PREVENTION OF MONEY LAUNDERING, TERRORIST FINANCING AND CORRUPTION

POLÍTICA PARTICULAR

CODE: AAFF – PP-Prevention of money laundering, terrorist financing and corruption

PREPARED BY: Office of Admin. and Fin. - DAF

REVIEWED BY: Executive Team

AUTHORIZED BY: CEO

EFFECTIVE DATE:

Our Mission

"Operating from the global south, we foster collaborative processes to drive systemic changes for human dignity and planetary care"

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1-DOCUMENT TYPE

INTERNAL POLICY: Derived from PG ADMINISTRATION AND FINANCES

2-BACKGROUND:

The ethical values of Fundación Avina are established in our Code of Ethics. These are the values that give meaning to our attitudes, behaviors and decision-making processes. We avoid engaging in conduct that may be contrary to the legal provisions in place and our basic principles of action.

We are committed to preventing illegal conduct by acting with integrity and not tolerating any form of corruption.

3-OBJECTIVE:

The purpose of this policy is to provide all employees and consultants directly or indirectly related to Fundación Avina, or those associated with any of the agencies in Fundación Avina's network of agencies, clear and accurate prevention measures, to be applied in their daily work, against Money Laundering and Terrorist Financing crimes.

This policy can be modified from time to time to include updates consistent with the current legislation and the operations of the organization.

4-SCOPE:

This policy is applicable to all employees, allies, consultants and project implementers financed/hired by the different legal entities under Fundación Avina, including Avina Américas.

5-DEFINITIONS AND ABBREVIATIONS

Money laundering:

Money Laundering *or Asset Laundering*, is an illegal activity to conceal the proceeds from illicit or criminal activities, with the purpose of making them appear legitimate.

According to Chapter IV Regarding Money Laundering Crimes, Title VII, Book Two of the current Criminal Code of the Republic of Panama, adopted by Law 23 of April 27, 2015, as amended and supplemented by Law 26 of 2008, we must take into consideration the following guiding principles concerning money laundering:

Article 250. Whoever, personally or through an intermediary, receives, deposits, negotiates, transfers or converts money, certificates, securities, assets or other financial resources, reasonably anticipating that they come from activities related to foreign bribery, criminal copyright and neighboring rights infringement, crimes against industrial property rights or against humanity, drug trafficking, conspiracy to commit drug-related offenses, aggravated fraud, financial crimes, illicit arms trafficking, human smuggling, kidnapping, extortion, embezzlement, homicide for hire or reward, environmental crimes, public sector corruption, illicit enrichment, terrorist acts, terrorist financing, pornography and corruption of minors, trafficking and commercial sexual exploitation, international trafficking of stolen vehicles, with the purpose of hiding, concealing or disguising its illicit origin, or helping to evade the legal consequences of such punishable acts shall be punishable by a prison sentence of five to twelve years.

Law 15 of May 10, 2005, of the Republic of Panama differentiates corruption, as regarded in the private sphere, as follows:

- *Passive corruption* any deliberate action of a person who, directly or through a third party, requests or receives, while carrying out business activities, advantages of any kind, for themselves or a third party, or accepts a promise of such advantage, to act or refrain from acting in accordance with their duties or in breach of their duties.

- *Active corruption* in the private sector is the deliberate action of whosoever promises, offers or gives, directly or through a third party, an advantage of any kind to a person, for themselves or for a third party, in the exercise of their business activities, to act or refrain from acting in accordance with their duties or in breach of their duties.

6-DEVELOPMENT:

6.1- STAGES OF MONEY LAUNDERING

1. Placement Stage

This first stage usually takes place close to where the criminal activities are perpetrated. Placement is introducing the proceeds of illicit activities into the financial system. It is accomplished in different ways, but the common denominator is breaking down the illicit proceeds into smaller amounts that are gradually introduced into the financial system.

