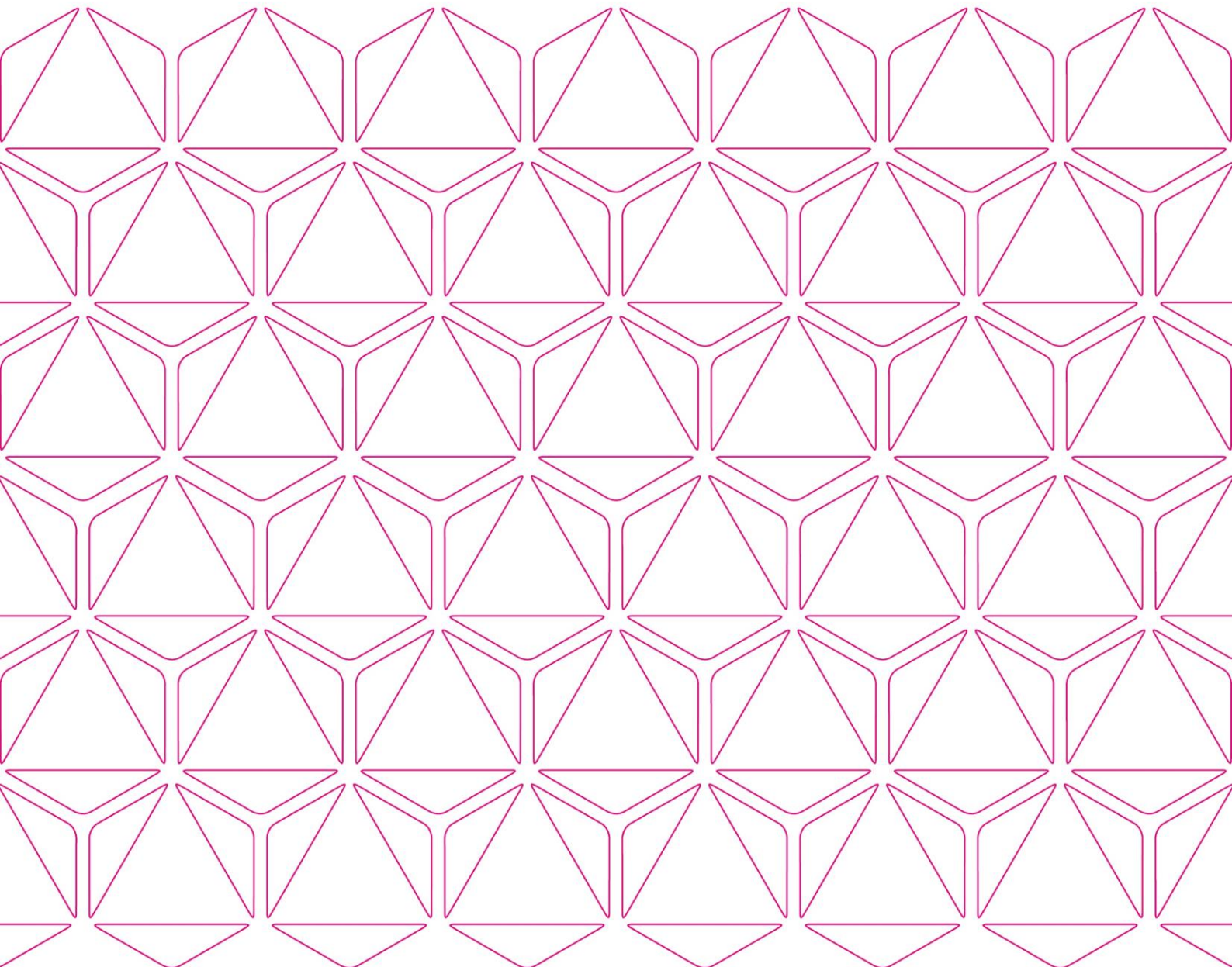


# Fraud, Anti-Bribery and Corruption Policy

Group Corporate



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# Overview

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## Background

Praemium Limited (ASX:PPS) and each of its incorporated subsidiaries (**Praemium**) has a zero tolerance towards fraud, bribery and corruption. Acts (or threats) of fraud, bribery and corruption can affect our reputation, our relationship with our clients and stakeholders and our revenue sources.

