



Anti-Money Laundering Policy

Document Control and Revision History:
Review every two years with approval via Senior Executive Team

Author	Summary of changes	Version	Authorised & Date
<i>Group Governance and Risk Manager</i>	<i>Created policy from inception</i>	1, January 2025	January 2025

Money laundering is the process of taking profits from crime and corruption and transforming them into legitimate assets. It converts criminally derived 'dirty funds' into other assets so they can be reintroduced into legitimate commerce. This process conceals the true origin or ownership of the funds, and so 'cleans' them.

LHC Procurement Group Limited (LHC PG) is exposed to the risk of laundering of funds by virtue of its procurement framework activities and related call off contracts with appointed companies who are themselves exposed to this risk.

LHC PG policy and aim is to fully comply with all UK legislation in relation to Anti Money Laundering, and to ensure it minimises the risk of money-laundering taking place in its operations and contracting arrangements. The risk mitigations are enumerated in clause 5 of this document.

1. Purpose

The purpose of this document is to make staff and associated stakeholders of the company aware of the strict money laundering policy that we follow. LHC PG is committed to high standards of openness, transparency and accountability and to conducting its affairs in accordance with the requirements of regulatory bodies. As such, LHC PG has a zero- tolerance approach to money laundering and the policy applies to all activity undertaken by the company.

2. Definitions & Legislative Context

The Money Laundering, Terrorist Financing & Transfer of Funds Regulations 2017 (MLR 2017) came into force on 26 June 2017. They implement the EU's 4th Directive on Money Laundering. In doing so, they replace the Money Laundering Regulations (MLR 2007). The UK Anti-Money Laundering (AML) framework also incorporates the Proceeds of Crime Act 2002. MLR 2017 adopts a more risk-based approach towards anti – money laundering and how due diligence is conducted.

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There are three stages in money laundering: placement, layering and integration. Placement is where the proceeds of criminal activity enter into the financial system; layering distances the money from its illegal source through layers of financial transactions; finally, integration involves the re-introduction of the illegal proceeds into legitimate commerce by providing an apparently genuine explanation for the funds.

The Office of Financial Sanctions Implementation (OFSI) maintains two lists of those subject to financial sanctions:

- The Consolidated List of Asset Freeze Targets (the Consolidated List), which lists all asset freeze targets listed under UK autonomous financial sanctions legislation and UN sanctions; and
- The list of persons named in relation to financial and investment restrictions, which is a separate list of entities subject to specific capital market restrictions OFSI publishes these lists to help businesses and individuals comply with financial sanctions.

3. Scope

This policy applies to all stakeholders dealing with LHC PG including staff, directors, employees, client partner organisations, appointed companies, and any other suppliers and contractors of works, goods and services, undertaking business on behalf of the company.

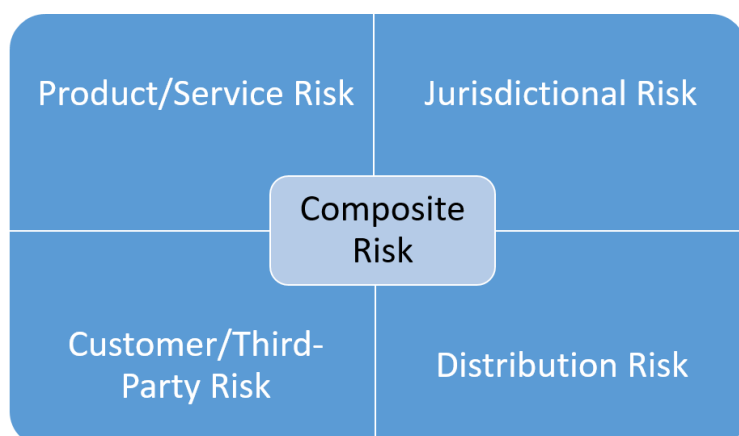
Money laundering is a criminal offence. In the UK, penalties include unlimited fines and/or terms of imprisonment ranging from two to 14 years. Offences include:

- Failing to report knowledge and or suspicion of money laundering
- Failing to have adequate procedures to guard against money laundering
- Knowingly assisting money launderers
- Tipping-off suspected money launderers
- Recklessly making a false or misleading statement in the context of money laundering

The company could also face a range of sanctions for non-compliance, imposed by HM Revenue and Customs (HMRC) and/or the Financial Conduct Authority (FCA) in addition to action from Charities Commission in relation to its associated charitable entities. Therefore, disciplinary action may be taken against members of staff who fail to comply with this policy.

4. Risk Assessment

MLR 2017 requires organisations to undertake a risk assessment and assess its exposure to money laundering. There are 4 main areas that need to be considered to assess its overall risk.



- **Product / Service Risk** – This is the risk associated with delivery of operations including product and framework design, procurement of works, goods and services, and operation of regional committees with client partner organisations.
- **Jurisdictional Risk** – This is the risk associated with company operation, which for LHC PG is UK only.
- **Customer/Third-Party Risk** – This is the risk associated with the people and/or organisations that we undertake business with including customers/third-parties, beneficial owners, agents, contractors, vendors and suppliers. Politically Exposed Persons (PEP's) and Sanctioned Parties are also considered within this risk.
- **Distribution Risks** - This is the risk associated with how we undertake business, including direct and indirect relationships (e.g. via an agent or third-party), face-to-face, digital/online and telephonic.

