

CLASSIFICATION

Public

REFERENCE ID

TEC_IA_PP_Fraud Control Policy

مجلس التوازن الاقتصادي
TAWAZUN ECONOMIC COUNCIL



تأسس عام 1992 EST.

Fraud Control Policy

June 2021

V. 3.0

CONTENTS

1. LEADERSHIP MESSAGE	4
Purpose	4
Definitions	4
Policy Objectives and Scope	4
2. GOVERNANCE AND PROFESSIONAL ETHICS STATEMENT	5
Code of Ethics	5
Roles and Responsibilities	5
Tone at The Top	5
Board of Directors	5
Audit Committee	5
Chief Executive Officer	6
Staff	6
Legal Affairs	7
Internal Audit	7
3. FRAUD PREVENTION	7
Tone at The Top	7
Fraud Risk Assessment	7
Fraud Prevention Control	7
Affirmation Process (Declaration)	7
Disclosure of Conflict of Interest	8
Human Resources Procedures	8
Authority Limits	8
Fraud Awareness and Training	8
4. FRAUD DETECTION	8
Fraud Detection Procedures	8
Fraud Reporting Process	9
5. FRAUD RESPONSE	9
Examples of Items to be Reported	9
Response to Concerns, Complaints or Reported Breach	9
Investigation Process	10
Investigation Procedures	10
Documentation of Investigation	10
Investigation Consideration	10
6. REPORTING THE RESULTS	11
Retention of Concerns, Complaints or Reported Breach	11
Recovery of the Proceeds of Fraudulent Activities	11
Corrective Actions	11
7. REVIEW OF FRAUD CONTROL POLICY	11
8. Appendices	13

Appendix (A) Fraud Control Policy Decision Matrix	13
Appendix B - DECLARATION	14

1. LEADERSHIP MESSAGE

- 1.1 Tawazun Economic Council (**Tawazun**) and all of its Subsidiaries (collectively hereafter referred to as 'The Group') is an organization with strong values. We are governed by the values of Integrity, Commitments, and Competence. Our Code of Ethics contains general guidelines for conducting business with the highest standards of ethics.
- 1.2 The Group is committed to an environment where open, honest communications are the norm, not the exception. We want everyone to feel comfortable in approaching their supervisor or management in instances where they believe violations of policies or standards have occurred.

Purpose

- 1.3 This document outlines The Group's policy concerning fraud and provides guidelines for the implementation and enforcement of The Group Fraud Control Policy (referred to hereafter as the 'Policy'). This Policy and any future amendments are subject to the Board of Directors' approval.

Definitions

- 1.4 Fraud can take many forms that are normally characterized by some form of deliberate deception to facilitate or conceal the misappropriation of assets; whereas corruption involves a breach of trust in the performance of official duties. Additionally, misconduct is a broad concept, generally referring to violations of law, regulations and internal policies and procedures.
- 1.5 For the purpose of this Policy, fraud, corruption and misconduct will be encompassed into the word 'fraud' (hereafter referred to as "Fraud") and shall be used to refer to all dishonest, irregular or illegal acts of: fraud; breach of trust; misappropriation; wasting; embezzlement; or bribery which is characterized by a deliberate intent at concealment or false representation and causing or which might cause harm to The Group or affect the financial interest of The Group.
- 1.6 The Group defines Fraud as a dishonest, unethical, irregular or illegal act or practice, characterized by deliberate intent at concealment of a matter of fact - whether by words or conduct - or false representation, which may result in a financial or non-financial loss to The Group.