2. Layering Stage

This second money laundering stage begins once the proceeds form illicit activities have been introduced into the financial system. The objective of this stage is to conceal any link that traces the funds back to their source. The “launderers” carry out multiple transfers through a series of accounts in different places around the world, they buy and sell investment instruments or conduct fake business transactions.

3. Integration Stage

The last money laundering stage takes place after having concealed any link to trace the funds back to its source. This last stage is called Integration, and is where the proceeds from illicit activities are transferred back to the owner and re-enter the legitimate economy. There are different ways to achieve integration, including, among other things, the following: investing in legitimate businesses, buying real state or purchasing luxury goods or artwork.

6.1.1 - Predicate Offenses for Money Laundering

The predicate offenses for Money Laundering are:

- foreign bribery,
- criminal copyright and neighboring rights infringement,
- crimes against industrial property rights or against humanity,
- drug trafficking,
- conspiracy to commit drug-related offenses,
- aggravated fraud
- financial crimes,
- illicit arms trafficking
- human smuggling,
- kidnapping,
- extortion,
- embezzlement,
- homicide for hire or reward,
- environmental crimes,
- public sector corruption,
- illicit enrichment,
- terrorist acts,
- terrorist financing,
- child pornography and corruption of minors,
- trafficking and commercial sexual exploitation,
- international trafficking of stolen vehicles.

6.2 LEGAL FRAMEWORK

The legal framework is provided under Chapter IV, Title VII under Book Two of the Criminal Code in effect of the Republic of Panama. The measures for preventing money laundering, terrorist financing, and financing the proliferation of weapons of mass destruction are regulated under Law number 23 of April 27, 2015.

6.2.1 Scope of Application

Our organization is included under the scope of application of this law, in accordance to the provisions in Article 2 and Article 23. The articles read as follows:

Article 2: *Scope of Application This law is applicable to:*

1 The National Commission against Money Laundering, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction.

2. The Financial Analysis Unit for the Prevention of Money laundering and Terrorist Financing.

3. The Supervisory Authorities.

4. The Non-Financial Reporting Entities, activities performed by professionals subject to supervision, as well as the Financial Reporting Entities, their branches, their majority-owned branches and subsidiaries of the financial group.

Article 23: *Non-Financial Reporting Entities.* The Non-Financial Reporting Entities supervised by the Regulatory Body of Non-Financial Reporting Entities of the Ministry of Finance:

1. Companies in the Colon Free Trade Zone, companies incorporated in the Panama Pacific Agency, the Baru Free Zone, the Panama Diamond Exchange and Free Zones.

2. Money remittance companies, whether it is or not their main activity.

3. Casinos, games of chance and betting system organizations, and other physical or telematics facilities developing these businesses through internet.

4. Real Estate Developers, Real Estate Agents and Real Estate Brokers, companies, when involved in transactions for their customers concerning the purchase and sale of real estate.

5. Companies engaged in the Construction field, namely: general contractors and specialized contractors.

6. Securities transportation companies.

7. Pawnshops.

8. Companies engaged in the trade of precious metals and companies engaged in the trade of precious stones, in any form, either by physical delivery or through the purchase of futures contracts.

9. The National Lottery.

10. The Panama National Post and Telegraph.

11. Savings and Loans Corporations for housing.

12. Exchange houses, in any form, either by physical delivery or through the purchase of futures contracts, whether or not it is their main activity.

13. Companies engaged in the purchase and sale of new and used cars.
14. The Agricultural Development Bank.
15. The National Bank for Mortgages.
16. Those activities performed by professionals as described in Article 24. *(Article 24:* Activities performed by professionals subject to supervision of the Superintendence for Supervision and Regulation of Non-Financial Reporting Entities: lawyers, certified public accountants and notaries)

Other entities and activities included in the law, which according to the nature of their operations may be used for perpetrating money laundering, terrorist financing or financing the proliferation of weapons of mass destruction crimes, or those resulting from the national risk assessment plan for the prevention of money laundering, terrorist financing and financing the proliferation of weapons of mass destruction crimes.

