

RULES ON INTEGRITY DUE DILIGENCE

Approval Authority:	Director-General	Date Approved:	16 June 2019
Version:	1	Queries:	Legal

1. INTRODUCTION AND OBJECTIVE

- 1.1. GGGI is committed to be transparent and accountable for its decisions and actions, and practice integrity in all aspects of its operations (see GGGI Accountability Framework).
- 1.2. Moreover, GGGI is committed to prevent misuse of its funds and has mechanisms in place to prevent misuse, fraud and corruption. To prevent abuse of GGGI funds, GGGI has put in place effective financial management, including internal and financial controls and risk management procedures, in accordance with Article 9 of the Financial Regulations, as implemented by the Finance Policies and Procedures. Furthermore, GGGI's Anti-Corruption Policy prohibits certain practices (fraud, corruption, coercion, collusion) in connection with GGGI activities and restrict certain forms of transactions and payments that could pose a risk of money laundering or terrorist financing.
- 1.3. To ensure that GGGI's operations and activities are carried out in an ethical manner, GGGI's Sustainability and Safeguards Rules outline the operational principles and core safeguards standards that GGGI seeks to uphold.
- 1.4. To further strengthen GGGI's efforts to ensure sound management of GGGI funds, managing integrity and reputational risks, these Rules on Integrity Due Diligence (the Rules) are formalizing GGGI's requirements and processes when engaging third parties. These Rules reflect international standards and best practices in relation to prevention of money laundering and terrorist financing, including the principles established by FATF (Financial Action Task Force), and in relation to human rights abuse, modern slavery and other criminal and illegal activities. These Rules are complementing the due diligence requirements set out in GGGI's Rules on Private Sector Engagement and the Sustainability and Safeguards Rules.

2. DEFINITIONS

The following definitions apply for the purpose of these Rules:

- a) *Money Laundering (ML, Anti-Money Laundering AML)* means (i) the conversion or transfer of property, knowing that such property is derived from crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of the crime to evade the legal consequences of his or her actions; (ii) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from crime, or; (iii) the acquisition, possession or use of property, knowing at the time of receipt that such property was derived from a criminal offence.
- b) *Beneficial Owner* means any natural or legal person controlling or owning, directly or indirectly, 25% or more in GGGI's counterparty. Beneficial Owner also means to include the natural person on whose behalf a transaction is being conducted, and those persons who exercise ultimate effective control over a legal person or arrangement.

- c) *Engagement* means any type of contractual engagement with a Third Party involving financial commitments or transactions.
- d) *Financing of Terrorism or Terrorist Financing* (TF, *Combatting Terrorist Financing*, CFT) is defined as the commission of any offence as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.
- e) *Modern Slavery* means slavery, servitude, forced or compulsory labour, human trafficking and hazardous child labour.
- f) *Politically Exposed Person (PEP)* means any natural person who is or has been entrusted with prominent public functions and immediate family members, or person known to be close associates with such person. Examples include Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned enterprises and international organizations, and high-ranking political party officials.
- g) *Sanctions Lists* means to include the sanctions lists maintained by the United Nations Security Council (UN), by the European Union and by any Multilateral Development Bank (MDB), including the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank or the World Bank Group, and by other international and national bodies determined to be relevant by and to GGGI.
- h) *Third Party* means any organization or individual whom GGGI engages with contractually, including private sector entities (including state-owned enterprises), non-governmental organizations, international organizations, research and academic institutions, but excluding governments (ministries and agencies).

3. PRINCIPLES

- 3.1. Prior to any Engagement with a Third Party, the aspects set out in articles a) – f) below shall be appropriately addressed:
 - a) **Identifying Third Party and Beneficial Owners.** GGGI shall identify and verify the identity of a Third Party, including their Beneficial Owners. GGGI should have a reasonable level of confidence that it is engaging in a legitimate business relationship with a bona fide Third Party. Identifying the Beneficial Owners of the Third Party prevents GGGI from entering into a relationship with a counterparty whose source of funds is of dubious origin, or whose Beneficial Owners are related to money laundering, terrorism, organized crime, human rights violations, modern slavery, or any other serious wrongdoing.
 - b) **Sanctions screening.** GGGI shall carry out a sanctions screening of a Third Party. GGGI endorses sanctions imposed by appropriate international and national bodies (such as UN) against individuals and entities involved in fraud, corruption, terrorism,

human rights violations, money-laundering, terrorist financing, tax evasion and other criminal and illegal activities. As a general rule, GGGI shall not engage with any entity or individuals included in such a sanctions list.

