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1. INTRODUCTION

The purpose of this policy is to offer to all collaborators and consultants directly or indirectly related to Fundación Avina, or who are linked to any entity that is part of Fundación Avina networks, a clear and precise accounting of the prevention measures against the crimes of Money Laundering and Funding Terrorism to be applied in daily work.

This policy is subject to modifications allowing for updates aligned with current law(s) and practice in organizational operations.

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2. GENERAL REFERENCES AND DEFINITIONS

2.1. Definition of Money Laundering

Money Laundering is an illegal activity that involves hiding the origin of the proceeds from activities of an illicit or criminal nature in order to make these funds appear legal.

According to Chapter IV, Book II of the Penal Code of the Republic of Panama in force and adopted by Ley 23 Law 23, on April 27, 2015, with revisions and addenda introduced by Law 26 of 2008, we must take into account the following guiding principles on money laundering:

Article 250. Anyone directly involved or acting as intermediary who receives, deposits, negotiates, transfers, or exchanges currencies, titles, valuables, goods, or other financial resources which may reasonably be assumed to proceed from activities related to international bribery, violation of Copyright and related rights, crimes against Industrial Property Rights or against Humanity, drug trafficking, conspiracy to commit offenses related to drugs, fraud, financial crimes, illegal arms trafficking, human trafficking, kidnapping, extortion, embezzlement, contract murder, environment crime, corruption of public servants, illicit gain, acts of terrorism, funding terrorism, pornography, corruption of minors, and sexual slavery and exploitation, theft or international trade of stolen vehicles, with the objective of hiding, concealing, or disguising the illicit origin of proceeds or evading the legal consequences of such punishable offenses will be sanctioned with a five to twelve year sentence of imprisonment.


2.2. Stages of Money Laundering

2.2.1. The placement stage

The first phase normally occurs near the place where the criminal acts are committed and involves introducing the proceeds from illicit activity into the financial system. This action is carried out in various ways, but the common denominator is that the illicit capital is divided into smaller quantities, which are introduced little by little into the financial system.

2.2.2. The layering stage

Once the proceeds from illicit activities have been placed in the financial system, the second phase of the Money Laundering process begins. The objective of this phase is to obscure any link between the funds and their origin. To this end "launderers" make numerous transfers among accounts established in various parts of the world, buy and sell investment products, or make fictitious commercial transactions.

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2.2.3. Integrating stage

After obscuring any ties to the point of origin and source of the proceeds, the third phase of Money Laundering, called "Integration", takes place when the proceeds from illicit activities return to their original proprietor and re-enter into the economy. This integration occurs in various ways: re-investment in legitimate businesses, real estate acquisitions, or purchase of luxury and art objects, among other means.

2.3. Crimes that precede Money Laundering

The crimes preceding Money Laundering are: international bribery, violation of copyright and related rights, crimes against industrial property or against humanity, drug trafficking, conspiracy to commit drug-related crimes, fraud, financial crimes, illegal arms trafficking, human trafficking, kidnapping, extortion, embezzlement, contract murder, environmental crime, corruption of public servants, illicit gain, acts of terrorism, funding terrorism, pornography, corruption of minors, theft or international trade in stolen vehicles.

3. LEGAL FRAMEWORK


The legal Framework is established by Chapter VI, Title VII of Book II of the Penal Code of the Republic of Panama. Panamanian legislation includes Law 23, enacted April 27, 2015, which regulates this matter taking measures to prevent money laundering, funding terrorism, and funding the proliferation of weapons of mass destruction.

3.1. Scope of application

The scope of application of this law includes our organization as stipulated by Articles 2 and 23 that include the following:

Article 2: Scope of application: This law applies to:

1. *La Comisión Nacional contra el Blanqueo de Capitales, Financiamiento del Terrorismo y Financiamiento de la Proliferación de Armas de Destrucción Masiva (National Commission against Money Laundering, Funding Terrorism, and Funding the Proliferation of Weapons of Mass Destruction).*
2. *La Unidad de Análisis Financiero para la Prevención del Blanqueo de Capitales y Financiamiento del Terrorismo (Financial Analysis Unit for the Prevention of Money Laundering and Funding Terrorism).*
3. *Supervising agencies*


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4. *Obligated non-financial entities, activities undertaken by professionals subject to supervision, as well as obligated financial entities, their branches, subsidiaries, and majority-ownership affiliates of the financial group.*

Article 23: *Obligated non-financial entities: obligated non-financial entities supervised by the Intendencia de Supervisión y Regulación de Sujetos no Financieros del Ministerio de Economía y Finanzas (Ministry of Economy and Finance Administration for Supervision and Regulation of Non-financial Entities) are as follows:*

