

MANAGEMENT POLICIES

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PRESENTATION

This document contains the Management Policies of the Corporación Andina de Fomento (CAF), which establish the referential framework for the provision of products and services by CAF to its clients. The fulfillment of these [Policies] are mandatory for all of CAF's directors, officials, employees, service providers, and any individuals or legal entities that develop activities for CAF.

CAF's operations will be carried out in fulfillment of the provisions of CAF's Establishing Agreement, these Management Policies and the internal regulations derived from them. Regardless of the Immunities, Exemptions and Privileges granted to CAF by virtue of CAF's Establishing Agreement and the Agreements entered into with its Shareholder Countries, CAF's operations will comply with the legislation of the countries in which they are carried out.

CAF's operations contribute to the sustainable development and integration of its Shareholder Countries. Within this framework, CAF will implement its operations in such a way that it can obtain a reasonable rate of return on its equity, maintain strict prudent standards, enjoy operational autonomy and act according to the most rigorous ethical principles, in a non-discriminatory manner and in accordance with the regulations for transparency, conflicts of interest and the prevention of asset laundering.

The first part, referring to **operations**, is divided into five chapters:

- Chapter One, "Fields of Action", establishes the areas in which CAF carries out its activities.
- Chapter Two, "Operational Modalities and Clients", defines the operations carried out by CAF and the clients who have access to these operations.
- Chapter Three, "Selection Criteria" presents the eligibility criteria for the selection of operations.
- Chapter Four, "Conditions of Operations", determines the conditions under which CAF carries out its operations.
- Chapter Five, "Social and Environmental Framework" presents the principles that govern CAF policies with respect to the promotion of environmental sustainability, social inclusion and equity.

The second part, referring to institutional **finances**, is contained in one chapter:

- Chapter Six, "Financial Aspects" presents the policies related to CAF's exposure, capitalization, liquidity and management of liabilities.

The third part, relating to **institutional aspects**, includes four chapters:

- Chapter Seven, "Ethics", establishes the principles of conduct that must be observed by CAF officials in the performance of their duties.
- Chapter Eight, "Access to Information", describes the provisions geared towards the promotion of public access to information.
- Chapter Nine, "Acquisition of Goods, Contracting of Works and Selection and Contracting of Consultants", presents the principles that govern contracts financed by CAF.

- Chapter Ten, “Prevention and Detection of Money Laundering and Other Prohibited Practices”, indicates aspects of compliance relating to the prevention and detection of illicit and prohibited activities.

Any exception to the Management Policies will require approval by the Board of Directors.

The Management Policies will be reviewed by the Administration at least every five years to take into account the need for changes, and the corresponding proposals for modifications will be presented opportunistically to the CAF Board of Directors for its consideration.

In the event that there is a discrepancy between the provisions contained in the Management Policies and those contained in CAF's Establishing Agreement, the provision of CAF's Establishing Agreement will apply.

In the event that there is a discrepancy between the content of the provisions contained in these Management Policies and those contained in another regulation of a lower rank, the provision of the Management Policy will apply.

This version of the Management Policies will be public by virtue of CAF's commitment to its clients, alliances, providers and interest groups, in its capacity as a relevant actor in the development and integration processes of Latin America and the Caribbean.

FIRST PART: OPERATIONS

CHAPTER I: FIELDS OF ACTION

A. PURPOSE OF THE OPERATIONS

In carrying out the provisions contained in CAF's Establishing Agreement, the objective of CAF's action will be to promote regional integration and sustainable development via the provision of multiple financial services and knowledge to clients in the public and private sectors of Shareholder Countries.

