**KNOW YOUR CUSTOMER (KYC) POLICY FOR B2B RELATIONSHIPS**

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**Purpose**

To establish procedures for verifying the identity of corporate clients, ensuring compliance with the UK's Money Laundering Regulations 2017 (MLR 2017), and mitigating risks associated with financial crimes such as money laundering and terrorist financing.

**Scope**

This policy applies to all business relationships and transactions conducted with corporate clients, including companies, partnerships, trusts, and other legal entities.

**Company Structure**

Headquartered in SILSDEN, UK, ADVANCED ENGINEERING GROUP operates internationally through various legal entities, including:

- **ADVANCED ACTUATORS LIMITED**
- **ADVANCED COMPONENTS LIMITED**
- **ADVANCED DRIVES**

**Customer Identification and Verification**

Before establishing a business relationship, the following information must be obtained and verified:

- **Legal Entity Information:**
  - Full legal name of the business
  - Registered business address
  - Company registration number
  - Nature of business activities
- **Ownership and Control Structure:**
  - Names of directors or equivalent persons
  - Identification of ultimate beneficial owners (UBOs) holding 25% or more of the shares
  - Organizational structure chart, if applicable
- **Verification Documents:**
  - Certificate of Incorporation
  - Memorandum and Articles of Association
  - Recent financial statements or annual reports
  - Proof of address (e.g. Credit Check, bank letter etc)

**Risk Assessment and Due Diligence**

Clients will be assessed for risk based on factors such as:

- Industry sector
- Geographic location
- Complexity of ownership structure
- Source of funds


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Based on the risk assessment:

- **Simplified Due Diligence (SDD):** Applied when the business relationship or transaction presents a low risk of money laundering or terrorist financing. SDD allows for reduced identification measures but still requires sufficient information to understand the nature of the business relationship. Low-risk clients include:
    - Public authorities or publicly owned bodies in the UK
    - Financial institutions subject to equivalent AML regulations
    - Companies listed on a regulated market
- **Standard Due Diligence (SDD):** Applied to clients that do not qualify for SDD or EDD. This involves obtaining and verifying the client's identity, understanding the nature of the business relationship, and conducting ongoing monitoring.
- **Enhanced Due Diligence (EDD):** Required for high-risk clients, including those with complex structures or connections to high-risk jurisdictions. EDD involves more rigorous verification processes, such as:
    - Obtaining additional information on the client and their beneficial owners
    - Understanding the source of funds and wealth
    - Conducting enhanced ongoing monitoring
    - Obtaining Directors approval for establishing or continuing the business relationship

**Ongoing Monitoring**

Regular monitoring of client activities is essential to ensure consistency with the client's profile and to detect any unusual or suspicious behaviour. This includes:

- Periodic reviews of client information
- Monitoring of transactions for unusual patterns
- Updating client records as necessary

**Record Keeping**

All records related to client identification, verification, and transactions must be retained for a minimum of five years after the end of the business relationship.

**Training and Awareness – Training Notes are attached to this policy**

**Communication**

This policy will be communicated to all employees, suppliers, vendors, and business partners. It will also be available on the Company's website and internal communication platforms.

**Review and Update**

This policy will be reviewed annually and updated as necessary to ensure its continued relevance and effectiveness in preventing the introduction of counterfeit, fraudulent, and suspect items into our supply chain.

This policy has been endorsed and approved by:



Andrew Peace
Managing Director

Date: 1st June 2026



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# RISK ASSESSMENT MATRIX

| RISK CATEGORY | RISK FACTOR | RISK LEVEL | RATIONALE | MITIGATION MEASURES |
|---|---|---|---|---|
| ***Customer Risk*** | Clients operating in high-risk jurisdictions | High | Transactions with clients in countries with weak AML controls increase exposure to money laundering risks. | Implement Enhanced Due Diligence (EDD); verify beneficial ownership; monitor transactions closely. |
| | Politically Exposed Persons (PEPs) as clients or beneficial owners | High | PEPs may present higher risk due to potential involvement in corruption or bribery. | Conduct EDD; obtain senior management approval; establish source of funds and wealth. |
| | Clients with complex ownership structures | Medium | Complexity can obscure true ownership, increasing risk of illicit activities. | Require detailed ownership information; verify all beneficial owners; use reliable sources for verification. |
| ***Product Risk*** | Custom-designed equipment | Medium | Customization may be used to disguise illicit transactions or over/under-invoicing. | Maintain detailed records of specifications and pricing; verify legitimacy of orders; monitor for unusual requests. |
| | High-value transactions | Medium | Large transactions can be used to launder significant sums of money. | Set transaction thresholds; conduct thorough due diligence; monitor for unusual payment patterns. |
| ***Geographical Risk*** | Sales to countries with high corruption indices | High | Higher likelihood of encountering bribery or corruption, increasing AML risk. | Consult Transparency International's Corruption Perceptions Index; apply EDD; engage local legal counsel if necessary. |
| | Operations in conflict zones | High | Increased risk of terrorist financing and sanctions violations. | Screen against sanctions lists; conduct EDD; avoid transactions with entities in embargoed regions. |
| ***Delivery Channel Risk*** | Use of third-party agents or intermediaries | Medium | Indirect relationships can obscure the end client, increasing risk. | Conduct due diligence on intermediaries; establish contractual obligations for AML compliance; monitor transactions facilitated by third parties. |
| | Online sales without face-to-face interaction | Low | Less personal interaction may reduce ability to verify client identity. | Implement robust electronic verification systems; require authenticated documentation; monitor for suspicious activity. |
| ***Transaction Risk*** | Payments from offshore accounts | Medium | Offshore accounts may be used to disguise the origin of funds. | Verify the legitimacy of offshore entities; require documentation of source of funds; monitor transaction patterns. |
| | Unusual payment structures (e.g., multiple small payments) | Medium | Structuring payments to avoid detection is a common money laundering tactic. | Set alerts for unusual payment patterns; investigate anomalies; report suspicious activity as required. |



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# ANTI-MONEY LAUNDERING (AML) AND KNOW YOUR CUSTOMER (KYC) TRAINING NOTES

## 1. Introduction

This training note aims to educate employees on the importance of AML and KYC procedures, ensuring that our company remains compliant with the UK's Money Laundering Regulations 2017. Understanding and implementing these procedures is crucial to prevent our business from being exploited for money laundering or terrorist financing activities.

## 2. Understanding AML and KYC

- **Anti-Money Laundering (AML):** Refers to laws, regulations, and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income.
- **Know Your Customer (KYC):** A process of verifying the identity of our clients, understanding the nature of their activities, and assessing the risk they may pose.

## 3. Customer Due Diligence (CDD)

Before establishing a business relationship, we must:

- Verify the identity of the client.
- Understand the nature and purpose of the business relationship.
- Assess the risk of money laundering or terrorist financing.

## 4. Levels of Due Diligence

- **Simplified Due Diligence (SDD):** Applied when the risk of money laundering is low. This involves basic identification and verification procedures.
- **Standard Due Diligence (SDD):** The default level of due diligence applied to most clients, involving thorough identification and verification.
- **Enhanced Due Diligence (EDD):** Required when the client poses a higher risk, such as:
    - Clients from high-risk jurisdictions.
    - Politically Exposed Persons (PEPs).
    - Clients with complex ownership structures.

## 5. Identifying Suspicious Activity

Employees should be vigilant for signs of suspicious activity, including:

- Unusual payment patterns or transactions.
- Clients unwilling to provide necessary documentation.
- Transactions that don't align with the client's known business activities.

## 6. Reporting Suspicious Activity

If you suspect any suspicious activity:

- Report it immediately to the Directors.
- Do not inform the client of your suspicion (known as "tipping off").
- Maintain confidentiality and follow internal reporting procedures.


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**7. Record Keeping**

We are required to keep records of:

- Client identification and verification documents.
- Details of transactions.
- Any internal and external reports made.

These records must be retained for at least five years after the end of the business relationship.

**8. Employee Responsibilities**

- Familiarize yourself with the company's AML and KYC policies.
- Complete all required training sessions.
- Stay updated on any changes to AML regulations.
- Report any suspicious activity promptly.

**9. Conclusion**

Adhering to AML and KYC procedures is not only a legal requirement but also essential to protect our company from financial crime risks. Your diligence and compliance play a vital role in maintaining the integrity and reputation of our business.

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Please ensure you review this training note thoroughly and reach out to the Directors if you have any questions or require further clarification on any points discussed.



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