



## FRAUD POLICY

### A. RATIONALE:

As part of Shang's commitment of strong Corporate Governance, the company seeks to encourage the highest standard of behavior, both ethical and professional, within its work environment.

### B. POLICY STATEMENT

The company regards fraudulent, corrupt, criminal and unethical behavior as unacceptable and treats instances of such behavior seriously. All employees are accountable in acting in accordance to this policy.

### C. SCOPE & ELIGIBILITY

All employees regardless of rank, tenure and employment status are covered under this policy.

### D. DEFINITION OF TERMS

- a. Fraud – a deliberate act or omission that causes someone to obtain benefit to which they are not entitled. It is any practice which involves the use of deceit to provide some form of benefit to the perpetrator. It is any behavior that could be described as deceptive, dishonest or unethical.
- b. Fraud Notification Report Form – a form submitted to the Fraud Investigation Team, that details the following:
  - Incident of Fraud
  - Details of alleged/suspected employees and/or external parties involved in the fraud
  - Coverage period of fraud

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- c. Fraud Investigation Team – composed of Human Resources, Internal Audit and Legal Divisions that reviews and investigates on all Fraud Notification Reports and incidents. Upon validation of fraud incidents, this team recommends all the necessary actions and controls for approval, including appropriate disciplinary action to all concerned parties involved.
- d. Protected Disclosure – confidentiality protection given to an employee or the source of the fraud notification

### **E. IMPLEMENTING GUIDELINES**

- a) Fraud must be intentional. A genuine mistake does not constitute as a fraud. While fraud is often considered as a physical act, such as theft or unlawful use of property, it can also include company time for personal business or the unauthorized release of confidential information, which may have value to a competitor or contains intellectual property. Fraud can involve staff, suppliers, third parties/external partners, customers, either individually, or in collusion. Examples of fraud, but are not limited to the following are as follows:
- Obtaining a benefit of deception
  - Theft of assets or property
  - Collusion with suppliers or potential suppliers
  - Selling of stealing confidential information
  - Unauthorized access to data
  - Use of assets or resources without authority
  - Over-claiming expenses
  - False accounting and documentation
  - Falsifying transactions
  - Operating a private business with company assets or within company time
- b) All employees have the responsibility to protect the company resource and should take appropriate precautions to prevent theft, damage, or misuse of such resources. Employees are expected to identify individuals (internally or externally) who may affect the credibility and integrity of the company. Reports of fraud or suspected fraud will be treated with utmost confidentiality, and will be handled swiftly and diligently.

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- c) Management at all levels will be responsible for the prevention and detection of fraud in their respective divisions. Management must ensure that there are sound businesses, practices, adequate internal controls and appropriate staff awareness at all levels to assist in the prevention and detection of fraud. Management must provide guidance and support to staff when alerted to suspicions of fraud and to give assistance in fraud investigations if necessary.
- d) The company encourages employees to report fraudulent or suspicious behavior and activities committed by employees and others, including contractors, suppliers, customers and other third parties, in the first instance through internal mechanisms, such as through direct supervisors or managers. This should be followed by and supplemented by the accomplishment and submission by the Fraud Notification Report Form. The Fraud Notification Report Form should be submitted to the Fraud Investigation Team.
- e) The process by which suspicion of fraud will be handled are as follows:
- Employee accomplishes the Fraud Notification Report Form and submits it in a sealed envelope to the Human Resources Director.
  - Human Resources Director convenes with Internal Audit and Legal Division, forming the Fraud Investigation Team and standard investigations follow.
  - The Fraud Investigation Team engages an external partner for additional investigation, if needed.
  - Internal Audit, during the investigation process, leads the investigation and performs the following key responsibilities:
    - i. Coordination and management of all fraud investigations
    - ii. Liaising activities with law enforcement authorities (if applicable)
    - iii. Collection of incident reports/fraud reports and data across the company and presents findings to the Fraud Investigation Team.
  - Internal Audit prepares investigation report findings to Legal and HR for review and analysis.
  - The Fraud Investigation Team submits investigation findings and recommendations/next steps to Senior Management and the Audit Risk Committees.
  - In the event that the investigation results to a disciplinary action towards an employee or group of employees, Human Resources in consultation with Legal, will administer any disciplinary action in compliance with the due process as prescribed by law and the company's Code of Conduct.
- f) The company will treat any non-compliance with this policy as a serious matter and the conduct of fraudulent activities outside the scope of employment. The company will monitor compliance and breaches of this policy may lead to disciplinary action resulting to possible termination of employment, and under certain circumstances, referral to law enforcement authorities.



**Shang Properties, Inc. and subsidiaries**

Fraud Notification Report Form	
<b>PERSONAL INFORMATION</b>	
<b>Employee Name:</b>	<b>Employee ID no.:</b>
<b>Position Title:</b>	<b>Div./Dept.</b>
<b>FRAUD DETAILS</b>	
<b>WHAT:</b>	<b>WHEN:</b>
<b>WHERE:</b>	<b>TIME: (if applicable)</b>
<b>WHO ARE INVOLVED:</b>	
<b>HOW: (Please narrate series of event in chronological order)</b>	
<b>Submitted by:</b>	
<b>Printed Name &amp; Signature / Date</b>	

- STRICTLY CONFIDENTIAL, PHOTOCOPY IS NOT ALLOWED -