This Fraud, Anti-Bribery and Corruption Policy (**Policy**) gives effect to Praemium's commitment to prevent and control fraud, bribery, and corruption.

## Purpose

This Policy aims to protect against, detect and respond to, fraud, bribery and corruption in order to protect the interests of clients, employees and other stakeholders while retaining a high ethical standing within the community.

This Policy is based on the guidelines and principles of *Australian Standard 8001-2008: Fraud and Corruption Control (AS8001-2008)* and is consistent with the Praemium's Corporate Code of Conduct and is also an integral part of its Risk Management Framework, which includes Praemium's Risk Appetite Statement and other associated risk and compliance policies.

## Scope

This Policy applies to all directors, managers and employees including contractors of Praemium (hereafter referred to as "employees" unless otherwise indicated).

All employees are expected to ensure that they understand the key principles, assignment of roles, methodology and responsibilities contained in this Policy.

## Training

The Compliance Officer will ensure that training on this Policy is conducted for all staff at induction and on an ongoing basis.

## Non-compliance

Any non-compliance with and breach of this Policy will be taken seriously, and all matters will be investigated. In assessing non-compliance, each matter will be considered on a case-by-case basis according to its merits. Considerations may include level of non-compliance, reasons for non-compliance (e.g., training), frequency and any other circumstances (e.g., other breaches of a reporting entities or professional standards).

## Review

This Policy will be reviewed when there is a material business or regulatory change and at least annually. The Praemium Limited Board will review and approve updates to this Policy.

# Introduction

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## What is fraud?

Fraud can be defined as dishonest activity causing actual or potential financial loss to any persons or organisations including theft of money or property by employees, or persons outside the organisation, where deception may be used, and includes:

- deliberate falsification, concealment, destruction, or
- use of falsified documentation that is used or intended for use for a normal business purpose, or
- improper use of information or position for financial benefit.

An organisation, or a person claiming to act on Praemium's behalf and in its interests, can also act fraudulently, where they act dishonestly in order to obtain some form of improper advantage for the organisation, either directly or indirectly.

Incidents of fraud, bribery or corruption can lead to criminal prosecution or civil penalties.

Examples of common types of fraud:

- theft of plant, equipment, or inventory by employees
- false invoicing, including creating a fictitious invoice claiming payment for goods or services not delivered, or exaggerating the value of goods delivered or services provided.
- theft of funds or cash (usually involving concealment)
- accounts receivable fraud (misappropriating or misdirecting payments received from a debtor)
- credit card fraud involving unauthorised use of a credit card or credit card number.
- running a private business during work time
- forged qualifications
- theft of intellectual property or other confidential information
- release or use of misleading or inaccurate information for the purposes of deceiving, misleading, or to hide wrongdoing (e.g., to qualify for a bonus, or to hide mistakes)
- insider trading (buying or selling shares due to information obtained through the course of employment which was not known to investors generally)
- misuse of position by managers or directors to obtain some financial advantage.
- financial reporting fraud (falsification of the organisation's financial statements with a view to obtaining some form of improper financial benefit).
- tax evasion
- retaining revenue received (or paid) in error rather than recrediting to the payer; and
- money laundering

This Policy prohibits employees from engaging in any fraudulent acts including those that could be considered money laundering.

## What is bribery?

Bribery is the offering, promising, giving, accepting or soliciting of an advantage as an inducement for action which is illegal, unethical or a breach of trust. A bribe is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage and can take the form of gifts, loans, fees, rewards or other advantages.

An example of bribery is a facilitation payment. Facilitation payments are made for the purpose of expediting or facilitating the occurrence of an activity, agreement or other outcome e.g., processing papers or issuing permits.

This Policy prohibits employees from offering or receiving a bribe including a facilitation payment or any improper payments or benefits to public officials.

## What is corruption?

Corruption can be defined as dishonest activity in which a director, executive, manager, employee or contractor of an organisation acts contrary to its interest and abuses his/her position in order to achieve some personal gain or advantage for him or herself or for another person or entity.

