



FUNDACIÓN CLIMÁTICA IRIS, UNIDOS POR EL CLIMA

POLICY ON ZERO TOLERANCE TOWARDS FRAUD AND CORRUPTION, AND ON PREVENTION AND
COMBATING OF MONEY LAUNDERING (ML) AND TERRORIST FINANCING (TF)

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1. Introduction

This policy establishes that Fundación Climática IRIS, Unidos por el Clima (hereinafter, the Foundation) has zero tolerance towards fraud and corruption, and will carry out its activities in accordance with the national and international framework, as appropriate, aimed at preventing and combating money laundering (ML) and terrorist financing (TF). This means that its staff members, non-staff personnel, collaborators, partners, suppliers, associates, and other individuals and legal entities linked to the Foundation must not engage in fraud or corruption.

All incidents of fraud and corruption, including ML and TF, must be reported, assessed, and, as appropriate, investigated in accordance with the Foundation's internal rules and the applicable legal framework. Disciplinary and other measures will be taken against perpetrators of fraud and corruption as provided for by law.

The contents of this document must be known by all persons directly or indirectly involved in the development of the various processes of the Foundation.

The Foundation's President will be responsible for requiring outreach and self-training activities on these topics to be carried out in order to ensure their full implementation.

The President is committed to working with her team to prevent, identify, and address all acts of fraud and corruption against the Foundation by raising awareness of fraud risks, implementing controls to prevent and detect fraud and corruption, and enforcing this Policy.

The criteria related to fraud and corruption are included in the Foundation's Prevention and Risk Plan, as a control action, taking into account the importance of implementing controls and preventive measures to guarantee transparency and avoid situations that may involve the Foundation in illicit activities, which would affect its prestige, integrity and reputation, as well as the trust of donors and beneficiaries of its projects and services.

Given the above, and taking into account the current legal framework, the Foundation has decided to implement this policy, which governs all activities and operations, including projects, services, procurement processes, fund management, and cooperation agreements.

2. The most recognized international standard worldwide for preventing and combating money laundering (ML) and terrorist financing (TF).

Financial Action Task Force (FATF) and its affiliated regional organizations, such as the Financial Action Task Force of Latin America (GAFILAT).

GAFILAT was created to prevent and combat money laundering, terrorist financing, and the proliferation of weapons of mass destruction. This is achieved through a commitment to the continuous improvement of national policies and the strengthening of various cooperation mechanisms among member countries. The organization has achieved associate member status with the FATF and, therefore, participates in the development, review, and modification of FATF recommendations, while adhering to the 40 recommendations issued by that organization. These best practices are the most recognized international standard worldwide for preventing and combating money laundering (ML) and terrorist financing (TF).

The Financial Action Task Force of Latin America (GAFILAT) has issued a Guide for the AML/CFT Regulation of Virtual Assets and Virtual Asset Service Providers in the Region. GAFILAT is a regional intergovernmental organization that brings together 18 countries in South America, Central America, and North America. It is one of the regional groups of the Financial Action Task Force (FATF) made up of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Dominican Republic, and Uruguay.

3. National legal framework

Money laundering (ML) is a crime that fundamentally affects financial stability and seeks to conceal or disguise the nature, origin, location, ownership, or control of illegally obtained money and/or assets. It involves introducing assets of illicit origin into the economy, giving them the appearance of legality by leveraging legitimate activities. This allows criminals and criminal organizations to disguise the illegal origin of their proceeds without jeopardizing their source.

Drug trafficking was generally identified as the main precursor to money laundering, but it can also originate from other crimes such as the illegal sale of weapons, human trafficking, prostitution rings, embezzlement of public funds, malicious use of insider information, bribery, computer fraud, and terrorism, among other offenses.

The Cuban Penal Code, as amended by Decree Law No. 389 of October 8, 2019, adopted the formula of considering all crimes as determinants of money laundering, since all of them can produce ill-gotten benefits and profits, susceptible to being "legitimized".

Decree Law No. 389 of October 8, 2019, aims to implement measures to meet Cuba's commitments in the fight against money laundering, terrorist financing, arms proliferation, and other similarly serious issues; and to create structures that allow for the management, control, investigation, and analysis of the information required for the prevention and detection of operations used as instrument to conceal, manage, invest or use in any way, assets derived from criminal activities or intended to finance them.

