



FRASER & NEAVE HOLDINGS BHD

(Company No. 004205-V)

Version 2.0

FRAUD CONTROL POLICY



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1. Document Information and History

Document Owner	Risk Management Department
Reviewed and Endorsed By	Risk Management Committee
Approved By	Board of Directors (BOD)
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1. Purpose / Overview

- 2.1 The purpose of the Fraud Control Policy is to protect revenues, assets and reputation of Fraser and Neave Holdings Bhd and its subsidiaries (“F&N” or the “Group”) from loss or damage due to fraud. Where fraud is concerned, F&N adopts a “zero tolerance” stance as elaborated in Para 6.
- 2.2 This policy is intended to provide guidance to F&N’s business and functional units on the standards in which fraud events are to be handled consistently across the Group.

2. Scope

- 3.1 The policy is applicable to all employees (permanent and contract), customers, and with modifications to vendors and business partners.

3. Definitions

For the purpose of this Policy, **fraud** is defined as an act or omission intended to gain dishonest or unlawful advantage for the party committing the fraud or for other related parties. Therefore, for a case to be considered fraud, all the following elements must be present:

- a) intentional act or intentional omission; and
- b) where the perpetrator/ accomplice obtains a dishonest gain and / or unlawful advantage.

The categories and examples of fraud (but not limited) are provided in the following table:

Fraud Categories ^{1 & 2}	Scope	Examples
Internal fraud	<p>Fraud against F&N by its directors or employees of their own or in collusion with parties internal or external to F&N.</p> <p>This is particularly sensitive and confidential in nature, and as such requires special handling as described in the F&N’s Whistle Blowing Policy³.</p>	<ul style="list-style-type: none"> ▪ theft and/or misuse of the F&N’s properties, assets or resources; ▪ dishonesty; ▪ bribery behaviour and corrupt practices, including making of facilitation payments; ▪ conduct which is an offence or breach of law in relation to fraud; ▪ making of false statements to the Bursa Malaysia Securities Berhad, members of the investing public and regulatory authorities;

¹ Section F (5) of Code of Business Ethics and Conduct describes the types of fraud involving stakeholders.

² Section F (6) of Executive Personnel Manual denotes the potential matters to be highlighted may it be actual or suspected incidents.

³ Section 5.1 of Whistle Blowing Policy states that the Group will treat all such disclosures in a confidential and sensitive manner in order to indemnify and protect the identity of the employee who made the report in good faith.

**4. Definition (cont'd)**

Fraud Categories	Scope	Examples
		<ul style="list-style-type: none"> ▪ acts intended to mislead, deceive, manipulate or coerce of fraudulently influence any internal or external accountant or auditor in connection to the preparation, examination, audit or review of any financial statements of records of F&N. ▪ criminal breach of trust; and ▪ misappropriation of money.
Third party fraud	Fraud against F&N committed by external party such as vendors.	<ul style="list-style-type: none"> ▪ theft; and ▪ deliberate overbilling.
Miscellaneous fraud	Other form of fraud other than those mentioned above	<ul style="list-style-type: none"> ▪ Hacking of information system.

5. Roles and Responsibilities**5.1 Board of Directors ("Board")**

5.1.1 The Board shall oversee the sound and prudent management of fraud risk. It shall recognize and understand the risk of fraud and its potential impact on F&N. The Board may delegate this oversight responsibility to its Board Committee(s).

5.1.2 The Board or its delegated Board Committee(s) shall be responsible to:

- establish an environment where fraud is taken seriously;
- set the tone at the top that encourages reporting suspicion of fraud;
- oversee the adequacy of resources available and utilise it to prevent, detect and control fraud;
- ensure confidentiality of any informant; and
- approved / review changes to the F&N Fraud Control Policy.

5.2 Internal Audit Department

5.2.1 Internal Audit Department shall assist in the investigation of significant suspected fraudulent activities within F&N and notify Senior Management and the Audit Committee of the results.

- 5.2.2 All incidents of fraud must be reported to Internal Audit Department for investigation. Internal Audit Department shall ensure such investigations are done in a timely manner.

6. Guiding Principles and Standards

F&N adopts a 'zero tolerance' stance towards fraud. It must be emphasized that fraud will not be tolerated and all instances of suspected fraud shall be treated gravely and dealt with swiftly. F&N shall investigate all allegations of fraud and the action(s)⁴ that may be taken by the Group depending on the gravity of the matter, may be:

- a) referred to the external auditor; and / or
- b) form the subject of an independent enquiry; and / or
- c) referred to the police; and /or

The following minimum standards and guiding principles shall be included in the F&N Fraud Control Policy:

6.1 Fraud Prevention Principles

- 6.1.1 *F&N Code of Business Ethics & Conduct ("Code")* – The Code defines the acceptable conduct by all permanent and contract employees⁵.
- 6.1.2 *Pre-Employment/Engagement Screening*^{6 & 7} – Pre-employment/engagement screening shall be conducted for all employees.
- 6.1.3 *Customers Authentication* – Steps shall be taken to ensure that only authenticated customer's requests are expected for processing.
- 6.1.4 *Dealing with Public Officials*⁸ – Heightened care must be taken when dealing with public or government officials, regardless of their rank, in the capacity as customers or business partners. All dealings with public or government must be carried out in good faith and transparency.
- 6.1.5 *Political Contributions*⁷ – Funds, assets, property or facilities of F&N must not be used to provide support for, or contribute to, any political organization or political candidate.
- 6.1.6 *Unusual Transactions* – Unusual transactions should be monitored for indication of fraud and suspicious transactions pending for review.
- 6.1.7 *Protection for Group Assets*⁹ – All Group assets and important business documents must always be stored securely beyond the access of unauthorised person.