CAF will give priority to the financing of operations geared towards:

- Driving an increase in production, productivity and in the development of efficient infrastructure.
- Promoting the development of green economies that are resilient to climate change.
- Promoting human and social development that is equitable and community-based.
- Promoting the development of inclusive and equitable financial systems.
- Contributing to the deepening and strengthening of the financial sector and capital markets.
- Strengthening the response capacity of the region in the face of external events with a macroeconomic impact.
- Promoting the strengthening of institutions to contribute to the modernization and transparency of the State.
- Strengthening public management's capacity to improve its efficiency.
- Driving physical, logistical, energy-based, and financial integration and the integration of communications.
- Promoting the participation of the private sector in economic activity, in the development of infrastructure and in the provision of public services of Shareholder Countries.

CAF will ensure that its operations are undertaken exclusively for the achievement of the goals for which they were intended. The execution and supervision of CAF's operations will be done under the direction of the Executive President, who will periodically update the Board of Directors.

CAF will not finance the activities indicated as follows:

- Speculation
- Gambling and casinos.
- Operations related to the arms industry.
- Political activities.
- Production or trade of polluting substances or kind.
- Illicit activities.

B. ADDITIONALITY

CAF will be able to carry out its operations directly with its clients or via financial intermediaries. In both cases, it will be able to act independently or jointly with other entities.

CAF will establish operational criteria to ensure compatibility and complementarity between the operations carried out directly with its clients as well as those carried out through a financial intermediary.

CAF's participation in an operation will allow for the movement of financial resources from other sources and the inclusion of additional elements into its direct financial contribution, such as:

- the promotion, analysis and structuring of the operation;
- access to technological resources and technical assistance;
- other aspects that allow it to play a catalyzing role in support of the operation.

CAF will seek to raise non-reimbursable resources or under concessionary conditions to finance projects to benefit its Shareholder Countries.

C. CREDIT ASPECTS

1. Credit Principles

The selection of CAF operations and clients must be consistent with solid principles of credit. CAF will carry out its operations in such a way that it can obtain a reasonable rate of return on its equity, consistent with making prudent decisions on risk and with maintaining its access to international capital markets on favorable terms for the active and passive operations executed for the benefit of its Shareholder Countries.

2. Portfolio Diversification

CAF's portfolio must be prudently diversified. CAF will continually review its portfolio to ensure that good quality is maintained and to establish an adequate level of provisions for possible losses and to collect penalties where applicable, with the purpose of ensuring a suitable risk rating that will allow access to international capital markets on favorable terms.

CHAPTER II: OPERATIONAL MODALITIES AND CLIENTS

A. OPERATIONAL MODALITIES

CAF will provide financial services to its clients under the following operational modalities:

1. Technical Cooperation

This modality will be used to finance the contracting of specialized services in activities compatible with CAF's prioritized fields of action, with the goal of enabling, strengthening and generating value in its interventions and facilitating the transfer of knowledge, in accordance with its strategic priorities. These operations may be reimbursable or non-reimbursable or based on contingent recovery, in which case the contingency will be defined in the evaluation phase of the respective operation.

2. Loans

Under this modality CAF can offer loans for a specific operation or credit lines to finance various operations of a similar nature but that are independent of each other.

Through a loan for a specific operation, an investment project can be financed, as well as a program associated with investments or another economic need or activity whose market or technical characteristics, economic, financial, environmental, institutional and other aspects relevant to the nature of the operation have already been formulated by the client, in such a way that CAF can comprehend its viability and analyze the risk of its participation in the financing of the operation. Loans can be short-term (up to one year), medium-term (between one and five years) or long-term (more than five years).

During the evaluation, the items eligible to receive CAF financing and that may guarantee the attainment of the operation's objectives will be determined.

3. Equity Investments

This modality's resources are intended for CAF's acquisition of Pure Risk Capital, Quasi-Equity and other risk instruments, such as purchase and sale options, shares allotment guarantees, Subordinated Debt and others of a similar nature.

CAF can make equity investments into public, mixed or private businesses, new or existing private financial institutions or vehicles that are or have the potential to be profitable and competitive at an international level, that carry reasonable risk or that promote human development and equitable and community-based development in Shareholder Countries.

