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ANTI-MONEY LAUNDERING AND TERRORIST FINANCING POLICY

Introduction to the Policy

A J Walter Aviation Limited ("AJW") is committed to complying with the Money Laundering Regulations 2017, Terrorist Financing and Transfer of Funds Regulations 2017, the Proceeds of Crime Act 2002 and Money Laundering Offences and the Terrorism Act 2000 (as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2013).

This policy sets out the procedures that AJW has developed to comply with its legal obligations. AJW has put in place appropriate systems and controls to forestall money laundering and terrorist financing.

We have a zero tolerance towards money laundering and terrorist financing. AJW are committed to the highest level of integrity and accountability.

What is money laundering and terrorist financing?

Money laundering is the process through which proceeds of crime and their true origin and ownership are changed so that the proceeds appear legitimate. Terrorist financing is providing or collecting funds, from legitimate or illegitimate sources, to be used to carry out an act of terrorism.

The Terrorist Financing Offences

Terrorists need funds to plan and carry out attacks. The Terrorism Act 2000 (TA 2000) criminalises both participation in terrorist activities and terrorist financing.

In general terms, terrorist financing is:

- The provision or collection of funds
- From legitimate or illegitimate sources
- With the intention or in the knowledge
- That they should be used in order to carry out any act of terrorism
- Whether or not those funds are in fact used for that purpose

The TA 2000 establishes a similar pattern of offences to those contained in The Proceeds of Crime Act 2002 (POCA 2002) i.e:

1) Principal terrorism offences of:
    - Fundraising
    - Use or possession
    - Arrangements
    - Money laundering
2) Failure to disclose offences

3) Tipping-off offences

All offences carry heavy criminal penalties. While the terrorist financing and money laundering regimes are different, they share similar aims and structures and run together in UK legislation. Many of the provisions of POCA 2002 and TA 2000 mirror one another and the definitions are deliberately matched.

Both POCA 2002 and TA 2000 run parallel to the Money Laundering Regulations 2007 (Amended 2012), which are explained below.

The Money Laundering Offences

POCA 2002 establishes a number of money laundering offences:

1) Principal offences:
    - Conceal, disguise, convert, transfer or remove criminal property from the UK (s327)
    - Enter into or become concerned in an arrangement which facilitates the acquisition, retention, use or control of criminal property for or on behalf of another (s328)
    - Acquire, use or have possession of criminal property (s329)
2) Failure to disclose offences (ss330-332)
3) The offences of tipping-off and prejudicing an investigation (s333)

All money laundering offences relate to criminal property where the offender knows or believes the property constitutes or represents the benefit from any criminal conduct whether directly or indirectly wholly or in part.

This covers the proceeds of all crimes whether committed in the UK or overseas. There is no minimum limit on what is considered criminal property.

How do I know if my matter involves money laundering or terrorist financing?

You do not have to behave like a police officer but you do have to remain alert to the warning signs of money laundering and terrorist financing and make the sort of enquiries that a reasonable person (with the same qualifications, knowledge and experience as you) would make.

Some typical signs of money laundering and terrorist financing are:

- Obstructive or secretive customers
- Transactions or orders that change unexpectedly or for no logical reason, especially where:
    - The customer has deposited funds with us
    - The source of funds changes at the last moment
    - You are asked to return funds or send funds to a third party
- Loss-making transactions where the loss is avoidable
- Complex or unusually large transactions
- Transactions with no apparent logical, economic or legal purpose
- Large amounts of cash being used
- Money transfers where there is a variation between the account holder and signatory

- Payments to or from third parties where there is no logical connection to the client
- Transactions involving high risk jurisdictions (e.g. Iran, Uzbekistan, Turkmenistan, Pakistan, Sao Tome and Northern Cyprus)

Criminals are always developing new techniques so this list can never be exhaustive.