- c) **PEPs.** GGGI shall take reasonable measures to detect whether a Third Party or Beneficial Owner is a PEP.
- d) **Criminal Charges.** GGGI shall take reasonable measures to detect any past criminal charges or convictions, or ongoing investigations for serious wrongdoings (such as corruption, money laundering, terrorist financing, fraud, tax evasion, tax fraud, collusion, human, drug and firearm trafficking or cybercrime) against the Third Party, any Beneficial Owner, any member of the board of directors, senior management and key personnel involved in activities relating to the Engagement.
- e) **Compliance.** GGGI shall take reasonable measures to ensure that any Third parties are in compliance with applicable requirements on AML/CFT and, where applicable, have appropriate policies and procedures in place for such compliance.
- f) **Modern Slavery.** GGGI shall take reasonable measures to identify the presence of factors which may indicate Modern Slavery risks by assessing inter alia country and sector context, workforce demographics, and the characteristics of risk management processes or controls of the Third Party.

4. INTEGRITY DUE DILIGENCE

- 4.1. Prior to any Engagement with a Third Party, an integrity due diligence shall be carried out in order to address the principles set out in Section 3 above. An initial due diligence shall be carried out by collecting relevant information on the Third Party and conducting a desk review (Basic IDD).
- 4.2. As GGGI works with a wide variety of partners in different contexts, a one-size-fits-all approach to integrity due diligence is not appropriate. A balance should be achieved between GGGI seeking assurance and the need to minimize unnecessary administrative burden. Accordingly, integrity due diligence shall be carried out on a risk-based approach: the scope of depth of due diligence should be proportionate to the level of risk. The higher the risk, the broader and deeper the due diligence should be.
- 4.3. An enhanced due diligence, meaning additional steps following the Basic IDD, shall be carried out whenever a risk indicator presents Medium Risk, as defined in Section 5 below. Such enhanced integrity due diligence shall consist of gathering additional information regarding the risk indicators by, for example, requesting information directly from the Third Party, interviewing relevant personnel of the Third party or carry out a site visit (Enhanced IDD).
- 4.4. An external service provider may be used to assist on conducting an Enhanced IDD when local or specialized knowledge is required.

5. RISK ASSESSMENT

5.1. Based on the Basic IDD, the Engagement shall be assigned a risk rating in accordance with the principles set out below:

- a. **High Risk:** whenever a risk indicator presents risk that falls outside GGGI's risk tolerance with reference to the principles set out in Section 2. GGGI shall not engage with a Third Party when a risk indicator presents High Risk. Examples of risk indicators presenting high risk include the following:
 - i. The Third Party's Beneficial Owners are unidentifiable;
 - ii. The Third Party, a Beneficial Owner, any member of the board of directors, senior management or key personnel involved in activities relating to the Engagement is included in a Sanctions List.
- b. **Medium Risk:** whenever a risk indicator presents some degree of risk. An Enhanced IDD shall be carried out whenever a risk indicator presents Medium Risk. Examples of risk indicators presenting Medium Risk include the following:
 - i. past or ongoing investigations or charges for serious wrongdoings;
 - ii. presence of PEPs;
 - iii. the Third Party is domiciled or otherwise substantially linked to a jurisdiction which is categorized as non-compliant with tax transparency or AML/CFT standards established by an appropriate international body.
- c. **Low Risk:** whenever there are no risk indicators identified, or when the identified risk indicators do not pose any or low risk for GGGI.

6. ASSESSING AND MITIGATING THE RISKS

6.1. After a completed Basic IDD, or an Enhanced IDD where required:

- a) The Engagement is categorized as Low Risk, no further action is required;
- b) If the Engagement is categorized as remaining Medium Risk, mitigating measures may be required to move forward with the Engagement. Mitigation measures could include for example:
 - i. requesting the improvement of the Third Party's relevant policies and procedures;
 - ii. inclusion of contractual obligations, representations and warranties in the agreement with the Third Party;

- iii. removal of any individual causing concern in relation to the principles set out in Section 3 from any activity relating to the Engagement.
- c) If the Engagement is categorized as High Risk, the GGGI shall refrain from entering into such Engagement.
- d) The relevant approval authority of the concerned Engagement under the Delegation of Authority shall have authority to make decisions on required mitigating measures on any Engagements categorized as Medium Risk, after consultations with Finance, Procurement, Legal, Sustainability & Safeguards or other relevant units as needed.

7. MONITORING AND RECORDKEEPING

- 7.1. GGGI shall regularly monitor the identified risks and reassess due diligence measures taken, at least once a year during the life of GGGI's Engagement with the Third party.
- 7.2. GGGI shall keep records of the IDD process (Basic and Enhanced), identified risk indicators and any mitigating measures taken.

8. FINAL PROVISIONS

- 8.1. Effectiveness. These Rules shall enter into force on the date of approval by the Director-General.
- 8.2. Periodic Review. These Rules shall be periodically reviewed to ensure that they reflect the current business needs and best practices among international organizations.
- 8.3. Implementation. Further guidelines may be issued to implement these Rules.