4. Guarantees

CAF can offer guarantees to support its clients' payment obligations.

The guarantees offered by CAF will be governed by the principles of eligibility similar to those stipulated for loan operations.

5. Guarantees for Stock Subscription and Securities placements

CAF can offer guarantees for stock subscription and securities placement.

The funds obtained by the CAF client must be applied to sectors compatible with the stipulations for loans and other CAF operations.

6. Financial Agency

CAF can act as the agent to obtain financial resources required by its clients, as administrative agent of direct loans or co-financed operations with other entities, as the syndicator of third-party loans, or as a seller of participations in CAF's loan portfolio.

The terms under which CAF will act as Financial Agent or provide other financial services will be established in the agreement entered into with its client, based on CAF's evaluation.

7. Administrator of Third-Party Funds

CAF can act as the administrator or manager of third-party funds and carry out other activities inherent or secondary to this deal, through its subsidiaries as well.

B. CLIENTS OF THE CORPORATION

Governments and government entities of Shareholder Countries will have access to CAF operations, as well as mixed, public or private legal entities located in Shareholder Countries.

In circumstances that are beneficial for one or various Shareholder Countries, entities located in other countries may have access to CAF operations.

CAF operations will be considered sovereign risk when the client is a Shareholder Country or the operation has a guarantee backed by said Shareholder Country.

Operations with other clients that do not have a Shareholder Country guarantee are considered non-sovereign risk.

CHAPTER III: SELECTION CRITERIA

CAF applies the following criteria to determine the eligibility and priority of the operations included within its fields of action:

A. SOVEREIGN RISK OPERATIONS

1. Priority

CAF will verify that the operation has been declared as a priority by the respective government or that it is in the interest of the sustainable development or integration of one or more Shareholder Countries.

2. Viability of the Operation

CAF will verify that the operation is viable from an environmental, economic, financial, institutional, legal, social and technical standpoint.

3. Development Contribution

Operations must favorably contribute to development, such that they ensure that CAF funds are used to support activities prioritized for the country's development objectives.

B. NON-SOVEREIGN RISK OPERATIONS

1. Client Solvency

CAF will verify the financial solvency, integrity and business capacity of the client with respect to its liability and capacity to face the risks of the operation and to meet its obligations.

2. Viability and Profitability

Financing will be given to those operations that, according to CAF criteria, are efficient and competitive from an economic standpoint, and that are also viable from an environmental, financial, managerial, legal and technical standpoint, while also having the capacity to generate financial profitability in accordance with the risks inherent in the operation, or to generate a socio-economic return that promotes human, social, equitable and community-based development in Latin America.

3. Development Contribution

Operations must contribute favorably to development, such that they ensure that CAF funds are used to support activities prioritized for the country's development objectives. CAF, upon request of the Shareholder Country, shall provide information regarding non-sovereign risk operations to be carried out in its territory.

CHAPTER IV: CONDITIONS OF THE OPERATIONS

Based on the nature of each operation, CAF will apply the following general conditions, as well as specific conditions as appropriate:

A. GENERAL

1. Legal Framework

Any operation realized by CAF must be in line with the stipulated provisions of the Establishing Agreement, the Management Policies and the laws and regulations of the country.

2. Legal Instrument

All operations will require the signing of a legal document stipulating the terms governing CAF's participation, the obligations assumed by the parties, the sanctions or penalties that will be applied in the event of a breach of the document's clauses, and the formal requirements that may be necessary to include in each case.

3. Intended Use of Resources

CAF can finance the sectors of an operation that it identifies as appropriate to this end during the process of evaluation of the operation, provided that they fit within the fields of action described in Chapter I of this document.

4. Client Financial Resources Contributions

The client's contribution of financial resources will be established by CAF during the evaluation process of each operation and will take into account the nature of the operation and the need for the client to contribute with its own funds.

5. Transfer of Terms

CAF will transfer to the client the relevant terms and requirements that have been established by the sources of the funds used in financing the operation.