Although our organization is far from the 16 items described above, it is covered by the legislation according to the previous paragraph.

6.2.2 Standard due diligence measures

According to the aforementioned law we are reporting parties; therefore this policy provides the following due diligence measures:

Natural Person:

Operating due diligence processes should be in place in order to make an appropriate identification, reasonable verification and documentation of an ally or investor provided that the ally or investor is a natural person. To that end, the following steps must be completed in a due diligence process:

1. Identifying and verifying the contributing individual by requesting and consulting documents, data or reliable information.

2. Verifying that an individual acting on behalf of another person is duly authorized, so that the reporting party may identify and verify the identity of this person.

3. Understanding, as appropriate, and obtaining information about the intended purpose and nature of the professional or business relationship.

4. Identifying the beneficial owner (allies who receive funds) and taking reasonable measures to verify the information and documentation from each of the natural persons identified as beneficial owners.

The Administrator of the corresponding institutional programs shall obtain the information listed above by adopting the standard due diligence measures; the Responsible Officer of the Legal Entity (RAEL) will be in charge of verifying the existing information and taking into consideration the complementary measures provided in the current Social Investment Management Policy.

Before conducting the standard due diligence measures, it is assumed that the Country Officer or program officers and their directors have validated that the allies' conduct is excellent, and their practices are aligned with environmental causes or human rights, so sharing the core values of our organization.

In line with the previous paragraph, the Office of the Strategic Alliances Director will validate the relationship with investors; they will positively, although not definitively, consider those who: respect human rights, do not participate in or fund illicit activities, their products and operations do not pose risk to the life or health of persons, animals or the environment.

Legal Person:

Due diligence processes need to be operational to conduct appropriate identification, reasonable verification and corresponding documentation of an ally or investor, provided that the ally or investor is a legal person. To that end, the following steps must be completed in a due diligence process:

1. Collecting the relevant documentation to confirm the existence of the legal person, as well as the identification of the legal representative of such legal person.
2. Identifying and taking reasonable measures to verify the beneficial owner, by using relevant information obtained from reliable sources. The beneficial owner means the allies receiving funds.
3. When the beneficial owner (allies who receive funds), is a legal person, the due diligence process will continue until the natural person, who is the owner or controller of such legal person, is identified.
4. Understanding the nature of the relationship and legal structure of the contributors or beneficiaries.
5. Conducting the appropriate due diligence process for the natural persons acting as administrators, representatives, proxy, beneficiaries and signatories of the legal person.

6. The guidelines for the use of public funds, approved by the Office of the Strategic Alliances Director must be verified in the event that the alliance or investment comes from public state funds in centralized and decentralized cooperation countries, multilateral funds, mixed foundation funds.

The Administrator of the corresponding institutional programs shall obtain the information listed above by adopting the standard due diligence measures; the Responsible Officer of the Legal Entity (RAEL) will be in charge of verifying the existing information and taking into consideration the complementary measures provided in the current Social Investment Management Policy.

Before conducting the standard due diligence measures, it is assumed that the Country Officer or program officers and their directors have validated that the allies' conduct is excellent, and their practices are aligned with environmental causes or human rights, so sharing the core values of our organization.

In line with the previous paragraph, the Office of Strategic Alliances Director will validate the relationship with investors; they will positively take into consideration, although not definitively, those who: respect human rights, do not participate in or fund illicit activities, their products and operations do not pose risk to the life or health of persons, animals or the environment.

Politically Exposed Person (PEP):

The engagement of public stakeholders is ideal and necessary in the collaborative processes we promote given the role of the state in building and institutionalizing the changes we promote. It is therefore important to appropriately and proactively manage the inherent risks in the relationships with public officials.

