



## **Customer AML/KYC Compliance Policy**

### **1. Summary**

This policy sets out the due diligence and know your customer ("KYC") procedures that must be followed when engaging with any new customer and the principles that all those working for and on behalf of Caledonia (which expression includes all of its branches and subsidiaries in any jurisdiction) must adhere to in order to comply with anti-money laundering, counter terrorist and sanction laws.

**Due Diligence** - Caledonia adopts a risk-based approach and due diligence should be undertaken on all counterparties (refer to Code of Business Conduct, Ethics and Anti-Bribery Policy for due diligence on suppliers and other parties) but particular regard should be had for customers with respect to the risk of money laundering, terrorism and sanctions. Always follow the steps identified in schedule one for customers and ensure that a KYC questionnaire is completed accurately.

**Money Laundering** - is the process by which the proceeds of crime are made to appear as if they'd come from a legitimate source so as to reintegrate those proceeds back into the financial system. Offences under law include arranging, concealing or acquiring the proceeds of crime and all carry severe penalties.

**Terrorist Financing** - is providing or collecting funds, from legitimate and illegitimate sources, to be used to carry out an act of terrorism.

For an illustrative list of the red flags that may raise concerns of money laundering or terrorist financing please refer to schedule 1.

**Sanctions** - are limitations put in place to maintain or restore international peace and to combat violations of international law and terrorism. Sanctions prohibit or restrict certain dealings (generally on a list or activity basis) with specified countries, including sectors of economies, institutions, entities and individuals. Sanctions are often imposed with very little notice. For up-to-date information please refer to resources and schedule 2. It is also important to check whether sanctions apply to all significant counterparties, not just customers.

### **2. Purpose**

This policy sets out the requirements of Caledonia in respect of due diligence and KYC for customers and outlines the general rules and principles we expect from all employees and those acting on behalf of Caledonia in order to comply with applicable anti money laundering ("AML"), counter terrorism financing ("CTF"), and sanction laws. As mentioned above, this policy should be read in conjunction with the due diligence requirements set out in the Code of Business Conduct, Ethics and Anti-Bribery Policy.

### **3. Scope**

This policy applies to all persons working for us or on our behalf in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, agents, contractors,

external consultants, third party representatives and business partners, sponsors, or any other person associated with us whatsoever and wherever located.

#### **4. Money Laundering and Terrorist Financing**

Money laundering is the process by which the proceeds of crime are made to appear as if they'd come from legitimate sources so as to reintegrate those proceeds back into the financial system. Terrorist financing is providing or collecting funds, from legitimate and illegitimate sources, to be used to carry out an act of terrorism.

Money laundering is a crime and can carry severe penalties. For example, under UK legislation principal money laundering offences under the Proceeds of Crime Act 2002 ("POCA") are to:

- Arrange - conceal disguise convert or transfer the proceeds of crime or to remove the proceeds of crime from England and Wales;
- Conceal - enter into or become concerned with an agreement, in which a person knows or suspects the attention, use or control of the proceeds of crime; and
- Acquire, use or possess - acquire, use or possess the proceeds of crime.

There are further offences of tipping off and prejudicing an investigation. The tipping off offence is applicable only to those persons within the regulated sector but the offence of prejudicing an investigation may be committed by anyone. The offence of:

- Tipping off is committed where a person working in a business in the regulated sector knows or suspects that another person suspected of being involved with money laundering is under investigation or in contemplation of investigation, and makes a disclosure to any person likely to prejudice any investigation; and
- Prejudicing an investigation is committed where a person knows or suspects that a money laundering investigation has or is about to be commenced in respect to another and he makes a material disclosure to another person which is likely to prejudice the investigation or interferes with relevant material.

Although Caledonia is not a business operating in the regulated sector, you should not commit what would otherwise be a tipping off offence as if we were.

Also, by way of example, the UK's Terrorism Act 2000 sets out a number of criminal offences related to terrorist activities and terrorist financing. These offences include:

- Fundraising - for the purposes of terrorism;
- Use or Possession - using or possessing money or property for the purpose of terrorism;
- Arrangements - entering or becoming concerned in an arrangement as a result of which money or other property is made available for the purpose of terrorism;
- Money Laundering - which is similar to the money laundering offence described above, but instead of laundering criminal property it concerns laundering terrorist property.