B. FINANCIAL CONDITIONS

1. Interest Rate

CAF's interest rate, for each operation, must consider funding costs, cost of capital, administrative costs, provisions for loan losses, a risk premium associated to the nature of the operation and reasonable profitability. The interest rate must also be consistent with market conditions. The Administration will opportunistically determine the interest rate to be charged, applying the above-mentioned parameters and will so inform the CAF Board of Directors.

CAF will apply differentiated interest rates according to the maturity and risk in the private sector. In the case of the sovereign sector, for similar periods the interest rates will be the same.

2. Commissions

The commissions CAF may apply for each type of operation described in these Management Policies must cover the costs related to: the cost of capital of committed funds for future disbursements and the respective activities to execute them, supervision, and other similar costs related with CAF's participation in that operation. Commissions must also be in line with market conditions. The Administration will opportunely determine the value of each commission, applying the above mentioned parameters and will so inform the CAF Board of Directors.

3. Maturities

The maturity of an operation, its disbursements and corresponding repayment schedule will be determined during the evaluation process of the operation taking into consideration its nature and characteristics. The maturity determination will consider CAF's funding conditions.

4. Currency Risk

CAF will not assume currency risk in its transactions, except in the case of equity investments denominated in local currency. In this case, CAF will evaluate the currency risk and ensure that it is acceptable, based on a satisfactory compensation between the yield projection and risk taken.

5. Coverage of Costs

CAF could charge the client for all of the costs incurred related with the transaction, such as costs corresponding to the contracting of a specialized consultancy for the preparation and evaluation, prior actions required for market capital transactions and others of a similar nature.

C. OTHER CONDITIONS

1. Equivalence of Conditions

CAF will only finance an operation when its participation is under terms that are at least equivalent to those of the other entities participating in said operation with similar instruments and once having verified the existence of securities that it deems sufficient.

2. Guarantees

During the evaluation process CAF will determine the need to request guarantees to adequately mitigate the risks of the operation. Such guarantees will be considered a secondary source of repayment, being the primary source cash flows generated by the operation, project or client, as corresponds.

Guarantees granted in favor of CAF must be legally valid, efficient and duly set out according to the legislation of the jurisdiction that corresponds to its execution, in order to guarantee its validity.

In co-financing operations, guarantees granted in favor of CAF cannot be less than those offered by the client to other entities that participate in the same terms in the financing of the operation.

The value of the collateral received by CAF must be established based on its minimum realizable value determined by market price.

CHAPTER V: SOCIAL AND ENVIRONMENTAL FRAMEWORK

A. GENERAL ASPECTS

CAF must promote the sustainable development of its shareholder countries, ensuring that its operations and operational activities for its own functioning are environmentally sustainable and socially responsible. The environmental management of CAF-financed operations is based on full compliance with the applicable environmental and social legislation in the country, covering issues related to occupational health and industrial safety, agreements subscribed in environmental matters and Environmental and Social Safeguards.

Similarly, CAF will contribute to the conservation and enhancement of the region's natural capital, the reduction of carbon emissions, the fostering of resilience in the face of climate change, the management of disaster risks, and the inclusion of vulnerable social groups.

B. SOCIAL AND ENVIRONMENTAL SAFEGUARDS

CAF must promote the incorporation of adequate social and environmental standards in order to comply with national regulatory rulings and international agreements signed by Shareholder Countries, in all its operations, and will incorporate Social and Environmental Safeguards in all its operations, so that the social and environmental risks and impacts associated with said operations will be suitably identified, evaluated and mitigated.

C. NATURAL CAPITAL AND CLIMATE CHANGE

In addressing the growing challenges of environmental matters, CAF must promote the conservation of the region's natural resources via initiatives that favor inclusive, productive and sustainable opportunities geared towards improving the protection of biodiversity and forests, soil management, water sources, marine and coastal ecosystems, the revitalization of ecosystem services and the management of natural disaster risks.