An organisation, or a person claiming to act on its behalf and in its interests, can also act corruptly, where they act dishonestly in order to obtain some form of improper advantage for the organisation, either directly or indirectly.

Examples of common types of corruption:

- paying or receiving secret commissions (bribes), which may be money or some other benefit to the recipient (e.g., building projects completed at an employee's private residence) and may relate to a specific decision or action by the recipient or generally.
- giving out confidential information in exchange for some form of benefit or advantage to the employee releasing the information.
- collusive tendering (the act of multiple tenderers for a particular contract colluding in preparing their bids).
- serious conflict of interest involving a Director or senior executive acting in his or her own self-interest rather than the interests of Praemium (e.g., failing to declare to an interest in a transaction, or excessive payment of remuneration to Directors and senior executives).
- serious nepotism and cronyism, especially in recruitment and promotion, where the appointee is inadequately qualified to perform the role to which he or she has been appointed.
- manipulating the procurement process to favour one tenderer over others or selectively providing information to some tenderers. This includes allowing tenderers to resubmit a 'non-complying' tender after being provided with the details of other bids.
- providing gifts or entertainment intended to achieve a commercial outcome, and which breaches Praemium's Code of Conduct, values, procedures, or gifts policy.
- bribing officials in order to secure a contract for the supply of goods or services; and
- providing private sector secret commissions to secure contracts.

This Policy prohibits employees from using their position and the power of that position for personal gain or advantage for themselves or another person or entity including the payment of secret commissions to those acting in an agency or fiduciary capacity.

# Fraud, Anti-Bribery and Corruption Program

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Our fraud, anti-bribery and corruption control program follows AS8001-2008, and consists of:

- Planning and Resourcing
- Prevention
- Detection
- Response

## Planning and Resourcing

Proper planning and coordinated resourcing are key elements of an anti-fraud, anti-bribery and anti-corruption program.

This is overseen by the Compliance Team and involves the following elements:

- Risk identification and establishment of control measures.
- Allocation of responsibility for implementation and maintenance of the control measures.
- Allocation of adequate resources.
- Review and monitoring of effectiveness of control measures; and
- Framework for incident, reporting and response.

## Prevention

Preventing fraud, bribery and corruption involves establishing an Integrity Framework (**Framework**). The Framework includes the following:

- **Code of Conduct:** our ethical foundation.
- **Gifts policy:** procedures to avoid actual or perceived allegations of bribery.
- **Conflicts of Interest Policy:** procedures to ensure ethical decision-making in the organisation's best interests.
- **Whistle-blower Policy:** Procedures to disclose wrongdoing with protection and safety.
- **PPS Share Trading Policy:** procedures to prevent misuse of price sensitive information and insider trading.
- **Third Party Payment Policy:** procedures to prevent internal or external fraudulent attempts to misappropriate funds.
- **Recruitment and Selection Policy:** procedures to select the best person for the job.
- **Information Security Policy:** identifies information security fundamentals and procedures around handling information.
- **Outsourcing Policy:** procedures on how to select and manage business activities outsourced to external service providers.
- **AML/CTF Program:** procedures to ensure the meeting of requirements regarding AML/CTF rules.
- **Communication and Training for managers and employees:** to raise awareness of appropriate procedures and behaviours, and areas of strong fraud risk
- **Internal and external audit:** reviews processes, compliance and detects anomalies.

## Detection

While the key to a successful fraud, anti-bribery and corruption control program is to take proactive steps to prevent it occurring, if our prevention systems fail, it is critical that it is detected as soon as possible to minimise the impact on the organisation.

The following methods will be employed:

- internal accounting reviews which analyse compliance and detect anomalies.
- use of external auditor to review processes, compliance and detect anomalies.
- all employees to be alert to suspicious activities; and
- all employees are obliged to report suspected or actual incidents of fraud, bribery, or corruption.

