



FRAUD PREVENTION AND RESPONSE POLICY

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FRAUD PREVENTION AND RESPONSE POLICY

Purpose	<p>The purpose of this policy is to protect PGW’s operations, assets and staff from the consequences of fraudulent activity.</p> <p>The policy sets out responsibilities for fraud prevention, and the steps to follow if fraud is suspected, alleged or proven.</p> <p>This policy applies to any suspected or actual fraud, impacting or having the potential to impact PGW.</p>
Terms	<p>The term ‘fraud’ includes Fraud and Corruption as defined in this policy</p> <p>The term ‘staff’ includes Directors, management, employees, consultants, agents and contractors of PGW.</p> <p>The role of the 'Integrity Officer' is currently held by the GM Corporate Affairs, with the alternative in their absence being the GM Human Resources.</p>
Key Points	<p>General Policy Statements</p> <ul style="list-style-type: none"> • PGW has ‘zero tolerance’ of fraud and treats this type of behaviour extremely seriously. • Staff must act with integrity and ethically in their activities and operations, and must not participate in fraud, corruption or any related misconduct. • Managers must have a good awareness of this policy, supporting standards and fraud control plan. Managers must implement measures to prevent and detect fraud. <p>Fraud Prevention</p> <ul style="list-style-type: none"> • GM’s and GM equivalents are responsible for ensuring the appropriate controls are in place to prevent and detect fraud. <p>Reporting</p> <ul style="list-style-type: none"> • All allegations of fraud or corruption (encountered or suspected) must be reported promptly. Further details of how to make a report are provided in the Fraud Prevention and Response Policy Standards. • Any GM, GM equivalent, or line manager receiving a report of alleged fraud must advise the Integrity Officer. • Anonymity, when requested, will be provided to a person reporting fraud (subject to any legal requirements that may require disclosure of the identity of the person reporting, such as in legal proceedings or where required by PGW’s Whistle-Blower Policy). This policy should read alongside PGW’s Whistle-Blower Policy. • Subject to consideration of privacy, PGW will ensure that the person reporting is kept informed of the outcome of the investigation of their disclosure. <p>Fraud Response</p> <ul style="list-style-type: none"> • The Integrity Officer is responsible to ensure a robust, independent, and objective process is followed. • Legal and HR teams are to be engaged early in the process by the Integrity Officer.

	<ul style="list-style-type: none"> • All investigations must be conducted without compromise to any person’s relationship to PGW, their position or length of service. • Incidents will be investigated and where appropriate will be referred to the NZ Police by the Integrity Officer. There can be high penalties for those convicted of fraud under the Crimes Act 1961 and similar offences under the Secret Commissions Act 1910. • All efforts will be made to recover assets wrongfully obtained through fraud. <p>Suspected improprieties related to an employee’s moral, ethical or behaviour should be reported as described in ‘breaches’ section of the Code of Conduct. Serious Wrongdoing may be reported in accordance with the Whistle-Blower policy.</p>
Scope	This policy applies to PGW staff (as defined in the Terms section above), and anyone in a business relationship with PGW.
Date of issue	19 September 2022.
Review	The Policy, Standards and Fraud Control Plan will be reviewed every three years. Minor changes to this policy and supporting documents can be approved by the Chief Executive Officer or Chief Financial Officer at any time.

SUPPORTING DOCUMENTS	
Fraud Prevention & Response Policy Standards	Fraud Control Plan

OTHER RELATED POLICIES AND DOCUMENTS	
Acceptable Use Policy	Gifts, Entertainment and Hospitality Policy
Business Unit specific Standard Operating Procedures	Group Procurement Policy
Code of Conduct	Pre-Employment Checks Policy
Communications Policy	Records Management Policy
Conflict of Interest Policy	Risk Policy
Delegation of Authority Policy	Security Policy
Disciplinary Policy	Whistle-Blower Policy
Employee Relations Act 2000	

POLICY STANDARDS

1. Purpose

PGW recognises that it has a responsibility to develop, encourage and implement sound decision-making and organisational practices. Fraud has the potential to damage the reputation of PGW and have a detrimental effect on the resources available to deliver PGW's objectives.

