STRATEGIC FRAMEWORK FOR INTEGRITY, COMPLIANCE AND ACCOUNTABILITY

PILLARS I AND II

INTEGRITY AND ETHICS POLICY

To provide for measures to promote Institutional Integrity and Ethics

MAY 2015
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INTEGRITY AND ETHICS POLICY

A Policy to Promote Institutional Integrity and Ethics

1. INTRODUCTION

1.01 The Caribbean Development Bank (the Bank), adheres to the highest standards of integrity and ethics with zero tolerance for fraud, corruption and similarly corrosive conduct.

1.02 The Bank has introduced a comprehensive Strategic Framework for Integrity, Compliance and Accountability (the Strategic Framework) and established the Office of Integrity, Compliance and Accountability (OICA) to operationalise and manage the Strategic Framework. This Integrity and Ethics Policy (the Policy) is issued pursuant to the Strategic Framework.

2. KEY DEFINITIONS

2.01 For the purposes of this Policy:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Affiliate</td>
<td>means in relation to an entity, its direct or indirect controller, shareholder, owner, parent, or subsidiary, or any other entity it controls or with which it is under common control.</td>
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<td>Allegation</td>
<td>means an unproved assertion against someone related to suspected wrongdoing.</td>
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<td>Code of Conduct</td>
<td>means the Code of Conduct for Staff and/or the Code of Conduct for the Board of Directors as amended by the Bank from time to time.</td>
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<td>Complainant</td>
<td>means the Person who has submitted a Complaint to OICA.</td>
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<td>Complaint</td>
<td>means a formal Allegation or expression of discontent, concern or suspicion submitted to OICA regarding any suspected Violation, wrongdoing or presumed Misconduct.</td>
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<td>Compliance</td>
<td>means the Bank’s adherence to a policy and procedures which adopt relevant rules, regulations, standards, codes and norms to combat money laundering and financing of terrorism, and to monitoring in order to avoid violations of financial sanctions.</td>
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<td>Conflict of Interest</td>
<td>means any situation in which a Person has interests that could improperly influence that Person’s performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations.</td>
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<td>Counterparty</td>
<td>means any individual or entity seeking funding for a Project or who is being funded by a Bank-financed operation or Project or other activities of the Bank, and includes any supplier, contractor or consultant for, or beneficiary of, a Project and any Affiliate thereof who has engaged directly or indirectly with the Bank including through its policies and procedures for external or project procurement or internal or corporate procurement by the Bank for its own account. The term “Counterparties” shall be construed to mean more than one Counterparty.</td>
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Director means a member of the Bank’s Board of Directors. Every reference to a “Director” means the Director and his/her alternate and advisors.

Ethics means adherence by relevant persons to any Code of Conduct, or rules and regulations issued by the Bank for its Directors and Staff.

Ethics Violation means a violation of any ethical principle, rule or standard of conduct applicable to Staff and Directors as provided for in a Code of Conduct.

Integrity means ‘institutional integrity’ and includes but is not limited to the prohibition of wrongdoing related to fraud, corruption, collusion, coercion (known as Prohibited Practices) and other corrosive practices like theft, bribery, Conflicts of Interest, deception, forgery, extortion, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts, misconduct and interference with, or obstruction of, investigations undertaken pursuant to the Strategic Framework.

Integrity Risks means Integrity-related operational risks.

Integrity Violation means any Violation related to Integrity, Compliance and Ethics including a Violation of this Policy.

Investigation means the process designed to gather and analyze information and to determine whether a Violation has occurred and if so, the Person or Persons responsible. An Investigation is deemed to commence from the date of receipt of a Complaint by OICA and ends only when OICA has made a determination in writing that it has ended.

Misconduct means the failure by any Person to observe the rules of conduct or standards of behaviour prescribed by the Bank and includes a breach of any provision in the Code of Conduct and any act of Retaliation against a Whistleblower whether such failure or act occurs within or outside of the Bank’s premises.

