agreement as to how the problem will be resolved by the group

Undue pressure on the client to repay e.g. LO going to a client's home, visiting the client's neighbours or embarrassing the client in her community

Savings may be used to make repayments, but only as a last resort and with permission of the client.

LO being disrespectful or using threats, rude language, personal insults or shouting; any other type of abusive behaviour

iii. Fulfilling obligations to good service to staff, other stakeholders and donors

Respecting staff

[All staff members to provide high quality and timely services to all staff members and other stakeholders on an equal basis. All staff members must treat each other, other stakeholders and visitors with respect at all times.]

Respecting donors

Without donor funding MicroLoan Foundation or MicroLoan Foundation could not exist. Therefore it is imperative that every member of staff takes responsibility for spending MicroLoan funds in the most efficient and cost-effective manner possible. Where required information requested to report back to donors must be provided in a timely and accurate manner.

Visiting donors and potential donors must be treated with respect at all times.

iv. Gifts

Gifts and Entertainment Policy

Under the Gifts and Entertainment Policy, staff may not receive or extend gifts or entertainment unless approved by the CEO. This policy is meant to preserve the charitable purpose of MicroLoan, and ensure that no donor funding is used other than to serve its core mission. It also is meant to avoid questions of propriety or conflicts of interest in the business relationships of MicroLoan and its staff, and prevent violations of laws regulating bribery and corruption (see below).

This policy is not meant to restrict entertainment which is paid for by MicroLoan or its donors and/or any staff for employee team building purposes if approved by the CEO.

Members of local Boards of Trustees may also be paid a "sitting fee" for their services to MicroLoan entities as Trustee.

UK travel expenses can be approved by the Operations Manager or Fundraising Manager. In Malawi travel expenses can be approved by the Finance Manager or Senior Accountant dependent on limits. Travel expenses will only be reimbursed on presentation of acceptable documented expense reports.

No Bribery or Corrupt Practices

The UK Bribery Act became effective in July 2011. It prohibits entities (such as companies, partnerships, charities) and their employees from committing various acts associated with bribery anywhere in the world. In particular, the Act sets out the following four offences:

- Giving, promising, or offering a bribe
- Requesting, agreeing to receive, or accepting a bribe
- Bribing a foreign public official
- Failing to prevent bribery

Under the Anti-corruption Commission Act 38 of 2010 any payment made with the intention to influence a decision is considered to be a bribe.

Defining and avoiding acts of bribery

MicroLoan will not tolerate any of the following acts of bribery or corruption from any member of staff. This list is not exhaustive, and if any employee is in doubt about whether a particular action may fall within the definitions above, he or she should contact his or her Manager or the CEO for guidance.

Each example below includes internal controls binding on staff (as appropriate to their role and responsibilities) to prevent violations of applicable rules and regulations. It is the duty of all employees to report any acts of bribery or corruption to the CEO who will keep a register to be reviewed by the Chairman at Board Meetings.

Types of potential bribery	Acts of bribery	Internal controls
Taxation	Any member of staff paying bribes to tax authorities in order to avoid paying taxes	a) All payments need to be approved by two authorised signatories b) Payments made to individuals as opposed to firms receive extra scrutiny c) MicroLoan accounts are independently audited, in addition there is the additional scrutiny of an "internal" auditor.
Land registration	Any member of staff paying bribes in order to speed up the land registration process e.g. Deeds of Registration for the land on which the office is based.	a) All payments need to be approved by two authorized signatories b) Payments made to individuals as opposed to firms receive extra scrutiny c) Official MicroLoan processes and procedures to be followed

Local funding	Any member of staff seeking to offer bribes to international donors / agencies in order to attract additional funding	a) All payments need to be approved by two authorised signatories b) Payments made to individuals as opposed to firms receive extra scrutiny
Local government officials (e.g. Police)	Any member of staff making payments to the Police, in order to facilitate a visit to a borrower (who can pay but is deliberately avoiding to do so).	a) All payments need to be approved by two authorised signatories b) Payments made to individuals as opposed to firms receive extra scrutiny c) MicroLoan employees when making such payments are required to obtain a receipt from the Policeman, recording his name, police number and the person (clients) visited d) Fines are not reimbursable by MLF
Procurement	Any member of staff seeking to bribe the Police in order to avoid paying any type of fine.	a) Three quotes are needed for all main purchases b) Zambia Asset purchases are overseen by UK management and are referred to the Board c) Spot checks are carried out by management in an attempt to identify the payment of 'hidden commissions'
Loan issuance	Any member of staff receiving 'hidden commission' payments when purchasing goods and services.	a) Loan payment and repayment activity is subject to audit by a MicroLoan Regional Manager, Operations Manager as well as Internal Audit. b) Clients have the right to report such activity via their Branch Manager, Regional Manager or the customer complaints hotline.
Loan issuance	Any member of staff seeking bribes from clients or potential clients in order to facilitate either the issuance of loans or their repayment.	a) Loan payment and repayment activity is subject to audit by a MicroLoan Regional Manager, Operations Manager as well as Internal Audit. b) Clients have the right to report such activity via their Branch Manager, Regional Manager or the customer complaints hotline.

v. Penalties for Non-compliance with the Code of Ethics

Please see the main HR manual for more detail on processes and procedures. This section is intended to serve as a summary only.

