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# Guiding Principles for the Investigation Function of AFD Group's Compliance Department on how to conduct investigations when Prohibited Practices are reported

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# I - INTRODUCTION

1. These guiding principles define the purpose, missions, scope of action, powers, responsibilities and basic rules of the Compliance Department's Investigation Function in the overall financial security mechanism of AFD Group (hereinafter, "the Group").
2. AFD Group means Agence Française de Développement (hereinafter, "AFD") and its subsidiaries, the Société de Promotion et de Participation pour la Coopération Economique (hereinafter, "PROPARCO") and its subsidiary, the French Overseas Guarantee Fund Management Company (SOGEFOM) and the Investment and Support Fund for Businesses in Africa (FISEA).
3. It is part of AFD Group's general Policy to prevent and combat corruption and fraud<sup>1</sup> and its corresponding internal procedures. The terms that define Prohibited Practices, which include acts of corruption and fraud, are set out in this Policy.
4. The objective of this document is to contribute to ensuring that reports of Prohibited Practices are handled properly, by specifying the basic principles of good conduct that officers in the Investigation Function of the Group's Compliance Department are required to apply when conducting an investigation, as well as the conduct expected from the people who are contacted.
5. Consequently, in addition to the fundamental principles of law, the officers responsible for handling these reports undertake to comply with these guiding principles.

# II - ORGANIZATION AND MISSIONS

6. The Investigation Function exercises its mandate within the Group. This mission is carried out by the fraud and corruption officers in the Compliance Department, within the limits set out in the internal procedures.
7. The main tasks of the Compliance Department's Investigation Function are to:
  - Receive reports of Prohibited Practices in the context of Group activities;
  - Conduct a professional and objective investigation, by examining the evidence or on-site, to establish whether the facts are substantiated, their nature, the associated responsibilities and the potential financial impacts;
  - Submit their findings, based on facts and evidence, following this work and propose appropriate remedial measures;
  - Disseminate the lessons learned from the verifications and investigations in order to enhance the security, effectiveness and efficiency of Group operations and activities.
8. The Investigation function is housed in the Compliance Department and is an activity independent from the other AFD Group Departments. This i) demonstrates the governing body's commitment to encourage ethical conduct by complying with strict rules for integrity and ii) ensures that the institution has an adequate degree of involvement and commitment in preventing, detecting and fighting against Prohibited Practices, including fraud and corruption. Where appropriate, it may be required to work with the Group's Internal Audit Function.

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<sup>1</sup> Policy to prevent and combat corruption, fraud, anti-competitive practices, money laundering and terrorist financing (2019).

9. In terms of prevention, the Investigation Function conducts training for AFD Group officers to raise awareness of the fight against fraud and corruption. This ensures that the culture of integrity is disseminated and provides information about the highest standards in this regard.

10. In addition, it shares the lessons learned from its activity with the other services, such as the Operational Compliance Division, the compliance legal counsels in order to improve risk management (at both the structuring stage for the funded projects and programs and in terms of the contractual arrangements ), the Legal Departments and the Internal Audit Function.

## III - SCOPE OF ACTION OF THE COMPLIANCE DEPARTMENT'S INVESTIGATION FUNCTION

11. The Investigation Function exercises its mandate in AFD, its subsidiaries FISEA and SOGEFOM, as well as its subsidiary PROPARCO. In this respect, it receives reports of allegations or suspicions of fraud, corruption and any other illegal activity:

- In the context of a project financed by the Group;
- Outside Group financing, affecting a Group entity or one of its employees.

12. The Group has set up two mechanisms to report Prohibited Practices to the Compliance Department that would tarnish the funded projects, as well as outside projects, as set out in AFD Group's general Policy to prevent and combat corruption and fraud:

- A mechanism to report these alerts through line management, backed by the mechanism to handle operational incidents;
- A whistleblowing mechanism, outside line management.

13. The Compliance Department shall also be informed about reports of that kind made by third parties.

14. As soon as it is referred to, the Compliance Department undertakes to confirm or refute the allegations or suspicions brought to its attention, via a pre-assessment to determine the credibility of the evidence and its connection with Group activities.

15. Where necessary, the Investigation Function then conducts the necessary verifications and investigations, in accordance with internal procedures. The objective of the investigations is to look for and gather, in an objective manner, all the evidence necessary to have a proper understanding of the facts.

16. Should Group employees be suspected of misconduct, Senior Management will designate the department(s) responsible for handling the case, it being understood that this mission is first and foremost assigned to the Group's Internal Audit Function.

17. In addition, the investigations may be conducted working closely with other AFD Group Departments authorized to conduct this type of mission, on instructions from the Senior Management of the Group entity in question, or at the request of the Investigation Function.