Among the risks involved in money laundering are:

1. Social: by indirectly promoting crime, allowing the criminal to legitimize the proceeds of crime.
2. Economic: by producing distortions in financial movements and inflating the most vulnerable industries or sectors.

3. Financial: by introducing macroeconomic imbalances and damaging the integrity of the financial system.
4. Reputational: due to the loss of prestige, credit and/or reputation of both financial and non-financial entities and their professionals.

Although the regulations listed below apply to financial institutions, the Foundation reviews and considers them in its financial transactions to prevent the Foundation from being used or involved in operations with resources of illicit origin, or to finance terrorism and arms proliferation.

The Central Bank of Cuba (BCC) has implemented a set of measures to detect money laundering, terrorist financing, and illicit capital movements, as published in the Official Gazette. These are the "General Standards for the Detection and Prevention of Operations in the Fight Against Money Laundering, Terrorist Financing, and Illicit Capital Movement".

Decree-Law No. 317/2013, Prevention and Detection of Operations in the Fight Against Money Laundering, Terrorist Financing, Arms Proliferation, and Illicit Capital Movement. (Extraordinary Official Gazette No. 8, January 23, 2014, Cuba)

This Decree-Law aims to implement measures to meet Cuba's commitments to combat money laundering, terrorist financing, arms proliferation, and other similarly serious issues; and to create structures that allow for the management, control, investigation, and analysis of the information required to prevent and detect operations used as a tool to conceal, manage, invest, or otherwise use assets derived from criminal activities or those intended to finance them.

4. Other tools

- Know Your Client:

An essential and effective tool to prevent the Foundation from being misused in money laundering and terrorist financing. *Know Your Client* allows you to identify their economic activity and the source of their income, and will more easily detect unusual and/or suspicious transactions.

The Foundation will not have among its clients:

- Natural or legal persons included in external risk lists.
- Persons who have businesses whose nature makes it impossible to verify the legitimacy of the activities they carry out.
- Persons who refuse to submit legal documentation or a legal certificate, duly certified by the legal advisor, that allows for full identification of the owner and/or final beneficiary.
- Persons who present documents that are manifestly false or whose external characteristics raise serious doubts about their legality, legitimacy, lack of manipulation, etc., as well as about the purpose and nature of the business relationship.
- For the administration of funds, the Foundation will comply with the provisions of its standard contracts. *Know Your Client* form and due diligence format will be implemented for specific clients based on their funds.

- Hiring staff:

All the Foundation's employees must:

- Submit their professional profile according to the Foundation's format and their resume.
- Participate in the interview process.

- Their personal and work history has been verified.

The Human Resources manager safeguards and manages personnel files, each of which must contain the personal and work documents of each employee. The file must contain at least the documentation detailed below

- Work history
- Affidavit of not having a Police, Criminal and/or Judicial Record
- Employment contract

5. Commitments of the Foundation

First: Participate, on a mandatory basis, in training activities aimed at preventing ML/TF.

Second: Prevent the incorporation of funds linked to money laundering into both the Foundation's share capital and its activities.

Third: Based on this commitment, employees will incorporate, within their assigned roles and responsibilities, the role of preventing and detecting any activity or client linked to money laundering at any stage.

Fourth: Pay special attention to the morality, ethical training and honesty of all those who carry out actions and activities with the Foundation.

6. Prevention Mechanisms

Warning signs "are behaviors or characteristics of certain transactions or individuals that could lead us to detect a suspicious transaction involving money laundering or terrorist financing".

Some warning signs to determine unusual behavior of employees and managers:

- The employee's lifestyle does not match their income, or there is a significant and unexpected change in their financial situation.
- The employee uses their own address to receive documentation from the Foundation's clients.
- They avoid internal controls established for certain financial activities and services.
- They frequently make mistakes, discrepancies or inconsistencies, and their explanations are insufficient or inadequate.