LHC PG's financial activity could be considered relatively low risk from the perspective of money laundering, however all staff need to be vigilant against the financial crime and fraud risks that the company faces day-to-day.

Possible signs of money laundering include:

- An individual or company makes a large and unexpected payment but fails to provide evidence confirming their identity and reason for payment.
- An individual or company attempts to engage in “circular transactions” where a payment is made to LHC PG followed by an attempt to obtain a refund. For example, an appointed company with no invoices due to be paid but pays a significant sum, then seeks a refund.
- A person or company undertaking business with LHC PG fails to provide proper paperwork (examples include charging VAT but failing to quote a VAT number or invoices purporting to come from a limited company, but lacking company registered office and number).
- A potential supplier submits a very low quotation or tender. In such cases, the business may be subsidised by the proceeds of crime with the aim of seeking payment from the company in “clean money”.
- Involvement of an unconnected third party in a contractual relationship without any logical explanation.

This list is not exhaustive and money laundering can take many forms. If there are any concerns, then these should be raised through the company Whistleblowing Process – whistleblowing@lhcprocure.org.uk. The company shall sub-contract to a third party / external service (in all or in part) to maintain objectivity, independence, confidentiality and anonymity of its policy and procedure in this area and in compliance with legislation and regulation. This third party / external service in running this service shall have access to whistleblowing disclosures whilst also subject to data security and protection mitigations and non-disclosure agreement.

5. Risk Mitigation

LHC PG has a number of processes and procedures to minimise the risk of money laundering some of which are enumerated below:

- LHC PG has a cashless operating model where cash is not accepted for any transaction.
- It provides, in this policy, and in regular meetings with relevant functions, a helpful list of "warning signs" for anyone who suspects money laundering is taking place.
- LHC PG has introduced a number of key controls to reduce the risk of money-laundering including identification, which involves Credit Safe checks credit ratings, trade payment data, details on Politically Exposed Persons (PEP) and sanctions.

Client Partner organisations and appointed company facing teams are regularly updated on perils to avoid money laundering. They have a clear route to report to a Senior Executive Team member when anyone suspects money-laundering is taking place. For the avoidance of doubt, LHC PG will not do business with anyone whom it suspects of taking part in any activity, knowingly or unknowingly, which it regards as linked with potential money-laundering.

6. Know Your Customer and Supplier

Anti- Money Laundering Regulations require that the company is reasonably satisfied with the identity of the customer and other stakeholders they are engaging with in a contractual relationship. To discharge the “reasonably satisfied” the company must obtain a minimum level of personal information from a customer including email address and name. For third parties’ letters or documents proving name, address and relationship should be obtained.

If an organisation is not known to LHC PG, then Letter Headed documents, website and credit checks should be undertaken as appropriate. Under all circumstances, LHC PG must be clear on the purpose and the intended nature of the business relationship including the details of the products or service provided.

In most cases, LHC PG's exposure to money laundering is likely to be low. Financial due diligence is already considered in appointing companies to Frameworks, and when also subcontracting for works, goods, and services to operate internal functions. appropriate approval sought from the Senior Executive Team (SET) and suitably noted to the Board of Directors prior to entering any such arrangement. Note that no contracts or transactions should be exchanged with such stakeholders until explicit approval is provided.

7. Cash Thresholds

LHC PG has a policy to not process any cash transactions. The rigour of validating and setting up contracts with appointed companies will continue to be enforced.

8. Unusual or Large payments

Unusual payments without corroborating evidence is not typical for LHC PG. If such an instance does occur, these should be investigated to establish what they are for and flagged to the department/division SET member. Company bankers also advise on where financial transactions are from organisations, individuals from the sanctions list, these are either prohibited or flagged and heavily restricted.

9. Processing Refunds

LHC PG will undertake appropriate checks before processing any refunds. Funds can only be refunded back to the original payer and cannot be refunded to a third party.

10. Financial Sanctions Targets

The UK government publishes frequently updated guidance on financial sanctions targets, which includes a list of all targets. This guidance can be found at:

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>

11. Roles and Responsibilities

The Chief Financial Officer along with the SET has responsibility for the Anti- Money Laundering Policy, which will be approved by SET. Suspicious activity shall be reported through the whistleblowing process, with as much detail as possible and the report must be made in the strictest confidence, being careful to avoid "tipping off" those who may be involved.

Reports received will be reviewed by the CEO and Chief Financial Officer, along with the SET. Such responsibilities could include:

- receiving reports of suspicious activity from any employee or stakeholder to the organisation;
- considering all reports and evaluating whether there is – or seems to be, any evidence of money laundering or terrorist financing;
- reporting any suspicious activity or transaction to the Serious Organised Crime Agency (SOCA) by completing and submitting a Suspicious Activity Report;
- asking SOCA for consent to continue with any transactions that must be reported and making sure that no transactions are continued illegally.

Money laundering legislation applies to **all** staff and stakeholders of LHCPG who are obliged to report any suspected money laundering. **Staff could commit an offence if they suspect money laundering (or if they become involved in some way) and do nothing about it.**