PGW has adopted a **zero tolerance** to fraud and will investigate all reported incidents of alleged fraud and appropriate restitution will be sought.

Fraud is an ever-present risk to PGW, and staff should be mindful of this.

2. Definitions

Corruption is the lack of integrity, honesty or the use of a position of trust for dishonest gain. It includes bribery, coercion, destruction, removal or inappropriate use or disclosure of records, data, materials, intellectual property or assets, or any similar or related inappropriate conduct.

Fraud:

- (a) refers to deliberate deception in order to receive unfair, unjustified or unlawful gain.
- (b) includes collusion, Corruption and Serious Wrongdoing, and all forms of dishonest activity causing actual or potential financial loss to any person or entity, including theft of money or other property, by staff or persons external to the entity.
- (c) is not limited to just monetary or material benefits but can include dishonest or deceptive acts (or omissions) that can cause loss or disadvantage to PGW.

Examples of Fraud may include, but are not limited to:

- unauthorised possession, misuse, theft or misappropriation of funds or other assets
- forgery or unauthorised falsification, alteration or manipulation of data, records or documents
- authorising or receiving payment for goods or services not received or performed
- receipt of goods, services or other inducements for providing unfair advantage
- concealment or misrepresentation of material facts
- failure to properly account for monies received
- claim or reimbursement of expenses that are not incurred for the benefit of PGW
- submitting false timesheets, leave forms (including taking leave without submitting a leave form), expense claims, or secret commissions
- accepting or offering of bribes or inducements / gifts
- disclosing confidential information to third parties, for personal gain or gain for another person or otherwise
- presenting of false information, credentials or qualifications, including in the employment application / interview process and ongoing employment relationship
- dishonest use of PGW's computers, vehicles, phones, credit cards, and other properties or services
- fabrication of business travel requirements to satisfy personal situations
- an act of collusion or Serious Wrongdoing

Serious Wrongdoing has the same meaning as in the Whistle-Blower Policy.

3. General rules

- PGW does not tolerate fraud and/or the concealment of fraud and treats this type of behaviour extremely seriously.

- All staff are expected to observe the highest of standards of integrity and conduct in alignment with PGW Group Values and Code of Conduct.
- PGW is committed to the development and maintenance of best practices, processes and procedures to prevent and detect fraud, which demonstrate appropriate stewardship of assets.
- Any suspicion that fraud, misappropriations and/or other irregularities are occurring, or have occurred, must be reported.
- If requested, an individual reporting a suspicion of fraud will be dealt with confidentially, with PGW adopting the protected disclosure process in the Whistle-Blower Policy as required.
- All reported and/or suspected fraud instances will be treated seriously and be appropriately investigated.
- PGW will seek to take disciplinary and/or legal action against those who are involved in or assist with fraud.
- All efforts will be made to recover assets wrongfully obtained through fraud, and PGW will explore all available avenues to recover any losses incurred.

4. Reporting suspected incidents of fraud

Staff who suspect fraudulent conduct must report through one of the channels set out below (also available in **Appendix 1**). Staff must maintain strict confidentiality on any suspected fraud matter.

- To their relevant line manager, Business Unit GM or GM equivalent. The line manager receiving a report of alleged fraud must advise the Integrity Officer immediately (subject to Appendix 1);
- If the staff member feels that reporting the incident to their line manager is inappropriate, or if they would feel more comfortable reporting it to someone independent, then they may report the matter directly to the Integrity Officer, CFO or GM Human Resources. Such reports may be made confidentially, if desired as set out below under the heading “Confidentiality”;
- Via the Whistle Blower portal on the home page of Bushwire; or
- Circumstances involving the CEO should be reported to the Chair of the Audit Committee.

The contact details for the Integrity Officer are as follows:

Integrity Officer	Alternative ¹
Julian Daly, GM Corporate Affairs	Rachel Shearer, GM Human Resources
email: jdaly@pggwrightson.co.nz	email: rachel.shearer@pggwrightson.co.nz
phone: 03 372 0972 or 027 553 3373	phone: 027 668 9037

Whistle-Blower protection

Staff who report suspected Fraud in accordance with the Whistle-Blower Policy will be protected from detrimental action by the Protected Disclosures (Protection of Whistleblowers) Act 2022. The PGW Board and PGW Executive Leadership Team will not tolerate retaliation, discrimination, harassment or victimisation of anyone raising a genuine concern in accordance with this policy (or that person’s family or associates). Please refer to the Whistle-Blower Policy, available on Bushwire, for further details.

Confidentiality

Allegations and investigations will only be disclosed to those who have a legitimate need to know or as required by law. This is important to protect the person who made the report, the reputations of person(s) suspected if they are subsequently found innocent of wrongdoing, and PGW from potential civil liability.

5. Clarification and breaches

¹ Alternative Integrity Officer – for when GM Corporate Affairs is not available, or the allegation relates to a function or team member that the GM Corporate Affairs is responsible for.

5.1. Clarification

If you require any clarification in respect of this Policy, Standards or Fraud Control Plan, please contact the GM Corporate Affairs.

5.2. Breaches

Compliance with this policy is monitored by the Chief Executive Officer.

5.3. Exceptions

Any exceptions to this policy must be approved in writing by the Chief Executive Officer and advised to Risk and Assurance.

FRAUD CONTROL PLAN

Operational response to fraud risk

Application of this Fraud Control Plan

PGW is committed to minimising the incidence of fraud through the development, implementation and regular review of fraud prevention, detection and response activities summarised in this Fraud Control Plan.

This Fraud Control Plan covers three major components:

1. **Prevention** - to promote a culture of honesty and integrity, education to deter and minimise instances of fraud, and activities to reduce the risk of fraud occurring
2. **Detection** - to uncover and detect fraud as soon as possible after it occurs, and providing options to report suspicions or allegations
3. **Response** - to deal appropriately with detected or suspected fraud, and corrective actions (including preservation of crucial evidence)

1. Prevention

1.1. Integrity framework

A fundamental strategy in controlling and minimising the risk of fraud is the development and maintenance of a sound ethical culture, underpinned by effective and continuous communication and role-modelling by leaders. The most effective way to ensure this is leaders' role-modelling the ethical behaviours and following all correct procedures themselves.

PGW's attitude to ethical conduct is outlined in the **Code of Conduct** which describes the expectation that staff observe the highest standards of ethics and conduct, in alignment with the PGW Group Values.

1.2. Fraud control responsibilities

The following table summarises the fraud risk management responsibilities across PGW:

Role	Responsibility
Integrity Officer	<ul style="list-style-type: none"> ▪ Ensure that PGW is appropriately managing its exposure in relation to risks of fraud. ▪ The central point of contact for reporting alleged fraud. ▪ Oversees investigations of fraud related allegations, including appointment any investigation/assessment team (if required), any external providers. ▪ Report Fraud Risk Assessments and other related activity to the Audit Committee.
PGW Board	<ul style="list-style-type: none"> ▪ Approve PGW's Fraud Prevention and Response Policy ▪ Promote the principles of the Fraud Control Plan and the Fraud Prevention and Response Policy to PGW's Executive Management.

