

# VIRTUS FINANCIAL CRIME POLICY

## Anti-Bribery, Corruption, and the Prevention of the Facilitation of Tax Evasion

VIRTUS is committed to countering bribery, corruption and tax evasion as required by the Bribery Act 2010 and the Criminal Finances Act 2017.

It is VIRTUS' Policy to conduct all business in an honest and ethical manner by acting professionally, fairly and with integrity in all our business dealings and relationships throughout our operations. To enforce this, risk assessments and effective systems have been implemented to counter bribery, corruption, and tax evasion under our remit, and we have communicated the importance of comparable compliance to our key suppliers.

To uphold all relevant UK legislation regarding countering bribery, corruption, and tax evasion (in respect of our conduct), VIRTUS does not tolerate, permit, or enable employees to engage in the facilitation of tax evasion or tax fraud by any customers, suppliers, other business partners, other employees or contractors, or willingly have fraudulent ties with said parties, when conducting business. Furthermore, we expect those who work with us or for us to fully comply with their tax obligations.

**Bribery** is defined as *'monetary or physical gifts given to someone in return for a dishonest business favour/business transaction/regulatory advantage/personal advantage.'* A bribe is not restricted to monetary transaction whereby it can be the offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of discharging a decision.

**Tax Evasion** is defined as *'the illegal non-payment or underpayment of true liable taxes.'*

**Tax Fraud** is defined as *'the wilful and intentional falsification of information of true liable taxes.'*

**Facilitation of Tax Evasion** is defined as *'being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of a tax by another person; aiding, abetting, counselling or procuring the commission of tax evasion offence, or being involved in the commission of an offence consisting of being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of a tax.'*

**Corruption** is defined as *'dishonest or fraudulent conduct by individuals in positions of power, or with the capacity for decision-making.'*

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In this policy, ‘**involved third party**’ means any individual or organisation VIRTUS staff come into contact with during the course of their work, and includes actual and potential customers, partners, joint venture parties, suppliers, business contacts agents, advisors, and government and public bodies, including their advisors, representatives and officials, politicians and political parties.

**Scope:**

This policy applies to all VIRTUS staff working at all levels, including senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), trainees, homeworkers, interns, agents, sponsors, or any other person associated with VIRTUS (involved third parties). This policy should be communicated to key consultants, contractors, suppliers, business partners and other similar involved third parties engaged by VIRTUS and a commitment obtained from them that they will both comply with it themselves, and require any sub-contractors to comply with an equivalent policy.

**Control Statement:**

All VIRTUS staff shall conduct business, without exception, taking heed not to do the following:

1. give, promise to give, or offer, a payment, gift or hospitality with the expectation or hope that a business or personal advantage will be received, or to reward a business or personal advantage already given;
2. give, promise to give, or offer, a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure.
3. accept a gift, hospitality or payment from an involved third party that is known or suspected to be offered or provided with the expectation that it will obtain a business or personal advantage for them;
4. threaten or retaliate against another employee or involved third party who has refused to commit a bribery offence who has raised concerns under this policy;
5. participate in any activity which is intended to facilitate tax evasion; or
6. engage in any activity that might lead to a breach of this policy.

**VIRTUS commits in:**

1. Ensuring that transactions comply with local tax laws as well as regulations and tax obligations.
2. Ensure that tax returns and tax payments are made in compliance with all local laws
3. Maintaining a professional and cooperative relationship with local tax authorities
4. Ensuring that in case of litigation, all necessary information is transmitted transparently and in a complete manner in accordance with the legal provisions.
5. Keeping all tax records and establish tax reporting as required by local laws.
6. Ensuring that all decisions are taken at the right hierarchical level and are properly documented to highlight the facts, conclusion, and risks.

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In order to achieve this VIRTUS have specified the minimum requirements for the following high risk areas:

### Accounts Payable:

- Only contract businesses that have good reputations.
- Ensure all information on an invoice is correct and is as expected.
- Have the full contact details of suppliers and ensure the details match where the payment is being made.
- Specify in contracts that VAT must be added to invoices and have written reasons why such added taxes are not required.
- Do not pay supplier in cash. If cash payments must be made, ensure they are properly invoiced and a receipt is supplied.

### Accounts Receivable:

- Do not process off-system invoices.
- Ensure all invoices have the correct VAT coding.
- Do not facilitate or support operations with customers whose effectiveness is based on the non-transmission of information to the tax authorities.