Policy Objectives and Scope

- 1.7 The Policy is designed to encompass the following:
 - Maintain the highest standard of ethics, professional conduct and fiduciary duty & responsibility;
 - Protect The Group's funds and other assets;
 - Maintain integrity of The Group;
 - Secure The Group's businesses;
 - Protect the reputation of The Group and its employees; and
 - Maintain the highest level of services to the community and individuals.
- 1.8 The Policy has been established to outline the requirements for the development of controls that will assist in the detection, prevention and response to Fraud. It is the intention of The Group to promote consistent organizational behavior by providing guidelines, assigning responsibility for the development of controls and conducting investigations when necessary.
- 1.9 This Policy must be applied to any Fraud, or suspected Fraud, involving any member of the Boards of Directors, the Chief Executive Officers, the Management teams or staff of The Group, as well as minority shareholders and those who conduct business with The Group, such as third party agents, representatives, consultants, contractors, suppliers, vendors, subcontractors and agents (hereafter referred to as "**Stakeholders**").
- 1.10 Investigations shall be conducted irrespective of the individuals' relationship, position or tenure with The Group.

2. GOVERNANCE AND PROFESSIONAL ETHICS STATEMENT

- 2.1 The Group is committed to promoting honesty. The message is clear: ***Fraud will not be tolerated or perpetuated.***
- 2.2 The Group is committed to the highest ethical and moral standards, openness, and accountability. All employees across all levels are expected to share the same commitment and to lead by example in ensuring adherence to appropriate regulations, procedures, practices, and codes of ethics. The Group expects individuals and organizations with whom it does business with to act with honesty and at the highest standards.

Code of Ethics

- 2.3 The Code of Ethics establishes clear guidelines that define the organization's culture and standards of ethical behavior and reflects the Board of Directors, the Chief Executive Officer and the Executive Management's (hereafter collectively referred to as "Management") expectations. All employees and Stakeholders are required to adhere to the standards set out in the Code of Ethics policy.

Roles and Responsibilities

- 2.4 The policies, job descriptions, charters and delegations of authority shall define roles and responsibilities related to Fraud Risk Management.

Tone at The Top

Board of Directors

- 2.5 The Group and each Subsidiary Board of Directors shall ensure that the relevant Management implements and communicates effective Fraud Risk Management Process to empower employees and encourage ethical behavior among Stakeholders and to meet these standards every day.
- 2.6 The Group and each Subsidiary Board shall:
 - Set appropriate "tone at the top" through the Chairman of the Board of Directors, senior management, and Code of Ethics;
 - Obtain a clear understanding of existing Fraud Risks;
 - Maintain oversight of Fraud Risk management;
 - Receive and monitor the Fraud risk reports, policies, and control activities;
 - Approve the Policy and any subsequent amendments to it;
 - Oversee the internal control function established by Management for preventing, detecting and responding to Fraud;
 - Ensure that Management has adequate resources at its disposal to enable The Group to achieve its Fraud Risk Management objectives; and
 - Issue a statement to be acknowledged by all Stakeholders stressing the importance of the Fraud risk mitigation, acknowledging the potential vulnerability to Fraud and establish the responsibility for each person within The Group to support Fraud Risk Management.

Audit Committee

- 2.7 The Audit Committee Shall:
 - Adopt a proactive approach to Fraud Risk Management;
 - Assess, monitor, and influence the tone at the top by reinforcing a zero-tolerance policy on Fraud;
 - Establish procedures for employees and other Stakeholders to report concerns about Fraud and unethical behavior (on the ***Tawazun Ethics Line (TEL)*** website or by phone)
 - Oversee the Tawazun Good Conduct Committee function which is responsible for responding to Fraud;
 - Maintain an active role in the oversight of The Groups' assessment of Fraud risks,
 - Meet frequently (and with sufficient preparation) to reasonably assess and respond to Fraud risks;
 - Appoint legal, accounting and other professionals when deemed necessary;

- Seek the advice of internal and/or external counsel whenever dealing with issues of Fraud allegations; provide specific consideration and oversight of this exposure when reviewing the work of Management and require them to be alert for and report any such exposure as they carry out their duties;
- Receive regular reports on the status of reported or alleged Fraud; and
- Provide insight and guidance on implementing and strengthening the antifraud measures.

Chief Executive Officer

2.8 The Group and each Subsidiary's Chief Executive Officer shall take overall relevant responsibility for the prevention, detection and response to Fraud.

Management

2.9 Management shall be responsible for the development and implementation of the Fraud Risk Management Plan, including each manager and employee's responsibility for detecting Fraud or related dishonest activities in their areas of responsibility.