18. They may also be conducted alongside other investigation departments of bilateral or multilateral donors or international organizations, in accordance with Group rules and procedures, as well as contractual agreements defining the cooperation between the relevant institutions.

19. Finally, following the investigation, the Investigation Function, where necessary, specifies the appropriate remedial measures if the facts are substantiated (demand for repayment of funds, reallocation of misused amounts to the project, early repayment, determination of the modalities for continuing the project or not, recommendation to file a complaint in France or locally, or for AFD's Chief Executive Officer to apply Article 40 of the French Criminal Procedure Code in association with the Legal Departments, etc.).

# IV. POWERS AND FUNDAMENTAL PRINCIPLES APPLICABLE TO THE INVESTIGATIONS CONDUCTED

## A. POWERS

20. The Compliance Department's Investigation Function may access all the information, documentation, systems and persons required to fulfill its mission. The members of the governing bodies and officers of AFD Group are required to cooperate with the Investigation Function rapidly, fully and effectively.

21. In accordance with the articles applicable to the financing agreements signed by a Group entity, the Investigation Function may exercise its right to verify the documents of and visit the various stakeholders of a project or program financed by AFD Group.

22. For the purposes of its mission, the Investigation Function may be required to interview the persons concerned and witnesses. Under these circumstances, the rights and obligations of the persons contacted must be stated (present the identity of the officers in charge of the investigation, specify the purpose of the inquiry, obtain the consent to conduct the interview).

## B. PRINCIPLES

23. The Investigation Function is required to adhere to the following principles in the context of its activity.

- **Independence:** The Compliance Department's Investigation Function has the independence required for the proper fulfilment of its functions. In accordance with the procedures in place, it opens, conducts and closes investigations within its remit. It reports on its activity to Senior Management and the Risk Committees of Group entities. In addition, it may be required to report to the Boards of Directors.
- **Integrity:** Officers in charge of handling allegations and suspicions of Prohibited Practices must conduct their missions with integrity to ensure that their honesty, neutrality and objectivity cannot be called into question.
- **Prevention of conflicts of interest:** Officers working in the Investigation Function must avoid any conflict of interest, as defined in the policies and procedures in place in the Group. In the event of a conflict of interest, it must be declared immediately to the Group's Compliance Director and remedial measures must be taken (withdrawal...).
- **Confidentiality:** Officers in charge of handling allegations and suspicions of Prohibited Practices are bound by professional secrecy. In accordance with the principles applicable to investigations, the Investigation Function attaches great importance to the confidentiality of the verifications conducted, in particular by not revealing the identity of the parties concerned and the documents and information collected and generated during the investigation. This requires strictly limiting the circulation of information to the persons or entities authorized to receive it, in accordance with the "need-to-know" principle. They use this information with caution, protect access to it and only divulge it with the necessary authorizations (except where required by law).
- **Ensure that the right of access and rectification of the files held by the Compliance Department is respected in the context of investigations:** in the framework of the implementation of its general policy to combat corruption and fraud, the Group is likely to process personal data concerning all the natural persons involved in the implementation of the development projects it finances. All persons concerned benefit from a right to access, rectify, oppose (subject to a legitimate reason) or delete the data concerning them.
- **Principle of loyalty:** This principle requires conducting exculpatory and incriminatory investigations in order to collect and integrate in the findings of the mission the factual elements, the documents evidencing an act of fraud or corruption, as defined in the policies and procedures in place in the Group, but also ruling out the existence of such acts where necessary.
- **Impartiality and competence:** All investigations are conducted in strict compliance with the rights of defence and the presumption of innocence. The rules of equity, impartiality and the right to be heard are also an integral part of the applicable principles. Officers working in the Investigation Function must master the knowledge essential for the fulfilment of their duties. The constant updating of this competence requires them to regularly attend continuous training courses.

## V - REPORT ON THE ACTIVITY OF THE INVESTIGATION FUNCTION

24. The Compliance Director informs AFD's Senior Management at least once a month about any reports of allegations and suspicions of fraud or corruption brought to the attention of the Compliance Department.

25. If the reports in question are likely to involve a Group officer as the perpetrator, this information is immediately sent to AFD's Senior Management.

26. The number of cases reported to the Compliance Department, the type of allegation and suspicion and the related handling are also presented to the Internal Control Committees and Risk Committees of AFD and PROPARCO.

27. The Chief Compliance Officer (CCO) presents the activity of the Investigation Function to AFD's Board of Directors at least twice a year and whenever he/she is requested to do so.

All this information is set out in the Internal Control Report sent to the Prudential Supervision and Resolution Authority and in the Compliance Department's Activity Report.

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