Similarly, it must facilitate the transition of Shareholder Countries to a low-carbon economy by developing measures of adapting to climactic variability, of mitigating greenhouse gas emissions, and of mobilizing resources for climate financing.

D. INTERNAL ENVIRONMENTAL MANAGEMENT

With respect to its own operational activities and installations, CAF must promote internal environmental management actions, applying best practices to sustainability, including reducing, reusing and recycling, and the implementation of efficient technologies, with the goal of optimizing the use of resources and materials, managing its carbon footprint, fostering an environmental culture among its collaborators, and creating a safe and healthy work environment.

E. INCLUSION OF VULNERABLE GROUPS

Within the framework of its activities, CAF will seek to protect all individuals and, in particular, the most vulnerable groups, in such a way that full respect is given to the dignity, human rights, aspirations, cultures and traditional ways of life of those groups.

F. GENDER EQUITY

CAF must promote the incorporation of the principle of equal opportunities between genders and the empowerment of women to attain effective equity.

SECOND PART: FINANCE

CHAPTER VI: FINANCIAL ASPECTS

A. EXPOSURE

The Consolidated Portfolio, composed of loan portfolio, equity investments, quasi-equity investments and guarantees, will be subject to the following restrictions:

1. Consolidated Portfolio vs. Shareholders' Equity

The Consolidated Portfolio must not be greater than four (4.0) times CAF's Shareholders' Equity.

2. Consolidated Portfolio by Country

- a. A Member Country's Consolidated Portfolio must not exceed:
 - i. Twenty percent (20%) of the total CAF's Consolidated Portfolio.
 - ii. Seventy-five percent (75%) of CAF's Shareholders' Equity.
- b. CAF's Consolidated Portfolio in a Series C shareholder must not exceed a total equivalent to eight times its capital contributions paid to CAF by said country, unless the latter has signed an agreement for its incorporation as a Member Country. Within this total, the portfolio corresponding to essentially domestic operations cannot exceed a total equivalent to four times the sum of the resources effectively paid to CAF.

3. Mixed or Public Sector Client Consolidated Portfolio

The Consolidated Portfolio for a mixed or public sector client, considered a non-sovereign risk, can be up to seven point five percent (7.5%) of CAF's Shareholders' Equity.

4. Private Sector Client Consolidated Portfolio

The Consolidated Portfolio for a private sector client, including operations with related businesses, can be up to five percent (5%) of CAF's Shareholders Equity; and with a financial institution, the Consolidated Portfolio must not exceed the client's net equity.

5. Risk Investments Portfolio

CAF's portfolio in CAF Pure Risk Capital and quasi-equity investments must not exceed:

- a. Ten percent (10%) as an aggregate in relation to CAF's Shareholders Equity.
- b. Zero point five percent (0.5%) in a company that is not an investment fund, in relation to CAF's Shareholders Equity.

6. Guarantees

CAF can extend guarantees to third parties for a total amount that does not exceed twenty percent (20%) of the total Consolidated Portfolio.

B. PAST DUE AND NON-ACCRUAL LOAN STATUS

1. Overdue loans

CAF will classify a loan as overdue whenever payment of the principal, interest, commissions or any other charge stipulated in the corresponding loan contract has not been paid on its due date

When a loan is overdue, CAF will immediately suspend any pending disbursements for said loan and for any other loans in which the client is the borrower, beneficiary or guarantor for CAF. Additionally, CAF will charge additional interest on the overdue payment from the due date and will report the outstanding debt at the next Board of Directors meeting.

2. Loans in Non- accrual Status

CAF will classify a loan in non-accrual status when in CAF's opinion its collection or recovery is doubtful.

CAF will automatically place a loan in Non-accrual Status when any payment of principal, interests, fees or any other charge stipulated in the loan contract or equivalent legal document, is more than ninety (90) days overdue in the case of a private sector loan or more than one hundred and eighty (180) days overdue in the case of a public sector loan.