1. *Companies in the Zona Libre de Colón (Colon Free Trade Zone) and companies established in the Agencia Panamá-Pacífico, Zona Franca de Barú (Baru Free Trade Zone), la Bolsa de Diamante de Panamá, and free trade zones.*
2. *Companies with monetary remittances, whether or not this is a primary activity.*
3. *Casinos, games of luck and chance, and organized betting systems, and other physical or virtual establishments that develop these businesses over the Internet.*
4. *Marketing companies, real estate agents or brokers, when this involves transactions for clients concerning the purchase and/or sale of buildings.*
5. *Construction companies: general contractor businesses and specialized contractors.*
6. *Companies dedicated to the transport of values.*
7. *Pawnshops.*
8. *Companies dedicated to the sale of precious metals and companies dedicated to sale of precious stones, in any form, whether by physical delivery or purchase of futures contracts.*
9. *Lotería Nacional de Beneficencia (National Lottery for Charity).*
10. *Correos y Telégrafos Nacionales de Panamá (National Postal and Telegraph Services of Panama).*
11. *Incorporated companies dedicated to savings and loans for housing.*
12. *Foreign currency exchange houses, in any form, whether by physical delivery or purchase of futures contracts, whether or not this is their main activity.*
13. *Companies dedicated to the purchase and/or sales of new and used cars.*
14. *Banco de Desarrollo Agropecuario (Agricultural Development Bank).*
15. *Banco Hipotecario Nacional (National Mortgage Bank).*
16. *Those activities undertaken by professionals as described in Artículo 24 (Article 24).
Artículo 24: Activities realized by professionals subject to supervision under the Intendencia de Supervisión y Regulación de Sujetos no Financiero (Administration for Supervision and Regulation of Non-financial Subjects): lawyers, certified public accountants, and notaries.*

Other entities and activities, included by law, which due to the nature of their operations may be used to commit the crime of money-laundering, funding terrorism, or funding the proliferation of weapons of mass destruction, or those entities which appear as a result of the Plan Nacional de Evaluación de Riesgos para la Prevención de los Delitos de Blanqueo de

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Capitales, Financiamiento del Terrorismo y el Financiamiento de la Proliferación de Armas de Destrucción Masiva (National Risk Assessment Plan for the Prevention of Money Laundering, Funding Terrorism and Funding the Proliferation of Weapons of Mass Destruction).

While our organization is far from those noted in the above 16 cases, it does fall within the scope of legislation as described in the previous paragraph.

3.2. Basic due diligence measures

As an obliged subject according to the law set forth, the organization provides here our policy per the following due diligence measures:


3.2.1. Individual persons

Due diligence measures must be maintained with a focus on appropriate identification, reasonable verification, and documentation corresponding to an ally or investor when this is an individual person. To this end, we must comply with the following procedures:

1. Identify and verify the identity of the contributing individual(s) by requesting and examining reliable documents, data, and information.
2. Verify that a person acting on behalf of another is authorized to do so, with the objective that the obliged subject identify and verify the identity of that person being represented.
3. Understand and, as appropriate, obtain information about the purpose and nature of the proposed commercial or professional relationship.
4. Identify the final beneficiary (who receives funding) and take reasonable measures to verify the information and documentation obtained from each individual identified as a final beneficiary.

The Administrator of the respective institutional programs shall take the basic due diligence measures to obtain the information mentioned above, and the Administrator Responsible for the Legal Entity (ARLE) will be responsible for verifying the existing information and considering additional measures found in the prevailing Grants Management Policy.

Prior to taking basic due diligence measures, it is understood that the Country Responsible, Program Managers and Directors, have verified that the beneficiary possess excellent conduct and practices which fall with a framework for action aligned with environmental causes or human rights, thus sharing the same central values of our organization.

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In keeping with the previous point, the Strategic Alliance Division will validate the relationship with co-investors and other donors, considering positively, but not definitively, those who do not participate in or finance illicit activities, those who do respect human rights and whose products or operations do not represent a risk to the lives or health of people, the environment or animals.

