

ANTI-MONEY LAUNDERING POLICY

Anti-money Laundering Policy

Responsible Officer	Group Director of Governance
This policy is applicable to	Karbon Group
Policy version	9
Date this version implemented	September 2026
Date of next review	December 2028

Policy Statement

This policy explains how Karbon Group (the Group) helps prevent money laundering and terrorist financing, and what we may need from customers to meet our legal duties. Money laundering is when money from crime is hidden to make it look legitimate. By law, we must be alert to this risk and report concerns to the National Crime Agency.

The policy applies across the Group and to everyone working for or on behalf of the organisation. We are committed to acting honestly, protecting our customers and communities, and complying with the law. All colleagues are expected to be aware of the signs of money laundering and to raise concerns if something does not seem right.

To reduce risk, we carry out checks such as staff training, recruitment and supplier checks, and customer due-diligence where needed. This may include asking for information about the source of funds for certain transactions, such as home ownership or Right to Buy. We also limit the use of cash and set clear rules about when cash payments must be reported.

We recognise that some customers may be in vulnerable circumstances. Any checks or requests for information will be carried out fairly, sensitively and with appropriate support.

Risk the policy is designed to control

6. Governance and Compliance - Failure to comply with statutory and regulatory requirements and failure in the arrangements for managing the organisation at the highest level.

15. Reputation - Failure to increase external profile or manage criticism to minimise reputational damage.

Key performance measures

The number of recorded money laundering incidents will be reported to the Group Audit and Risk Committee by the Company Secretary on an annual basis.

Definitions

For the purposes of this policy, a 'colleague' refers to any colleague, Board and Committee member, contractor, agency worker, volunteer, involved resident or external consultant working on behalf of the Group.

Abbreviations

FCA – Financial Conduct Authority
HMRC – His Majesty's Revenue and Customs
NCA – National Crime Agency
RP – Registered Provider
ID – Identification
EIA – Equality Impact Assessment
IFA – Independent Financial Adviser

Policy Detail

1.0 Purpose of policy

- 1.1 In recent years new laws have been passed which shift the burden for identifying acts of money laundering away from government agencies and towards organisations and their individual employees. They prescribe potentially very heavy penalties, including imprisonment, for those who are convicted of breaking the law. We have a legal obligation to report any knowledge or suspicion of money laundering to the National Crime Agency.
- 1.2 Criminals will target any sector they see as a 'soft target'. People working in housing associations may not be as aware of the methods used to launder funds as those employed in financial services, meaning that criminals are increasingly likely to target our sector. Real estate is deemed a higher risk area for money laundering as property transactions have the capacity to 'clean' a large amount of criminal funds in one transaction.
- 1.3 The Group policy is to do everything possible to prevent the company and its colleagues being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. It is every colleague's responsibility to be vigilant.

2.0 Objectives

- 2.1 The objectives of this policy are:
 - That all colleagues understand what constitutes money laundering;
 - To clearly outline the steps the Group takes to combat money laundering;
 - To clearly outline the potential penalties of involvement in or failure to report money laundering;
 - To set out clear procedures for reporting and investigating suspected cases of money laundering.
- 2.2 This policy is one of a suite of probity policies. The overall objective of the probity policies is to ensure that all individuals and organisations associated in whatever way with the Group act with the highest standards of probity and integrity. This policy should be read in conjunction with the following probity policies:
 - Anti-Fraud, Anti-Theft, Anti-Bribery and Corruption Policy

- Speak Out Policy
- Gifts and Hospitality Policy

2.3 Group colleagues are also required to act at all times in line with the Group's Code of Conduct, which provides guidance to ensure that each colleague's actions and behaviour are consistent with Group's values and high standards.

3.0 Anti-money Laundering

3.1 What do we mean by Money Laundering?

3.1.1 Money laundering is the process by which funds derived from criminal activity are given the appearance of being legitimate. That means that the proceeds of a crime are 'cleaned up' by various means and then fed back into the financial system after a transaction or series of transactions designed to disguise the original source of the funds. It also covers money, however come by, which is used to fund terrorism.

3.1.2 Money laundering can take a number of forms:

- Handling the proceeds of crime;
- Being directly involved with criminal or terrorist property;
- Entering into arrangements to facilitate laundering of criminal or terrorist property;
- Investing the proceeds of crime into other financial products, property purchase or other assets.

3.1.3 There are also "third party" offences:

- Knowing that money laundering activity is being carried out and failing to disclose it
- Tipping off - where someone informs a person or people who are, or are suspected of being, involved in money laundering, in such a way as to reduce the likelihood of their being investigated, or so as to prejudice an investigation.

3.1.4 All money laundering offences may be committed by an organisation or by the individuals working for it.

3.2 Money Laundering Registration

3.2.1 Organisations that carry out certain regulated activities are required to register with the FCA or with HMRC for supervision under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

3.2.2 Under this policy, colleagues are required to notify the Governance and Risk Team if any new activities are undertaken, or are proposed to be undertaken, which may

fall within the definition of regulated activities. A list of regulated activities for money laundering purposes can be found at Appendix 1 to this policy.