Role	Responsibility
CEO, GM and GM equivalents, and direct reports	<ul style="list-style-type: none"> ▪ Understand and promote the principles of this Fraud Control Plan and the Fraud Prevention and Response Policy and notify staff of the requirements of this policy. ▪ Ensure systems, procedures and controls are in place so that fraud risk is mitigated to an acceptable level. ▪ Ensure the effectiveness of the first line of defence (management control) and second line of defence (the various risk control and compliance oversight functions established by management) to identify and detect error and fraud.
All Managers and Process Owners	<ul style="list-style-type: none"> ▪ Identify the fraud risks to which their systems, operations and procedures are exposed. ▪ Develop and maintain appropriate treatments/controls to prevent and detect fraud ▪ Periodically review the effectiveness of fraud controls (based on frequency of the control, risk and any other relevant factors). ▪ Assign “Fraud and Corruption Awareness” training (in People Link) to staff that are in positions that could benefit from awareness training (e.g. they may be in positions that could prevent or detect fraudulent activity). ▪ Promote the principles of this Fraud Control Plan and the Fraud Prevention and Response Policy and notify applicable staff of the requirements of this policy. ▪ Implement any improvements identified by a fraud investigation.
Human Resources	<ul style="list-style-type: none"> ▪ Be involved in any investigation of an alleged fraud concerning an Employee, by providing advice and guidance (when requested). ▪ Take appropriate action in liaison with Employee’s manager when instances of fraud are substantiated.
PGW Legal Counsel	<ul style="list-style-type: none"> ▪ Provide legal advice in any investigation of an alleged fraud concerning a staff member (when requested).
Risk and Assurance	<ul style="list-style-type: none"> ▪ Provide advice to managers on treatment options/controls to mitigate fraud risk, when requested to. ▪ Assist the investigation team (when requested).
All PGW staff	<ul style="list-style-type: none"> ▪ Comply with the Fraud Control Plan, the Fraud Prevention and Response Policy and other policies and procedures in place to mitigate fraud risk. ▪ Report details as soon as they become aware of or suspect a fraud (in accordance with Appendix 1).

1.3. Fraud awareness training

Fraud can go undetected because of the inability to recognise the early warning signs of fraudulent activity or because individuals are unsure how, when and to whom they should report their suspicions. PGW has a fraud awareness training available (in People Link) to assist in raising the general level of awareness amongst staff.

1.4. Assessing fraud risk – Group level

The purpose of Fraud Risk Assessments (conducted at a functional level) are to:

- understand fraud risks, including the likelihood and impact
- understand the current controls
- assess whether the current level of risk is acceptable in the context of current processes and controls; or whether current controls should be strengthened, and

- determine detailed treatment plans (where the current risk level was deemed unacceptable) including an owner and due date.

Functional areas subject to a fraud risk assessment may include: procurement and contract management processes, accounts payable, expense management, accounts receivable, purchasing cards, payroll, and operations (e.g. cash handling, stock management, Agency risks).

High or Moderate risk areas should be reviewed no less than three yearly (with exact timing to be determined by the Integrity Officer), or where PGW undergoes a substantial change in structure, function, or where there is a significant transfer in functions.

1.5. Assessing fraud risk – Business unit / team level

All PGW business managers and process owners are responsible for identifying the fraud risks to which their businesses and processes are exposed. Fraud risks must be considered from both internal sources (e.g. employees) and external sources (e.g. suppliers, customers, etc.). Once identified, appropriate treatments must be put in place to prevent and detect fraud.

1.6. Employment screening

PGW reserves the right to complete Pre-Employment Checks which may include (but are not limited to) reference checks, criminal record checks, credit checks, drug and alcohol test, qualification checks, and medical tests for any positions. Where the information included in these checks either differs from that provided on the employees' declaration as provided when they apply for a position, and/or provides evidence of concern, the candidate may only be appointed with the approval as set out in the Pre-Employment Checks Policy.

1.7. Supplier vetting

The Group Procurement Policy states appropriate supplier set up processes need to be in place to ensure only valid suppliers are set up. This includes having new suppliers agree to the PGW Standard Terms of Trade.

