

## **PREVENTION AGAINST MONEY LAUNDERING AND TERRORISM FINANCING CRIMES**

### **INTRODUCTION**

To comply with the rules and regulations in force in the Brazilian financial system and with the best practices, Banco Industrial do Brasil conducts the activity of Money Laundering Prevention, which complies with Law 9.613, of 03/03/98 (Amended by Law 12.683/12) – Crimes related to Money Laundering or Concealment of Assets, Rights, and Valuables. In addition to Circular Letter 3.978/20, Circular Letter 4.001 of 01/29/2020 (Procedures mentioned in the Process Guide 06.02 – Prevention of Money Laundering), and Law 13.170 of 10/16/2015.

### **SENIOR MANAGEMENT**

Senior Management attaches great importance to issues related to an effective Money Laundering Prevention program. This is demonstrated in the participatory and effective monitoring of results related to the topic, as well as throughout the Conglomerate's Risk Management.

### **1. OBJECTIVE**

This Policy aims to establish guidelines related to practices for combating and preventing crimes of Money Laundering and Terrorism Financing, for the Brazilian Industrial Conglomerate and to ensure that customer information is identified and verified in an appropriate manner, especially those related to their activity, so that any possible suspicious transaction is promptly detected, thus avoiding the use of the Institution's resources for illicit purposes.

### **2. SCOPE**

This Policy covers all employees, other collaborators, as well as suppliers of direct and indirect goods and services, physical and/or legal, of the Brazilian Industrial Conglomerate, as well as in our unit abroad located in the country Bahamas in the city of Nassau.

Everyone should be encouraged, whether through contractual arrangements or the establishment and formalization of policies, rules, and procedures, to implement measures of “Know your customer (KYC)”, “Know your employee (KYE)”, and “Know your partner (KYP)”, aiming at adherence and compliance with the Institution's regulations.

### **3. DEFINITIONS**

- **Sector compliance officer:** designated employee in each area and/or department of the Brazilian Industrial Conglomerate, to follow up and monitor internal and external rules and regulations, aiming at compliance with the requirements of the Compliance Department.

- **Know Your Customer – KYC:** rules and procedures to which customers must be submitted, in order to assess their ethical principles and reputation that enable them, or not, to have a commercial relationship with the Institution.
- **Know Your Employee – KYE:** rules and procedures to which employees and other collaborators must be submitted, in order to assess their ethical principles and reputation that enable them, or not, to provide services to the Institution.
- **Know Your Partner – KYP:** rules and procedures to which partners must be submitted, in order to assess their ethical principles and reputation that enable them, or not, to have a commercial relationship with the Institution.
- **Politically Exposed Person (PEP):** public agents who perform or have performed, in the last five years, in Brazil or in foreign countries, territories, and dependencies, positions, jobs or relevant public functions, as well as their representatives, family members and other people of their close relationship. Relatives in direct line, up to the first degree, spouse, partner, and stepchild are considered family members.

#### **4. CONCEPTS**

##### **“Money Laundering”**

Money laundering is an expression that refers to economic and financial practices whose purpose is to disguise or hide the illicit origin of certain financial assets or property assets, so that such assets appear to have a lawful origin or that, at least, the illicit origin is difficult to demonstrate or prove. It is to provide a facade of dignity to money of illegal origin.

In other words, it is the process by which the criminal transforms resources gained through illegal activities into assets of apparently legal origin. This practice usually involves multiple transactions to hide its origin and, thus, allow its use without compromising criminals. Concealment is, therefore, the basis for any money laundering operation.

According to the Central Bank of Brazil, suspicious operations of money laundering are considered:

- a) Operations whose characteristics are exceptional in terms of the parties involved, the way they are carried out, and/or the instruments used; or
- b) For which there is no objective economic or legal basis

Money laundering is a dynamic three-stage process that requires:

- **Placement:** insertion of funds from criminal activities into the financial system. The execution of this phase is carried out through deposits, purchase of negotiable instruments, or purchase of goods;

- **Layering:** amounts are systematically transferred between accounts or between asset applications, to mislead traffic and, at the same time, concentrate amounts, progressively agglutinating them;
- **Integration:** Making money available to criminals, returning to circulation as “clean” money in the form of investments - this usually happens in places where other investments are already being made or are growing, so as to blend in with the formal economy. It usually occurs through investments in diversified ventures, such as the acquisition of real estate and jewelry.

## **5. MANAGEMENT ACTIONS**

### **A - KNOW YOUR CUSTOMER – KYC**

Before starting a relationship with a customer, the Manager in charge must conduct an interview, obtaining complete information, considering their moral suitability, their patrimonial and financial capacity, the characteristics of the operations they intend to carry out, their domicile, the nature of their activities, the origin of their resources, among others.

For this, the commercial manager asks the Compliance department to research the company, aiming to identify with the supervisory bodies, its involvement in news published in the media related to crimes or other sanctions, where the purpose is to identify image and compliance risks that the possible new customer has.

The result of the survey is forwarded to the manager, in cases of identification of possible risks; the Bank's standard process must be followed since they are authorized by Senior Management.

### **B - CUSTOMER ACCEPTANCE**

Before being accepted and registered, all new customers must undergo a “KYC” analysis.

All customers will be obligatorily analyzed by the members of the Full Credit Committee.

#### **The following types will not be accepted as customers:**

- Individuals or Legal Entities resident, domiciled, or headquartered in countries, territories, and jurisdictions considered non-cooperative;
- Persons linked to the financing of terrorism, listed on the United Nations Security Council;
- Banks that do not have physical headquarters in any country;
- Gaming/Gambling entities (bingos, casinos, etc.);
- Customers who are directors, shareholders, or owners of exchange offices, money transmitters, betting entities, or other similar entities;

### **C - KNOW YOUR EMPLOYEE – KYE**

The structure of Sector Compliance Officers at Banco Industrial, distributed in all control and administrative support areas of the Organization, allows close monitoring of employees and other collaborators.

### **D - KNOW YOUR PARTNER – KYP**

All new partners (service providers and suppliers) of the Brazilian Industrial Conglomerate must undergo a “KYP” analysis before hiring.

### **E - TRAINING IN MONEY LAUNDERING PREVENTION**

All employees and other collaborators who join any company that is part of the Brazilian Industrial Conglomerate will receive, upon hiring, the “Money Laundering Prevention” booklet.

In addition, all employees and other collaborators must be regularly trained, at least once a year, in techniques for preventing and combating money laundering and terrorist financing crimes, taught by specialized professionals or companies with recognized knowledge on the subject.

### **F - POLITICALLY EXPOSED PERSON (PEP)**

The so-called PEP customers may normally be accepted for commercial relationship with the companies of the Brazilian Industrial Conglomerate, once authorized by the Senior Management.

## **6. CONFIDENTIALITY**

All matters described in this policy are the property of the Brazilian Industrial Conglomerate, and must not be disclosed or made available to any other persons, firms, entities, and/or external parties, except in cases previously analyzed and formally approved.