For non-accrual loans, the interests, fees or any other charge stipulated in the loan contract will not be accounted e as income in CAF's accounting until they are collected, and those that had been accounted as income will be reversed.

C. LEVERAGE

The maximum limit of indebttness of CAF, calculated as the sum of the deposits, bonds, third-party loans and other similar obligations, shall be three and a half (3.5) times the Shareholders' Equity.

D. CAPITAL REQUIREMENT

CAF will maintain a minimum level of thirty percent (30%) as a capital requirement with respect to risk weighted assets. This minimum level of capital will be calculated according to the Basel Committee on Banking Supervision procedures.

CAF shall also take into consideration the different capitalization ratio calculation methodologies used by rating agencies, in order to preserve access to capital markets on favorable terms.

E. LIQUIDITY

CAF will have sufficient available liquid assets to guarantee the fulfillment of its commitments of debt service, loan disbursements, and other commitments for a minimum period of twelve (12) months.

CAF shall also take into consideration the different liquidity ratio calculation methodologies used by rating agencies, with the purpose of preserving access to capital markets on favorable terms.

CAF will invest those liquid assets based on relevant technical analysis, primarily preserving safety and liquidity, as well as profitability, minimizing market risk by considering the average life of the investment portfolio and total estimated cash flow.

THIRD PART: INSTITUTIONAL

CHAPTER VII: ETHICS

CAF will foster values and concepts of integrity, ethics and transparency as fundamentals of the organization. The directors, officials, employees and service providers who work for or provide services to CAF must perform their duties in accordance with high ethical standards, both in their daily activities as well as in their general conduct, with the purpose of conveying a conduct and image of integrity that emphasize elements of responsibility, transparency and honesty.

CAF's directors, officials, employees and service providers must comply with the following principles that will serve as a guide in their daily activities:

- Transparency: act and communicate with clarity, without doubt or ambiguity, and without hiding anything that should be made known.
- Loyalty: behavior in line with CAF's ethical principles that puts CAF's interests above all others.
- Honesty: decency, uprightness and justice in people and their manner of acting.
- Equality: coherently and homogeneously applying the rules and policies established by CAF, with the goal of achieving equitable treatment, free from arbitrary decisions and without discrimination on the basis of race, nationality, gender, religion, social class, age and cultural origin.
- Integrity: this is the will to act morally, honestly and sincerely, without external influence, and in accordance with the legal and internal rules in force.
- Discretion: the sensitivity to use good judgment and tact when speaking or working, with reserve, prudence and circumspection.

CHAPTER VIII: ACCESS TO INFORMATION

CAF will facilitate public access to any information related to its regulations, operational procedures and activities, save such information is not subject to non-disclosure obligations.

CAF can classify as private any information that may be classified as such under special circumstances. Private information is any information that CAF has determined is of a confidential or private nature due to legal or other commitments entered into with third parties or due to the nature of the information in question.

The general principles that will govern access to public information are:

- Promoting transparency and integrity in information management.
- Facilitating access to information that is not classified as reserved.
- Promoting the dissemination of its activities and contributing to research on development issues.

CHAPTER IX: ACQUISITION OF GOODS, CONTRACTING OF WORKS AND SELECTION AND CONTRACTING OF CONSULTANTS

A. GENERAL PRINCIPLES

Any process for the acquisition of goods, contracting of works and consultancy services with CAF financing must comply with the following general principles:

- Broad dissemination: it must be made public via print or digital media to allow for the participation of the greatest possible number of bidders.
- Equality: restrictions relating to the origin of goods cannot be included, nor can other restrictions be included that may impede or hinder the process. The conditions proposed must be equal for all bidders, avoiding restrictions or discrimination with respect to the participation of any bidder.
- Transparency: there will be a single version of the announcements and documents and they must clearly and explicitly state the characteristics, phases, timeframes, applicable regulations, evaluation and selection criteria, and general and specific conditions, among other elements.
- Free competition: it must be geared towards obtaining the best terms the market can offer, thus encouraging the participation of all potential bidders, without imposing any restriction whatsoever, except those of a legal or regulatory nature that prevent potential candidates from participating. The division of processes or dividing of contracts must not be promoted.