1.8. Bank account changes

Business Support Services have payee controls in place to ensure the integrity of bank accounts and payment details. This includes independent verification of bank account changes, where changes requested in JDE are reported, checked against original documentation (using bank issued deposit slips / similar) and approved before any payments can be made.

2. Detection

PGW will rely upon the following techniques for detecting fraud:

- the alertness and participation of staff to prevent and detect fraud, due to their detailed knowledge of work practices and accountabilities,
- encouraging the reporting of suspected fraud through confidential reporting mechanisms,
- identification of a key contact point for the reporting of fraud (being the GM Corporate Affairs),
- identify high risk fraud areas and proposed methods of assurance implemented to detect and protect against fraud (by GMs, managers and process owners),
- data analysis (e.g. continuous controls monitoring, BI reporting, specific data analysis tools),
- PGW accounting and system controls (including audit logging) that minimise the risk of fraud and maximise the chances of early detection,
- internal audit function, by conducting reviews of PGW's control environment through the annual Internal Audit Plan approved by the Audit Committee, and
- external audit function, given the responsibilities of auditors under *ISA (NZ) 240: The Auditors' Responsibility relating to Fraud in an Audit of Financial Statements*.

3. Response

3.1. Investigation procedures

All instances of alleged fraud must be reported to the Integrity Officer, whether by the person making the allegation, the CEO or GM/GM equivalent or manager receiving the initial allegation.

The Integrity Officer will:

- determine the investigation process, to ensure that PGW follows a proper process, does not breach any employment or other laws when undertaking investigations, is consistent with other policies (e.g. Whistle-Blower and Disciplinary Policy), and that any documentation/evidence that illustrates the facts is secured, and what reporting is required.
- assemble an investigation team, depending on the nature of the allegation / fraud and the required investigation process. Team members should be independent, objective and appropriately trained. They may include a GM/GM equivalent, General Counsel, Human Resources, Risk & Assurance, internal specialist, and external specialist resource (e.g. forensic accountant, technical experts). The team members will be the only people involved in the investigation for confidentiality reasons.
- determine a communication protocol (including any queries from the media).
- oversee and manage the investigation, in consultation with other members of an investigation team.

3.2. Protocol during investigation

All enquiries concerning the activity under investigation from the suspected individual, their lawyer or representative, or any other enquiry must be directed to the Integrity Officer.

No information concerning the status of an investigation will be disclosed, except through the Integrity Officer, the CEO or GM HR in cases where an employee is suspected of fraud.

The individual reporting the alleged fraud will be informed of the following:

- not to contact the suspected individual in an effort to determine the facts or demand restitution; and
- not to discuss the case, facts, suspicions or allegations with anyone unless specifically asked to by the Integrity Officer.

If the investigation identifies that fraud has likely been committed, it must be reported to the relevant law enforcement or regulatory agency. Any decision to not report possible fraudulent acts to the relevant law enforcement agency must be approved by the CEO and Board Chair.

3.3. Post Investigation

There may be a number of consequences resulting from the investigation, for example, a recommendation to terminate a supplier or contractor's contract, or in the case of an employee, the commencement of a disciplinary process (as per PGW's Disciplinary Policy).

Where suppliers are involved, any recommendation must be reviewed by the relevant GM/GM equivalent and the Integrity Officer. PGW Legal should be consulted before any action is taken to ensure contractual or legal requirements are appropriately considered.

In each instance where fraud is detected, PGW will reassess the adequacy of the internal control environment (particularly those controls relating to the fraud incident and potentially allowing it to occur) and actively plan and implement improvements where required.

Where instances of fraud are substantiated, any decisions to take no action, or take action that is seen as inappropriate by the Integrity Officer and/or GM HR are to be referred to the CEO and Board Chair for approval.

PGW will actively pursue the recovery of any money or property lost through fraud after considering all relevant issues.

APPENDIX 1: REPORTING A SUSPECTED FRAUD

