



**CORPORATE FRAUD
AND
INTERNAL CONTROL
POLICY**

1. PURPOSE

This policy defines the responsibilities of management and staff of the organization with regard to the establishment and maintenance of an effective system of internal controls and defines responsibilities when impropriety, including fraud, is suspected or detected.

2. POLICY

It is the policy of the board of directors that:

- Management officers and supervisors will develop and maintain an appropriate system of antifraud measures and will integrate adequate internal controls into organizational processes to protect the corporate assets and resources for which they are responsible. The system should ensure that all transactions are appropriately authorized and properly recorded, that assets are properly safeguarded, and that actions can be accurately traced with originators identified
- Management officers and supervisors will be responsible for evaluating and testing antifraud controls on a periodic basis and will develop the policies, guidelines, and procedures appropriate to ensure the implementation of an effective system of internal control.
- Management officers, supervisors, and staff will maintain an understanding of the risks of irregularities or violations of internal controls and will be alert for any indicators of the potential existence of fraud.
- Management officers, supervisors, and staff will escalate and report any suspected employee or contractual party fraud directly to the appropriate corporate authorities.
- As part of this policy, any allegations of fraud will be investigated objectively, fairly, and promptly.

3. BACKGROUND AND IMPLEMENTATION

Antifraud controls exist as processes implemented within the company to ensure that risks are reduced that could lead to loss of resources or assets by the processing of transactions which are unauthorized or improperly recorded or which cannot be traced back to the originator. These controls are required to ensure the appropriate authorization, accurate, and complete recording, processing, and accountability for all transactions.

In order to ensure the design of an effective system of antifraud controls, a full risk assessment must be conducted in order to identify the degree of threat posed by each fraud opportunity against the interests of the organization. Only at that stage can internal control structures be designed to address specific threats and assure the adequacy of preventive, detective, and corrective controls. The implementation of these controls will be directed by the corporate policies, procedures, and guidelines together with the managerial control responsibilities assigned.

In general, fraud prevention and detection is a fundamental management responsibility. Fraud itself may be defined as the intentional deceit or misrepresentation of a material fact in order to gain an unfair advantage over another or to prejudice their legal right in order to secure such advantage. Frauds may be conducted against the interests of an organization as well as to the “benefit” of the organization which may, ultimately, be equally detrimental.

Frauds perpetrated to the detriment of the organization generally take the form of embezzlement of the organization’s money or assets, including the falsification of records to conceal such embezzlement, intentional misrepresentation of financial and nonfinancial information, solicitation or acceptance of bribes or kickbacks, as well as the agreement to inappropriate terms of discounts on corporate transactions.

Frauds, apparently to the benefit of the organization, may or may not lead to direct benefits for the perpetrator, but normally involve the gaining of an unfair or dishonest advantage over a third party, including such activities as improper valuations of assets, offering of bribes and kickbacks, failure to disclose significant information during the negotiation of contracts, and failure to uphold guarantees or to abide with negotiated terms of contracts.

It is the duty of management to ensure that all employees, suppliers, and customers are aware of the organization’s attitude to fraud and that all stakeholders are encouraged to report known or suspected incidences of fraudulent behavior. Specifically, all employees are required to report to the appropriate authorities within the organization any:

- Suspected or actual fraudulent activities conducted by an employee or third party to the detriment or for the benefit of the organization.
- Violations of laws, regulations, policies, plans, and procedures.
- Misrepresentation of information in correspondence to or from clients, suppliers, or third parties.
- Acceptance of, or solicitation of, bribes, kickbacks, or other gratuities in contravention of corporate policy.

Once reported to the appropriate authorities within the organization, no further action should be taken by employees to investigate suspicious behavior. Such action could have a detrimental effect on subsequent investigations as well as potentially place the employee in danger. Suspicions should be reported by the authorized route and should not be externalized unless failure to do so would place the employee in breach of the law themselves.

When the allegations are made for the appropriate channels, the authorized third party audit, will conduct an internal investigation in order to determine whether sufficient evidence exists to indicate that a fraud, crime, or other activity to the detriment of the organization has occurred or is occurring. Investigation may involve the examination of documentation and business records, conducting of interviews both internally and externally, and, if required, conducting of lifestyle reviews including credit checks on staff members who have fallen under suspicion.

Where the evidence is deemed factual, adequate, and convincing, the evidence will be appropriately preserved and a recommendation made to executive level as to whether the alleged offense involves a criminal breach and should be handed over to the appropriate

legal authorities or whether it should be handled internally using corporate disciplinary procedures.

Disciplinary procedures may be instituted against employees who:

- Have committed, assisted in the commission of, or assisted in the concealment of fraudulent activities.
- Made false statements in connection with investigations of fraudulent activities.
- Retaliated against another employee for reporting fraudulent activities in line with procedures outlined under this policy.

The results of all such investigations will be copied to the audit committee as well as the board of directors.

4. FRAUD AWARENESS TRAINING

Fraud awareness training may be conducted internally or utilizing outside resources in order to ensure all management and employees are aware of the provisions of this policy as well as red flags that may indicate the presence of fraud or fraud opportunities.

As part of management's ongoing risk management activities, fraud risk evaluation will be carried out on an ongoing basis at appropriate management and supervisory levels.