A PEP is an individual who has a high-level public function or who holds power and authority in any given State, including, but not limited to: politicians, government officials, military officers, judges, members of state owned companies, elected officials and any others who have decision-making power in public entities. The Country Officer (RP) shall perform an enhanced due diligence process on the ally or investor that meets the criteria to be considered in the category of politically exposed person, in order to establish appropriate risk management systems. The institutionally approved due diligence form is available for this purpose.

The Country Officer and the Strategic Alliances Director must review the case together to determine whether the ally funding the investment needs to be notified about the investment being linked to an executing ally where a PEP is involved.

Complete the following actions if it is necessary to notify the funding ally:

a) The Country Officer will notify the funding ally, with copies to the alliances director, specifying the date on which the matter was identified. If appropriate, the Country Officer may also communicate an institutional position on the matter.
b) If the investment has not been completed, the investment workflow must be halted until further guidance is received from the funding ally organization. No further disbursements can be made in the event that disbursements are pending.
c) The Country Officer shall notify the ally associated identified with or linked to a PEP that reporting and internal processes have been initiated; the ally shall provide explanation, through email, regarding the scope and extent of their link and detailing the position(s) held. The Alliances Director shall be copied in the communications.

Even in cases that notifying the funding ally is not required, the financing ally still has to complete the above step in item c). The responses from the ally linked to a PEP will be assessed, in order to establish whether to move forward or not with the social investment.

If the solution of the case is highly complex, the Country Officer may escalate it to the Innovation Director (DI).

In the absence of the Country Officer's role, the RAEL for the corresponding country, will assume the role and actions described above. Otherwise, the legal department will assume the role.

6.2.3 Prohibition on initiating a cooperation relationship

The Responsible Officer of the Legal Entity (RAEL) shall warn the legal advisor or the CFO about the lack of cooperation by the ally or investor, therefore, making it impossible to identify them or to comply with the items provided under this section.

The cooperation relationship shall not initiate if the RAEL considers there is non-compliance with this section. The missing information will be reported in the social investment management support system used by the organization.

6.3 CONTINUOUS OVERSIGHT AND IMPROVEMENT OF PROCESSES AND TOOLS

The Information Technology Department shall incorporate tools to improve effectiveness in the operations for the prevention of money laundering, terrorist financing and financing the proliferation of weapons of mass destruction crimes.

The Office of Human Development Director shall properly recruit and supervise the conduct of employees and/or consultants, particularly those who are responsible for management and analysis of policies, receipt of money or control of information. Additionally, they will create a profile of the employee and/or consultant and updated for the duration of the relationship.

Employees and/or consultants shall be trained to understand and be aware of risk mitigation controls, the risks they may be exposed to, and the personal and institutional impact of their actions.

Independent reviews regarding the effectiveness of controls may be conducted by external auditors or other specialists, and regulated by an oversight committee or program. The frequency and scope of each independent review will vary according to the assessment of the institution. The findings should help the Fundación Avina Board of Directors or the committee or the staff appointed by Fundación Avina, in identifying weak areas that require new or improved control practices. The reviews should be regulated by the oversight body or committee.

6.4. OBLIGATORY REPORTING AND WHISTLEBLOWER PROTECTION

The RAEL shall report any act, transaction or operation considered suspicious of being related to crimes involving money laundering, terrorist financing and financing the proliferation of weapons of mass destruction. The reports must be submitted directly to the CFO, who will in turn submit the report to the CEO. The CFO may discuss the report with the legal advisor.

These reports must be referred to the CFO within three (3) days of detection of any act, transaction or operation or any control failures. The CFO shall submit the report and analysis to the CEO of the Fundación within three (3) days of having received it from the RAEL. If necessary, the President of the organization or the Fundación Avina Board of Directors must be summoned in order to document the case and submit it to the Financial Analysis Unit for the Prevention of Money Laundering and

Terrorist Financing of the Republic of Panama, no later than fifteen (15) calendar days after detection of the act, transaction or operation.

Employees or consultants of the Organization shall not disclose to the ally or investor or third parties, any information that has been requested or provided, including the submission of suspicious transaction reports to the Financial Analysis Unit.