3.2.2. Legal entities


Due diligence measures must be maintained focusing on the proper identification, reasonable verification, and corresponding documentation of the ally or co-investor when this same is a legal entity. To this end, we must comply with the following steps:

1. Obtain documentation to verify the existence of the legal entity, as well as the identification of the legal representative of said legal entity.
2. Identify and take reasonable measures to verify the final beneficiary, defined as those allies that receive funding, by using relevant information obtained from reliable sources.
3. When the final beneficiary (allies that receive funding) is a legal entity, due diligence will continue until we know the individual person who is the owner or controller.
4. Understand the nature of the relationship and the legal structure of the contributors or beneficiaries.
5. Conduct due diligence corresponding to individuals acting as administrators, representatives, trustees, beneficiaries, and signatories of the legal entity.
6. If an alliance or investment comes from government public funds offered by countries of centralized or decentralized cooperation, multilateral funds, funds from mixed public-private foundations, the guidelines for the use of public funds, established by the Strategic Alliance Division, must be verified.

The Administrative Coordinator of the respective institutional programs shall take the basic due diligence measures to obtain the information mentioned above, and the ARLE will be responsible for verifying the existing information and considering additional measures found in the prevailing Grants Management Policy.

Prior to taking basic due diligence measures, it is understood that the Country Responsible, Program Managers and Directors, have verified the beneficiary possess excellent conduct and practices that fall with a framework for action aligned with environmental causes or human rights, thus sharing the same central values of our organization.

According to the above, and specifically applied to commercial entities, the Strategic Alliance Division will validate the relationship with co-investors, considering positively but not definitively, those who do not participate in or finance illicit activities, that do respect human rights, and whose products or operations do not represent a risk to the lives or health of people, the environment or animals.

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3.2.3. Political figures

The Country Responsible shall manage an extensive reinforced due diligence on the ally or investor falling under the category of a political figure, in order to establish appropriate systems of risk management and carry out a more profound due diligence process.

3.2.4. Prohibition to enter a cooperative relationship

The ARLE should alert the legal adviser or the Chief Financial Officer (CFO) in the event of a lack of cooperation from the ally or Investor, as well as comply with the points previously described.

In the event the RAEL believes there is non-compliance with the purpose(s) of this section, a collaboration must not be initiated, and a report on the missing information must be made in the support system for grant management used by the organization.


4. CONTINUOUS IMPROVEMENT AND SUPERVISION OF FINANCIAL PROCESSES AND INSTRUMENTS

The Information Technology department shall consider which tools may bring more effectiveness to prevention of money-laundering, funding terrorism, and funding the proliferation of weapons of mass destruction.

The Human Resources Division will select and supervise appropriately the conduct of collaborators-consultants, especially those with responsibilities related to the management and analysis of policies, receipt of money, and control of information. In addition, a collaborator-consultant profile will be maintained and updated throughout the relationship.

The collaborator-consultant must be trained to understand the risks to which they are exposed, the controls that mitigate such risks, and the personal and institutional impact of their actions.

Independent evaluations of the effectiveness of these controls may be carried out by external auditors or other specialists and regulated by an oversight committee or program. The frequency and scope of each independent evaluation will vary according to institutional assessment. The results should help Fundación Avina’s Board of Directors or the designated committee or staff member(s) to identify areas that present weaknesses and require new or improved control practices. The oversight agency or commission will regulate evaluations.

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5. OBLIGATION TO REPORT AND WHISTLEBLOWE PROTECTION

When the ARLE considers a deed, transaction, or operation to be related to money-laundering crimes, funding terrorism, and/or funding the proliferation of weapons of mass destruction, he/she must report directly to the CFO. The CFO then will have the option to discuss the matter with the legal adviser, but also must present the case to the CEO of the Foundation. Reports must be forwarded to the CFO within three (3) days following the detection of the deed, transaction, or operation, or failure of controls. The CFO will refer the report to the CEO of the Foundation with his/her analysis within (3) days of receipt of the report from the RAEL. If meetings are warranted, the President of the organization or the Board of Directors de the Foundation will convene to document the case and refer it to the Financial Analysis Unit for the Prevention of Crimes of Money Laundering and Funding Terrorism of the Republic of Panama no later than fifteen (15) calendar days following the detection of the deed, transaction, or operation.

No staff member or consultant of the Organization may make known to the ally or investor or third parties any information that has been requested or provided, including the dispatch of reports of suspicious activities to the Financial Analysis Unit.

The Foundation will take appropriate measures to maintain confidentiality of the identity of employees, consultants, managers that may have reported suspicious activities to the Crime Prevention Unit on Money Laundering and Funding Terrorism of the Republic of Panama.

6. ADICIONAL MEASURES AND CONTROLS

In accordance with more stringent legal requirements for the prevention of money-laundering and funding terrorism in countries where the organization operates and generates impact, the corresponding local legal entity shall implement measures and controls sufficient to comply with the legal requirements of the country.