



## Anti-Occupational Fraud Policy

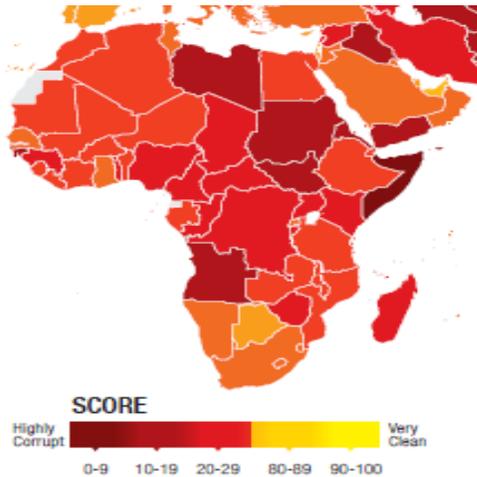
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## 1. INTRODUCTION

The risk of fraud and corruption is a universal pandemic for businesses across the globe. The Association of Certified Fraud Examiners (ACFE) estimates that a typical company loses at least 5% of revenue each year to fraud.



The 2015 Corruption Perceptions Index compiled by Transparency International indicates that African businesses trade in states where corruption is endemic with 87% of the countries showing a serious problem and South Africa scoring 44. This has a negative impact on economic trade investment and sustainability of businesses at large. Famous Brands is taking a stance to explicitly unmask and mitigate fraud and corruption activities within its control environment. In an attempt at ensuring that all fraudulent activities are prevented, detected and mitigated in a coherent and integrated manner, and

promoting ethical behaviour, we hereby adopt an **Anti-Occupational Fraud Policy**, which will go a long way in strengthening a culture of honesty, reliability, transparency and care amongst all internal and external stakeholders. We subscribe to principles of good corporate governance, which require conduct of business to be honest and transparent. Famous Brands therefore adopts the following general Anti-Occupational Fraud Statements:

- The company will not tolerate any level of occupational fraud;
- Occupational fraud is an ever-present threat to the prosperity and sustainability of the company and must be a concern to all its stakeholders;
- All stakeholders must be aware of their roles and responsibilities in the fight against occupational fraud;
- The company will provide and maintain a suitable environment for employees to report matters that they suspect may concern fraudulent or corrupt or serious improper conduct and to ensure adequate protection to employees in circumstances where they may be victimised as a consequence of reporting, or being a witness to fraudulent and/or corrupt activities; and
- All reports of fraud and/or corruption will be thoroughly investigated and appropriate action taken, including taking civil and criminal action against any person without regard to length of service, position, or relationship to Famous Brands.

## 2. SCOPE OF POLICY

This policy applies to all attempts and incidences of occupational fraud involving employees, as well as, trading partners, suppliers, consultants, contractors, owner drivers or any other party with a business relationship with Famous Brands.

## 3. DEFINITION OF OCCUPATIONAL FRAUD

Occupational fraud is defined as “*the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organisation’s resources or assets.*” Fraud can be committed through deliberate false representation, failing to disclose information which you under legal duty to disclose, and abuse of power legally entrusted to you. Occupational fraud is classified into three primary categories: Asset Misappropriation, Corruption and Financial Statement Fraud. Refer to **Annexure A** for further details on the classifications.

## 4. STAKEHOLDERS

The following stakeholders are recognised as role players in respect of this policy:

- Directors;
- Non-Executive Directors;
- Executives;
- Line Managers;
- Supervisors;
- All other employees; and
- Contractors.

## 5. LEGISLATIVE INSTRUMENTS

Famous Brands recognises the following legislative instruments that are aimed at fighting fraud and corruption, but not limited to:

### 5.1 Prevention and Combating of Corrupt Activities Act No.12 of 2004

The Prevention and Combating of Corrupt Activities Act (generally referred to as “PRECCA”) is aimed at the strengthening of measures to prevent and combat corrupt activities. The Act refers to a wide range of offences relating to corrupt activities. In addition to specific offences, the Act also provides for the following:

- The provision of investigative resources;

- The establishment of a register relating to persons convicted of corrupt activities;
- Placing a duty on persons in a “position of authority” to report certain corrupt transactions; and
- Extraterritorial jurisdiction in respect of offences relating to corrupt activities.

## **5.2 Companies Act No.71 of 2008**

Section 159 of the Companies Act is aimed at the protection of whistle-blowers. The Act states that a public company or a state-owned company must directly or indirectly -

- Establish and maintain a system to receive disclosures contemplated in this section confidentially, and act on them; and
- Routinely publicise the availability of that system to the shareholder, director, company secretary, prescribed officer or employee of a company, a registered trade union that represents employees of the company or another representative of the employees of that company, a supplier of goods or services to a company, or an employee of such a supplier, who makes a disclosure contemplated in this section has qualified privilege in respect of the disclosure; and is immune from any civil, criminal or administrative liability for that disclosure.