The Fundación shall adopt the necessary measures to keep the identity of the employees, consultants and directors who have reported suspicious operations confidential.

6.5. ADDITIONAL MEASURES AND CONTROLS

As per more stringent legal requirements regarding the prevention of money laundering and terrorist financing in the countries where the organization is operating and generating impact, the corresponding local legal entity shall implement the measures and controls required to be incompliance with with the country's legal requirements.

7-RESPONSIBILITIES:

Program Administrator

- Responsible for obtaining the information referred to in item 6.2.2 in this document, adopting the standard due diligence measures.

Responsible Officer of the Legal Entity (RAEL)

- Responsible for verifying the existing information and taking into consideration the complementary measures provided under the current Social Investment Management Policy.
- Responsible for informing the CFO and legal advisor about the potential lack of cooperation, in providing the necessary information, by allies or investors.
- Responsible for reporting to the CFO and/or the CEO about suspicion of acts that may be related to money laundering, terrorist financing and financing the proliferation of weapons of mass destruction.

Country Officer

- Responsible for previously validating that the allies share the core values of our organization, have excellent conduct and their practices are aligned with environmental or human rights causes.

Office of the Strategic Alliances Director

- Responsible for validating the relationship with investors who do not participate in or fund illicit activities and their products and operations do not pose risk to the life or health of persons, animals or the environment.

Information Technology Department

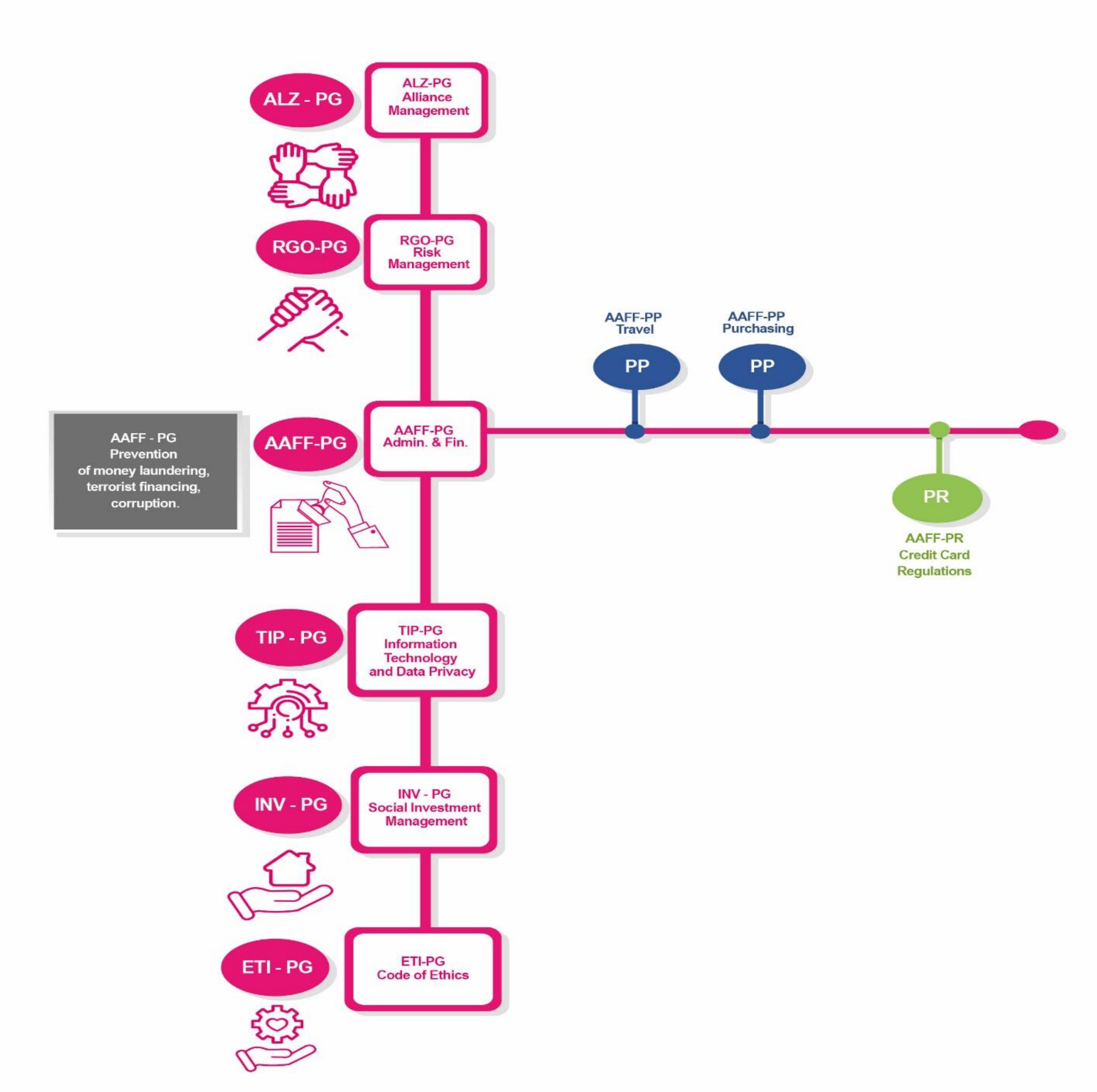
- Responsible for incorporating tools to improve effectiveness in the operations for the prevention of money laundering, terrorist financing and financing the proliferation of weapons of mass destruction crimes.

