

**CITY DEVELOPMENTS LIMITED**

**FRAUD POLICY & GUIDELINES**

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## I. STATEMENT OF COMMITMENT TO PREVENT FRAUD

This Fraud Policy & Guidelines (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 organisational 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 actual or suspected fraud or irregularity, directly or indirectly perpetrated by directors, officers and employees of CDL and its subsidiaries (the “**Group**”) (collectively referred to as the “**Employees**” in this Fraud Policy), third parties or a collusion between Employees and third parties.

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 and guidelines 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 and guidelines 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:

- (a) to educate and improve the knowledge and understanding of all Employees, irrespective of their position, to the potential risks of fraud;
- (b) to provide direction and guidance to Employees who may find themselves having to deal with any irregularity or suspected irregularity; and
- (c) 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. The appropriate disciplinary and/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. Where necessary, steps will be taken to recover any losses suffered.

This Fraud Policy should be read in conjunction with the CDL Anti-Corruption Policy & Guidelines, the CDL's policy on gifts, entertainment and kickbacks (as set out in CDL's Code of Business Conduct and Ethics) and the CDL Whistleblowing Policy (as established and amended from time to time), all of which may be found on the Company's intranet and on the Company's corporate website.

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 – BROAD OVERVIEW**

### **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 and 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 Generally, a person is said to do an act fraudulently if the person does that act with the intent to deceive another and by means of such deception, that an advantage should accrue to the aforementioned person or another, or detriment should befall any person other than the aforementioned person who acted fraudulently, regardless of whether such advantage or detriment is temporary or permanent. Actions constituting fraudulent conduct may include, but are not limited to the following:
  - (a) 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;
  - (b) impropriety in the handling or reporting of money or financial transactions, which include false accounting and misleading disclosures (e.g. dishonestly destroying, concealing or falsifying any account, record or document required for any accounting, audit or financial purposes; or making representations that are misleading and/or false);
  - (c) forgery or unauthorised alterations to any Company document(s);
  - (d) improper / unauthorised disclosure, use and/or manipulation of confidential, proprietary, commercially-sensitive or price-sensitive information;
  - (e) profiteering as a result of insider knowledge of company activities or information;
  - (f) giving or receiving of bribes, kickbacks, gratifications or other corrupt payments (for further specific guidance on the Company's anti-bribery and anti-corruption policy – please refer to the CDL Anti-Corruption Policy & Guidelines);
  - (g) intentionally misleading, deceiving, manipulating, and/or coercing any internal or external auditor / accountant in connection with the preparation, examination, audit or review of any financial statements, records and/or documents of the Company;
  - (h) using computers and technology to defraud and commit electronic crimes (e.g. hacking, social engineering frauds); and

- (i) any dishonest act.

1.4 Some of the key, applicable anti-fraud laws in Singapore include:

- (a) Penal Code 1871; and
- (b) Companies Act 1967.

## **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 addressed by the relevant management of the Employee and/or the Human Resources 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 should there be any indication of actual or suspected fraud or 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 that carry a high risk of fraud; and
  - (c) ensure that this Fraud Policy and 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 Resources Department and/or the relevant department(s) which may be affected by the suspected fraudulent acts. If the outcome of the investigation indicates that fraudulent activities have occurred, the Head of Internal Audit will issue the relevant reports to the Audit Committee and the Company's 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 Committee in conjunction with the advice and recommendation of the Head of Internal Audit, Head of Legal, external legal counsel (as appropriate), Head of Human Resources and the Company's 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, as well as the filing of a Suspicious Transaction Report in accordance with the applicable statutory provisions.
- 4.3 Great care must be taken in the conduct of any investigation into suspected fraud (or wrongdoing) so as to avoid the propagation of mistaken / false accusations or tipping off 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, unless the disclosure of such information is necessary for the conduct of the investigation. Such information, as well as the investigation findings and/or results will only be disclosed or discussed with persons on a limited, strictly need-to-know basis. This is important in order to avoid damaging the reputations of person(s) 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) for ensuring 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 its Employee so as to facilitate the detection and prevention of fraud;
  - (b) for ensuring that you are familiar with, and comply with, all controls and procedures as set out in your areas of responsibility;
  - (c) for reporting any actual or suspected fraudulent activity in accordance with this Fraud Policy; and
  - (d) for avoiding any activity that breaches, or may lead to a breach of this Fraud Policy.
- 5.2. Employees are also required to read the CDL Whistleblowing Policy in conjunction with this Fraud Policy.
- 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 an internal report (which may be anonymously made) in accordance with the CDL Whistleblowing 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 will not tolerate any retaliation against any person by another employee and/or the Company and/or by any of the Group companies for making a report in good faith, assisting and/or participating in the investigation. Retaliation