2.10 The Group and the Subsidiaries' Management shall:

- Establish and implement adequate internal controls, by designing and implementing Fraud control activities, to prevent and detect Fraud;
- Understand the Fraud risks associated in their function or which might occur in their area and be alert to them;
- Create a culture through actions and words where it is clear that Fraud is not tolerated, any such behavior is dealt with swiftly and decisively, and that whistleblowers will not suffer reprisal;
- Report to the relevant Board on what actions have been taken to manage Fraud risk and regularly report on the effectiveness of the Fraud Risk Management Plan. This includes reporting any remedial steps that are needed, as well as reporting actual Fraud; and
- Ensure that background checks on new and existing suppliers, customers, and business partners to identify any issues of financial health, ownership, reputation, and integrity that may represent an unacceptable risk to the Group.

Staff

2.11 All levels of staff, including Management, shall:

- Understand their roles within the internal control framework and how their job procedures are designed to manage Fraud risks and how non-compliance may create an opportunity for Fraud to occur or go undetected;
- Have a basic understanding of Fraud and are aware of the potential red flags;
- Read and understand policies and procedures (e.g. the Fraud Policy, Code of Ethics, disclosure procedures, and other relevant policies and procedures);
- Participate in the process of creating a strong control environment, design and implement fraud control activities, as well as participate in monitoring such activities;
- Cooperate with the Investigation Team;
- Act with propriety in the use of The Group's resources and in the handling and use of funds whether they are in cash or payment systems and when dealing with other Stakeholders;
- Report immediately if they suspect or believe that there is evidence of irregular or improper behavior or that an incident of Fraud may have occurred;
- Refrain from further investigating the incident reported, confronting the alleged violator, or further discussing the incident with anyone unless authorized and requested to by the Audit Committee, Internal Audit, Legal Affairs and/or law enforcement personnel; and
- Take into consideration the employee's right to report any Fraud or suspected Fraud cases.

Legal Affairs

2.12 The Legal Department shall:

- Provide guidance to the Investigation Team;
- Advise Management on other matters that may impact The Group's Fraud or risk activities including - but not limited - to conducting proper due diligences and/or background checks when dealing with Stakeholders; and
- Provide advice on the legal position in case of pursuing the accused fraudster to recover assets stolen or a breach of trust for damages.

Internal Audit

2.13 Internal Audit shall:

- Coordinate the Fraud Risk Assessment process;
- Coordinate compliance with the annual reviews of Fraud Mitigation Strategies in addition to the Fraud Risk Assessment by management;
- Review the comprehensiveness and adequacy of the risks identified by Management — above all with regards to Management's override of controls;
- Consider the Fraud Risk Assessment when developing the Annual Audit Plan and review Management's Fraud Risk Assessment and capabilities periodically;
- Spend adequate time and attention evaluating the design and operation of internal controls related to Fraud Risk Management;
- Act independently and have adequate access to the Audit Committee;
- Register and compare Fraud incident reports by maintaining a log of the reported Fraud cases;
- Supervise and conduct investigations of the alleged or suspected Fraud cases; and
- Assist Fraud investigators in collecting and preserving evidence as well as providing management on the appropriate detective and preventive fraud controls.

3. FRAUD PREVENTION

3.1 Management must adopt a preventative approach for identifying, analyzing and managing the risk of Fraud that could prevent The Group from achieving its business objectives or strategies.

Tone at The Top

3.2 Tone at the Top is set at an appropriate zero tolerance to Fraud; starting with the Chairman of the Board of Directors and each member of the Executive Management team.

Fraud Risk Assessment

3.3 A Fraud Risk Assessment shall be performed on a systematic and recurring basis, involve the appropriate personnel, consider relevant Fraud scenarios, and map those Fraud scenarios so that steps can be taken to prevent or mitigate the risks of Fraud.

3.4 Fraud may occur in areas with no history of Fraud; thus, past instances or history is not an indication of whether the area is susceptible to Fraud or not.