The provisions contained in this chapter are applicable to loans or operations whether or not they contain sovereign guarantee and public services concessions offered to private clients. They will not apply to loans or operations whose resources are freely available, policy-based loans (PBLs), sector-wide approach programs (SWAPs) or other loans or operations of a similar nature.

B. PUBLIC SECTOR CLIENTS

Public sector clients must put out an international public call for tenders, in accordance with the legislation applicable in the jurisdiction in which the financing is being executed, for those operations in which the objective or intended use of the resources includes:

- the acquisition of goods for an amount greater than USD 1,500,000
- the contracting of works for an amount greater than USD 6,000,000
- the contracting of consultants for an amount greater than USD 750,000

The international public call for tenders can be omitted only in special cases, permitted by the applicable legislation, which, for reasons of a technical nature are sustained and duly justified by the client and which have been given prior express authorization by the CAF Administration.

In the case of public businesses governed by private law, the stipulations of section C in this chapter will apply.

In co-financing operations CAF can accept the application of procedures of other international financial bodies for the acquisition of goods, the contracting of works and the selection and contracting of consultants.

C. PRIVATE SECTOR CLIENTS

Private sector clients must show CAF that the procedures for the acquisition of goods and contracting of works for the financed operation are adequate for the purposes of ensuring the quality required at market prices.

CHAPTER X: PREVENTION AND DETECTION OF MONEY LAUNDERING AND OTHER PROHIBITED PRACTICES

A. ASPECTS OF COMPLIANCE RELATED TO THE PREVENTION AND DETECTION OF MONEY LAUNDERING

To reduce the risk of laundering assets involved in the realization of operations for the fulfillment of CAF's functions, CAF operations must always be carried out within the framework of full compliance with the Policies and Principles for the Prevention and Detection of Money Laundering that govern the activities of officials as well as persons contracted to carry out their activities.

The scope of the regulatory framework on this matter must be applied and observed in all active, passive, or contracted services or in the purchasing of goods and services in which CAF interacts or in which it acts as a counterpart to another individual or legal entity.

B. OTHER PROHIBITED PRACTICES

CAF's operations must always comply with high international standards to avoid the negative repercussions of corruption, using as a premise its adherence to the fundamental values of integrity, transparency and accountability.

In operations financed with CAF resources, efforts must always be made to implement measures that will avoid the occurrence of prohibited practices, as an essential element to protecting the organization's reputation, its operations and the interests of its investors and shareholders.

CAF must refrain from financing or participating in operations in which it can be reasonably presumed that there are situations where anything of value may have been requested, given, received or directly or indirectly requested to unduly influence the actions of third parties, with the goal of producing a benefit that would otherwise not be obtained.

CAF must refrain from financing or participating in operations in which it can be reasonably presumed that there is any action or omission, including the manipulation of facts and circumstances, that deliberately or imprudently deceive or attempt to deceive any party to obtain a financial or any other type of benefit or to evade an obligation, to harm or cause damage, or threaten to harm or cause damage, directly or indirectly, to any party or their assets to unduly influence the actions of a party, with the goal of producing a benefit that would not otherwise be obtained.

CAF must refrain from financing or participating in operations in which it can be reasonably presumed that an agreement has been entered into by two or more parties with the intention of attaining an inappropriate goal, which includes inappropriately influencing the actions of another party, destroying, falsifying, altering or deliberately hiding evidence, or any action intended to impede CAF undertaking inspection or supervision exercises.