If a member of staff contravenes any provision of the MicroLoan Code of Ethics:

- a) The case must be documented by his or her immediate supervisor.
- b) The documentation must be presented to the department head and CEO.

- c) Internal Audit must consult and document an initial investigation and present the findings to the HR Manager who will decide whether to take it to the Disciplinary Committee.
- d) HR Manager/Disciplinary Committee (as appropriate) must review the case and select appropriate sanctions based on the gravity of the offence.
 - i. verbal warning from the immediate supervisor
 - ii. written warning from the HR Manager and suspension with no pay, depending on gravity of the offence . Written warning to remain on employee file for up to one year
 - iii. employment contract will be terminated and MicroLoan under no obligation to provide references
- e) HR Manager must follow up to ensure that appropriate steps were taken to resolve the issue.
- f) Outcomes must be documented for HR records.

Employees who have received any disciplinary action over the course of the year are ineligible for either promotion or bonus.

2. Child and Vulnerable Adult Protection Policy

It is likely that during the course of working for or on behalf of MicroLoan Foundation, staff will come into contact with children and vulnerable adults. This policy is in place to minimize potential risks to children and vulnerable adults and spells out the steps to be taken to deal with cases of abuse.

MicroLoan Foundation's commitment:

MicroLoan commits to safeguarding all children and vulnerable adults that MicroLoan representatives come into contact with from abuse. Any concerns are to be reported immediately to the CEO or local Board Chairman so that immediate and appropriate action can be taken.

Scope of the policy:

This policy is targeted towards:

- Our clients, potential clients or past clients, their children and family members
- Any community members that MicroLoan representatives come into contact with, either directly or indirectly as a result of their work
- Children under the age of 18
- Vulnerable adults aged 18 or over, who due to lack of education, disability or illness are less able to protect themselves from harm or exploitation
- MicroLoan staff, Board members, partners, volunteers and visitors who meet with our clients, potential clients or past clients, their children and family members.

What is abuse?

Abuse is the infliction of harm, or not acting to prevent the infliction of harm. There are different forms of abuse:

- Physical abuse: this may involve hitting, shaking, throwing, poisoning, burning, drowning, suffocating or otherwise causing physical harm.
- Emotional abuse: this may involve conveying to the victim that they are worthless, inadequate or valued only in so far as they meet the needs of another person, causing severe or persistent adverse effects on the victim's emotional development or self-esteem.
- Sexual abuse: this involves forcing a child or vulnerable adult to take part in sexual activities, whether or not the victim is aware of what is happening.
- Financial abuse: this may include theft, fraud, exploitation, wilful misrepresentation and pressure in connection with property, possessions, loan capital or repayments or savings or any other kind of financial transaction. (*See MicroLoan's Code of Ethics - 'Defining and avoiding acts of bribery' for further detail.*)

Who is responsible for protecting children and vulnerable adults?

The Board, CEO and Management team is responsible for:

- Recruiting staff who are sympathetic to MicroLoan values and understand the importance of committing to a Child and Vulnerable Adult Protection Policy
- Ensuring that all MicroLoan staff, representatives and partners have read and understood and have committed to the Child and Vulnerable Adult Protection Policy
- Dealing with allegations of abuse by following disciplinary procedures as set out in MicroLoan Foundation's Code of Ethics and Personnel Policy

Process to follow in case of suspected or observed abuse

- Write down the details of the incident including 1. The name of the MicroLoan representative involved, 2. The victim's name and contact details, 3. The date and time of the incident, 4. Detailed description of the incident including who said what, 5. Description/photographs of any injuries to the victim, 5. Name of the reporter
- Pass the details to the line manager; the line manager should pass this onto the HR Manager, CEO or Board Chairman if the CEO was involved. Confidentiality must be maintained
- The HR Manager will consider the matter, and whether an incidence of abuse has taken place by following up with the person(s) reporting the incident, the person(s) involved in the incident and the alleged victim(s), also referencing MicroLoan Foundation's Code of Ethics and Personnel Policy

- If abuse has taken place, disciplinary action should be followed (if the representative is a member of staff) as per Personnel Policy, and the MicroLoan representative should immediately have no more contact with the victim.
- Efforts should be made for the victim to receive support from an appropriately qualified person.

Practice to avoid

MicroLoan representatives should avoid:

- Spending time alone with children or vulnerable adults away from others
- Taking children or vulnerable adults on car journeys or on the back of a motorbike, however short the journey

vi. Staff commit to Code of Ethics, Rights and Responsibilities and Child and Vulnerable Adult Protection Policy documents

Each member of staff is required to sign to demonstrate that he or she has understood and commit to the 'Code of Ethics' and the 'Rights and Responsibilities document'. One copy of this commitment is to be retained by the member of staff, and one by the HR Manager on the staff member's file. In addition, each member of staff will be asked to certify compliance with the Code of Ethics on an annual basis.

Code of Ethics and Child and Vulnerable Adult Protection Policy

"I have understood and commit to upholding the Code of Ethics in my day to day work with MicroLoan Foundation."

Name (print):

Signed:

Date:

Rights and responsibilities document

"I have understood and commit to the rights and responsibilities document: I commit to the MicroLoan values and to my individual responsibilities as a representative of MicroLoan Foundation to uphold these values in my day to day work."

Name (print):

Signed:

Date: