

# CITY DEVELOPMENTS LIMITED

## FRAUD POLICY

(\*All employees of CDL are required to read the full version of the CDL Fraud Policy & Guidelines, which is available on CDL's intranet, CDL360.)

### I. STATEMENT OF COMMITMENT TO PREVENT FRAUD

This Fraud Policy (the "**Fraud Policy**") has been established as part of the internal controls framework of City Developments Limited ("**CDL**" or the "**Company**") to facilitate the development and maintenance of controls to assist in the detection and prevention of fraud, including fraudulent financial reporting. It is the intent of CDL to promote consistent organizational behaviour by providing guidelines and assigning responsibilities for the development and maintenance of controls and the conduct of investigations.

**Scope of Policy:** This Fraud Policy applies to any irregularity, or suspected irregularity, involving directors, officers and employees of CDL and its subsidiaries (the "**Group**") (collectively referred to as the "**Employees**" or "**you**" in this Fraud Policy), and any stakeholders or any other parties with a business relationship with the Group.

As the operations of the Group span multiple jurisdictions, to the extent that any of the Company's listed or key operating subsidiaries have adopted their own fraud policies specific to the industry, environment and/or countries in which they operate, this Fraud Policy should be understood to provide general overarching guidance and is not intended to supersede any provisions of such subsidiaries' policies which are more restrictive than set out in this Fraud Policy, and the more restrictive or specific set of rules should be complied with by the relevant persons.

**Purpose of Policy:** The overall purpose of this Fraud Policy is:

- i. to educate and improve the knowledge and understanding of all Employees, irrespective of their position, to the potential risks of fraud;
- ii. to provide direction and guidance to Employees who may find themselves having to deal with any irregularity or suspected irregularity; and
- iii. to set out the responsibilities regarding the prevention, detection and investigation of fraud.

The Company values the integrity of its Employees and recognizes that they have a key role to play in the prevention, detection and reporting of fraud. We therefore ask Employees to be vigilant at all times and to report any concerns that they may have at the earliest opportunity.

All reported cases of fraud will be investigated. Disciplinary or legal action will be taken against any individual or group who perpetrates any act constituting fraud against the Company and/or its stakeholders and any other parties with a business relationship with the Group, and where necessary, steps will be taken to recover any losses incurred.

This Fraud Policy should be read in conjunction with the CDL Anti-Corruption Policy and the CDL Whistle-Blowing Policy (*as established and amended from time to time*).

This Fraud Policy does not and cannot reasonably cover every situation that you may face in the course of your employment with the Group. If you are in any doubt as to how you should apply any of the provisions of this Fraud Policy, you are strongly encouraged to seek guidance from your immediate supervisor, your head of department or division, the CDL

Internal Audit Department, the CDL Legal Department or where appropriate, the Company's senior management.

## **II. FRAUD POLICY**

### **1. Prohibition against all forms of fraudulent conduct**

- 1.1 Employees are expected to act at all times with honesty and integrity in the course of their work or in the exercise of their duties.
- 1.2 Employees are strictly prohibited from participating in any form of fraudulent, deceptive, dishonest or unscrupulous conduct in the course of their work or in the exercise of their duties. Such conduct also generally constitutes criminal offences in most jurisdictions which carry serious penalties on conviction.
- 1.3 Fraud is generally defined as acts involving deception, cheating, forgery, bribery, corruption, theft, embezzlement, misappropriation, extortion, conspiracy, false representation, concealment of material facts and collusion. For practical purposes, fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. Actions constituting fraudulent conduct include, but are not limited to the following:
  - (i) Misappropriation or theft of company funds, properties, supplies or other assets, including the removal, misuse or destruction of the same for any illegal, improper or unethical purpose;
  - (ii) Impropriety in the handling or reporting of money or financial transactions, which include false accounting and misleading disclosures, i.e. dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting, audit or financial purposes, or furnishing information which is misleading, false or deceptive;
  - (iii) Forgery or unauthorised alteration of any company documents;
  - (iv) Improper/unauthorised disclosure, use and/or manipulation of confidential, proprietary, commercially-sensitive or price-sensitive information;
  - (v) Profiteering as a result of insider knowledge of company activities or information;
  - (vi) Giving or receiving of bribes, kickbacks, gratifications or other corrupt payments (*for further guidance on this subject – please refer to the CDL Anti-Corruption Policy*);
  - (vii) Deliberate effort to mislead, deceive, manipulate, coerce or fraudulently influence any internal or external auditor/accountant in connection with the preparation, examination, audit or review of any financial statements or records of the company; and
  - (viii) Any dishonest or fraudulent act.