The consequences of breaching the Money Laundering or Terrorist Financing Regulations

Failure to comply puts both you and the organisation at risk. You may commit a criminal offence if you fail to comply with this policy. The AML and CTF regimes carry heavy criminal penalties ranging from two years' imprisonment for failing to apply appropriate CDD measures to 14 years' imprisonment for committing a principal money laundering or terrorist financing offence as well as a fine. We take compliance with this policy very seriously. Because of the importance of this policy, failure to comply with any requirement may lead to disciplinary action under our procedures, which may result in dismissal.

You will have a defence to a principal money laundering offence if you submit a Suspicious Activity Report (SAR) to AJW's Money Laundering Officer.

As a Civil Aviation company, AJW must be vigilant given the highly regulated nature of the products and services we supply.

AJW's Obligations under the Money Laundering Regulations

The anti-money laundering (AML) and counter-terrorist financing (CTF) regime is designed to prevent our services being used by criminals.

The AML sets out the obligations that AJW must comply with:

1) Appoint a Money Laundering Officer (MLRO).
2) Conduct customer due diligence.
3) Keep accurate records of all due diligence checks and evidence.
4) Train relevant staff.
5) Conduct ongoing monitoring.
6) Report suspicious activity.

Failure to meet these obligations can lead to criminal penalties, substantial fines and untold damage to your own and AJW*'s* reputation.

1) Money Laundering Officer

The Money Laundering Regulations require that an organisation has a Nominated Officer to ensure that there is up-to-date knowledge of issues relating to Anti-Money Laundering and Counter-Terrorist

Financing throughout the organisation, implement appropriate policies and procedures and receive reports of suspicious activity. Contact the legal department to find out who is AJW's appointed MLRO.

2) Customer Due Diligence (CDD)

Customer Due Diligence is:

- Identifying and verifying the customer's identity
- Identifying the beneficial owner where this is not the customer
- Obtaining details of the purpose and intended nature of the proposed transaction(s)
- Conducting ongoing monitoring of the business relationship

When do I have to conduct CDD?

You must carry out CDD:

- Before you establish a business relationship with a customer
- Before you carry out a one-off transaction for a customer
- Where there is reason to believe that CDD carried out on an existing customer is inadequate
- Where the customer's identifying details (e.g. name and address) have changed
- Where the customer has not been in regular contact with us
- Where someone is purporting to act on behalf of a customer
- Where you suspect money laundering or terrorist financing

How do I conduct CDD?

You must start with assessing the risk of money laundering or terrorist financing posed by the customer and complete a risk assessment. Once this is complete, you must decide what level of CDD is necessary. This will then inform your next steps.

Simplified Due Diligence (SDD)

Simplified Due Diligence applies where there is little chance of money laundering or terrorist financing. This means that we can carry out a reduced Client Due Diligence exercise, which simply involves obtaining evidence of why SDD applies. For example, where SDD applies to a company listed on the London Stock Exchange you will need to obtain evidence of the company's listed status only, i.e. a printout of the listing from the LSE's website or a copy of the relevant page of the Financial Times.

Enhanced Due Diligence (EDD)

We are required to carry out Enhanced Due Diligence where there is a greater perceived risk of money laundering or terrorist financing. This requires us to take additional steps to understand the ownership and control of the customer and, in some cases, the source of funds involved in the matter. There is also greater focus on ongoing monitoring.

You must conduct EDD on:

- A customer who has not been met face-to-face by an AJW employee or representative.

- Politically Exposed Persons (PEPs): these are persons who through their prominent position or influence are more susceptible to being involved in money laundering or corruption. Examples include: heads of state, heads of government, judiciary whose decisions are not generally subject to further appeal or any of their family members.
- Other high-risk clients: these are not defined and there are no prescribed measures that we are required to take.

If you receive instructions from a UK PEP please discuss the Client Due Diligence requirements with the Nominated Officer

Regular Due Diligence (RDD)

Regular due diligence applies where Simplified and Enhanced Due Diligence do not.

Understanding your client's source of funds is an important step in the CDD process.

You are not required to interrogate all customers about their entire financial history but you are required to take additional steps to ensure that the transaction is consistent with your knowledge of the customer. This is part of the ongoing monitoring exercise which you must conduct on all matters; see further Ongoing monitoring below.