## **5.3 Financial Intelligence Centre Act No.38 of 2001**

The Act established a Financial Intelligence Centre and a Money Laundering Advisory Council. The purpose of these entities is to combat money laundering activities. The Act imposes compliance obligations on so-called “accountable institutions” which are defined in Schedule 1 of the Act. These obligations include:

- A duty to identify clients;
- A duty to retain records of certain business transactions;
- A duty to report certain transactions; and
- The adoption of measures to ensure compliance, namely, the implementation of so-called “internal rules”, provision of training etc.

## **5.4 Protected Disclosures Act No.26 of 2000**

The Protected Disclosures Act was promulgated to facilitate reporting by employees (whistle-blowers) of fraud, corruption or other unlawful or irregular actions by their employer(s) or co-employees without fear of any discrimination or reprisal by their employers or co-employees. Any employee who has information of fraud, corruption or other unlawful or irregular action(s) by his/her employer(s) or co-employees can report such actions, provided that he/she has information that:

- A crime has been, is being, or is likely to be committed by the employer or employee(s);
- The employer or employees has/have failed to comply with an obligation imposed by law;

- A miscarriage of justice has or will likely occur because of the employer's or employee(s) actions;
- The health or safety of an individual has been, is being, or is likely to be endangered;
- The environment has been, is being or is likely to be endangered;
- Unfair discrimination has been or is being practiced; or
- Any of the above has been, is being, or is likely to be concealed.

### **5.5 Prevention of Organised Crime Act No.121 of 1998**

The Prevention of Organised Crime Act, as amended, (generally referred to as "POCA") contains provisions that are aimed at achieving the following objectives:

- The combating of organised crime, money laundering and criminal gang activities;
- The criminalisation of conduct referred to as "racketeering";
- The provision of mechanisms for the confiscation and forfeiture of the proceeds of crime; and
- The creation of mechanisms for co-operation between investigators and the South African Revenue Services (SARS).

## **6. ROLES AND RESPONSIBILITIES**

Leadership, management, employees, internal audit, external audit and other stakeholders have specific roles and responsibilities in the fight against occupational fraud which are outlined below:

### **6.1 Leadership**

The Leadership is ultimately responsible for the prevention and detection of fraud within Famous Brands. Leadership is accountable and responsible for creating an environment which is conducive to fighting the risk of occupational fraud by:

- a) Living the values and principles as established in the Code of Ethics;
- b) Developing, promoting and sustaining a culture of zero tolerance to occupational fraud;
- c) Developing, implementing and enforcing the Anti-Occupational Fraud Policy and any other related anti-fraud control measures;
- d) Engaging with and supporting the Anti-Fraud Steering Group<sup>1</sup> in the fight against occupational fraud;
- e) Ensuring fraud awareness training is provided as appropriate and, if necessary, more specific anti-fraud training and development is provided to relevant managers and/or employees;
- f) Supporting and promoting the use of the Anonymous Tip Off Line;

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<sup>1</sup> The group will be established and will include members of EXCO, Legal, Loss Prevention & Internal Audit

- g) Ensuring that fraud risk assessments are conducted and the related internal controls are adequate and effective;
- h) Ensuring that vigorous and prompt investigations are carried out if occupational fraud occurs, is attempted or is suspected;
- i) Ensuring, where appropriate, legal and/or disciplinary action is taken against perpetrators of occupational fraud;
- j) Ensuring, where appropriate, disciplinary action is taken where supervision failure has contributed to the commission of occupational fraud;
- k) Ensuring, where appropriate, disciplinary action is taken against employees who fail to report known occupational fraud;
- l) Taking appropriate action to recover assets and losses;
- m) Ensuring that all material instances of occupational fraud are reported to the Board and other related Committees;
- n) Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future; and
- o) Discouraging employees from making allegations which are false and made with malicious intentions. Where such allegations are discovered, the person who made the allegations must be subjected to firm disciplinary or other appropriate action.