Some warning signs for detecting unusual and suspicious transactions in clients:

- The client refuses to provide the requested information, or it is inconsistent or difficult to verify.
- The client presents unusual identifications, which are not possible to verify.
- The client's phone is disconnected or the phone number does not match the information initially provided.
- The client refuses to complete the required forms or provide information necessary to complete or carry out the transaction.
- Frequent use of intermediaries to carry out transactions.
- The operations do not correspond to the client's profile and/or economic activity.
- The client refuses or avoids providing current or historical information related to their economic activity or financial capacity when carrying out a transaction.
- They pressure and insist that an operation be carried out extremely quickly, avoiding any "bureaucratic" procedures, without justifying the reason for his urgency.
- When carrying out a transaction, they avoid providing information regarding the origin and/or destination of the funds or the purpose of such transaction.

Some warning signs related to suppliers:

- Their financial statements reflect very different results compared to other suppliers in the same sector with similar economic activities.
- Their managers do not fit the profiles of the positions they hold.
- They refrain from providing complete information, such as main activity, references, names of directors, financial statements.
- They do not present information duly legalized by legal advisors.

Fraud cases:

The term “fraud” generally includes activities such as theft, corruption, embezzlement, money laundering, bribery, insider trading, and extortion.

Using deception to dishonestly obtain a personal benefit for oneself and/or create a loss for another constitutes fraud, which is defined as an intentionally deceptive action intended to provide the perpetrator with an illicit benefit or to deny a right of the victim.

7. Surveillance and monitoring

Director General of Management: ML/TF Report

- When warning signs are identified, whether in employees, clients, collaborators, or suppliers, a fair and detailed analysis must be conducted to demonstrate objective evidence of the occurrence of ML/FT and other forms of fraud and corruption, and the corresponding report will be issued.

Director of the Board of Directors: Know Your Client

- Knowledge Update on Clients: The Director of the Foundation's governing body, or their designee, will send a form (Know Your Client) to clients to keep their information up-to-date. If a client provides false information, it will be considered a warning sign and must be reported to the Board of Directors for further evaluation.

- Include clauses related to the prevention of money laundering in the pro-forma contracts and service offers, to be able to terminate contractual relationships at any time if it is known that the other party is linked to any ML/TF investigation or included in national or international ML/TF lists.

Internal control

- The Foundation's Control and Prevention Committee conducts the corresponding control actions, according to the prevention plan, and reports to the Board of Directors.
- Accountability for internal control and prevention is established in the Board of Directors' Annual Thematic Plan.

Board of Directors

- It is responsible for approving and promoting the application of the guidelines, and providing sufficient resources to ensure compliance with this policy, as well as making contributions that enrich and update it, and ensuring its implementation in order to safeguard the Foundation's prestige, image, and reputation.
- Likewise, it must ensure, within its possibilities, that the Foundation's staff, and all natural and legal persons linked to it:
 1. Comply with the guidelines of this policy.
 2. Guarantee the reliability and veracity of the information they provide, as well as the lawful origin of their economic activities, and the veracity of the documentation requested.
 3. Promptly report any events or circumstances classified as warning signs or unusual operations.

4. Cooperate with the investigations detected in the area of ML/TF.

8. Reporting mechanisms

1. It may be filed by anyone who has information or is aware of cases in which one or more employees, directors, partners, collaborators, and individuals or legal entities linked to the Foundation are involved in acts against the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) policy.
2. The report is submitted to the team that handles the Foundation's Grievance Redress Mechanism.
3. The team verifies the reported information and presents its analysis to the Board of Directors to determine the appropriate course of action in accordance with the law.
4. Considering the violation (fraud/corruption/ML/TF), the corresponding complaint will be filed through the courts.
5. If the person involved is a Foundation employee, internal measures will be taken in accordance with the violation; this does not interfere with the judicial process.
6. Complaints are received through various channels (telephone, email, in person) and are responded to in writing with acknowledgment of receipt.

Email: fundacionclimaticairis@gmail.com

Telephone: (+53) 72042125

In case of fraud:

Kohly Real Estate, 47th Avenue No. 3413 / 36 and 34, Playa Municipality, Havana.

Telephone: +53 72042125 / Email: fundacionclimaticairis@gmail.com

Fraud/illegal action reports must include:

- The person(s) accused of being involved.
- Place and time.
- Relevant actions or statements.
- How the individual, organization, or company is involved in the alleged violation.
- More information or evidence (e.g. documents, photos, testimonies).

This document will be reviewed and updated in accordance with the legal framework and the context in which the Foundation's activities are carried out.

Ms. Odalys Aldana Mazorra
President