includes but is not limited to the use or attempted use of authority, intimidation, undue pressure or any other inappropriate action against the said person, and which may take the form of e.g. unfair dismissal, or discrimination.

- 5.5. Apart from potential criminal and civil liabilities involving imprisonment and/or a fine, Employees who are found to be in violation of this Fraud Policy shall be subject to appropriate disciplinary action, which may extend to termination of employment or appointment. Disciplinary action may also be taken against Employees who, *inter alia*, have knowledge of such violations but conceal such information from the Group, or who retaliate against any person for making a report in good faith, assisting and/or participating in the investigation.

### III. INTERNAL CONTROLS – PREVENTION, DETECTION, RESPONSE

#### 1. Overview

- 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 inappropriate acts being committed.
- 1.2 The internal controls framework of the Group is based on the development, implementation and monitoring of 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 with integrity and in an efficient manner to, *inter alia*:
- (a) achieve the Group's objectives;
  - (b) safeguard shareholders' interests and safeguard the Group's assets against loss from unauthorised use or disposition;
  - (c) ensure all financial and other records are properly recorded and maintained;
  - (d) detect and prevent fraud or irregularities (for example, questionable or illegal payments and practices, and conflicts of interest); and
  - (e) maintain accountability for the Group's assets.
- 1.3 Each business unit or function of the Group should consider and set specific procedures and measures to minimise the occurrence of fraudulent, deceptive, dishonest or inappropriate conduct being perpetrated or condoned or going undetected.
- (a) Policies and procedures should be clear, practical and accessible, with a view to effective and practical implementation by Employees.
  - (b) Employees are required to read, be familiar with and comply with the procedures and measures set by their respective business units or functions.
  - (c) There should be adequate ongoing monitoring and review of compliance with the policies and procedures, including the reporting and incident management procedures.

- (d) 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), properly documented 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 authorisation / approval, as applicable (including any authorisation 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 applicable accounting principles and standards, 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, as applicable.

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 Committee and/or the Board by the relevant manager.

