**FRAUD POLICY**

**BACKGROUND**

The corporate fraud policy is established to facilitate the development

of controls that will aid in the detection and prevention of fraud

against ABC Corporation. It is the intent of ABC Corporation to

promote consistent organizational behaviour by providing guidelines

and assigning responsibility for the development of controls and

conduct of investigations.

**SCOPE OF POLICY**

This policy applies to any irregularity, or suspected irregularity,

involving employees as well as shareholders, consultants, vendors,

contractors, outside agencies doing business with employees of such

agencies, and/or any other parties with a business relationship with

ABC Corporation (also called the Company).

Any investigative activity required will be conducted without regard

to the suspected wrongdoer’s length of service, position/title, or

relationship to the Company.

**POLICY**

Management is responsible for the detection and prevention of fraud,

misappropriations, and other irregularities. Fraud is defined as the

intentional, false representation or concealment of a material fact for

the purpose of inducing another to act upon it to his or her injury.

Each member of the management team will be familiar with the types

of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

Any irregularity that is detected or suspected must be reported

immediately to the Director of \_\_\_\_\_\_\_\_\_\_\_\_\_, who coordinates all

investigations with the Legal Department and other affected areas,

both internal and external.

**ACTIONS CONSTITUTING FRAUD**

The terms defalcation, misappropriation, and other fiscal irregularities

refer to, but are not limited to:

• Any dishonest or fraudulent act

• Misappropriation of funds, securities, supplies, or other assets

• Impropriety in the handling or reporting of money or financial

transactions

• Profiteering as a result of insider knowledge of company activities

• Disclosing confidential and proprietary information to outside

parties

• Disclosing to other persons securities activities engaged in or

contemplated by the company

• Accepting or seeking anything of material value from contractors,

vendors, or persons providing services/materials to the Company.

Exception: Gifts less than $50 in value.

• Destruction, removal, or inappropriate use of records, furniture,

fixtures, and equipment; and/or

• Any similar or related irregularity

**OTHER IRREGULARITIES**

Irregularities concerning an employee’s moral, ethical, or behavioural

conduct should be resolved by departmental management and the

Employee Relations Unit of Human Resources rather than the

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Unit.

If there is any question as to whether an action constitutes fraud, contact the Director of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ for guidance.

**INVESTIGATION RESPONSIBILITIES**

The \_\_\_\_\_\_\_\_\_\_\_\_ Unit has the primary responsibility for the

investigation of all suspected fraudulent acts as defined in the policy.

If the investigation substantiates that fraudulent activities have occurred, the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ Unit will issue reports to appropriate

designated personnel and, if appropriate, to the Board of Directors

through the Audit Committee.

Decisions to prosecute or refer the examination results to the

appropriate law enforcement and/or regulatory agencies for

independent investigation will be made in conjunction with legal

counsel and senior management, as will final decisions on disposition

of the case.

**CONFIDENTIALITY**

The \_\_\_\_\_\_\_\_\_\_\_\_\_\_ Unit treats all information received

confidentially. Any employee who suspects dishonest or fraudulent

activity will notify the \_\_\_\_\_\_\_\_\_\_\_\_\_ Unit immediately, and should

not attempt to personally conduct investigations or interviews/interrogations

related to any suspected fraudulent act (see REPORTING

PROCEDURE section below).

Investigation results will not be disclosed or discussed with anyone other

than those who have a legitimate need to know. This is important in

order to avoid damaging the reputations of persons suspected but

subsequently found innocent of wrongful conduct and to protect

the Company from potential civil liability.

**AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD**

Members of the Investigation Unit will have:

• Free and unrestricted access to all Company records and

premises, whether owned or rented; and

• The authority to examine, copy, and/or remove all or any

portion of the contents of files, desks, cabinets, and other

storage facilities on the premises without prior knowledge or

consent of any individual who might use or have custody of

any such items or facilities when it is within the scope of their

investigation.

**REPORTING PROCEDURES**

Great care must be taken in the investigation of suspected

improprieties or irregularities so as to avoid mistaken accusations

or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will

contact the \_\_\_\_\_\_\_\_\_\_\_\_\_ Unit immediately. The employee or other

complainant may remain anonymous. All inquiries concerning the

activity under investigation from the suspected individual, his or

her attorney or representative, or any other inquirer should be

directed to the Investigations Unit or the Legal Department. No

information concerning the status of an investigation will be given

out. The proper response to any inquiries is: “I am not at liberty to

discuss this matter.” Under no circumstances should any reference be

made to “the allegation,” “the crime,” “the fraud,” “the forgery,”

“the misappropriation,” or any other specific reference.

The reporting individual should be informed of the following:

• Do not contact the suspected individual in an effort to determine

facts or demand restitution.

• Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Legal Department or

\_\_\_\_\_\_\_\_\_\_\_\_ Unit.

**TERMINATION**

If an investigation results in a recommendation to terminate an

individual, the recommendation will be reviewed for approval by the

designated representatives from Human Resources and the Legal

Department and, if necessary, by outside counsel, before any such

action is taken. The \_\_\_\_\_\_\_\_\_\_\_ Unit does not have the authority

to terminate an employee. The decision to terminate an employee is

made by the employee’s management. Should the \_\_\_\_\_\_\_\_\_\_\_\_\_

Unit believe the management decision inappropriate for the facts

presented, the facts will be presented to executive level management

for a decision.

**ADMINISTRATION**

The Director of \_\_\_\_\_\_\_\_\_\_\_ is responsible for the administration,

revision, interpretation, and application of this policy. The policy will

be reviewed annually and revised as needed.

**APPROVAL**

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(CEO/Senior Vice President/Executive) Date