Person means any individual or entity and shall include a Director, a member of Staff, a body corporate, a trust and any other entity legally recognised as having the capacity to contract.

Prohibited Practices are the following: ¹

(a) A Corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;

(b) A Fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;

(c) A Coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party, or the property of the party, to influence improperly the actions of a party; and

¹ As defined by The International Financial Institutions (IFIs) Anti-Corruption Task Force – Uniform Framework for Preventing and Combating Fraud and Corruption. These definitions will be made consistent across all of the Bank’s relevant policies, procedures and guidelines e.g. procurement.
A Collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

**Project** means any activity which the Bank has financed or committed to finance from its Ordinary Capital Resources or Special Funds Resources, trust funds or from other funds administered by the Bank.

**Retaliation** means any form of harassment, victimisation or other action taken against a Whistleblower by any Person where it is suspected that such harassment, victimisation or other action is related to or undertaken in response to a report, submission, disclosure or Complaint made by a Whistleblower through the Whistleblower System.

**Staff** means the management, (including the President and Vice-Presidents), professional and support staff, temporary employees, other contracted employees, consultants, secondees, interns and personnel on exchange assignments without regard to their position, rank, title, duration of contract with, or length of service to, the Bank.

**Violation** means an Integrity Violation, an Ethics Violation, or Misconduct.

**Whistleblower** means any Person who makes a Complaint, submission, report or disclosure of a suspicion, concern, or Allegation or provides any information concerning any Violation with respect to the Bank’s systems and operations or in any Project or financing, in the knowledge or good faith belief that the Complaint, submission, report or disclosure is true.

**Whistleblower Hotline** means the secure telephone hotline for receipt of confidential Complaints, submissions, reports and disclosures made by Whistleblowers.

**Whistleblower System** means the Bank’s processes, procedures and systems for secure receipt and handling of all Complaints, submissions, reports and disclosures from Whistleblowers and Witnesses as provided for in the Whistleblower Policy and any procedures issued pursuant to the Whistleblower Policy.

**Whistleblowing** means the actions of a Whistleblower in making a Complaint, submission, report or disclosure through the Whistleblower System.

**Witness** means a person who is not subject to an investigation but who voluntarily offers, or from whom OICA requests, information or evidence regarding an Investigation or who is otherwise providing assistance to OICA for the conduct of any contemplated or ongoing Investigation.

### 3. PRINCIPLES

3.01 The Strategic Framework is founded on the following four principles which also underpin this Policy:

(a) integrity;
(b) accountability;
4. **PURPOSE**

4.01 Consistent with its Mission and pursuant to its values, this Policy articulates the Bank’s adherence to principles, policies, procedures and international best practices that promote Integrity, Ethics and Compliance where relevant, using mechanisms which are appropriately scaled to the Bank’s operating environment, needs, size, risks and resources.

4.02 To fulfill its purposes, this Policy works together with other specific policies and procedures for Compliance and Whistleblowing, issued pursuant to the Strategic Framework.

5. **APPLICATION TO PERSONS**

5.01 This Policy applies to and exists for the benefit of:

(a) Directors;

(b) Staff;

(c) borrowers, contractors, sub-contractors, consultants, vendors, suppliers, service providers, project promoters, sponsors, beneficiaries and, in general, relevant persons or entities dealing with the Bank in its own internal or corporate procurement or in external or project procurement or otherwise involved in activities financed by the Bank;

(d) Counterparties and other organisations or entities with which the Bank deals in its borrowing, lending, grant-financing, equity, treasury, or accessing of donations activities;

(e) parties not mentioned above but otherwise bound by special provisions, including integrity clauses, in the Bank’s contracts and technical cooperation or assistance agreements; and

(f) Complainants who submit Complaints to the Bank’s Whistleblower System but who do not otherwise fall within any of the categories listed above.