## 6.2 Management

Management control is the first line of defence for the company and therefore managers must execute the following in their respective areas of responsibility:

- a) Live the values and principles as established in the Code of Ethics;
- b) Promote a culture of zero tolerance to occupational fraud;
- c) Rollout the Anti-Occupational Fraud Policy and other anti-fraud control measures aimed at fighting occupational fraud;
- d) Ensure that all known attempts or incidents of occupational fraud are reported promptly through the Anonymous Tip Off Line or other available means;
- e) Ensure, where appropriate, disciplinary action is taken against employees who fail to report known occupational fraud;
- f) Support and actively assist in any occupational fraud investigation;
- g) Actively participate in initiatives to identify and assess fraud risks;
- h) Ensure that an adequate and effective system of internal controls is implemented to reduce the risk of fraud;

- i) Seek advice and guidance on identification of fraud risks and development of controls where necessary;
- j) Escalate issues that make implementation of the Anti-Occupational Fraud Policy and other related measures difficult; and
- k) Discourage employees from making allegations which are false and made with malicious intentions. Where such allegations are discovered, the person who made the allegations must be subjected to firm disciplinary or other appropriate action.

### **6.3 Other Employees and Contractors**

Every employee has a duty to care and ensure that the resources of the company are safeguarded from occupational fraud and therefore all employees are responsible for:

- a) Aligning their personal values to the values of Famous Brands and conforming to the Code of Ethics;
- b) Familiarising themselves with the Anti-Occupational Fraud Policy and other related anti-fraud control measures;
- c) Reporting all attempts or incidents of occupational fraud through the Anonymous Tip Off Line;
- d) Participating and supporting all initiatives embarked upon by the company to fight occupational fraud;
- e) Being vigilant to the possibility that unusual events or transactions could be indicators of fraud and alerting management where they believe the opportunity for fraud exists;
- f) Assist in all investigations by making available all relevant information and by co-operating with all reasonable requests made by investigators; and
- g) Escalate issues that make conformance to the Anti-Occupational Fraud Policy and other related anti-fraud control measures difficult.

### **6.4 Internal Audit**

- a) Internal Audit as the third line of defence is responsible for the provision of an independent and objective opinion to Senior Management and the Audit and Risk Committee on governance, risk management and internal controls as prescribed in the Internal Audit Charter. Internal Audit will manage and conduct assurance engagements in accordance to the International Professional Practice Framework of the Institute of Internal Auditors and ensure as prescribed by the standards that:
  - They have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the company, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud;

- They evaluate the potential for the occurrence of fraud and how the company manages fraud risk.
  - They report periodically to Senior Management and the Audit and Risk Committee on significant exposures and control issues relating to fraud risks;
- b) Internal Audit must support and provide the relevant guidance to the Leadership and Management by:
- Promoting the Anti-Occupational Fraud Policy;
  - Participating in the Anti-Fraud Steering Group in the fight against occupational fraud; and
  - Facilitating where necessary the compilation of the fraud risk assessment and evaluation of the related system of internal controls.

## 6.5 External Audit

The independent External Auditors must ensure that they conduct their work in conformance with the International Standards on Auditing of financial statements and by ensuring the following:

- a) Obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement caused by fraud;
- b) Identify and assess the risks of material misstatement due to fraud at the financial statement level, and at the assertion level for classes of transactions, account balances and disclosures;
- c) Obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- d) If fraud has been identified or has obtained information that indicates that a fraud may exist report these matters on a timely basis to the those charged with governance and if work is still in progress discuss with them the nature, timing and extent of audit procedures necessary to complete the audit.

## 7. INVESTIGATIONS

- a) The process to be followed in the event of any investigation will be documented in a separate Fraud Response Plan;
- b) Handling of all attempts and incidence of occupational fraud will be consistent without regard to the defendant's length of service, position, or relationship to Famous Brands;
- c) The investigators will have free access to all employees, records and premises in order to carry out investigations; and
- d) The investigators will have 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.

## **8. CONFIDENTIALITY**

All information relating to occupational fraud that is received and investigated will be treated confidentially. The progression of investigations will be handled in a confidential manner and will not be disclosed or discussed with any person(s) other than those who have a legitimate right to such information. This is important to avoid harming the integrity or reputation of suspected persons who are subsequently found innocent of wrongful conduct, and also the safety or security of the informant who supplied the company with the allegation(s).

## **9. ADMINISTRATION**

The custodian of this policy is the Anti-Fraud Steering Group which is supported by all Directors and Executives of Famous Brands. The Anti-Fraud Steering Group is responsible for the administration, revision and interpretation of this policy. The policy will be reviewed annually and revised as needed.

### **Effective Date**

This policy was approved by the Audit & Risk Committee on 27 May 2016 and will be effective on date of issue.

**ANNEXURE A: Classification of Occupational Fraud**

The three primary categories: Asset Misappropriation, Corruption and Financial Statement Fraud are further broken down into several subcategories which decades of research show that fraud schemes have fallen into one or more subcategories as shown in the **Fraud Tree**:

