

## Criminal Finances Act Policy

### Background

The Criminal Finances Act 2017 (the 'Act') is an Act of the Parliament that expands the provisions for confiscating funds associated with terrorist property and proceeds of tax evasion.

Part 3 of the Act creates the corporate offence of failure of a company or partnership to prevent the criminal facilitation of UK tax evasion and to prevent facilitation of foreign tax evasion offences. Technically these are two distinct offences, depending on whether the tax which is evaded is UK taxation or foreign taxation. This policy generally references both offences unless otherwise specified. Companies and partnerships are required to take 'reasonable' action to prevent the facilitation of tax evasion.

The aim of this policy is to enable Lindsell Train Limited ("LT" or "the Firm") to establish and maintain adequate procedures so that it follows, and is not in breach of, the Criminal Finances Act 2017, and furthermore maintains a monitoring framework to confirm and validate compliance.

### Application

LT recognises and acknowledges that it is the responsibility of senior management to make sure that no tax evasion occurs during the course of its business or in relation to its business activities. In this respect, senior management of LT have introduced this policy and associated procedures, and adopted a zero tolerance culture towards any exceptions to the framework, which is implemented and embedded throughout the relevant areas of the firm. Senior management recognises the need for LT to have in place suitable and robust systems and controls, strategies and training policies that aid in the understanding of staff obligations to reduce the risk of a tax evasion event. This policy applies to all employees, agents, intermediaries, consultants or any other people or bodies associated with LT (where applicable). Each individual is required to have read and understood the policy and associated procedures and should report any concerns related to offences or suspected offences to senior management or via the Whistleblowing Procedure (details of which are set out in LT's Whistleblowing Policy).

Any LT employee found to have engaged in conduct that is prohibited by the Act and/or compliance policies and procedures will face strict disciplinary action, including potential termination of employment or contract and/or referral to appropriate law enforcement authorities.

The Company's Criminal Finances Act Policy is subject to regular review by the Compliance Team. Employees will receive training periodically to guide compliance with this policy and in particular where any specific risks are identified. Questions regarding the Policy should be directed to the Compliance Team.

## **Senior Management Commitment**

The Chief Compliance Officer (CCO) has overall responsibility for the adequacy and effectiveness of the framework designed to prevent tax evasion offences. Where specific risks are identified either in relation to the framework of controls or in relation to a particular business relationship Compliance will escalate such matters to the Board. Such reports may include reference to relevant changes in regulatory and legal requirements. If an offence under the Act is reported, the Board will review and decide a course of action, in consultation with and based on appropriate input from the CCO, together with recommendations for improvement in systems and controls. Regulatory and client notifications will be duly considered as part of this review.

## **Risk Assessment**

An annual risk assessment will be carried out by the Compliance Team on matters relating to the risk of relevant tax evasion offences occurring. A summary of the annual risk assessment report is presented to the Board for review and approval.

## **Due Diligence (Know your Partners)**

The primary risk of tax evasion comes from the various business relationships that the company forms as a direct consequence of its regulated investment activities. Anyone acting on the Company's behalf can expose the Company to tax evasion risks. This includes not only employees but also clients, business partners and outsourcers. Therefore, all staff must understand the importance of carrying out appropriate due diligence checks (much as they do to manage AML risks and Fraud risks) before establishing any business relationship with a client, business partner and outsourcer.

These checks may include obtaining information from public sources, references and letters of comfort. Examples of suspected tax evasion may be regular turnover of auditors, outstanding or 'unsigned' reports and accounts (on a regular basis), offshore bank accounts, corporate principals with a lavish lifestyle that is out of kilter with suspected income. All business relationships must be governed by a written agreement which requires prior written approval from a Designated Director before its execution. Due diligence records will be kept of clients, approved business partners or outsourcers for compliance or statutory audits.

The Company makes limited use of agents, representatives or third parties outside of the United Kingdom to negotiate sales on its behalf, to secure new mandates or permits to provide investment management services. Where third parties are used, the Board shall take appropriate measures, with the advice of the Compliance Team or legal counsel, to vet and approve (where appropriate) such third parties.

## **Communication and Training**

Training provides the knowledge and skills needed to understand and apply LT's policies and procedures and therefore how to identify, avoid and/or mitigate, and report issues. Employees are expected to familiarise themselves with LT's Criminal Finances Act Policy. Employees will also receive relevant training to raise awareness of potential risks and the firm's reporting procedures.

## **Books and Records**

All books and records shall be fully accessible to the Company's auditors, Compliance and Regulators for inspection.

## **Reporting**

Any employee who becomes aware of or suspects an offence under the Criminal Finances Act must promptly report this to the Compliance Team. A suspicious reporting form will be generated and associated concerns properly investigated by a member of the Compliance Team. The Employee must keep the incident confidential pending an investigation.

If a significant breach is discovered, a member of the Compliance Team will produce a report and this will be notified to the Board immediately and if relevant, the regulatory authorities.

## **Monitoring and Review**

The Compliance Team shall carry out periodic checks to ensure that the Company's Criminal Finances Act Policy is followed by employees. Routine checks will include a review of new and existing clients, risk assessments, incident reporting and action taken. The CCO will include any violations, issues of concern and suspicious reports in the periodic reporting provided to the Board.

LT also maintains a Whistleblowing Policy and Procedure which can be used by employees as an alternative mechanism to report concerns regarding compliance with the requirements of the Criminal Finances Act.

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Lindsell Train Limited  
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(January 2025)