### **Warning signs of possible fraud – procedural signs**

Managers and staff should be alert to the common procedural warning signs of fraud:

- unauthorised changes to systems or work practices.
- missing documentation relating to client or organisational financial transactions.
- the same employee performing an excessive number of duties e.g., both processing and approving the same transaction.
- "blind approval", where the person signing does not sight supporting documentation.
- duplicates only of invoices.
- alterations to documents such as logbooks and time sheets.
- senior staff involved in routine process work such as purchasing, ordering and receiving of goods.
- potential conflicts of interest not declared.
- undue secrecy, or excluding people from available information; and
- failure to conduct reference checks on staff prior to appointment.

### **Warning signs of possible fraud – personality and behavioural signs**

Some personality and behavioural signs which may signal raised risk of fraud, bribery or corruption:

- refusal to take leave or take leave rarely.
- possible problem with drugs, alcohol, or gambling.
- staff member undergoes a "character change".
- illogical excuses and reasons for unusual events or actions; and
- staff who treat controls and standard practice as challenges to be overcome or defied.

## **Response to allegations of fraud, bribery or corruption**

The following steps may be taken following an allegation of fraud, bribery or corruption:

1. Investigation of the allegation, overseen by the Company Secretary:
  - should be conducted by an impartial and competent third party, either internal or external to the organisation.
  - must be conducted in confidence, "need to know" basis.
  - the suspect will be given an opportunity to respond to the allegation.
2. External reporting: reporting the incident to third parties where there are regulatory or contractual requirements e.g., ASIC, ASX. Also the police will be involved (where required).
3. Disciplinary action, including dismissal, can be taken against an employee, where fraud, bribery or corruption is established.
4. Procedures will be reviewed, and remedial action taken if required, to remove or reduce the risk of the fraud, bribery or corruption recurring.
5. Where appropriate, legal action will be taken to recover the losses caused by the fraud, bribery or corruption.
6. The Board will be informed of any material incidents of fraud, bribery or corruption.

## What to do if you suspect or know of fraud, bribery or corruption

Discuss or report to:

- your immediate manager, or
- Head of Compliance, or if the Head of Compliance is suspected of fraud, bribery or corruption, then
- Company Secretary or a Director of the Board.

## Key Responsibilities

<b>Head of Compliance</b>	The Head of Compliance has overall responsibility for the overview and maintenance of the Fraud, Anti-Bribery and Corruption Management Program, including planning, resourcing and monitoring the effectiveness of prevention controls and detection measures and management of the investigation and the organisational response.
<b>Managers and Supervisors</b>	<ul style="list-style-type: none"><li>• Ensure compliance with the Corporate Code of Conduct and other organisational policies and procedures in their area of responsibility.</li><li>• Ensure awareness and understanding of fraud, bribery and corruption issues in their area of responsibility.</li><li>• Monitor for non-compliance and fraud warning signs.</li><li>• Report suspicious behaviour.</li><li>• Implement remedial actions.</li></ul>
<b>Staff</b>	<ul style="list-style-type: none"><li>• Comply with Code of Conduct and other organisational policies and procedures.</li><li>• Be aware of fraud, bribery and corruption issues. Note a bribe does not actually have to take place, just promising to give a bribe or agreeing to receive a bribe is an offence.</li><li>• Discuss with or report suspected fraud, bribery or corruption.</li></ul>

## Record Keeping

Praemium must keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.

All employees must declare and enter in the Gifts and Entertainment Register and ensure all expenses claims relating to hospitality, gifts or expenses incurred to third parties are submitted in accordance with our expenses policy and specifically record the reason for the expenditure.

All accounts, invoices, memoranda and other documents and records relating to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and maintained with strict accuracy and completeness.

Praemium will keep a copy of this Policy for at least seven years.

## Monitoring

Praemium will have a two-pronged approach to monitoring and review of this Policy.

Following any detection of fraud, the Head of Compliance in consultation with the Company Secretary will reassess the adequacy of the internal control environment and identify actions to strengthen the controls (if required). Any new actions may be reflected in the review of this Policy as stated below.

A dynamic approach is taken by Praemium to fraud, bribery and corruption with a focus on continuous improvement. Internal control systems and procedures will be subject to regular audits and reviews to provide assurance that they are effective in countering fraud, bribery and corruption.