6. **OPERATIONALISING THIS POLICY**

6.01 The Bank adopts the following three key lines of defence as an approach for operationalising this Policy and to be applied to all policies and procedures issued pursuant to it:

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(a) **First Line** – relevant business line units, divisions, departments and offices of the Bank, working to prevent, detect, and report relevant risks and violations by relying on written policies and procedures, their knowledge of the Bank’s counterparties and the particular circumstances of each activity being undertaken by the Bank;

(b) **Second Line** – OICA functioning as a dedicated internal independent mechanism with preventive and investigative functions and necessary authority as provided for in its terms of reference; and

(c) **Third Line** - internal auditors and external auditors who review the Bank’s compliance with this Policy and procedures issued pursuant to this Policy.

7. **ROLE OF OICA**

7.01 Pursuant to the Strategic Framework and this Policy, OICA manages, among other things, internal mechanisms and procedures for the:

(a) reinforcement of a culture that promotes Integrity and Ethics within the Bank using mechanisms that are appropriately scaled to the Bank’s operating environment, needs, size, risks and resources;

(b) proactive mitigation of Integrity Risks and the Bank’s vulnerability to integrity risks that may arise in the Bank’s internal systems and external operations, particularly from Staff-related conduct and external client-related conduct, the manifestation of which risks may damage the Bank’s reputation, and give rise to financial losses;

(c) receipt and handling of Complaints that allege Integrity Violations and Ethics Violations;

(d) prevention and detection of Integrity Violations and Ethics Violations;

(e) investigation of Integrity Violations and Ethics Violations;

(f) making of recommendations for imposition of sanctions on persons determined by Investigation findings to have violated the Bank’s policies and procedures;

(g) enforcement and monitoring of sanctions imposed on Persons found to have committed Integrity Violations and against whom a sanction has been imposed by the Bank;

(h) adoption of relevant international best practices for the promotion of Integrity and Ethics, appropriately scaled to the Bank’s operating environment, needs, size, risks and resources; and

(i) training and awareness by Directors, Staff, and other persons about this Policy and any procedures issued pursuant to it.

7.02 OICA shall collaborate with other units, divisions, departments and offices of the Bank to avoid overlaps or underlaps of coverage for mitigation of Integrity Risks as envisaged by this Policy.

7.03 OICA shall collaborate with other International Financial Institutions (IFIs) and development partners in outreach programs and for the development of international best practices to enhance the effectiveness of this Policy and the procedures issued pursuant to it.
8. **PROCEDURES TO BE ISSUED PURSUANT TO THIS POLICY**

8.01 OICA is responsible for the issuance and management of procedures to operationalise this Policy which will include procedures, guidelines and protocols for the:

- (a) conduct of due diligence, specifically Integrity Due Diligence of relevant Persons, Projects, transactions, and Counterparties of the Bank;
- (b) limitation of time for receipt and handling of Complaints, submissions, reports and disclosures;
- (c) investigations of Violations; and
- (d) making of public statements with respect to the work of OICA, its investigative findings, decisions, determinations, and recommendations.

9. **DUTY TO REPORT AND COOPERATE**

9.01 Each member of Staff has a duty promptly to report to OICA and in any event not later than three months after becoming aware of any suspected, actual or attempted Violation. Each such Person is also expected, to cooperate with OICA, to provide information in support of his/her report and generally to assist OICA in its investigation of the relevant suspected, actual or attempted Violation.

10. **TRAINING**

10.01 Directors and Staff will be provided with ongoing training as necessary, sufficient to understand this Policy and to ensure adherence to the relevant procedures issued pursuant to it.

11. **REVIEW**

11.01 The Board of Directors through its committee with oversight for Integrity, Ethics, Compliance and Accountability, may commission a review of this Policy, within the first three years of its operationalisation and at least once every five years thereafter, as necessary, to help ensure its effectiveness.

12. **OVERSIGHT AND IMPLEMENTATION**

12.01 Pursuant to the Strategic Framework, OICA directly oversees this Policy.

12.02 Management of the Bank bears primary responsibility for working with OICA to ensure effective implementation of, and adherence to, this Policy.