Fraud Prevention Control

3.5 Preventive controls are designed to assist The Group reduce the risk of Fraud from happening.

Affirmation Process (Declaration)

3.6 All employees shall acknowledge they have read, understood, and will comply with the Code of Ethics and Fraud Control Policy to support the Group's Fraud Risk Management.

- 3.7 Disciplinary action will apply for refusal to sign-off and apply such actions consistently. See Appendix B for *Acknowledgement Form*.

Disclosure of Conflict of Interest

- 3.8 All Stakeholders must disclose any personal or outside interest, relationship or responsibility (financial, professional or otherwise) held by the relevant Stakeholder with respect to any potential or actual transaction, agreement or other matter which is or may be presented to management for consideration - even if such interest, relationship or responsibility has otherwise generally been disclosed. The relevant management has to be informed through the employee's immediate superior or the Board of Directors if the person is a member of the Board.
- 3.9 This should be documented in accordance with the requirement of the Code of Ethics, and any constraints placed on the situation must be monitored.

Human Resources Procedures

- 3.10 The relevant Human Resources Department (**HR**) shall:
- Perform background checks, document verification to verify employees' credentials and competence, match skills to the job requirements, and be aware of any issues of personal integrity that may impact their suitability for the position;
 - Obtain confirmation of work history and education presented on a job application or CV;
 - Evaluate performance and compensation programs for all employees and take into consideration work-related competence, behavior and performance as per this Policy;
 - Conduct exit interviews for all employees leaving The Group as they may have information regarding possible Fraud existing within The Group.

Authority Limits

- 3.11 All employees are required to follow Delegation of Authority Matrices established across The Group.
- 3.12 As a process-level control, individuals working within a specific function must be assigned appropriate IT access, which will enable them to perform their duties.

Fraud Awareness and Training

- 3.13 Training and seminars on Fraud awareness will be provided to all employees on a regular basis. HR will maintain records of annual attendance in each employee file.

4. FRAUD DETECTION

- 4.1 Management must have detective procedures in place to increase their ability to detect and prevent Fraud, control costs and protect revenue. Detective controls are designed to uncover Fraud as it happens.

Fraud Detection Procedures

- Effective automated systems must be used to identify potential red flags within the financial transactions. Data analysis, continuous monitoring, and other such tools shall be used to effectively detect Fraud activities, where applicable.
- Employees shall ensure the greatest possible transparency of transactions;
- A reporting mechanism for Whistleblowing through the Tawazun Ethics Line (TEL, website or phone) is available to all employees and Stakeholders for the purpose of reporting unethical or inappropriate events, behavior or practices as well as any breaches of policies.
- Ethical and compliance matters related to Acquisition Management and Engineering business units must be reported through the designated link available on the Tawazun Ethics Line website.

- 4.2 This mechanism shall provide anonymity. The Group preserves the confidentiality of the Whistleblower and provides assurance to employees that they will not be penalized for reporting their suspicious of wrongdoing in good faith including reporting wrongdoing by their superiors.

Fraud Reporting Process

- Each employee has the responsibility to report Fraud. Reports or breaches should be reported to Tawazun Good Conduct Committee through the **Tawazun Ethics Line (TEL)** channels or alternatively, report the matter to the Head of Internal Audit, either in person or in writing in accordance with the Whistleblowing Procedures.
- In case the employee reported the Fraud to his/her supervisor, the supervisor shall inform Tawazun Good Conduct Committee, Head of Internal Audit and/or Higher Management in accordance with the Whistleblowing Procedures.
- Ethical and compliance matters related to Acquisition Management (AMU) and Engineering (EU) business units must be reported through the designated link available on the Tawazun Ethics Line website.
- There may be circumstances, because of the nature of the investigation or disclosure, or where it may be required under law or regulation, when it will be necessary to disclose the identity of the Whistleblower. This may occur in connection with associated disciplinary or legal investigations or proceedings. If, in Management's view such circumstances exist, Management will inform the Whistleblower that his/her identity is likely to be disclosed. The organization confirms that reports made in good faith will not result in adverse action to the Whistleblower. Any malicious allegations may lead to appropriate disciplinary action.