Office of Human Development Director

- Responsible for properly recruiting and supervising the conduct of employees and/or consultants, particularly those who are responsible for management and analysis of policies, receipt of money or control of information.

8-RELATED DOCUMENTS:

This policy is linked to the following policies and procedures:



Due Diligence Form:

DUE DILIGENCE FORM

This form has the objective of complying with due diligence actions agreed with our donors-funders, reaffirming our guiding principle of transparency present in our bilateral relations that we maintain with you. The answers to the questions will only have an informative criterion, they will be protected under our data privacy policy and informed to our donor if required.

Name of the Organization / Individual	
Tax ID of the Organization / Individual	
Name of Legal Representative	
Tax ID/ Passport of the Legal Representative	
Select with a X	ORGANIZATION ( ) INDIVIDUAL ( )

1) You are a politically exposed person - PEP (person who has had or acted in the last five years, in your country or in foreign countries, territories and agencies, positions, jobs or relevant public functions) For legal persons, their board is considered board of directors, counselors and attorneys with management skills. Please add in subsequent lines all the people who fit into a PEP.

NO ( ) **YES ( )**

In case the answer is affirmative, report: -

Name N/A

Condition that classifies you as PEP N/A

Period of validity N/A

Name of the company, institution or public authority N/A

2) Explain how, in practice, you will manage the risks of corruption, money laundering, terrorist financing and fraud, related to the activities agreed in the main contract with Avina. We appreciate mentioning the respective protocols.

3) Have you been investigated, prevented from operating or administratively or judicially convicted for sexual exploitation or abuse, harassment of any kind, fraud, corruption, ideological falsehood, document adulteration, terrorist financing, or money laundering? For legal entities, consider their board of directors, advisers and attorneys with management capabilities.

NO ( ) **YES ( )**

If the answer is affirmative, explain the facts detailing the name of those involved and the period in which they occurred.

I declare that I am obliged at any time to inform Avina if a politically exposed person (PEP) is related to the initiative established in the main contract. I also declare that I am fully responsible for the veracity of the information set out in this questionnaire, which will be enforceable against me, the organization I represent and any of its proxies or representatives, in the event that there is omission, inaccuracy or error, of intentionally or not. Finally, I acknowledge the obligation to inform AVINA of changes in representatives, members, and proxies of the organization I represent.

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** This form must be signed by the legal representative of the organization or by the individual providing the service.