You are required to establish the source of funds and source of wealth in every matter where you are acting for a Politically Exposed Person (PEP).

What steps should I take?

Where a third party is providing funding to your customer you may need to establish the source of funds. See “When can I accept funds from a third party?” below. You must document your investigations into the source of funds, including any questions asked, responses received and supporting evidence provided.

If you have any concerns about the source of funds you must consider whether you need to submit an SAR to the Nominated Officer.

CDD on beneficial owners

A beneficial owner is the is the underlying individual on whose behalf you have been instructed.

CDD on beneficial owners is different from CDD on customers. You must:

- Identify any beneficial owners, and then
- Validate their identity on a risk sensitive basis

How do I conduct CDD on beneficial owners?

You must first identify the beneficial owners. You can do this through a reliable public source (e.g. Companies House) or by asking the customer. Unless there is any reason to doubt the information given you can rely on the customer's word.

The key is to understand the ownership and control of the customer.

When verifying the beneficial owner you can:

- Look at organisation charts from the website, annual reports or the customer
- Review the trust deed or partnership agreement
- Discuss beneficial ownership with the customer and record the results of your discussion

If the beneficial owner of a customer is a company, you will need to establish the individual at the top of the corporate tree.

What happens if I cannot conclude the CDD exercise?

Where we are unable to apply CDD measures, the general rule is that we must:

- Not carry out a transaction for the customer
- Not accept funds from or transfer funds to a customer or third party (see below: Receiving funds)
- Terminate any existing business relationship with the customer
- Consider whether a SAR is required.

If you are unable to apply or complete CDD on any matter, you should immediately seek advice from the Nominated Officer.

3) Record Keeping

AJW will be able to demonstrate that it complies with the Money Laundering Regulations by keeping comprehensive records. The records must be maintained for a minimum of 5 years from the date the transaction was completed.

The records kept may include:
- The customer identification documents.
- Correspondence from the customer.
- Details of any risk assessment carried out.
- How the funds were paid e.g. in cash or via a bank transfer.
- Details of the business transaction carried out.

It is your responsibility to check the accuracy and adequacy of the documents provided. If you are in any doubt, please contact the Money Laundering Officer.

The records must be capable of providing an audit trail in the case of an investigation.

4) Ongoing monitoring

What is ongoing monitoring?

Ongoing monitoring must be performed on all matters, regardless of their individual risk rating, in order to detect unusual or suspicious transactions.

How do I conduct ongoing monitoring?

You should:

- Scrutinise transactions undertaken (including, where necessary, the source of funds) to ensure that the transactions are consistent with your knowledge of the customer, their business and risk profile
- Stay alert to changes in the customer's risk profile and anything that gives rise to suspicion
- Keep documents, data and information used for CDD purposes up to date

How will compliance with this policy be monitored?

Compliance will be continually monitored through any or all of the following methods:

- File audits
- Review of records maintained by the Nominated Officer
- Reports or feedback from staff
- Any other method

When will this policy be reviewed?

We will review this policy at least annually as part of our overall risk management process. We will also review this policy if:

- There are any major changes in the law or practice
- We identify or are alerted to a weakness in the policy
- There are changes in the nature of our business, our customers or other changes which impact on this policy

5) Training

Who will receive training?

All relevant staff will receive training and it is compulsory for them to complete the training.

What does the training involve?

Training is provided through online courses.

It covers:

- The law relating to money laundering and terrorist financing
- Our policy and procedures
- Guidance on detecting money laundering and terrorist financing

How often will training be provided?

All new joiners will receive training as part of the induction process. Further training will be provided as annually.

The Nominated Officer will continually monitor training needs but if you feel that you need further training on any aspect of the relevant law or our AML/CTF policy and procedures, please contact the Money Laundering Officer.

6) Report suspicious activity

If you are concerned that entering into a transaction will put you in breach of the MLR, do not carry out the transaction unless you have consent from the MLRO. They will review the suspicion and, if required, submit a Suspicious Activity Report (SAR) to the National Crime Agency (NCA). Only the MLRO or deputy may submit an SAR to the NCA. Once you have reported your suspicion to the MLRO, they will send you an acknowledgement within 24 hours. If more information is required, the MLRO will request it from you.