⁴ Section 8.3 of Whistle Blowing Policy indicates the type of action(s) may be taken by the Group depending on the gravity of the matter reported.

⁵Section B of Code defines the fundamental values as a frame of reference in a given situation.

⁶ Section 13 of Employment Policy indicates the pre-employment vetting on prospective employees as part of the hiring requirement.

⁷ Section 10 of Employment Policy denotes the screening process as a process of choosing individual best suited for a particular position from pool of applicants.

⁸ Section F (4) of Code of Business Ethics and Conduct outlines the general rule shall be used in regards to any political dealings.

⁹ Section C (1) of Code of Business Ethics and Conduct requires employees to safeguard and make only proper and efficient use of the Group's property.

- 6.1.8 *Access Controls* – Implementing effective physical and system access controls is absolutely essential in ensuring that only authorized staff members have access to the Group’s information/intellectual properties.
- 6.1.9 *Delegated Authority Limits* – Granting of signatory powers and limits of authority must be appropriate and based on the staff member’s level of experience, expertise and functional responsibility. As these rights confer powers or representation, it is absolutely essential that the authorized signature list and the limits of authority be kept updated and current. Expenses and payments procedures and authorization processes require a clear understanding of why payments are made and to whom, before such payments are made. Refer to the Chart of Authority for more details.
- 6.1.10 *Know Your Employee* – Internal fraud often succeeds because of inadequate supervision that fail to identify performance and/or behavioural issues that might indicate/lead to potential wrongdoing. In this regard, particular emphasis has to be placed on the employee appraisal and monitoring process which provides an opportunity for employees to voice their grievances and culminating in a common understanding and resolution of their concerns. Refer to F&N Executive Personnel Manual for further details.
- 6.1.11 *Fraud Awareness Programme*¹⁰ – Fraud awareness programme shall be provided to all employees. The communications to staff shall include informing participants of the programme how to identify and report fraud, communicate the protection afforded to whistle blowers, and clearly state the potential consequences of committing or being complicit in fraud.
- 6.2 Fraud Reporting Requirements:
- 6.2.1 Management and staff shall report any suspicious of fraud incident to Internal Audit Department.
- 6.2.2 In addition, Internal Audit Department shall report incidents of suspected or substantiated fraud periodically to the Audit Committee, with notification to Risk Management Department.
- 6.3 Internal Audit Department shall:
- carry out investigations on all incidents of internal fraud fairly and in a timely manner;
 - be given timely access to all relevant records and information from within the entity, as far as the law permits, which they may require to discharge their investigative function; and
 - report fraud investigation findings to Audit Committee and CEO.
- 6.3.1 Functional Heads and Managers
- Prevention and detection of fraud is the responsibility of all F&N employees. In line with this, all Functional Heads and Managers shall:

¹⁰ Section G (1.4) of Code of Business Ethics and Conduct (“Code”) states that on a periodic basis, Group Human Capital and the Chief Financial Officer or their designate shall make presentations to the Group for the purpose of familiarising those employees with the Code.



- ensure Fraud Control Policy and its minimum standards are observed by their staff at all times;
- provide support and assistance, when required, to the investigating officer when investigation is being carried out by Internal Audit Department; and
- encourage staff vigilance to drive early detection and avoidance of fraud activities.

6.4 Recovery of Assets:

6.4.1 F&N shall actively pursue the recovery of assets lost due to fraud whenever possible and practicable using available legal means where appropriate.

6.4.2 The extent of recovery effort may depend upon the nature and circumstances surrounding the loss. The business and functional units will be responsible to pursue the necessary action.

7 Related Policies and Manual

7.1 The following policies and manual are related to this Policy:

- F&N Code of Business Ethics and Conduct;
- F&N Whistle Blowing Policy;
- F&N Employment Policy; and
- F&N Executive Personnel Manual

8 Related Regulations and Legislations

8.1 Related regulations and legislations which governs the reporting obligations by F&N in relation to any fraud committed against the Group are:

- a) Section 266 (8A) of the Companies Act 2016;
- b) Rule 9.03 and 9.19 of the Bursa Main Listing Requirements; and
- c) Section 320 (1) of the Capital Markets & Services Act 2007.

9 Frequency of Review

9.1 This F&N Fraud Control Policy shall be reviewed annually by Risk Management Department and subsequently submitted to the Risk Management Committee for endorsement and recommendations to the Board of Directors for approval.

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