5. FRAUD RESPONSE

- 5.1 Response controls are designed to take corrective action and to correct fraudulent events caused by the fraudster.

Examples of Items to be Reported

- 5.2 The Group requires all persons to report - in good faith - any dishonest, unethical, irregular, or illegal act or practice including, but not limited to:
- Unlawful and/or illegal conduct such as theft, fraud, and external or internal corruption;
 - A deliberate concealment of information;
 - Failure to comply with The Group's policies and procedures;
 - Failure to comply with applicable laws and regulations;
 - Potential, perceived, or actual conflict of interest; and
 - Any conduct which may cause harm (financial, reputational or otherwise) to The Group or any of its Stakeholders.

Response to Concerns, Complaints or Reported Breach

- 5.3 The Fraud response plan is a step by step process of the procedures that should be considered by Tawazun Good Conduct Committee / Investigation Team when a material incident of Fraud occurs.
- 5.4 Actions to be taken when a Fraud is suspected:
- Assess the facts reported (preliminary review) in order to understand the possible level (internal/external, level of the internal staff involvement, etc.) and the extent of any potential breach, as well as the severity of the case reported.
 - Inform Tawazun Good Conduct Committee members and agree on any action to be taken, and if necessary, request comments/feedback from the Audit Committee;
 - Decide whether further action is necessary and whether an investigation should be carried out.
 - Commence an investigation, with the initial aim of establishing the scale of the Fraud and the degree of contamination within The Group.

Investigation Process

- 5.5 In matters deemed necessary for investigation, Tawazun Good Conduct Committee will select and identify properly qualified and placed individuals to conduct the investigation (i.e. the Investigation Team). Matters may require consultation with the Head of Legal, Head of HR, and/or the Board of Directors or one of its committees (i.e. GS / Audit Committee). In certain cases, the Board or one of its committees may oversee an investigation.
- 5.6 The Investigator or Tawazun Good Conduct Committee may hear the statement of the complainant or inform and collect evidence under the supervision of Legal and HR.

Investigation Procedures

- 5.7 The procedures to be undertaken in each investigation are dependent upon the nature of the concern, complaint or reported breach and circumstances of the situation as it is presented. Examples of procedures that may be followed:
- Obtain copy of concern /complaint or reported breach;
 - Identify, secure and gather data in whatever form, including the changing of locks and system access (where necessary and/or applicable);
 - Obtain and analyze documents;
 - Conduct initial validation of the information received to understand whether or not the claims are valid or not valid;
 - Perform data analytics on structured/unstructured data;
 - Interview relevant internal and external individuals, document the interview and obtain their acknowledgement on the facts;
 - Secure documents and relevant evidence related to the suspected Fraud, such as contents of the suspect's office or workstation, personal computer, diary and files including all personal documents, where possible/applicable; and
 - Document the minutes of meeting with people involved and acknowledge their acceptance of the findings, where possible, and draft a report.

Documentation of Investigation

- 5.8 The Investigation Team will objectively evaluate the results of its work steps to identify and present the facts in a clear and concise manner.
- 5.9 The format and delivery dates of reports and other deliverables should be determined by supervising Stakeholders in conjunction with the Investigation Team during initial planning and scoping of the investigation. However, adjustments to reports or deliverables may be warranted as an investigation develops. Interim deliverables may also be required.
- 5.10 Work papers are considered to be any electronic, manual or other records created in support of an investigation other than a report or deliverable by the Investigation Team. Examples of work papers that should be maintained include:
- Documentation of testing procedures;
 - Tests and/or reconciliations of financial data records of interviews;
 - Data analysis, investigation planning and completion checklists;
 - E-mails related to the investigation; and
 - Any consultation memo.
- 5.11 Tawazun Good Conduct Committee will formally review the investigation report in accordance with the initial scope provided to the Investigation Team. The Board, or one of its committees, may review the investigation report, particularly if they directed the Investigation Team to begin with.
- 5.12 Following review of the investigation report, Management, the Board or one of its committees will determine whether additional investigations or corrective actions are warranted.