GLOSSARY

- **Administration:** Administration is understood to be the management team under the charge of the Executive President, responsible for the operational management, planning, organization, direction and control of CAF resources.
- **Basel Committee on Banking Supervision:** This is the main global organization that not only establishes prudent banking regulations, but is also the main forum for discussion on regulatory themes.
- **Consolidated Portfolio:** This is the sum of the loan portfolio, equity investments and guarantees.
- **Pure Risk Capital:** Securities representing the parties or indivisible percentages of share capital or equity of a legal entity (Direct Investments) or of a collective investment vehicle, with or without legal status (Holdings in Investment Funds), that confer upon the holder the right to proportionally share in the profits, receive the proportional part of the remaining assets in the case of liquidation, and participate in and vote at meetings of shareholders, partners, participants or investors.
- **Equity Investments:** These are investment in Pure Risk Capital, Quasi-Equity and other risk instruments, such as purchase or sale options, share placement guarantees, Subordinated Debt and others of a similar nature.
- **Essentially Domestic Operations:** Refers to those operations whose scope of direct and indirect influence in which the impacts of the operation are potentially manifested take place within a national territory.
- **International Public Tender:** This means the process of public tender open to the participation of national and foreign entities without limitation relating to the origin or nationality of the participants.
- **Loan Portfolio:** This refers to CAF's loan portfolio with the exclusion of the "B" Tranche of "A/B" loans, reimbursable cooperation pertaining to the Business Development Investment Fund and the Social and Human Development Fund as well as portfolio sales.
- **Member Country:** Refers to the Shareholder Countries that signed CAF's Establishing Agreement or subsequently adhered to it in accordance with the Procedure Stipulated in Article 59 of the Establishing Agreement.
- **Non-sovereign risk:** Operational modalities of financing without sovereign guarantee.
- **Operations:** Refers to the financing provided by CAF for any Operational Modality, as indicated in the respective chapter.
- **Private Sector Client:** Private sector clients are understood to be those entities controlled by private investors.
- **Prohibited Practices:** Refers to offering, giving, receiving or requesting, be it directly or indirectly, anything of value to unduly influence another party's actions, as well as any act or omission, including the misrepresentation of facts and circumstances that deliberately or imprudently deceive or attempt to deceive another party, in order to obtain a financial or any other type of benefit

or to avoid an obligation, to harm or cause damage, or threaten to harm or cause damage, be it directly or indirectly, to any party or to any party's assets, in order to unduly influence a party's actions; an agreement entered into by two or more parties with the intention of attaining an inappropriate goal, which includes inappropriately influencing the actions of another party, destroying, falsifying, altering or deliberately hiding evidence, or any action intended to impede CAF's inspection and supervision exercises.

- **Public Sector Client:** Public sector clients are understood to be those entities dependent on the national government, sub-national entities, public companies owned by either of the former or mixed companies controlled by the national government or by sub-national entities.
- **Quasi Equity:** These are financial instruments that grant the holder rights and priority of collection similar to those of the holders of Pure Risk Capital, such as debt obligatorily convertible into shares or social interest quotas, and preferred or privileged shares, among others.
- **Shareholder Country:** Refers to the countries that directly or indirectly own CAF shares.
- **Shareholder Equity:** Is the sum of paid-in capital, equity reserves, surplus, accumulated net income and other equity accounts.
- **Social and Environmental Safeguards:** Credit operations financed by CAF must be developed in fulfillment of the legal framework in force and applicable in each country on social and environmental matters, including issues relating to occupational health and industrial safety; in addition to the combination of Social and Environmental Safeguards established by CAF. These safeguards are stipulated as a minimum technical requirement to ensure sustainable and responsible social and environmental management and they embody the organization's social and environmental principles.
- **Sovereign risk:** Operational modalities of financing that have a sovereign guarantee.
- **Subordinated Debt:** These are loans that grant the lender rights and priority of collection inferior to that of ordinary or senior debt, but superior to those of the holders of Pure Risk Capital.