- 3.2.3 As a matter of best practice, the Group will maintain a framework of anti-money laundering controls in line with that required for registered organisations, as outlined in section 5 below.

3.3 How do we combat Money Laundering?

- 3.3.1 The Group takes the following steps to combat money laundering:

- Organisation-wide assessment of the risks of money laundering
- Appropriate training for relevant colleagues
- Internal communication of Anti-Money Laundering Policy
- Nominating the Company Secretary as the Group's Money Laundering Reporting and Compliance Officer
- Appropriate screening procedures during recruitment
- Customer due diligence measures, including source of funds due diligence where appropriate
- Procurement due diligence procedures
- A clear way for colleagues to report suspicious activity, is outlined in the Anti-Money Laundering Procedure.
- A process in place for reporting, where appropriate, to the National Crime Agency (NCA), as outlined in the Anti-Money Laundering Procedure
- Robust monitoring and management of compliance with anti-money laundering measures
- Record keeping

- 3.3.2 In addition, the Group has clear rules for colleagues to follow to help to identify and prevent money laundering. These are:

- 3.3.2.1 Colleagues entering into an arrangement with a potential customer or supplier must ensure that the potential customer or supplier is bona fide, that the arrangement is legitimate and that the arrangement is not being entered into for money laundering purposes. This is done as follows:

- Home Ownership and Right to Buy customers are referred to an appropriate FCA-registered third-party provider for vetting and due diligence;
- Due diligence checks are completed by the Procurement team, with support from finance colleagues, where appropriate. Additional due diligence checks on suppliers in Tier 2 and Tier 3 categories is completed by the Procurement team;
- Appropriate due diligence is undertaken when entering into joint ventures or other partnering arrangements.

- 3.3.2.2 Colleagues must, wherever possible, avoid receiving or handling cash from, or on behalf of, tenants or other customers. The limits set out in this policy will also apply to payments made using reloadable e-payment cards.
- 3.3.2.3 Colleagues must in all circumstances try to avoid receiving from, or on behalf of, tenants or other customers:
- any single payment of cash in excess of £1000
 - any series of cash payments totalling in excess of £10,000 in a twelve month period.
 - Colleagues must report if any such payment is made or attempted, in line with the Anti-Money Laundering Procedures.
- 3.3.2.4 Colleagues must be alert for potential money laundering red flags, such as:
- tenants exercising Right to Buy / Right to Acquire being hesitant to provide information on the source of their funds;
 - monies are being paid over by a third party with no clear connection to the transaction;
 - tenants trying to make cash payments in large sums (e.g. to make payment for rent arrears);
 - tenants / customers who have previously struggled financially suddenly seeming to have large sources of funds;
 - tenants being reluctant/unable to provide ID documents;
 - tenants building up large amounts of credit in their rent accounts (other than where this has been caused by a back-payment of Housing Benefit or Universal Credit) and then seeking to repay these quickly, or this happening recurrently;
 - evidence of criminal use of Group properties, e.g. illegal subletting, drug production or prostitution
- 3.3.2.5 Colleagues must report any suspicions of money laundering in line with the Anti-Money Laundering Procedures. All colleagues have a responsibility to be vigilant and to follow the policy rules as laid out in section 5.2 of the Anti-Money Laundering Policy above.
- All colleagues have a responsibility to notify the Governance and Risk team if any new activities are undertaken, or are proposed to be undertaken, which may fall within the definition of regulated activities as outlined at Appendix 1.
 - All senior management have a responsibility to ensure that effective systems and controls are put in place across their departments to prevent and identify money laundering.
 - The Company Secretary is the nominated Money Laundering and Compliance Officer for the Group
 - The Company Secretary has responsibility for keeping a register of any money laundering, or potential or attempted money laundering, and for reporting on this to the Group Audit and Risk Committee.

- The Company Secretary is responsible for the investigation of reports of suspicions of money laundering.
- The Executive Director of Resources is responsible for deputising for Company Secretary in their absence.
- The Company Secretary is responsible, where investigation has shown that the suspicion of money laundering is valid, for reporting the matter fully to the National Crime Agency.

3.4 Breaches of this Policy

- 3.4.1 Any employee who is found through investigation to have been deliberately complicit in money laundering, including deliberate failure to disclose knowledge of money laundering, will be subject to the Group's Disciplinary Policy and will face sanctions up to and including a gross misconduct dismissal.
- 3.4.2 Allegations of money laundering will be referred to the National Crime Agency (NCA) if it is suspected that criminal activity has occurred, which may lead to the prosecution of those involved.
- 3.4.3 Money laundering offences can cause liability for the Group and also for individuals involved in such activities. Depending on the severity of the suspected offence, such offences may attract unlimited fines and sentences of up to 14 years in prison.
- 3.4.4 Failure to report a suspicion of money laundering is also an offence, where the failure to report leads, in the event, to an actual crime. Failure to report a suspicion of money laundering may also lead to action being taken under the Group's Disciplinary Policy, and potentially to prosecution. If in doubt, report in accordance with the Anti-money Laundering Procedure.