### **2. Other irregularities**

- 2.1. Irregularities concerning an Employee's behavioural conduct, which do not constitute fraudulent conduct under the purview of this Fraud Policy, should be resolved by the relevant management of the Employee and/or the Human Resource Department.
- 2.2. If there is any question as to whether an action constitutes fraud, you are strongly encouraged to seek guidance from your immediate supervisors, the Internal Audit department or, where appropriate, the Company's senior management.

### **3. Management's responsibilities**

- 3.1 Management is responsible for developing and maintaining effective internal controls to prevent fraud and to ensure that if fraud does occur, it will be detected promptly. Each member of the management team shall be familiar with the types of impropriety that might occur within his or her area of responsibilities, and remain alert in case of any indication of irregularity.
- 3.2 All managers, including line managers, have a responsibility to:
- (a) ensure that an adequate system of internal controls exists within their areas of responsibility and that such controls are effective;
  - (b) be familiar with this Fraud Policy, and be aware of the areas of high risk of fraud; and
  - (c) ensure that this Fraud Policy and the other corporate policies of the Company are communicated to all staff under their responsibility.
- 3.3 All managers are required to refer to and comply with the rules and guidelines on internal controls as set out in Section III: Internal Controls of this Fraud Policy.

### **4. Responsibility for investigation**

- 4.1 The CDL Internal Audit Department has the primary responsibility for the investigation of all suspected fraudulent acts as defined in this Fraud Policy. The investigation shall be assisted, as appropriate, by the senior management personnel from the CDL Legal Department, the CDL Human Resource Department and/or the relevant department(s) which may be affected by the suspected fraudulent acts. If the investigation substantiates that fraudulent activities have occurred, the Head of Internal Audit will issue the relevant reports to the Audit & Risk Committee and the senior management.
- 4.2 Decisions to refer the investigation findings to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made by the Audit & Risk Committee in conjunction with the advice and recommendation from the Head of Internal Audit, Head of Legal, external legal counsel (as appropriate), Head of Human Resource and senior management. This includes the reporting of instances of fraud which are required to be reported to the external auditors of the Company in accordance with applicable statutory provisions.
- 4.3 Great care must be taken in the investigation of suspected fraud or wrongdoing so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. All information received by the CDL Internal Audit Department in the course of its investigation shall be treated as confidential. Investigation findings or results will only be disclosed or discussed with persons on a strictly need-to-know basis. This is important in order to avoid damaging the reputations of persons suspected but subsequently found to be innocent of any wrongful conduct and to protect the Company from potential civil liability.

## 5. Employees' responsibilities

5.1. You are responsible:

- (a) to ensure that you read, understand and comply with this Fraud Policy as well as any future updates and other materials issued from time to time as part of the Company's efforts to educate, detect and prevent fraud;
- (b) to ensure that you are familiar with, and comply with, all controls and procedures as set out in your areas of responsibility;
- (c) to report any actual or suspected fraudulent activity in accordance with this Fraud Policy; and
- (d) to avoid any activity that might lead to, or suggest, a breach of this Fraud Policy.

5.2. Employees are also required to read the CDL Whistle-blowing Policy in conjunction with this Fraud Policy. A copy of the Whistleblowing Policy may be found on the Company's intranet and on the Company's corporate website.

5.3. If you are aware of or have reasonable grounds to suspect any fraudulent activity in the course of your work, you are required to report this as soon as possible to your immediate supervisor(s) or otherwise lodge a report (which may be anonymous) in accordance with the CDL Whistle-blowing Policy, and to provide such information and/or assistance as may be required for a thorough investigation to be conducted. You should not attempt to personally conduct investigations or interviews or interrogations related to any suspected fraudulent act.