If the MLRO gives you consent to proceed with a transaction, then that consent only applies to that specific transaction.

SAR

This is a suspicious activity report which financial institutions and other companies who handle large quantities of cash must make if they suspect something in a transaction is illegal. Law enforcement will decide after an SAR has been submitted. If no response has been received seven working days after the SAR was submitted, then the transaction can proceed. A SAR should be submitted within 48 hours of a suspicion being formed.

Information that a SAR has been made should never be placed on a customer profile or account in Quantum or otherwise.

Failure to report

Making an SAR to the Nominated Officer can be a defence to a principal money laundering offence.

Failing to make a SAR to the Nominated Officer where you know or suspect money laundering is an offence in itself which is punishable by up to five years' imprisonment, a fine or both.

Tipping-off and prejudicing an investigation

You will commit the tipping-off offence if you disclose to the person to whom the disclosure relates that you, or anyone else:

- Has made an SAR to the Nominated Officer (or NCA)
- Of information which came to you in the course of business
- That disclosure is likely to prejudice any investigation that might be conducted following the SAR

You will not commit tipping-off by discussing your concerns with or submitting a SAR to the MLRO.

You will commit the prejudicing an investigation offence if you disclose that an investigation is being contemplated or carried out and that disclosure is likely to prejudice that investigation. Further, you will

commit an offence if you know or suspect that an investigation is being or is about to be conducted and you interfere with documents which are relevant to the investigation.

All these offences are punishable by up to five years' imprisonment, a fine or both.

Our internal SAR form can be found at Appendix 1. Any member of staff can submit a SAR form to the Nominated Officer.

APPENDIX 1

INTERNAL SUSPICIOUS ACTIVITY REPORT FORM

SAR Reference Number:	

A record of this SAR will be kept by the Nominated Officer for five years

You must use this form in every case where you know or suspect that another person is engaged in money laundering or terrorist financing

If you are unsure as to whether you have such a suspicion, please do not use this form but instead seek guidance from the Nominated Officer

1. **General (complete <u>all</u> sections)**

Date SAR submitted to the Nominated Officer	
Your name	
SAR type (money laundering / terrorism / mortgage fraud / bribery)	
Customer name	
Customer/matter reference number (e.g. Order No., Quote No.)	
Department dealing with the matter	
Do you require consent to continue acting?	
If yes, set out **all** the steps that you need to take to complete the matter in section 4 below	
Does this SAR relate to a previous SAR?	
If yes, please provide details	

2. **Details of the main subject of this SAR (complete as much as you are able)**

Does this SAR relate to a suspect or a victim?	
Is the subject of this SAR: • an individual--please go to section 3 • a legal entity--please go to section 4	
Are there any individuals or entities who are associated with the main subject? (yes/no) If yes, complete details in section 5 below	

3. **Individual**

Full name	
Date of Birth (dd/mm/yyyy)	
Gender	
Occupation	
Full address	
Address type (home/business/other)	
Is this address current? (yes/no/unsure)	
Any other identification details (eg passport, driving license or NI number)	

4. **Legal entity**

Full name	
Company number	
VAT number	
Country of registration	
Full address	
Is this address current (yes/no/unsure)	
Type of business	
Any other identification details	

5. **Associated subjects (complete if appropriate)**

Details of any associated subjects including identifying information as above and details of the nature of the association with the main subject	

6. **Details of knowledge/suspicion**

Does your knowledge or suspicion relate to a specific offence? (yes/no)	
If yes, please indicate: drugs/fraud/terrorism/briber/ other (please state)	
Have you discussed your knowledge or suspicions with any person other than the Nominated Officer? (yes/no)	

If yes, please give details (who/why/when, etc)	
Please set out your reasons for making this SAR in as much detail as possible (who/what/where/when/how/ why)	
Signed (discloser)	
Signed (Nominated Officer)	