



**MANUAL ON THE PREVENTION AND DETECTION OF  
PROHIBITED PRACTICES**

**EXECUTIVE VICE-PRESIDENCY**

**Corporate Risk Management**

Ethics, Integrity, and Compliance Office

This English version is a translation of the original in Spanish

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1	Original version	Corporate Director of Human Resources J. Bellido  Legal Consultant R. Sigwald	Executive President L.E. García 10/20/16
2	<ul style="list-style-type: none"> <li>- The name of the Transparency Manual has been changed to the Manual on the Prevention of Prohibited Practices and the chapters have been improved.</li> <li>- The Scope incorporates a new Prohibited Practice called “Undue Destination of Funds.”</li> <li>- The definitions of Corrupt, Fraudulent, and Coercive Practices are adjusted.</li> <li>- The Elements of the Prevention of Prohibited Practices are established.</li> <li>- The formation of the Committee on the Prevention of Prohibited Practices, formerly called the Transparency Committee, is adjusted.</li> <li>- The possibility of reviewing anonymous complaints is raised.</li> <li>- The content of the Prohibited Practices Report Form, formerly known as the Report Form, is updated.</li> </ul>	<p>Senior Compliance Executive / Compliance Officer Manuel Enriquez Ruiz 07/27/2021</p> <p>Vice-President of Risk (acting) Beatriz Álvarez 07/27/2021</p> <p>Legal Consultant (acting) Antonio Urdaneta 07/27/2021</p>	Interim Executive President Renny López 07/27/2021
3	<ul style="list-style-type: none"> <li>- Adaptation of the Manual on the Prevention of Prohibited Practices to the new template in accordance with the provisions of the CAF Regulation Manual.</li> <li>- The name of the Committee on the Prevention of Prohibited Practices is changed to the Prohibited Practices Committee.</li> <li>- Update on the processing of matches in Prohibitive Lists on matters of Prohibitive Practices.</li> </ul>	Senior Executive – Officer of the Ethics, Integrity, and Compliance Office Manuel Enriquez 8/12/2022	Executive Vice-President Carolina España 8/13/2022

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Version	Changes	Reviewed by	Approved by
4	<ul style="list-style-type: none"> <li>The title of the regulatory instrument is modified. Previous Name: <i>Manual on the Prevention of Prohibited Practices</i>.</li> <li>Update of the standard and the structure of the regulatory instrument.</li> <li>The objectives, scopes, and responsibilities are updated, and the general Prohibited Practices criteria and provisions are redefined.</li> <li>The Program for the Prevention and Detection of Prohibited Practices is introduced.</li> </ul>	<p>Corporate Risk Manager SAMYA PAIVA</p> <p>8/6/2024</p> <p>Head of the Ethics, Integrity, and Compliance Office MANUEL ENRIQUEZ</p> <p>8/6/2024</p>	<p>Executive Vice-President LEONCINI, GIANPIERO</p> <p>8/6/2024</p>

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## **I. PURPOSE**

This Manual aims to establish the general provisions, criteria, and procedures for preventing, detecting, investigating, and sanctioning Prohibited Practices at Corporación Andina de Fomento (CAF).

## **II. SCOPE**

This Manual will be mandatory for all CAF officials and will apply in all cases and situations that imply, or may imply, the commission or possible commission of a Prohibited Practice.

The following are considered Prohibited Practices:

- i. Corrupt practice.
- ii. Fraudulent practice.
- iii. Coercive practice.
- iv. Collusive practice.
- v. Obstructive practice.
- vi. Misuse of funds

## **III. PREVENTION AND DETECTION OF PROHIBITED PRACTICES**

### **III.1. General Provisions**

Based on CAF Management Policies, Personnel Regulations, Code of Ethics, and Personnel Manual, conducts identified as Prohibited Practices are prohibited at CAF, therefore, any related act or event will be duly investigated and, where appropriate, sanctioned.

At CAF, all Obligated Parties must fully cooperate within the framework of the investigations carried out in accordance with the provisions of this Manual. Likewise, the Obligated Parties must participate in all exercises and trainings carried out for the purpose of reinforcing the prevention and detection of Prohibited Practices.

All investigations will be conducted independently, objectively, and confidentially.

### **III.2. Responsibilities**

CAF officials are responsible for avoiding and reporting any situation that may represent a Prohibited Practice, as well as possible violations of the current internal regulations on the prevention and detection of Prohibited Practices. In order to ensure timely reporting, officials will have various channels that will be established for this purpose.

The Committee on Prohibited Practices (CPP) will be the body responsible for the receipt, analysis, discussion, recommendation, or any other action, within the scope of its competence, for the purpose of contributing to the prevention and effective detection of Prohibited Practices.

