



FRAUD POLICY
To Be Followed by Employees of
AFE Group Ltd and its subsidiary companies

AFE Group Ltd (AFE) is committed to the prevention of fraud.

Policy Statement

It is important that the Group uses its income and resources in the most effective way for the production and distribution of high quality products and services. AFE requires all staff to act honestly and with integrity at all times and to safeguard the resources for which they are responsible.

AFE operates with a clear policy for code of conduct, anti corruption, bribery and ethics standards expected.

Context

Our staff are fair and honest but individuals can behave irresponsibly or break the law and as a result AFE has indeed, over time, been a victim of fraud. Examples of actions that are considered to be fraud are as follows (this list is not exhaustive):

- Theft of company property;
- Acceptance of goods or services as an inducement to giving work to any supplier;
- Falsifying expense claims;
- Forgery or alteration of documents;
- Destruction or removal of records;
- Disclosing confidential information to outside parties without authority for personal gain;
- Use of company assets and facilities for personal use.

Fraud Reporting

The procedures to be followed where a fraud is suspected or detected are recorded in the Code of Conduct. Essentially where there is reasonable belief that fraud has occurred the **Group Managing Director** can be contacted.

The following must not be undertaken:

- Contact the suspected individual in an effort to determine facts or demand restitution
- Discuss the case facts, suspicion, or allegations with anyone outside the Company
- Discuss the case with anyone within the Company other than the people listed above.

Investigation Procedure

Internal Audit have responsibility for initiating and overseeing all fraud investigations and for subsequent follow-up work to be completed.

Investigation results will not be disclosed to or discussed with anyone other than those who have a legitimate need to know.

Any necessary investigative activity will be conducted without regard to any person's relationship to the Company, position or length of service.

Conduct of Investigation

Where an investigation is carried out by Internal Audit, it will be carried out with discretion and sensitivity.

Those carrying out the investigation will confine themselves to investigating those matters which are the subject of or relevant to the suspected fraud.

The company reserves the right to use cameras and private detectives in the investigation.

The investigation will review the weakness in controls, quantify the loss and provide recommendations to address the control weaknesses. A written report will be prepared which states the facts discovered by the investigation.

If as part of the investigation the individual suspected of fraud is to be interviewed the interview should adhere to the guidelines identified within their disciplinary procedure. In the absence of a formally agreed procedure the following requirements must be observed:

- The purpose of the questioning must be clearly explained at the outset;
- The person conducting the investigation should be accompanied by a management colleague;
- The member of staff should be encouraged to exercise their right to be accompanied by either an accredited representative of a Union recognised by the Company or another member of staff;
- The meeting should be documented and form part of the investigation report.

As a result of the internal investigation the police will be contacted, with a view to securing a criminal prosecution.

It may be necessary to involve the police for other reasons, e.g. forensic evidence or to search premises. In all instances, contact with the police should be agreed with a Main Board Director and the Internal Audit Manager.

The timing of a decision to involve the police will be dependent on facts emerging.

Once original documents are handed to the police they will not be returned. A copy should be kept of everything that is handed to the police

Disciplinary Procedure

Matters of alleged fraud, like other cases of misconduct, will be dealt with according to disciplinary procedures listed in the contract of employment.

At the initial hearing the member of staff needs to be clearly told that any comments made may be notified to the police and may become admissible in any subsequent legal proceedings.

The employee and the employee representative shall have access to information concerning the nature of the offence prior to the disciplinary hearing.

Where staff are exonerated, no further action should be taken.

Where an individual is judged to have committed an act of fraud, the manager conducting the disciplinary hearing will decide upon the appropriate action. Fraud is classed as Gross Misconduct and, if proven, subject to dismissal without notice. Subject to any dismissal the individual should be advised of their right to appeal against the decision.

Learn from Past Experience

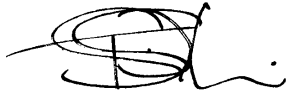
Where a fraud has occurred management must make any necessary changes to systems and procedures to ensure that similar frauds will not recur. The investigation may highlight where there has been a failure of supervision or a breakdown / absence of control. Where appropriate all group companies will be advised of the fraud in outline and requested to ensure their controls are strengthened.

Recovery of Loss

Where the company has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from the individual(s) responsible for fraud.

Where an employee is a member of the Company's Pension Scheme, and is guilty of fraud, the company may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme.

If an individual cannot or will not make good the loss, consideration should be given to taking civil action to recover the loss, subject to legal advice received.

A handwritten signature in black ink, appearing to be 'Tim Smith', with a stylized flourish at the end.

Tim Smith
Chief Executive Officer
AFE Group Ltd