- Under the Terrorism Act 2000 a person in the unregulated sector with knowledge or suspicion of terrorist financing will commit an offence if they fail to submit an internal suspicious activity report (“SAR”) under their employer’s procedures or an external SAR to the National Crime Agency as soon as reasonably practical, setting out their belief or suspicion that another person has committed a principle terrorism offence and the information on which they believe that suspicion is based. The belief or suspicion might have come to the person’s attention in the course of the trade, profession, business or employment outside the regulated sector.
- The Terrorism Act 2000 creates a tipping off offence for the unregulated sector and an offence of interfering with material that is likely to be relevant to an investigation.
- A list of red flags that may indicate money laundering or terrorist financing is set out in schedule 1.
- Caledonia will not condone or knowingly assist counterparties seeking to launder money or who are engaged in terrorist financing.

## 5. Sanctions

Caledonia may from time to time carry out business with, or employ the services of, counterparties in or linked to countries that are subject to sanctions.

For the purpose of this policy:

- “Sanctions” means any economic or financial sanctions, laws, orders or other measures taken by Jersey (which mirrors those taken by the United Kingdom), the United Kingdom or the United States or any other jurisdiction which may apply to a transaction in question.
- “Sanctions List” means the UK’s consolidated list of financial sanctions targets and the investment ban list maintained by HM Treasury, the specially designated nationals and blocked persons list maintained by OFAC and any similar list maintained by any other jurisdiction which may apply to a transaction in question.

Sanctions are limitations put in place by countries, multinational bodies and international institutions and are used to maintain or restore international peace and combat violations of international law and terrorism. Sanctions prohibit or restrict certain dealings with specified countries, including sectors of economies, institutions, entities and individuals. In general terms, sanctions can be divided into the following categories:

- List Based Regimes - asset freezes and travel bans for listed entities and individuals together with prohibitions on providing them directly or indirectly with funds or economic resources;
- Activity Based Regimes - such as arms embargoes, restrictions on the export of dual use goods, ban on payments without authorization, sectorial sanctions targeting key sectors of a target economy and bans on investments.

You may be exposed or expose Caledonia to a sanctions breach in a number of ways, including because of:

- The identity of a counterpart;
- The identity of other parties involved in the transaction;

- Payment or receipt of funds to or from a counterparty, or any other party for the commodities being traded; or
- Incidental payments being made.

## **6. Customer Due Diligence and KYC**

- Given the nature of our business activities, we regularly contract with and engage with suppliers and other third parties. To the extent that Caledonia contracts with customers directly, where those customers are not subjected to comprehensive due diligence checks by someone on our behalf, they must be subjected to a risk assessment and due diligence as set out in Item 4 of our Code of Business Conduct, Ethics and Anti-Bribery Policy after being referred to and with the support of Caledonia's legal department.
- Should the legal department consider it necessary, a Lexis Diligence search or similar will be performed on the counterparty and the results analysed by the legal department. Such a search should also identify if that counterparty is a "politically exposed person" (PEP). Transactions with PEPs require close scrutiny and the legal department will consider and advise on the appropriateness of dealing with PEPs.
- Typical KYC documents on customers will include, for individuals, certified copies of identification and address verification documents (e.g. passport and utility bill within 3 months) and for entities will include constitutional documents and individual's documents as above for directors and ultimate beneficial owners. Check with the legal department for what else may be required depending on the customer.
- Customers may only be engaged with after undertaking appropriate levels of risk based due diligence as stated above. All third parties must be engaged through a formal written contract.
- The legal department and Ethics Officer (the General Counsel, Company Secretary and Head of Risk and Compliance who is ultimately responsible for coordinating and overseeing this policy) may decide that further due diligence is required before dealing with any customer.
- High risk customers should have their due diligence information reviewed and, where appropriate, updated on a regular basis (i.e. at least annually), and the legal department must keep a record of information for each customer.

## **7. Oversight and Responsibility**

- Senior management with the assistance of the legal department has day to day responsibility for administering and monitoring compliance with this policy and with identification, assessment, and ongoing monitoring of compliance risks associated with any transaction or counterparty relationship.
- It is your responsibility to review, understand and comply with this policy and seek further clarification from senior management or the legal department where there is doubt about interpretation or application.

