



FRAUD PREVENTION AND ETHICS POLICY

CORPORATE

POLICY NUMBER

REVISION NUMBER

CORP008

3

PAGE NUMBERS

EFFECTIVE DATE

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MARCH 2012

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1. PURPOSE

Foskor is committed to organisational integrity and sound business ethics as set out in the codes of Corporate Governance best practices.

The Company expects its employees to conduct all aspects of business at the highest level of, professionalism, and excellence in line with established organisational values; a culture embedded within the Company's organisation, reporting and quality systems.

It is an accepted fact that, no matter how stringent fraud prevention measures within an organisation are, there is no guarantee that fraud and unethical behaviour will not occur. Fraud, by its very nature involves deception. New ways of circumventing controls in order to facilitate the perpetration of fraud are continually being devised. It is accordingly important that Foskor (Pty) Ltd be prepared to respond to a crisis in an effective manner to limit losses.

Acting ethically often amounts to being able to choose the correct decision or course of action when faced with a number of conflicting alternatives. Accepting responsibility and accountability for the decision to be taken – and later being able to justify why it was taken, with adequate proof that the decision was ethical when it was taken – is what makes ethics in business so critically important and this is especially true when someone else may have to make a judgment call on an ethical conduct at a later stage.

The purpose of this Policy is to provide guidance to employees on what is regarded as ethical conduct and how they should react should they discover unethical conduct in the course of their business.

2. SCOPE AND APPLICATION

This Policy applies to the Foskor Group.

The Board is responsible for ensuring compliance with this Policy and will be aided in this task by the Group Internal Audit Manager, Exco, Fraud Prevention and Ethics Committee and the Board Audit and Risk Committee.

Management and supervisory staff are responsible to enforce and monitor compliance with this Policy. The Board Audit and Risk Committee, Exco, Fraud Prevention and Ethics Committee and Senior Management recognize that it is their role to ensure proper management of fraud risk. The detection, prevention and appropriate reaction to incidents are of vital importance.

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3. THE POLICY

3.1 Employees Responsibilities

In terms of common law, a relationship of trust exists between the employer and employee, and the employee bears a fiduciary responsibility to take reasonable action to prevent harm to his/her employer in the interest of enhancing stakeholder wealth. Employees are accountable for their actions or omissions.

If an employee is aware of and/or becomes aware of fraud, corruption, theft and similar illegal behaviour taking place in his/her working environment, there is an obligation on that employee to immediately report such circumstances using one of the methods listed in section 11 below.

Failure to do so may result in disciplinary action against that employee, depending on the circumstances.

Any employee found guilty of unethical conduct or resigns prior to a disciplinary hearing will not be allowed to perform work for Foskop as a vendor and will not be permitted to be included on the Foskop vendor list.

3.2 Reporting of Incidents

All staff is obliged to report suspicions of fraud, irregularity or unethical conduct within Foskop. It is essential that these reports be routed through a central "reporting channel" to ensure effective and consistent management response.

It is anticipated that the following will be the sources of reports:

- Staff may approach the Foskop Group Audit Services Investigators or Group Internal Audit Manager personally.
- All direct reports received by line managers and supervisors must immediately be conveyed to the Group Internal Audit Manager of Foskop Group Audit Services.
- Suppliers or customers may approach FGAS personally.
- In instances where staff, suppliers or customers wishes to remain anonymous they should report suspicions through the Ethics Hotline.

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- The Ethics Hotline is set up in such a way that all reports will immediately be communicated to the Group Internal Audit Manager and Chairman of the Fraud Prevention and Ethics Committee.

Under no circumstances may any person who receives a report:

- Fail to convey the report or;
- Act on the reported suspicion without referring it to the Group Internal Audit Manager of FOSKOR Group Audit Services.

The Fraud Prevention and Ethics Committee is responsible for addressing investigations of unethical conduct and playing a leading role when incidents of fraud and corruption have occurred within FOSKOR thereby allowing more transparency in the investigation process.

Please refer to the Terms of Reference of the Fraud Prevention and Ethics Committee for details.

3.3 Course of Action

- FGAS Investigators can only investigate fraud/irregularities relating to SML and lower level staff.
- Allegations against General Management and Exco members will be investigated by external investigators.
- Allegations against the President/CEO and FOSKOR Directors will be referred to the Chairman of the Board for investigation.
- All ICT related fraud will be investigated by external consultants.
- Allegations against an employees' immediate superior should be referred to the immediate superior's manager to resolve utilising FOSKOR's grievance procedures. Should the allegations be serious enough to warrant an investigation, the Manager should refer this investigation to FGAS?
- Allegations against FGAS staff should be referred to the Group Internal Audit Manager for resolution.

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- Allegations against the Group Internal Audit Manager should be referred to the President/CEO or Chairman of the Board Audit and Risk Committee for resolution.

The Ethics Hotline contacts details are available from FGAS and will be communicated to all staff on a regular basis.

3.4 Investigation and Prosecution

All reported incidents will be investigated and will respect the basic human rights of all involved. The outcome will be made known to the Company through the relevant available channels.

The persons authorized to conduct investigations will have access to all records, data and information pertaining to the investigation, including the storage thereof on any Company owned asset. All employees are required to co-operate with the persons conducting the investigation. Failure to do so may result in the employer taking disciplinary action against the employee, as it deems appropriate.

The Company reserves the right to take such action as it deems necessary at the time. The highest consistency will be applied, with no discrimination, irrespective of title or length of service.

3.5 Non-Fraud Related Irregularities

Identification or allegations of personal improprieties or irregularities whether moral, ethical, or behavioural, should be resolved by the Human Capital Department.

All disciplinary procedures and CCMA cases should be managed by the Human Capital Department.

Theft and all aspects of asset protection are to be investigated and resolved by the Security section, who report to the SHEQ department.

Only material or sensitive investigations relating to above will be conducted by FGAS investigators in consultation with the parties referred to above.

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4. REFERENCES

- Protected disclosures Act no. 26 of 2000
- The Electronic Communication and Transactions Act no. 25 of 2002
- Regulation of Interception of Communication and Provision of Communication-Related Information Act no. 70 of 2002
- Prevention and Combating of Corruption Activities Act no. 12 of 2004
- Auditing Profession Act no. 26 of 2005
- Access to Information Act

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