## **2. Key Components of Internal Controls**



- 2.1 **Segregation of Duties** – Segregation of duties is essential for effective internal controls. It reduces the risk of both erroneous and inappropriate actions, and is a deterrent to fraud. Key functions that must be adequately separated are described below. When it is impracticable and/or unreasonably difficult to separate these functions, a detailed supervisory review of related activities or transactions is required as a compensating control activity. To ensure proper separation of duties, no single person should, for instance:
- (a) Approve a transaction for which he or she is the payee;
  - (b) record transactions and reconcile balances;
  - (c) handle cash and verify deposits;
  - (d) handle assets and reconcile perpetual records to physical counts; and/or
  - (e) enter or approve a cheque request and have the cheque returned to them.
- 2.2 **Review by Management** – Management is required to:
- (a) perform budget to actual expense comparisons and investigate any significant differences;
  - (b) perform routine spot-checks on transactions, records and reconciliations to ensure expectations are met as to timeliness, completeness, segregation of duties, propriety of the transaction, etc.;
  - (c) follow up with written queries for explanations and reasons for unexpected results or unusual transactions, with responses to be set out in writing; and
  - (d) document reviews of reports and reconciliations by initialing and dating them and briefly indicating, in writing, the resolution of any follow-up performed on unexpected results or unusual transactions.
- 2.3 **Reconciliations** – Broadly defined, **reconciliation** is a comparison of different sets of data in order to ensure the accuracy and completeness of transactions. Integral parts of the reconciliation process include identifying and investigating differences, and taking corrective action, when necessary, to resolve differences. To ensure proper separation of duties, the person who enters or approves transactions or handles cash receipts should not be the person who performs the related reconciliations. Reconciliations should be performed in a timely manner, documented and approved by management.
- 2.4 **Approvals** – Authority to approve transactions, payments or receipts should only be given to individuals with sufficient authority and knowledge to recognise and challenge unusual transactions, and the authority to approve should be controlled by clearly setting out limits on the number and level of the relevant employees to be granted authority to approve, and the transaction amount for each level of approval. Employees entrusted with authority to approve are required to:
- (a) review supporting documentation;
  - (b) comply with CDL policies and procedures;
  - (c) question and look into any unusual items or inconsistencies;

- (d) not “rubber stamp” or provide “blind” / blanket approvals;
- (e) not share passwords, especially for approvals online or through the Group’s information systems; and
- (f) be wary of transactions which may have been split to avoid the seeking of approval from higher approval levels.

### **3. Guidance for Employees**

3.1 As mentioned in this Fraud Policy, fraudulent activities may take many forms and Employees need to remain alert, vigilant and discerning at all times. In conducting the business of the Group and in the course of your work, Employees should ask themselves the following guiding questions before they make, amend, review or approve any statement or record or undertake any act:

- (a) (In relation to a statement, record or other documentation) Do I fully believe the statement or record I am making or reviewing is entirely truthful and is set out as an accurate representation of what I believe or know?
- (b) (In relation to an act) Do I fully believe that the act in question is appropriate in the circumstances?
- (c) Have I taken all reasonable steps to clarify any doubt I may have that:
  - (i) the statement or record I am making or reviewing is true and accurate; or
  - (ii) the act which I am about to do or approve is appropriate in the circumstances?
- (d) Were my doubts and the reasonable steps I have taken clearly documented?
- (e) If I have taken all reasonable steps to clarify my doubts, but have not been able to reach a clear answer or satisfactory resolution, have I raised this issue with my supervisor(s) and received their written instructions on how to proceed?
- (f) Further questions in the case of a statement, record or other documentation:
  - (i) Is the manner in which the statement or record is expressed or set out an accurate reflection, to the best of my knowledge, of the matter in question at the relevant time? If I have reason to believe that there are certain constraints or limits to the level of accuracy or extent of verification of a particular statement or record I have made / prepared, have I made these clear enough to the reader or recipient? If the aforementioned constraints or limits to the level of accuracy or verification is significant, have I sufficiently brought this to the attention of the reader or recipient, or otherwise sought the written approval / guidance of my supervisor(s)?
  - (ii) Would a reader or the recipient of the statement or record easily understand it, or is there a significant risk of the statement or record in its current form being misinterpreted or understood to mean something

different? If there is a more accurate or unambiguous way of presenting the information therein, is there any reason why this has not been undertaken?

(iii) If I am aware that the reader or the recipient of the statement or record has understood the statement or record in a manner different from what I or the maker of the statement or record intended or believed, have I clarified this with him or her? If not, is there any reason why this has not been undertaken?

(g) After having duly considered and addressed each of the questions above, are there any reasons, to the best of my knowledge and belief:

(i) why the statement or record should not be made or should not be considered to be a truthful or accurate representation of matters?

(ii) why the act in question is not appropriate and should not be done or approved?

If so, have I sufficiently documented the process leading to the relevant conclusion?