The Ethics, Integrity, and Compliance Office (*Oficina de Ética Integridad y Cumplimiento*, OEIC) will be responsible for operationally supporting the CPP and for executing all those actions that, within the scope of its competencies, contribute to the prevention and effective detection of prohibited practices.

Organizational Units (OUs) may, with support from the OEIC, establish internal mechanisms and controls to help prevent and detect Prohibited Practices.

### **III.3. Definitions**

Prohibited Practices are defined as follows:

- a) **Corrupt Practice:** Conduct through which something of value is offered, given, received, or requested, directly or indirectly, to influence the conduct of another person, entity, or company in order to obtain a benefit for oneself or for another person, entity, or company.
- b) **Fraudulent practice:** consists of any action or conduct, including a material omission, that is made with the intent to deceive in order to obtain a benefit, economic or otherwise, or to avoid the fulfillment of an obligation.
- c) **Coercive practice:** is one by which (a) person(s), entity(ies), or company(ies), or their property or reputation is injured or threatened to be injured, directly or indirectly, in order to influence their conduct.
- d) **Collusive Practice:** occurs when there is an agreement between two (2) or more persons, entities, or companies for the purpose of achieving an improper, illegal purpose or to influence another to act improperly or illegally.
- e) **Obstructive Practice:** occurs when material evidence in an investigation is destroyed, falsified, altered, or concealed; or false evidence or statements are given to an investigator in a manner that harms an investigation; or a person, entity, or company is threatened or intimidated so that they do not offer relevant information in an investigation.
- f) **Misuse of funds:** consists of the use of CAF funds or resources for an improper, illegal, or unauthorized purpose, committed intentionally or by negligence.

### **III.4. Program for the Prevention and Detection of Prohibited Practices**

For the purposes of preventing and detecting the occurrence of Prohibited Practices in its operations, in its relationship with customers, counterparties, entities, and suppliers, or in their day-to-day actions, CAF will use all means at its disposal to ensure the availability and timeliness of the mechanisms for receiving, addressing, analyzing, evaluating, monitoring, and investigating those situations that generate, or may generate, a potential Prohibited Practice, pursuant to the internal regulations in force on the matter and in compliance with the best practices and international standards.

This Prevention and Detection Program will be based on an efficient risk management approach through which the risks resulting from the possible commission of Prohibited Practices are identified, evaluated, mitigated, controlled, and communicated in a timely manner.

For the purposes of establishing the risk management framework and ensuring its proper implementation, methodologies and tools will be developed that allow the design and operation of the mechanisms and means to be established for the timely prevention and detection of Prohibited Practices.

### **III.4.1. Committee for Prohibited Practices**

Within the scope of its powers, in accordance with the provisions of the current internal regulations, the CPP will be responsible for maintaining an objective, confidential, and independent system for the receipt of reports related to the matters within its competence, ensuring the due protection of the whistleblower and the persons participating in any investigation.

It will also handle complaints objectively, impartially, and equally throughout the investigation process, following the highest ethical and accountability standards.

The CPP will have access to all the information it requires due to or on the occasion of its functions, regardless of the format of said information, for which it may receive the support of the Digital Systems and Solutions Directorate (DSSD).

The CPP may at all times cooperate with the Labor Integrity Committee (*Comité de Integridad Laboral*, CIL) to follow up on those Prohibited Practices committed by CAF officials who may lead to an alleged Misconduct.

### **III.4.2. Reporting and Reporting Means**

CAF will have reporting channels that will be available through its web portal in order to provide a confidential and permanently available route for all individuals or legal persons who intend to make a report related to the commission of a suspected Prohibited Practice, without fear of Retaliation.

Reports must contain sufficient information for the purpose of beginning an investigation. The complainant must include their contact information so that questions can be clarified, if any, regarding the content of the report; however, the complainant may, in accordance with the provisions of current regulations, choose to submit their report anonymously, ensuring that they are sufficiently detailed and provide sufficient data, supporting information, or elements to be able to conduct an investigation.

The report must include at least:

1. Identification of the CAF operation or activity in which Prohibited Practice has taken place, or is suspected to have taken place.
2. Name and title (if known) of the person or persons involved.
3. Detail of the Prohibited Practice considered to have been identified.
4. Description of the facts in as much detail as possible.
5. Dates and places where the facts occurred or could have occurred.
6. Names or identification of others who may have additional information about the facts and, if possible, contact information.
7. If there are any supporting documents or evidence, attach them.

CAF is committed to maintaining the confidentiality of the identity of the complainant, especially if the individual fears there will be retaliation against them or when the CPP deems it appropriate.

### **III.4.3. Investigation of the Complaint**

The CPP will analyze all the information received, determine whether it constitutes sufficient cause to conduct an investigation, or may decide to dismiss the case and its consequent closure.

