

APM'S FRAUD PREVENTION POLICY

FOR ALL
EMPLOYEES AND
STAKEHOLDERS

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APM'S FRAUD PREVENTION POLICY ("FPP")

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*RMSC: APM's Risk Management and Sustainability Committee

APM'S FRAUD PREVENTION POLICY			
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TABLE OF CONTENTS

1. INTRODUCTION AND OBJECTIVE	3
2. SCOPE OF THE POLICY.....	3
3. DEFINITION & INTERPRETATION	3
4. RESPONSIBILITIES	5
5. NON-COMPLIANCE WITH THE FPP	6
6. REPORTING OF FRAUD.....	7
7. CONFIDENTIALITY AND PROTECTION	7
8. EMPOWERMENT	7
9. INVESTIGATION.....	7
10. DISCIPLINARY ACTION	8
11. INTERNAL AUDIT.....	8
12. CONCLUSION	9
13. APPENDIX A – EXAMPLES OF FRAUD CONTROLS AND INITIATIVES.....	9
14. APPENDIX B – EXAMPLES OF FRAUD AND CORRUPTION	10
15. APPENDIX C – INDICATORS OF FRAUD/RED FLAGS	11
16. APPENDIX D – EXAMPLES OF GOOD MANAGEMENT PRACTICES WHICH ASSIST IN COMBATING FRAUD...	12
17. APPENDIX E – COMPLIANCE CHANNEL DETAILS.....	13
18. FRAUD RESPONSE FLOWCHART	14

ABBREVIATIONS

AC	Audit Committee
FPP	Fraud Prevention Policy
AGCO	APM Compliance Officer
DI	Domestic Inquiry
APM	APM Automotive Holdings Berhad
HCM	Human Capital Management
IO	Investigating Officer
IR	Industrial Relations
BOD	Board of Directors

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1. INTRODUCTION AND OBJECTIVE

APM Automotive Holdings Berhad is principally an investment holding company and also provides shared services to its subsidiaries and associate companies (collectively, “APM”) for which it charges management fees. APM is one of the leading automotive component suppliers to motor manufacturers and assemblers in Malaysia.

The management of APM has developed a Code of Conduct for Employees in order to promote ethical conduct and work ethics within APM. This code is publicly displayed and available on its APM’s intranet and website.

In order to embed the said code in the daily operations of APM, it was decided that it is necessary to develop and implement a Fraud Prevention Policy (“FPP”).

The FPP applies to and provides all employees and stakeholders of APM with:

- Insight and information regarding the various initiatives that will be considered and/or implemented in order to mitigate the risk of fraud, corruption and other irregularities;
- What actions the management of APM will take to address all matters reported in respect of fraud, corruption and other irregularities; and
- Mechanisms to report to management and to assist management with all instances of fraud, corruption and other irregularities.

2. SCOPE OF THE POLICY

APM requires all employees (including its directors) and other stakeholders to act at all times **honestly** and with **integrity** in all activities undertaken for and on behalf of APM. APM requires a **ZERO TOLERANCE** approach towards fraud and corruption. Therefore, all incidents relating to fraud and corruption should be report and will be thoroughly investigated and, where appropriate, those incidents will be reported to the relevant authorities (such as Royal Malaysia Police and the Malaysian Anti-Corruption Commission) for further action. APM will also institute appropriate actions against any stakeholder who is proven to be involved in or in collaboration with those involved in such incidents.

3. DEFINITION & INTERPRETATION

Corruption

Dishonest activity in which APM employees, Board members, Board Committee members, contractors, suppliers acts contrary to the interests of APM and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. *(Adapted from the Australian standard for Fraud and Corruption Control (AS 8001-2008) by APM)*

APM’S FRAUD PREVENTION POLICY			
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Fraud

Dishonest activity, by APM employees, Committee members, contractors, suppliers, causing actual or potential financial loss to APM, including the theft of money or other property. This includes the deliberate falsification, concealment, destruction or improper use of documentation used for a normal business purpose or the improper use of other information of position. *(Adapted from the Australian standard for Fraud and Corruption Control (AS 8001-2008) by APM)*

Compliance Channel

A channel available on the APM’s website and intranet for employees and stakeholders to report any alleged or suspected fraud, corruptions or non-compliance with APM’s policies, codes as well as laws and regulations directly to APM’s Group Compliance. Such communication can be done confidentially or anonymously.