Suspicious payments or anonymous transactions made to VIRTUS (including incorrect or arbitrary account or invoice codes, non-remittance of VAT) are to be classified under the Suspense Account Code for further investigation by the VIRTUS Finance Department and the Bank. The following investigatory steps are taken against such transactions:

1. Request Transmitter/transmission information from the Bank
2. Reference customer name against customer account codes
3. Verify full remittance of VAT
4. Contact the customer referencing recurring or non-recurring invoice
5. If qualified, move transaction from the Suspense Account Code and process payment
6. If not qualified, retain transaction in Suspense Account Code and submit a Suspicious Activity Report (SAR) to the National Crime Agency (NCA).
  - a. Introduction to SARs - <http://www.nationalcrimeagency.gov.uk/publications/suspicious-activity-reports-sars/550-introduction-to-suspicious-activity-reports-sars-1/file>
  - b. Online NCA SAR Service - [https://www.ukciu.gov.uk/\(af0bjhjee50pnh45yphq1k55\)/saronline.aspx](https://www.ukciu.gov.uk/(af0bjhjee50pnh45yphq1k55)/saronline.aspx)

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**Payment to Contractors:**

- Any wage payments outside of payroll must be expressly approved.
- Where tax is required to be deducted at the source, this must be done.
- Payment to contractors should only be made in strict accordance with company policies.
- Cash payment should not be made. If they are, invoices and receipts must be present.
- Any tax related withholdings must be deducted and recorded.
- Payments without deductions should only be made if there is a reasonable expectation that the recipient will meet their tax obligations.

Furthermore, VIRTUS do not make, and will not accept facilitation payments or ‘kickbacks’ made in return for a business favour or advantage. This is also an expectation of all involved third parties who work for or on behalf of VIRTUS. When asked to make a payment, all parties shall ensure the requested payment amount is proportionate to the goods or services provided. VIRTUS does not contribute to political parties. VIRTUS may make charitable donations that are legal and ethical under local laws and practices.

To further amplify the above minimum requirements, VIRTUS will conduct the following:

- Issue annual questionnaires to supply-side involved third parties.
- Ensure customer service level agreements and tenancy agreements are in place and stipulate that the customer shall adhere to all applicable, local legislation.

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## Responsibilities:

VIRTUS Staff (all individuals working at all levels, including senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), trainees, homeworkers and or interns) have the following responsibilities:

1. You must ensure that you have read, understand and comply with this policy, and you are required to provide confirmation of receipt of this policy.
2. The prevention, detection and reporting of bribery and other forms of corruption and financial crime are the responsibility of all those working for us or under our control. VIRTUS is required to avoid any activity that might lead to, or suggest, a breach of this policy.
3. You must notify your line manager (or, in the case of an involved third party, a senior VIRTUS member) as soon as possible if you believe or suspect that a conflict with this policy has occurred or may occur in the future. Examples of "Red Flags" that may indicate bribery or corruption are set out in Schedule 1.
4. You must apply appropriate due diligence procedures in accordance with the VIRTUS Procurement Policy in the selection of all key suppliers, business partners, agents or other service providers to mitigate any bribery and financial crime risks in respect of third party intermediaries. Appropriate due diligence procedures will vary according to the nature of the supplier, for example a UK regulated professional services firm will require a different level of due diligence to an overseas supplier. In the appointment of any supplier, business partner, agent or other service provider of VIRTUS, you must require compliance with the VIRTUS Procurement Policy.
5. You must notify your line manager (or, in the case of an involved third party, a senior VIRTUS member) if you become aware of the following:
  - a. any actual or potential conflict of interest between yourself and VIRTUS e.g. if a current or potential supplier provides or has previously provided services to you in a private capacity;
  - b. a personal relationship with a party who is contracting with VIRTUS e.g. if a member of your family is a director of a supplier.
6. The use of suppliers and professionals for private use is discouraged. Any such use must be preapproved in writing by the Chief Executive and notified to the Company Secretary. The supplier's normal terms for the service might not be applied and any dispute could lead to conflict of interest.
7. VIRTUS Staff who breach this policy will face disciplinary action, which could result in dismissal for gross misconduct, and may also be held personally liable under the UK Bribery Act. Any other involved third party breaching this policy may result in VIRTUS ceasing to do business with any such third party

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## Schedule 1

Examples of “Red Flags” that may indicate bribery or corruption.

This list is not exhaustive and demonstrates activities that may be indicative of corrupt activities or “Red Flags”.

- abnormal cash payments
- pressure exerted for payments to be made urgently or ahead of schedule
- payments being made through a third party country – for example, goods or services supplied to country ‘A’ but payment is being made, usually to a shell company in country ‘B’
- an abnormally high commission percentage being paid to a particular agency. This may be split into two accounts for the same agent, often in different jurisdictions
- private meetings with public contractors or companies hoping to tender for contracts
- lavish gifts being received
- an individual who never takes time off even if ill, or holidays, or insists on dealing with specific contractors himself or herself
- making unexpected or illogical decisions accepting projects or contracts
- the unusually smooth process of cases where an individual does not have the expected level of knowledge or expertise
- abuse of the decision process or delegated powers in specific cases
- agreeing contracts not favourable to the organisation either because of the terms or the time period
- unexplained preference for certain contractors during tendering period
- avoidance of independent checks on the tendering or contracting processes
- raising barriers around specific roles or departments which are key in the tendering or contracting processes
- bypassing normal tendering or contracting procedures
- invoices being agreed in excess of the contract without reasonable cause
- missing documents or records regarding meetings or decisions
- company procedures or guidelines not being followed
- the payment of, or making funds available for, high value expenses on behalf of others.

If any of the above is witnessed by VIRTUS (*referred definition*), either inform your line manager or a senior VIRTUS member directly. Ensure facts are viable and circumstantial evidence can be proven to aid in an investigation.

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