## **8. Reporting**

- It is important that any potential money laundering, terrorist financing, bribery and corruption or sanctions breach to which Caledonia is exposed is reported to the Ethics Officer and is dealt with immediately.
- Any queries, suspicions, reports or other issues or suspected incidents of money laundering, terrorist financing, bribery and corruption or sanctions breach must be reported to the Ethics Officer as soon as possible providing as much detail as possible.
- The Ethics Officer will be responsible for making any required disclosures to enforcement authorities or regulators.

## **9. Whistleblower Protection**

- In accordance with Caledonia's whistle blowing policy (which can be found in the Code of Business Conduct, Ethics and Anti-Bribery Policy), we are committed to ensuring that no one suffers any detriment as a result of reporting any breaches, or suspected breaches, of this policy. We aim to encourage openness and we will support anyone who raises general concerns in good faith under this policy, even if they turn out to be mistaken. If a whistleblowing report is made it will be considered by senior management and the legal department and investigated and if considered necessary reported to the board of directors.
- If you believe that you have suffered any detrimental treatment as a result of raising a concern you should immediately raise your concern with the Ethics Officer.

## **10. Record Keeping and Retention**

- We shall maintain accurate records and have in place appropriate internal controls to ensure adherence to applicable laws and regulations governing data protection and the processing of personal data.
- We retain our diligence and KYC records for at least five years after the conclusion of the business relationship with the third party unless otherwise instructed by senior management in consultation with the legal department.

## **11. Penalties for Non-Compliance with this Policy**

- Any breach of the policy could result in significant criminal and civil sanctions against Caledonia and any employees involved, including imprisonment, fines, civil penalties and asset forfeiture.
- Any failure by individuals to comply with this policy or failure to report each breach of the policy will be treated as a serious disciplinary offence and could lead to dismissal.

## **12. Training**

- AML, CTF, sanctions and anti-bribery and corruption training, including regular refresher training, will be provided to ensure that all employees are aware of their obligations under this policy and applicable laws.

## **13. Review**

- We review this policy regularly as part of our overall risk management process.

#### **14. Further Information**

- You can obtain further advice and guidance from the legal department at any time on this policy and its subject matter.

#### **15. Approval**

A copy of this document will be available from all of Caledonia's offices.

This policy document supersedes any previous Customer AML/KYC Compliance policies.

Approved and authorised by the Board.

Name and position: Mark Learmonth (CEO), on behalf of the Board.

Date: 6 January 2023

#### **Document Control and Certification**

**Version** 1

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#### ***Version Control***

<b>Date</b>	<b>Revision #</b>	<b>Description of Change</b>	<b>Author</b>
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## **Schedule 1 - Money Laundering and Terrorist Financing Red Flags**

The following is a non-exhaustive and illustrative list of red flags that may raise concerns of possible money laundering or terrorist financing. If you encounter any of these red flags while working for on behalf of Caledonia you must report them as soon as possible to the legal department.

- A third party is secretive or evasive about who they are, the reason for the transaction, or the source of funds.
- A transaction or business dealing which has no clear commercial rationale. For example, an account or relationship with a “shell bank” (a bank incorporated in a jurisdiction in which it has no physical presence, and which is unaffiliated with a regulated financial group) – this would be prohibited.
- Abnormal transactions.
- Payment by or to an unconnected third party without a good commercial reason.
- Request to pay credit owing back to a different legal person or account than it came from.
- Payment made in cash.
- Split invoices to different parties, one or more of which is not connected to the transaction.
- Request to issue an invoice for more than the contractual amount.
- A transaction involving unfamiliar, obscure or known high-risk jurisdictions.,
- Third party avoids personal contact without good reason.
- Third party refuses to provide information or documentation or the documentation provided is suspect.
- A third party has criminal associations.
- Third party has an unusual level of knowledge about money laundering processes.

## **Schedule 2 - Sanctions Compliance**

Sanctions may be amended with little notice in light of current geopolitical events. The following resources provide the most up to date information on sanctions.

### **UK Sanctions (which Jersey mirrors)**

HM treasury's sanctions list is available here in PDF format  
<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>

The current list of countries targeted by the UK under financial service sanctions is available here -  
<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>

Details of countries subject to embargoes and other export controls can be found here -  
<https://www.gov.uk/guidance/current-arms-embargoes-and-other-restrictions>

### **US Sanctions**

The Office of Foreign Asset Control search engine for identifying specially designated nationals and blocked persons is available here - <https://sanctionssearch.ofac.treas.gov/>