



Maintained by: Head of Operations
Approved by: SIPRI Director
Date of approval: 2024-05-15
Version: 1

SIPRI Policy to Guard Against Terrorism Financing and Money Laundering

Objective

SIPRI is committed to maintaining the highest standards of integrity, transparency, and accountability in all aspects of its operations. This Policy to Guard Against Terrorism Financing and Money Laundering is designed to prevent diversion of funds and resources, ensure the correct use of funds and resources, and establish a robust framework for the detection and reporting of any concerns related to terrorism financing or money laundering.

Scope

This policy applies to all SIPRI staff and non-staff members including associates, interns, and Governing Board members. It also applies to all implementing partners and providers as well as to donors.

SIPRI is also committed to following relevant international and national laws, regulations and resolutions applicable to its activities, and prohibiting providing support to individuals and entities known or believed to be engaged in supporting, advocating or associating with criminal and terrorist activities.

Preventing Diversion of Funds and Resources

SIPRI is dedicated to preventing diversion of funds and resources by implementing strict controls and processes. All projects will undergo thorough risk assessments to identify potential vulnerabilities. SIPRI has clear guidelines to ensure that funds and resources allocated for specific purposes are utilized appropriately, and any deviations will be promptly investigated.

Prevention Measures and processes:

- **Due Diligence on partners, suppliers and donors:** SIPRI is committed to working only with individuals and partners who share our commitment to integrity and ethical

conduct. To ensure the credibility of our partners, SIPRI will conduct due diligence and verification processes. This includes background checks, financial scrutiny, and assessments of past performance. The Institute will regularly review and where necessary update its processes to reflect changes in status. SIPRI has a procurement policy, a policy on ethical due diligence on financial sponsorship, and a vetting process for the type of organizations with whom we cooperate. The Senior Management Team, in its role as Due Diligence Committee, takes decisions on whether to accept financial contributions. For new implementing partner organizations a partner risk assessment is performed, indicating the different risks of working together with this partner. Based on the assessment risk mitigating measures are taken to reduce the identified risks. SIPRI conducts a screening based on accessible lists of sanctions.

All SIPRI's money transfers are made through our bank, who has its own extensive screening of the recipients.

- **Code of Conduct:** SIPRI enforces a Code of Conduct among its staff and its contract partners. Staff and contract partners sign up to the Code of Conduct on joining the organization or signing a contract with SIPRI. The Code of Conduct specifically mentions that staff and contract partners should contribute to preventing unethical and unlawful activities.
- **Partnership agreements:** When entering a partnership, SIPRI and the respective partners sign a partnership agreement that covers the scope, conditions and limitations of the partnership, all of which should be in line with the policies and processes adopted and applied by SIPRI. It includes in annexes SIPRI's policies applicable to our partners.
- **Procedures:** SIPRI has systematic routines and procedures in the areas of finance, project management, administration and researcher functions.
- **Segregation of duties:** Responsibilities in key processes are separated among several employees rather than entrusted to one employee. Signatures and/or system workflow approvals are required at different stages in any financial transaction process in order to avoid unauthorized transactions. SIPRI uses electronic signing system with verification of identity.
- **Budget management:** Budget versus actual expenditure reports are prepared and reviewed with senior management on a monthly basis per project and organizational unit. A consolidated report is shared with the Governing Board. Budgets are maintained on the accounting system.
- **Proper books and records:** SIPRI maintains an accounting system that allows tracking of income and expenditure with unique referencing to projects, funding sources and external third parties in the system. All income and expenditure is linked to donor/source coding and all program expenditure is linked to specific projects and

partner coding. In addition, SIPRI retains all supporting documentation (receipts, invoices and supporting documents) in line with legislative and donors requirements.

- **Cash and Bank management:** Controls include regular cash counts and monthly bank reconciliations, authorization levels to carry out financial operations, segregation of duties, signatures/system approvals. All financial operations, including bank transfers, require dual signatures.

Detection

Besides the numerous prevention mechanisms in place, SIPRI uses several detection processes managed by external, independent organisations, and a whistle-blowing policy and procedures.

- **External Independent Auditor:** SIPRI's external auditors are fulfilling their responsibilities by independently reviewing financial statements and the effectiveness of our internal controls. The auditors monitor the effectiveness of SIPRI's processes and functions and report back on risks or irregularities and ways to correct them.
- **Bank:** SIPRI makes most of its payments using bank transfers. SIPRI's bank verifies that all executed transactions are consistent with the information held by the bank about our activities, the supplier's information and operations. For high-risk countries, supplementary information is requested to process the payment.
- **Whistle-blowing:** SIPRI's Whistle-blower Policy is an important element in detecting and correcting corrupt, illegal, or other undesirable conduct. The purpose of the Whistle-blower Policy is to ensure that SIPRI has procedures that make it possible to report on suspected serious irregularities related to SIPRI's operations, without any risk of retaliation, and thereby to encourage stakeholders to do so. It also intends to ensure an appropriate investigation process of any reported case.

Responsibilities

1. The Director

- The SIPRI Director holds ultimate responsibility for overseeing the implementation of this policy.

2. Programme Directors

- The Programme Directors or the delegated project leaders are responsible for ensuring the effective implementation of this policy and conducting periodic risk assessments.

- The reporting mechanisms/criteria are established by the Finance team and Project Management Office, and the Programme Directors or the delegated project leaders are

responsible for maintaining the reporting mechanisms for concerns related to corruption or money laundering.

3. Employees, Partners and Associates

- All employees and non-staff members, including associates, interns, Governing Board members of SIPRI are obligated to adhere to the principles outlined in this policy.
- Anyone with knowledge or suspicion of terrorism financing or money laundering is obligated to report concerns to the line manager or the SIPRI Director.

Reporting

SIPRI encourages a culture of openness and reporting. Concerns related to terrorism financing, or money laundering, deviations should be reported promptly to the relevant line manager or the SIPRI Director. Reports on irregularities may be submitted on a confidential basis or may be submitted anonymously. Reports will be kept confidential. On agreement it can be opened up or in cases it will be subject to a police investigation.

Disciplinary Action

Acts of financing terrorism or money laundering will be subject to appropriate legal actions and/or disciplinary action, which may include termination of employment or partnerships.

Training and Awareness

SIPRI will conduct regular training sessions as necessary to educate employees and associates about the importance of anti-terrorism financing and anti-money laundering measures. Training sessions will emphasize the role of each individual in upholding SIPRI's commitment to integrity. The policy is annexed to all contracts and is part of procedures when engaging with new partners and sub-consultants.

Review and Amendment

This policy will be subject to periodic review to ensure its effectiveness and relevance. Amendments may be made to address emerging risks and challenges.