APM’s Group Compliance Officer (AGCO)

An individual appointed by the APM’s Executive Chairman and the Board of Directors to perform APM compliance functions. He is given the mandate to receive all allegations or complaints regarding APM; initiate and oversee all investigations; ensure investigation findings are deliberated and decided by the Governing Committee; and reporting to APM’s Executive Chairman and Audit Committee.

Investigating Officer (IO)

A person appointed to undertake a specific investigation in accordance with the mandate given by AGCO or the Head of Investigative Function.

Governing Committees (GCs)

There shall be Governing Committees set up to assist in the implementation of this policy. The AGCO shall in consultation with APM’s Executive Chairman set up such Governing Committee(s) deemed appropriate with specific composition and responsibilities.

Investigation Unit

An investigation unit set up under Section 8 of this Policy with investigative responsibilities to probe into matters relating to fraud and corruptions within the APM.

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4. RESPONSIBILITIES

All matters reported in accordance with the FPP will be treated confidentially and anonymously. Any individual who does not comply with this policy will be subjected to the necessary disciplinary, civil and/or criminal action. Further responsibilities are set out as follows:-

(a) **APM’s Group Compliance Officer (AGCO)**

The AGCO is the custodian of this FPP and ultimately responsible for ensuring that the FPP and its objectives are embedded in the daily operations of APM.

The AGCO is given the mandate to receive all allegations or complaints regarding APM; initiate and oversee all investigations; ensure investigation findings are deliberated and decided by the Governing Committees and periodical reporting to APM’s Executive Chairman and Audit Committee.

The AGCO is also authorized to make, amend and revoke any, Standard Operating Procedures or Guidelines in respect of all such matters as are necessary or desirable in pursuance of the execution and implementation of the roles and functions of this Policy.

(b) **Governing Committees**

In order to ensure effective utilization of the APM resources and the implementation of the FPP, the AGCO shall in consultation with APM’s Executive Chairman set up Governing Committee(s) each with its own composition, jurisdiction and scope.

The main duties and responsibilities of the Governing Committee are as follows:

- Review, examine and evaluate the investigation findings presented by the Investigation Officer and/or Investigation Team Leader;
- Seek further information and clarification from Investigation officer and/or Investigation Team Leader of the case if necessary;
- Challenge and determine the adequacy of the evidence to conclude on the allegations; and
- Decide on the actions to be taken on the case presented, i.e. request for further investigation, close the case or agree on the appropriate follow-up actions (e.g sanctions and/or disciplinary actions) including accountability for the actions.

The decisions made by the GC shall be based on consensus. Where there is no consensus, the decision shall be based on the majority view. However, where there is no majority view, the Chairman of GC shall decide.

APM’S FRAUD PREVENTION POLICY			
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The Secretary will document the decisions made by the FPC (including any agreed rationale for the decisions) in the Minutes of meeting. The Minutes of meeting shall be reviewed and approved by the GC Chairman before being disseminated to the panel members of the GC for their reference.

(c) **All Employees and Stakeholders**

In terms of the FPP, all employees and stakeholders are required to:-

- Maintain a culture of zero tolerance towards fraud and corruption and utmost honesty and integrity;
- Consciously refrain from directly or indirectly participating in any fraud and corruption practice and always act in the best interests of APM;
- Report all actual or potential incidents of fraud, corruption and other irregularities of similar nature;
- Give full cooperation to the Investigation Team by truthfully disclosing all matters related to the incident either verbally or in writing and producing any document when required by the Investigator. Any person knowingly give false or fictitious statement or information whether verbally or in writing or willfully refuse to produce any document when required, may be subject to disciplinary action;
- Assist to investigate, when required, any incidents of actual or potential fraud, corruption and other irregularities as well as to provide affidavits for and/or testimony at legal/disciplinary proceedings arising from such investigations;
- Ensure that they understand and operate all controls, systems and processes of APM in order to mitigate the risk of fraud, corruption and other irregularities;
- Ensure that effective controls and processes are implemented and adhered to and to provide recommendations to improve current controls or processes in order to mitigate the risk of fraud, corruption and other irregularities; and
- Take all necessary steps to prevent fraud, corruption and other irregularities.

5. NON-COMPLIANCE WITH THE FPP

It is the responsibility of the AGCO to make the employees and stakeholders aware of the FPP and to ensure that the FPP is implemented. All employees and stakeholders will be required to comply with the FPP. Where necessary it is recommended that all stakeholders liaise with representatives of the Governing Committees in order to understand the contents of the FPP. If any individual to whom the FPP is applicable fails to comply with the FPP, he/she may be subjected to disciplinary, criminal and/or civil action, where applicable.

APM'S FRAUD PREVENTION POLICY			
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6. REPORTING OF FRAUD

All employees and stakeholders are encouraged to report through the Compliance Channel as listed in **Appendix E**, on any matters relating to any suspected fraud and corruption or any non-compliance to company Code of Conduct, Governing Document and/or applicable laws or regulations. The AGCO will ensure the confidentiality of the contents as well as the identity of the person who report. In line with this, a Special Complaints Policy shall concurrently be established to provide protection and confidentiality of each matter reported as well as the identity of the complainant.

7. CONFIDENTIALITY AND PROTECTION

All employees and stakeholders operating within the FPP are entitled to confidentiality and protection against victimization. However, this will be subjected to disciplinary, civil and/or criminal processes governed by the policies of APM and relevant legislations in Malaysia. It should be noted that if any disclosure or matter reported in accordance with the FPP is with malicious intent or not a bona-fide report, then the confidentiality and protection accorded under this FPP or the Special Complaint Policy will not be applicable.

8. EMPOWERMENT

In the pursuance of executing the roles and functions of this Policy, an investigation unit with investigative responsibilities to prob into matters relating to fraud, corruptions and malpractices within the APM on a case to case basis shall be established and its team members shall be empowered to:

- Have unrestricted access to all functions, systems, records, property, and personnel within the Group.
- Have full and free access to the Governing Committee(s) members.
- Design its annual Investigation plan, select review areas, determine scope of work and apply the techniques required to accomplish its objectives.
- Obtain the necessary assistance from APM’s personnel and any other specialist from external services as and when required.

The Investigation Unit shall be administratively reporting to the Chairman’s Office and functionally reporting to the AGCO and the Governing Committee(s).

9. INVESTIGATION

Head of Departments/Business Units should be alert on the possibility that unusual events or transactions can be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management’s attention by a third party.

APM’S FRAUD PREVENTION POLICY			
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It is the Department/Business Units' responsibility to ensure that there will be consistent handling of all suspected fraud cases without regard to position held or length of service.

Investigator should have full and free access to all staff, records and premises in order to carry out investigations.

Irrespective of the source of suspicion, it has to be promptly reported to the AGCO or the Compliance Hotline or any members of the Governing Committee(s), Board Audit Committee or Board of Directors or investigation team members for them to take any appropriate actions in order to ascertain the facts and to confirm or repudiate the suspicions. Do not attempt to investigate the info/allegations on your own. Refer Fraud Response Flowchart ([Appendix F](#)).

If the initial examination confirms the suspicion that a fraud has been perpetrated or attempted, the info/allegations shall be taken up by the Investigation Unit for a full investigation.

10. DISCIPLINARY ACTION

In all cases where it is considered appropriate, the Governing Committee(s) will upon the completion of a full Investigation, provide advice and direction on the appropriate legal and/or disciplinary action to be taken.

Any member of staff found guilty of a criminal act will be considered to have committed a serious disciplinary offence and is likely to be dismissed from the Department/Business Units on grounds of gross misconduct.

The follow-up actions on the above legal and/or disciplinary action shall be carried out by the respective operating unit, after consultations with and advice from the Head of Group Legal, or Head of Group Human Capital Management, following the due process of the law.