When the content of the complaint constitutes a cause, the corresponding investigation will proceed, for which the cooperation of those persons, entities, or companies that CAF has identified, who may have knowledge of the facts and who maintain a contractual relationship with CAF, may be requested.

The management of the reports received, including the investigation and other subsequent activities, determined by the CPP, will be carried out following due process, ensuring the defense of the persons or companies involved in the investigation.

### **III.4.4. Sanctions**

Once the results of the investigation are available and if the Prohibited Practice or the non-compliance with the applicable regulatory provisions do materialize, committed by third parties with whom CAF has any direct or indirect link or relationship, the CPP may recommend the imposition of such sanctions as it deems appropriate and proportionate to each circumstance, which may include, among other penalties: the warnings, setting conditions for future contracts, the termination of the contractual relationship, or those determined by the corresponding instances, including disqualification. Disqualified entities are declared ineligible for the award of CAF-funded contracts and to participate in them for the determined periods. Disqualification may extend to any firm or individual directly or indirectly controlling the disqualified entity or any firm directly or indirectly controlled by it. In the case of a disqualified individual, the disqualification may extend to any firm controlled directly or indirectly by that person.

In the case of officials and, according to the severity and degree of involvement, in the situations in which it is concluded that their participation contributed to the materialization of the Prohibited Practice, the CPP will issue the respective recommendation to the CIL or to the corresponding instance so that the appropriate measures are adopted in accordance with the provisions of the current internal regulations.

If a conduct has been carried out that reaches the level of a violation of the laws of the country where the events occurred, CAF may, at any time, refer the matter to the relevant authorities of the corresponding country that have competence to deal with the cases.

### **III.4.5. Independence**

The investigations will be carried out with total independence in order to achieve objectivity in decision-making; in this regard, all the forms that the case merits will be sought, notwithstanding the hierarchical level or the position of the natural or legal persons involved.

### **III.4.6. Protection and Confidentiality**

The actions of the CPP and the conduction of investigations will constitute a context of strict confidentiality for the purposes of reserving the identity of the complainant, and ensuring the due processing of personal data and information security measures, in accordance with applicable internal regulations. Appropriate measures will also be taken to keep confidential the identity of the persons involved and those who provide evidence or testimony in the course of an investigation.



If deemed necessary, the CPP may recommend the protective measures that the case deserves.

#### **III.4.7. Obligations of Fund-Receiving Entities**

Any individual or legal person, entity, or company that receives financing, non-refundable resources, aid, or any operational modality, in whole or in part, from funds managed by CAF, either directly or indirectly, must:

- a) Take appropriate measures to prevent the commission of Prohibited Practices when using the funds received from CAF, to ensure that said funds are used exclusively for the purposes that were granted.
- b) Ensure that all its personnel, whether their own employees or third parties, as well as service providers, subcontractors, and consultants, or anyone who participates in the operations financed by CAF, avoid the commission or participation in any activity that could constitute a Prohibited Practice.
- c) Inform CAF, without any delay, of any allegation of commission of Prohibited Practices in the use of the funds granted by CAF.
- d) Cooperate in all investigations carried out by CAF on Prohibited Practices.
- e) Make available to the auditors or investigators designated by CAF, all the information and documentation required by them, in the event of a forensic investigation or audit. Likewise, it will be ensured that its subcontractors, consultants, and suppliers proceed accordingly.

#### **III.4.8. Lists on Prohibited Practices**

The Lists on Prohibited Practices refer to those issued by the World Bank (WB) and the Inter-American Development Bank (IDB) in which individuals or legal persons, companies, or entities that were involved in Prohibited Practices are sanctioned or disqualified, for at least one (1) year.

When any name appears on the Lists, it must proceed in accordance with the applicable internal regulations.

#### **III.4.9. Culture of Prevention of Prohibited Practices**

The OEIC will develop a training plan on the prevention and detection of Prohibited Practices. Such plan may include, but is not limited to, inductions or courses, publications, and other content on the subject. Officials will be obliged to complete the training plan established by the OEIC within the period established for this purpose.

#### IV. GLOSSARY

Term	Concept/Description
Reporting	Communication reporting a possible Prohibited Practice by an individual, entity, or company.
Whistleblower	Individual or legal person who appears with the intention of filing a complaint.
Obligated Parties	Refers to CAF officers, fixed-term employees not designated as officers, interns, and exchange personnel, regardless of their location.
Retaliation	Any act or action aimed at punishing, threatening, intimidating, or pressuring, causing damage, prejudice, harassment, or the deprivation or limitation of rights to a Whistleblower or Witness.
IDB	Inter-American Development Bank
WB	World Bank
CAF	Corporación Andina de Fomento
CIL	Labor Integrity Committee
CPP	Committee for Prohibited Practices
DSSD	Digital Systems and Solutions Directorate
OEIC	Ethics, Integrity, and Compliance Office
OU	Organizational Unit(s)