

# Anti-Money Laundering and Anti-Terrorism Financing Policy



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## **1 COMBATING MONEY LAUNDERING AND THE FINANCING OF TERRORISM**

Financial crime is a serious societal problem and a threat to individuals and society as a whole. Banking and finance make an important contribution to preventing money laundering and the financing of terrorism.

Sparebanken Sør's overarching goal is to combat financial crime and to facilitate healthy economic development. The Bank has zero tolerance for all forms of financial crime, and will contribute toward a healthy business community built on fair competition and legal activities.

Sparebanken Sør's efforts to combat financial crime are founded on prevailing laws and regulations, including anti-money laundering legislation. The Bank has a comprehensive framework of governing documents, plans and instructions, procedures and guidelines to ensure that the Bank complies with legal requirements to prevent financial crime, such as money laundering and the financing of terrorism.

Together with the rest of the finance sector, Sparebanken Sør fulfils an important social mandate and deploys significant resources to prevent criminals from using the Bank's services and products for illegal activities. To help reduce financial crime, Sparebanken Sør implements robust control and customer due diligence measures, and good internal management and control functions.

The Bank attaches extremely high importance to anti-money laundering work and countering the financing of terrorism, and has established a dedicated team, which in addition to performing specific roles such as transaction monitoring, customer due diligence and preparation of procedures and risk assessments, also acts as a support function for the Bank's other employees.

All the Bank's employees must be familiar with the Bank's procedures for work to combat money laundering and the financing of terrorism (AML work). It is important to ensure that the risk of money laundering and financing of terrorism is assessed in all decisions, both in daily contact with customers and in the development of new strategies, products and systems.

### **1.1 Purpose**

This policy provides guidelines for the allocation of responsibilities and the order of reporting at the Bank with regard to efforts to combat money laundering and the financing of terrorism.

### **1.2 Target group**

This policy applies to all employees in all areas of Sparebanken Sør.

## **2 ORGANISATION OF ANTI-MONEY LAUNDERING WORK**

### **2.1 Shared areas of responsibility**

All the Bank's employees must help maintain high standards and levels of vigilance with regard to combating money laundering and the financing of terrorism. The Bank aims to establish a culture that prioritises the Bank's social responsibility in a way that ensures that everyone understands their role in this work. All executive vice presidents have executive responsibility for following up the established framework. All managers and employees are responsible for reporting non-compliances with the framework.

### **2.2 Board of Directors**

The Board of Directors has overarching responsibility for ensuring that Sparebanken Sør establishes appropriate and effective processes for AML work in accordance with laws and regulations. This is achieved by adopting overarching governing documents, plans and instructions, and by reviewing risk assessments and ongoing reporting from the AML Compliance Officer, Compliance and Internal Audit.

### **2.3 Risk Committee**

The Board has established a Risk Committee as a subcommittee of the Board whose mandate is to help ensure that the Group's risk and capital management activities support the Group's strategic development and goal achievement. The Risk Committee receives and evaluates governing documents, plans and instructions before they are presented to the Board, including documents that regulate the Bank's AML work.

### **2.4 CEO**

The CEO and other members of Group management are responsible for monitoring AML work. The CEO ensures that sufficient resources and working capacity are made available to enable the Bank to comply with applicable legal requirements. The CEO also appoints a person to have special responsibility for AML work, the Anti-Money Laundering (AML) Compliance Officer.

### **2.5 Anti-Money Laundering Compliance Officer**

The Legal Director has ultimate responsibility for work to prevent money laundering, the financing of terrorism, corruption, fraud and other financial crime. The AML Compliance Officer is responsible for further developing and embedding the company's frameworks and processes for work to combat money laundering and the financing of terrorism, including strategies, business-specific risk assessments, guidelines, organisation, processes, methods, models and systems. The AML Compliance Officer supports and advises the Board of Directors and CEO on work to combat money laundering and the financing of terrorism.

The AML Compliance Officer further ensures that the Bank's AML work is conducted, followed up and documented in accordance with applicable laws, regulations and internal frameworks. The Head of AML Framework and the Operational Anti-Money Laundering Officer, who jointly head up the AML division, report to the AML Compliance Officer.

### **2.6 Head of AML Framework**

The Head of AML Framework works exclusively within anti-money laundering. This includes the responsibility for carrying out an annual review of business-oriented risk assessment, establishing and maintaining the Bank's frameworks, carrying out various controls and providing information to and training for the Bank's employees in this area.

## 2.7 Operational Anti-Money Laundering Compliance Officer

The Operational AML Compliance Officer works exclusively within anti-money laundering. Their responsibilities include transaction monitoring, conducting investigations in cases of suspected money laundering or financing of terrorism, reporting suspicious cases to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim), implementing various controls and further developing transaction monitoring and risk scoring of the customer portfolio. The Officer is also responsible for further developing the Bank's technical support systems related to this area.

## 2.8 Managers

Managers at all levels of the organisation must continuously ensure that all employees have good knowledge of the relevant framework for the Bank's AML work. They must also contribute to the implementation of business-oriented risk assessments. Local managers are responsible for ensuring that employees have the expertise and capacity required to be able to manage this work in an effective and appropriate manner.

## 2.9 Employees

All employees are responsible for ensuring that they are familiar with the prevailing framework for money laundering and the financing of terrorism. All employees are personally responsible for helping ensure that Sparebanken Sør complies with applicable laws, regulations and procedures. Non-compliances must be reported via line managers, the AML Compliance Officer or the incident database. All employees are responsible for their own knowledge and undertake to take further training if necessary. This must be agreed with the line manager.

## 2.10 First, second and third lines of defence

The first line of defence consists of the Bank's operational functions (business areas and Group support functions). The first line has direct contact with the customers, where the main principle is "know your customer". If transactions or circumstances arise whose background we cannot explain, we have a duty to investigate. We have a duty to report anything suspicious to Økokrim.

Compliance forms the Bank's second line of defence, and is an independent control function that controls, monitors and follows up the Group's operational functions, including in relation to anti-money laundering. The main responsibility of the Compliance function is to control and report any non-compliances with laws, regulations, directives, governing documents and internal procedures.

Internal Audit is the Bank's third line of defence. Internal Audit helps prevent and detect any non-compliances through independent checks and assessments. This is a monitoring function that reports directly to the Board of Directors and is independent of the rest of the administration team. Internal Audit is a verification and advisory function intended to provide added value and improve the Group's operations.

## 3 RISK ASSESSMENT AND RISK-MITIGATING MEASURES

The Anti-Money Laundering Act and regulations provide clear instructions on how the scope of customer controls, risk scoring of customers, customer due diligence, training, procedures and frameworks should be directly linked to the Bank's own business-specific risk assessments.

Risk assessment must as a minimum be linked to customer type, product, transaction, geography and distribution channels. Risk assessments of money laundering and the financing of terrorism must be made before new products and services are offered and before new technology is rolled out. The risk assessment must be revised at least once a year and presented, together with risk-mitigating measures, to the Bank's Board of Directors.

#### **4 REPORTING**

The Bank reports each quarter to Group management, the Risk Committee and the Board of Directors. This is intended to ensure ongoing and timely reporting of the number of high-risk customers, number of suspicious transactions, number of ST (suspicious transactions) reports, changes in risk levels, work on risk-mitigating measures and compliance risk. The AML Compliance Officer also reports monthly to the CEO. The Head of AML Framework and the Operational AML Compliance Officer report each month to the AML Compliance Officer. In addition, the results of internal controls conducted in the first line must be reported to the AML Compliance Officer.