Where supervisory negligence is found to be a contributory factor, disciplinary action may also be initiated against those managers/supervisors responsible.

As part of the FPP, all cases of fraud, whether perpetrated or attempted by a member of staff or by external organizations or person, may be referred to the relevant authorities.

Losses resulting from fraud should be recovered, subject to the policy on write-offs, if necessary through civil action.

11. INTERNAL AUDIT

Internal Audit is responsible for the provision of an independent and objective opinion regarding management's adequacy of managing fraud risk.

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Internal Auditors are alert, in all their works, to risks and exposures that could give rise to fraud. Therefore, all audit assignments are planned and prioritized to assist in deterring and preventing fraud by examining and evaluating the effectiveness of control which commensurate with the extent of the potential exposure/risk. Risk and Control Frameworks are also reviewed as a constituent part of each audit assignment to ensure that the management has reviewed the risk exposures and, where appropriate, identified the possibility of fraud as a business risk.

12. CONCLUSION

It is understood that the circumstances of individual fraud will vary. APM takes fraud very seriously and will ensure that all cases of actual or suspected fraud, including attempted fraud, are vigorously and promptly investigated and that appropriate remedial action is taken. Managers should be fully aware of their responsibility to protect public funds and as such, should always be alert to the potential fraud. Any queries in connection with this policy document should be directed to the AGCO.

13. APPENDIX A – EXAMPLES OF FRAUD CONTROLS AND INITIATIVES

The following is a list of initiatives and controls that will be considered by APM to create awareness of the FPP and to mitigate the risk of fraud, corruption and other irregularities. It should be noted that this list must not be seen as a complete list of such initiatives and controls, but rather an indication of the types of initiatives and controls that will be considered.

Awareness initiatives

- Awareness workshops and initiatives will be considered by the Fraud Prevention Committee;
- Annual declarations will be signed by all staff as evidence that they are aware of the contents of the FPP; and
- Relevant marketing material such as posters and emails will be circulated to create awareness of the FPP;

Initiatives and controls relating to the organization

- Ensure that proper policies and processes are in place which are regularly reviewed and amended as required;
- Ensure that all stakeholders are aware and understand the contexts of the relevant policies applicable to their environment;
- Ensure that a culture of ethical business conduct is embedded in the organization; and
- Ensure that the group risk management is in conjunction with management assess the effectiveness and relevance of all controls, systems and processes, though initiatives such as fraud risk assessments and integrated & risk based internal audits.

Initiatives and controls relating stakeholders

APM'S FRAUD PREVENTION POLICY			
Effective Date (FPP):	14 May 2013	Document ID:	APM/APMCSS/GC/FPP/1
Revision No:	1	Effective Date (Revision 1):	21 February 2020
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- Pre-employment screening, probity, vetting and background checks will be considered before the appointment of new employees and service providers;
- Conflicts of interest declarations will be signed before the adjudication of awarding of tenders or proposals;
- Declarations in respect of private work conducted external to APM will be signed on a regular basis;
- Employees will be encouraged to take compulsory leave on an annual basis; and
- The appointment of service providers will be done once best practice procurement processes have been followed.

Enforcement of the FPP

- Ensure regular review of the FPP;
- Ensure success of the current FPP and its relevant initiatives via feedback from stakeholders;
- Ensure independent and surprise reviews of high risk processes and transactions; and
- Ensure regular monitoring and data mining of transaction data in order to identify potential high risk matters which would require further investigation.

14. APPENDIX B – EXAMPLES OF FRAUD AND CORRUPTION

The following list is not exhaustive but includes certain generic examples of fraud and corruption:

Theft of assets, such as:-

- Equipment
- Consumables or supplies
- Cash
- Information
- Intellectual property
- Workers’ compensation reimbursement

Unauthorized or illegal use of assets, information or services for private purposes, including:

- Computers, including email and the internal
- Motor vehicles
- Clerical and other support
- Confidential information
- Equipement, including photocopiers, telephones and fax machines
- APM name or logo e.g. through use of letterhead or staff authority/access card

Abuse of position and power for personal gain, such as:

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- Seeking and obtaining bribes or other gifts in exchange for favorable treatment
- Nepotism in staff appointments

Manipulation and misuse of account payments, such as:

- Fictitious employees on the payroll
- Ordering equipment for private and personal use
- Favoring suppliers whose costs/products are not as competitive as other suppliers
- Favoring suppliers who have a personal relationship with the employee

Falsification of documents and records, including:

- Timesheets
- Travel claims
- Purchase orders
- Petty cash vouchers

Manipulation of computer programs for improper purposes, such as:

- Unauthorized approval to pay
- Diversion of proceeds
- Writing off debts

15. APPENDIX C – INDICATORS OF FRAUD/RED FLAGS

<ul style="list-style-type: none"> • Missing expenditure vouchers and unavailable official records; • Crisis management coupled with a pressured business climate; • Profitability declining; • Excessive variations to budgets or contracts; • Refusals to produce files, minutes or other Records; • Related party transactions; • Increased employee absences; • Borrowing from fellow employees; • An easily led personality; • Covering up inefficiencies; • Lack of Board oversight; • No Supervision; 	<ul style="list-style-type: none"> • Unauthorized changes to systems or work practices; • Employees with outside business; • Staff turnover is excessive; • Figures, trends or results which do not correspond with expectations; • Bank reconciliations are not maintained or can't be balanced; • Excessive movement of cash funds; • Multiple cash collection points; and • Remote locations.
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APM'S FRAUD PREVENTION POLICY			
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16. APPENDIX D – EXAMPLES OF GOOD MANAGEMENT PRACTICES WHICH ASSIST IN COMBATING FRAUD

- All income is promptly entered in the accounting records with the immediate endorsement of all cheques;
- Regulations governing contracts and the supply of goods and services are properly enforced;
- Accounting records provide a reliable basis for the preparation of financial statements;
- Controls operate which ensure that errors and irregularities become apparent during the processing of accounting information;
- A strong internal audit presence;
- Management encourages sound working practices;
- All assets are properly recorded and provision is made known or expected losses;
- Accounting instructions and financial regulations are available to all staff and are kept up to date;
- Effective segregation of duties exists , particularly in financial accounting and cash/securities handling areas;
- Creation of an agency climate to promote ethical behavior;
- Act immediately on internal/external auditor’s report to rectify control weaknesses;
- Review, where possible, the financial risks of employees;
- Issue accounts payable promptly and follow-up any non-payments;
- Set standards of conduct for suppliers and contractors;
- Maintain effective security of physical assets; accountable documents (such as cheque books, order books); information, payment and purchasing systems;
- Review large and unusual payments;
- Perpetrators should be suspended from duties pending investigation;
- Proven perpetrators should be dismissed without a reference and prosecuted;
- Query mutilation of cheque stubs or cancelled cheques;
- Store cheque stubs in numerical order;
- Undertake test checks and institute confirmation procedures;
- Develop well defined procedures for reporting fraud, investigating fraud and dealing with Perpetrators;
- Maintain good physical security of all premises;
- Randomly change security locks and rotate shifts at times (if feasible and economical);
- Conduct regular staff appraisals;
- Review work practices open to collusion or manipulation;
- Develop and routinely review and reset date processing controls;
- Regularly review accounting and administrative controls;
- Set achievable targets and budgets and stringently review results;
- Ensure staff take regular leave;
- Rotate staff;
- Ensure all expenditures are authorized;
- Conduct periodic analytical reviews to highlight variations to norms;
- Take swift and decisive action on all fraud situations; and

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- Ensure staff are fully aware of their rights and obligations in all matters concerned with fraud.