Investigation Consideration

- 5.13 During Investigations, consideration should be given to the following:

- **Confidentiality** – information gathered must be kept confidential and its distribution limited to those who have a legitimate need to know. This is important so as to avoid damaging the reputations of persons suspected but subsequently found innocent of wrong-doing and to protect The Group from potential civil liability.
- **Legal & HR Involvement** – legal counsel & HR representatives must be involved early in the process or, in some cases, leading up to the investigation, in order to safeguard work papers and to ensure employee rights are not violated.
- **Securing evidence** – documents/evidence must be protected so that nothing is destroyed and so that they are admissible in legal proceedings.
- **Objectivity** – the Investigation Team must review all the facts in order to conduct an objective assessment.
- **Goals** – the investigation must minimize disruption to The Group operations, where possible.

6. REPORTING THE RESULTS

6.1 The Investigation Team shall:

- Report its findings and recommendations to Tawazun Good Conduct Committee;
- Review the report with Tawazun Good Conduct Committee members and agree on action plans, inform the Audit Committee and CEO;
- Designate someone to deal with media publicity, if applicable or deemed necessary; and
- Issue the report to Management and request implementation of the recommendation.

Retention of Concerns, Complaints or Reported Breach

6.2 Internal Audit will maintain a log of concerns, complaints or reported breaches. This log should be updated on a regular basis.

Recovery of the Proceeds of Fraudulent Activities

6.3 All reasonable steps (including the institution of criminal or civil proceedings) shall be taken to recover property of The Group that has been misappropriated or otherwise been obtained as a result -either directly or indirectly- of Fraud.

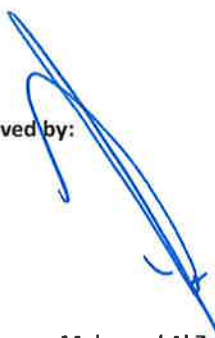
Corrective Actions

6.4 After the investigation has been completed, Tawazun Good Conduct Committee will request from the concerned department an implementation status of the recommendation made.

7. REVIEW OF FRAUD CONTROL POLICY

7.1 This Policy shall be reviewed and approved by the Board of Directors on recommendations from the Audit Committee and updated when deemed necessary.

Approved by:



H.E. Jassem Mohamed Al Zaabi

Secretary General, TEC

8. APPENDICES

Appendix (A) Fraud Control Policy Decision Matrix

	Action Required	Exec Mgmt.	Line Mgmt.	Internal Audit	Finance	Legal Mgmt.	Human Resources	Corporate Branding and Communication
1.	Controls to Prevent Fraud	1	1		3	3	3	3
2.	Incident Reporting	2	2	2	2	2	2	2
3.	Investigation of Fraud	2		1		1		
4.	Referrals to Law Enforcement	1				2		
5.	Recovery of Monies Due to Fraud				2	1	2	
6.	Recommendations to Prevent Fraud	2	2	1	2	3	3	3
7.	Handle Cases of a Sensitive Nature	1		2		2	2	
8.	Publicity/Press Releases	2				2		1
9.	Civil Litigation	2				1		
10.	Corrective Action/ Recommendations to Prevent Recurrences	2	1	3			2	
11.	Monitor Recoveries	3			1		3	
12.	Proactive Fraud Auditing		2	1	2			
13.	Fraud Education/Training	2	2	2	2	2	1	
14.	Risk Analysis of Areas Of Vulnerability	2	1	3	2		2	
15.	Case Analysis			2	2		2	
16.	disclosure procedure	1	2			2	2	2

1 = (Primary Responsibility) 2 = (Shared Responsibility) 3 = (Secondary Responsibility)

Appendix B - DECLARATION

Name of the Employee:

Employee No.:

Name of the Group Department:

Job Title:

Date of joining

I,..... [Employee Name], hereby confirm that I have read, understood, and acknowledge to adhere to the content of the Code of Ethics and Fraud Control Policy on the[insert date] and further confirm that I will comply fully to the extent that it is written.

Name:

Date:

Signature:

NOTE: This declaration is completed online via Oracle Self Service for all employees with access to the system.