

Anti-Money Laundering Policy and Guidelines

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1. About this Policy

Crime Act 2002 and the Money Laundering Regulations 2003, 2007 and 2012) have broadened the definition of money laundering and increased the range of activities caught by the statutory framework. It is no longer merely an issue for banks and the financial sector but now applies to all companies and institutions including housebuilders. These new obligations require companies to establish internal procedures to prevent the use of their services for money laundering. This policy applies to all Avant Group employees. The policy sets out the procedures that must be followed to enable the Group to comply with its legal obligations. Avant employees who need to be the most vigilant are those dealing with the receipt or payment of funds whether in the form of cash, cheque or bank transfer. This is likely to relate particularly to:

- sales departments
- accounts departments
- commercial departments

2. Definition of money laundering

The legislation defines the offences relating to money laundering as:

- Concealing, disguising, converting or removing criminal property from the UK
- Entering into an arrangement which the person who knows or suspects or facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or having possession of criminal property
- Making a disclosure to a person which is likely to prejudice a money laundering investigation (i.e. "tipping off")

Money laundering regulations apply to cash transactions in excess of €15,000 euros. However the Proceeds of Crime Act applies to all transactions – cheques, cash, bank transfers, property and equipment and to individuals or agents or third parties. Although certain areas of the business are more likely than others to be exposed to the risk, it is essential to have regard to this policy in relation to all of the Group's business dealings.

3. Risks to which the Group may be exposed

To counter the risk of becoming accidentally involved in money laundering, the principal risks need to be identified, assessed and procedures put into place to mitigate the risks. Criminals have previously targeted developers/housebuilders and we need to be vigilant. OFT guidance suggests that particular care should be focused on:

- Payments in cash (for example reservation deposits)
- Customers from high risk countries
- Requests for refunds (particularly to a different account or individual to the payer), for example a request for the refund of a reservation deposit or the payment of compensation or a refund of payment made for extras
- Request for the refund of an overpayment

4. Customer identification – “know your customer”

It is important that controls are in place to identify the customer, investor or other third party dealing with the Group. In the case of customers, sales departments should verify their identity which shall include:

- Copy passport (for photographic proof of identity) and correspondence with customers at their home address (for example utility bill, drivers licence or bank statement)
- For people who intend to make a payment on behalf of the customer (such as a parent paying a reservation deposit), proof such as letters or documents proving their name, address and relationship with the customer
- If the customer is a company (for example an investor client), a letter on company headed paper explaining the relationship between the company and the individual making the reservation and paying the reservation deposit. Further checks on identity of directors can be made via the Group legal department
- Cheques drawn from an unusual source should always be investigated (for example a cheque or payment card that is not a major UK bank or building society)

5. Controls to mitigate risk

No payments in cash should ever be accepted for a reservation deposit. If a customer offers a cash reservation deposit, this should be declined and an alternative method of payment should be used. Where an investor is acquiring more than 5 properties (or the total reservation deposits payable by one customer/investor total more than £5000) a copy of the identity information supplied by the customer should be forwarded to the Group's Anti-Money Laundering Officer (Rachel Cowper, Group Company Secretary with confirmation of the source of the reservation deposit. Refunds of payments made in respect of customer reservation deposits, or any other payments should only be made by the same method and to the same account as the original payment was made. In the event of payment by credit or debit card being rejected, the reason should be checked with the card issuer prior to accepting an alternative card with different details. It could be considered suspicious for a debt to be settled by an independent third party. It is not unusual for a reservation fee to be paid by a parent for example, but other instances should be reviewed.

If a payment is received from a third party who does not regularly trade with the Group and who informs you that the payment has been made in error and requests a refund, this should be notified to the Group's AMLO.

6. Procedure for suspicious transactions

When you know or suspect that a money laundering activity is taking or has taken place you must disclose this immediately to your line manager. If in consultation with your line manager suspicion is upheld, the Group's AMLO should be informed.

The report should contain as much detail as you have available, including, where possible:

- Full available details of the people or companies involved and all staff members who have dealt with the suspected transaction
- Reasons as to why you are suspicious

- Dates of the transactions, amounts involved and method of transfer of money or assets
- Any other information that may help the Group's AMLO judge the case for knowledge or suspicion of money laundering

Once you have reported your suspicions to the Group's AMLO, neither you nor your line manager should make any further enquiries nor discuss your suspicions further unless instructed by the Group's AMLO so as to avoid making a disclosure which may prejudice a money laundering investigation (i.e. "tipping off").

7. Duties of the Group's Anti-Money Laundering Officer

The Group's AMLO will consider the notification and any other available internal information considered relevant, such as:

- Reviewing other transaction patterns and volumes
- The length of any business relationship involved
- The number of any one-off transactions and linked one-off transactions
- Any identification evidence held

The Group's AMLO will undertake such other reasonable enquiries as he/she thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to Serious Organised Crime Agency (SOCA) is required.

The Group's AMLO may also need to discuss the report with the employee who made the report. The Group's AMLO will keep a copy of all reported suspicious transactions together with additional backup and reasons for final conclusions, whether reported to SOCA or not, for a minimum of 2 years (5 years for all instances reported to SOCA).

8. Identifying money laundering

It is not possible to give a definitive list of ways to spot money laundering or how to decide whether to make a report to the Group's AMLO. The following are types of risk factors which may be considered:

- A secretive person or business e.g. that refuses to provide requested information without a reasonable explanation
- A customer requesting a cash transaction and being reluctant to pay by other means
- Concerns about the honesty, integrity, identity or location of the people involved
- The involvement of an unconnected third party without a logical reason or explanation
- Overpayments for no apparent reason
- Absence of any legitimate source for the funds received
- Significant changes in the size, nature, frequency of transactions with a customer that is without reasonable explanation
- Cancellation, reversal or requests for refunds of earlier transactions
- Requests for account details outside the normal course of business
- Requests for payments or refunds after funds have been paid into the Group's bank account by a third party
- A history of poor business records, controls or inconsistent dealing
- Any other facts which tend to suggest that something unusual is

9. Conclusion

Instances of suspected money laundering are likely to be rare given the nature of the Avant Group's business. However we must be aware of the legislative requirements, as failure to comply would have serious implications for both the Group and any individuals concerned. Please take prompt action referring to the guidance in this policy and if you have any suspicions please consult your line manager or the Group's AMLO about your concerns.