5.4. The Company is committed to ensuring that no Employee suffers any detrimental action as a result of reporting in good faith his or her suspicion that an actual or suspected fraudulent act has taken place. Detrimental treatment would include unfair dismissal, discrimination, disciplinary action, threats or other unfavourable treatment connected with raising such concerns to the Company.

5.5. Apart from potential criminal and civil liabilities involving imprisonment and/or a hefty fine, Employees who are found to be in violation of this Fraud Policy shall be subject to appropriate disciplinary action, which may extend to immediate termination of employment or appointment. Disciplinary action will also be taken against Employees who have knowledge of such violations but conceal such information from the Group, or who take detrimental action against others who report such violations.

### III. INTERNAL CONTROLS

- 1.1 It would not be possible to list out all the measures which the Group companies or Employees may undertake at every level to prevent or minimise the instances of fraudulent, deceptive, dishonest or unscrupulous conduct in the course of work.
- 1.2 The internal controls framework of the Group is based on the development, implementation and monitoring of such management structures, organisational behaviours, policies, procedures, records and methods of reporting, assessment and audit that are necessary to collectively ensure that the financial and non-financial operations of the Group are conducted in an efficient manner to, inter alia:
- (i) achieve the Group's objectives;
  - (ii) safeguard shareholders' interests and safeguard the Group's assets against loss from unauthorised use or disposition;
  - (iii) ensure all financial and other records are properly recorded and maintained;
  - (iv) detect and prevent fraud or irregularities (for example, questionable or illegal payments and practices, and conflicts of interest); and
  - (v) maintain accountability for the Group's assets.
- 1.3
- (a) Each business unit or function of the Group should consider and set specific procedures and measures to minimise the incidence of fraudulent, deceptive, dishonest or unscrupulous conduct being perpetrated or condoned or going undetected.
  - (b) Policies and procedures should be clear, practical and accessible, with a view to effective and practical implementation by Employees.
  - (c) Employees are required to read, be familiar with and comply with the procedures and measures set by their respective business units or functions.
  - (d) There should be adequate ongoing monitoring and review of compliance with the policies and procedures, including the reporting and incident management procedures.
  - (e) Policies and procedures should be reviewed and enhanced at regular intervals and where considered necessary in light of evolving circumstances.
- 1.4 Each business unit or function of the Group is required to:
- (a) Establish and maintain an adequate and effective system of internal controls to address the financial, operational, compliance and information technology risks in its area of responsibilities;
  - (b) Establish and maintain a system of control which promotes operational efficiency and effectiveness, and ensures adherence to CDL policies and procedures. These controls may include, but are not limited to, budgets, work schedules, job assignment and monitoring sheets, policy and procedure manuals, organization charts, job descriptions, employee training programs and various quality controls;
  - (c) Ensure that all transactions, payments and receipts are properly documented and recorded, with sufficient detail so that a clear, accurate, transparent and complete paper trail is established for the review by internal / external auditors and senior management;

- (d) In particular, in the case of payments made or received in relation to or in connection with any transaction, to record the relevant details of the payment or receipt in accordance with the specific policies and procedures of the business unit or function in question. Any payment or receipt must be duly supported with justification (for example, for the incurrence of any expense) and demonstrate compliance with applicable local and international anti-bribery laws;
- (e) Ensure that the internal controls provide reasonable assurance that:
  - (i) Transactions are executed in accordance with management's general or specific authorization / approval (including any authorization matrix as approved by senior management and/or the Board);
  - (ii) Transactions are properly recorded (a) to permit the preparation of true and fair financial statements in conformity with generally accepted accounting principles and the Group's financial and accounting policies, and (b) to provide accountability for the Group's assets; and
  - (iii) Access to the Group's assets is permitted only in accordance with management's general or specific authorization.

1.5 Each Employee has a responsibility to ensure that any known breach of an internal control is reported to the appropriate level of management such that it can be dealt with accordingly. Further, every Employee is encouraged to identify and report to their manager any potential business risk. The manager is then responsible for ensuring that the business risk is mitigated by establishing appropriate controls and monitoring the effectiveness of such controls. Any significant defects or deficiencies in controls should be reported to senior management, the Audit & Risk Committee and/or the Board.