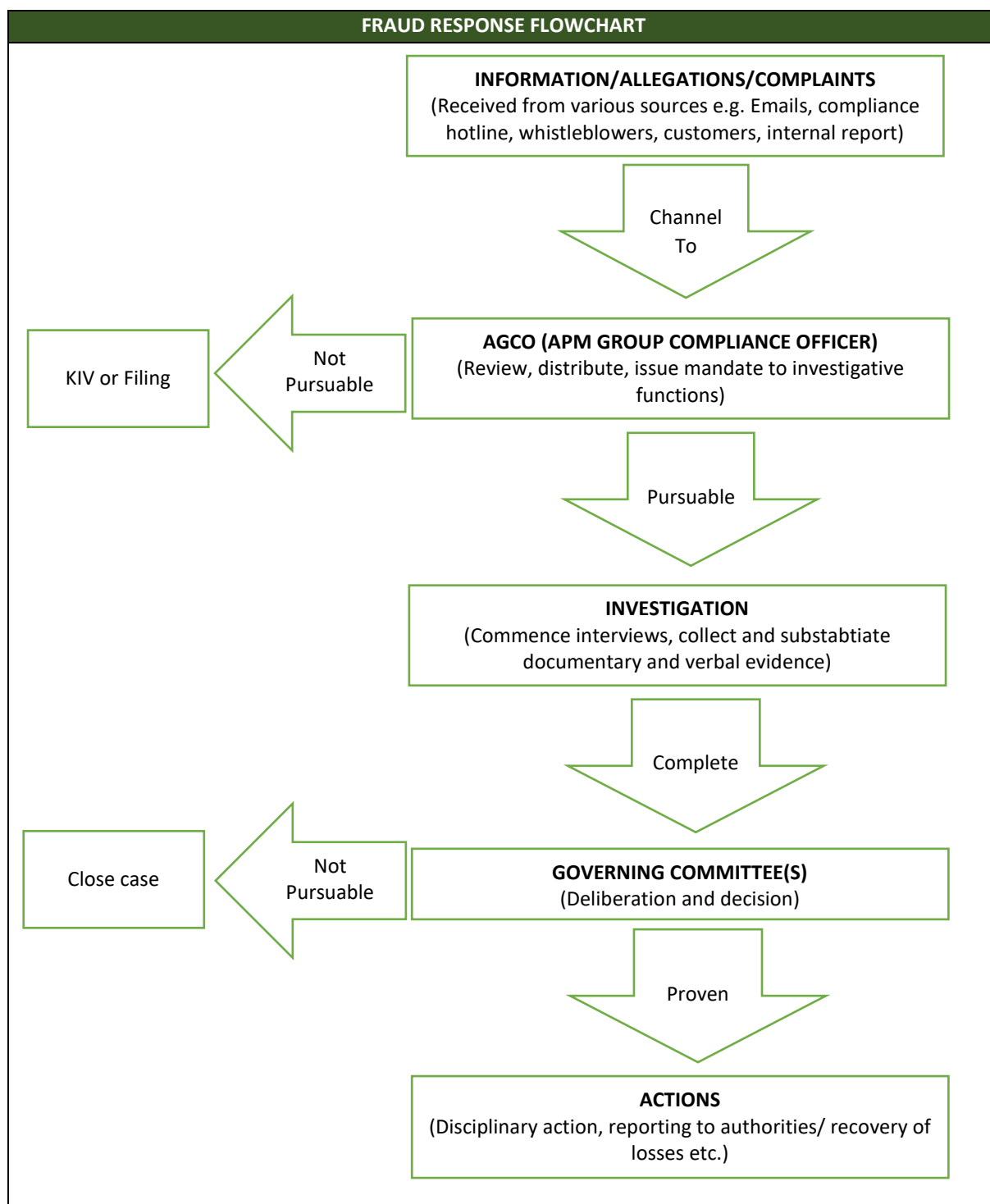
17. APPENDIX E – COMPLIANCE CHANNEL DETAILS

Mode	Description
By E-mail	groupcompliance@apm.com.my
By Telephone	+603-31618888 Ext. 8933 (Group Compliance)
By Mail	APM Automotive Holdings Berhad Lot 600, Jalan Raja Lumu, Pandamaran Industrial Estate, Locked Bag 218, 42009 Port Klang, Selangor Darul Ehsan, Malaysia. Attn. Group Compliance Officer
Operating Hours 8am – 5.30pm, except Saturdays, Sundays and Public Holidays (Malaysia)	

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18. FRAUD RESPONSE FLOWCHART



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