4.0 Customer Vulnerabilities

- 4.1 This policy is applied in line with our Customers in Vulnerable Circumstances Policy. We want people to be treated fairly, have equality of opportunities, freedom, respect, and access to our services.
- 4.2 We will support people in vulnerable circumstances to help us deliver this service. We will work alongside external agencies such as social services, the police and fire services and other appropriate agencies to help and support people in vulnerable circumstances and to ensure we meet our statutory and regulatory requirements as a social landlord.
- 4.3 Policies and key information are made available on our website.

5.0 Monitoring and Review

- 5.1 The Company Secretary will review and monitor this policy and report any instance of money laundering to the Group Audit and Risk Committee on an annual basis.

- 5.2 This policy will be reviewed at least every 3 years.
- 5.3 Policy review will be undertaken before the expected review date if there are significant changes to legislative or regulatory requirements, good practice or any other situation arises that makes a review necessary.

6.0 Equality and Diversity

- 6.1 This policy is applied in line with our Inclusion and Belonging Policy. This includes the legal requirements of the Equality Act 2010, Workers Protection Act 2023 and the Public Sector Equality Duty.
- 6.2 At the Karbon Group we aim to eliminate discrimination, promote equality of opportunity, foster good relations and define the nine protected characteristics of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.
- 6.3 If you would like this or any other policies in a different language or format please contact inclusion@karbonhomes.co.uk.

7.0 Data Protection and Privacy

- 7.1 We have a clear policy on data protection and sharing data with other partners/third parties under the requirements of the UK General Data Protection Regulation, the Data Protection Act 2018 and other associated legislation. This is clearly set out in the Data Protection Policy for the Karbon Group which, along with its associated procedures, must be followed throughout the operation of this policy.

Appendix 1 to the Policy

Definition of regulated activities for money laundering purposes

The Company Secretary holds overall responsibility for following up any reports of potential money laundering.

As all suspicions of money laundering need to be acted on swiftly, if the Company Secretary is unavailable, the Executive Director of Resources will act on their behalf.

If neither are available, then the most appropriate member of the Governance and Risk team will act on their behalf.

2.0 Investigation

The Group will investigate all suspected money laundering. The Company Secretary (or Executive Director of Resources or Governance and Risk team in their absence) is responsible for the investigation and will nominate an appropriate investigating officer.

The investigating officer will:

- Deal with the matter promptly (within 48 hours of being notified of it at the latest);
- Record all evidence received;

Registration will be required if the Group is involved in the following:

Type of Activity	What it could involve
Entering into a regulated credit agreement as lender – i.e. entering into agreements that involve the organisation lending money or allowing people who owe the organisation money time in which to pay it	Typically, in the RP context this can involve: • giving leaseholders a longer period in which to pay off bigger than usual service charge bills, e.g. for major works, although if the repayment period is 12 months or less then no FCA authorisation is required; • provision of employee loans in certain circumstances (N.B. Cycle to Work scheme can be exempt but please see consumer hire section below); • historical lending under mortgage contracts, e.g. providing second charge loans and or equity mortgages (only relevant if the organisation itself did the lending)
Exercising lender's rights under a regulated credit agreement – i.e. having the rights a lender would have under a loan or similar agreement, the principal rights being the right to receive payment and to take action for non-payment	Typically, in the RP context this involves exercising lender's rights under the kinds of agreements listed in the box immediately above.
Credit Broking This involves introducing people who are looking to access credit to people willing to provide credit.	Typically, in the RP context this can involve: • referring tenants to lenders in order to access loans or to organisations that hire out furniture and/or white goods or offer those goods on hire purchase terms. • (in certain circumstances) arrangements that some RPs have in place with organisations that provide loans to their staff or an advance on their wages. • (potentially) employee car schemes if they involve the RP referring staff to a third party that will then enter into a hire purchase/leasing agreement. Note that you can be classed as credit broking even if all you do is distribute an

	organisation's literature or put a link to its website on your website. Note however that under a fairly recent change in law, FCA authorisation for credit broking is no longer required by RPs if the organisation you refer people to is: • a credit union • a community benefit society • a community interest company limited by guarantee. • a registered charity, or a subsidiary of a registered charity; or • a subsidiary of an RP Other exemptions include: • Referrals to mortgage IFA providers • Simply providing customers with a list of mortgage advisers or lenders and not expressing a preference as to which one they approach • Referrals to a Help to Buy agent
Consumer Hire This involves hiring out goods or equipment	Typically, in the RP context this can involve: • Telecare or similar arrangements with elderly/vulnerable tenants/other customers under which the RP hires equipment to the service user. • Hiring by the RP of furniture or white goods, but only if this is done outside of the tenancy agreement/lease – if the cost of the service is included in the tenancy agreement/lease the hire service is exempt from FCA regulation. • Potentially staff benefits that involve hiring things to employees, including some car leasing arrangements.

	• Offering the Cycle to Work scheme to employees. This will be exempt though if the total value of the goods does not exceed £1,000 AND the RP does not have any other FCA consumer credit authorisations.
--	--