

INTEGRITY & FRAUD RISK POLICY

A. Objectives

The Lion Group is committed to achieve the following objectives in strengthening integrity within the Group :

1. Enhanced culture of integrity and professionalism in the Group.
2. Sustainable business practice of integrity and transparency as the way we do things.
3. Incidences of integrity breaches and fraud risks management are addressed in an integrated manner.

B. Applicability

This policy is broad principled based and set the prevailing Malaysian benchmarked* practices applies to all of the operating companies within the Group as guidance.

*Benchmark Reference – Companies Commission Malaysia’s “Achieving Corporate Integrity” Best Business Practice Circular 3/2012, BURSA Malaysia Corporate Governance Guide 2nd Edition (2014) and Malaysian Institute of Integrity. Operating Companies in other jurisdictions are to be guided by their local host regulatory / statutory requirements as well.

C. Approach

1. This policy adopts an integrated comprehensive approach whereby it sets and links to the other policies, procedures and guidelines of the Lion Group which includes:
 - a) Annual Business Plan / Corporate Performance Scorecards
 - b) Corporate Risk Management System (Enterprise Risk Management)
 - c) Annual Audit Plan – Financial/Operational/Ad Hoc/Advisory Audits, Risk Management & Internal Control Self-Assessment Questionnaires
 - d) Annual Compliance Program – Half Yearly Compliance Risks Self-Assessment and Risks Scorecards and Compliance Activities
 - e) Whistle Blower / Code of Business Conduct / Annual Conflict of Interest Declaration / Sexual Harassment Policy
 - f) Sustainability Framework – Governance, Social & Environment
 - g) Board Charter
 - h) Procurement/Tender Policy / Competition Policy
 - i) Annual Report – disclosure reporting and Board / Committees’ Terms of References

It recognises that multi-pronged strategies are required to inculcate a sustainable approach to shape Integrity as guiding principle towards corporate accountability, transparency, professionalism and managing fraud risks.

2. This policy collectively contributes to meeting the requirements of BURSA Malaysia's Statement of Risk Management and Internal Control and Corporate Governance Statement.

Illustration I : The Comprehensive and Integrated approach this model policy achieves.

D. Definition

All stakeholders of the Lion Group are duly guided by the following definition of what may constitute breaches or lapses of integrity :

1. Wrong Doing including fraud, favor or act to deceive for monetary gains or otherwise to discredit or cheat, committed by the management and/or employees of the Lion Group.

Examples include, but are not limited to, fraud, violation of laws and regulations, violation of the Group's policies, unethical behavior or practices, endangerment to public health or safety and negligence of duty.

2. Specific to fraud risks, fraud is defined as any unlawful gain or personal/pecuniary benefits obtained through deceit, theft, concealment/misrepresentations/suppression or other dishonest actions or means such as :-
 - a) distortion of financial statements/reports/information intended to mislead/misrepresent or suppress material information to obtain/procure personal, financial or pecuniary benefit;
 - b) stealing or misappropriating monies entrusted to staff /agent (criminal breach of trust);
 - c) intentional falsification or fabrication of statements/reports or forms – medical certificates, over time claims, expenses incurred, claim forms, reports, qualifications, etc.;
 - d) use of information communications technology (ICT) or breach of ICT security protocol (password/security algorithms/certificates) or company's proprietary information to cause/procure financial gains/losses or malicious damage to the company or to derive personal, financial/pecuniary benefits;
 - e) any other acts, omissions, suppressions, misrepresentations through written or oral form intended to derive, cause or procure unlawful gain or benefit from another; or
 - f) any acts or omissions punishable by any statutory or regulatory laws as fraud, theft, or deceit.

E. Integrity & Fraud Risks Management System

1. Key Elements

An effective integrity & fraud risks management system is premised upon the following key elements :

1. Governance;
2. Prevention;
3. Detection;
4. Reporting & Investigation; and
5. Monitoring

Illustration II : Overview of the Integrity & Fraud Risks Management System.

2. Governance

The governance in managing integrity & fraud risks in the Group is structured along the following oversight roles :

Board / Audit Committee	<ol style="list-style-type: none">a. Ensure sound and prudent management of integrity and fraud risks (as part of overall risk management)b. Approve the integrity and fraud risks management strategy and ensure adequate resources, expertise and support to effectively implement integrity and fraud risks management policies and procedures.c. Review and assess, through the Risk Management Committee (RMC)/Internal Audit, the adequacy and effectiveness of risk management controls concerning integrity and fraud risks.
Risk Management Committee	<ol style="list-style-type: none">a. Review and assess the adequacy of integrity and fraud risks management policies, framework, guidelines and controls.b. Review integrity and fraud risks as part of the enterprise risks management process.
Risk Management Team	<ol style="list-style-type: none">a. Conduct and report on possible wrongdoings and fraud risk incidences as part of the half yearly Risks Scorecards reporting process.b. Implement in the operating companies the recommendations of RMC/AC and/or Audit findings and management action plans submitted thereto.

3. Accountability and Responsibility

The accountability and responsibility for management of integrity and fraud risks are reinforced by the following ownership structure :

<p>1st Line of Defence</p>	<p>Head - Business Divisions/ Operating Companies</p> <p>All Members of Staff</p>	<ul style="list-style-type: none"> a. Manage integrity and fraud risks within the business and operating companies through – (i) maintaining adequate system of internal controls; (ii) assessment of integrity and fraud risks through relevant risk indicators; (iii) instilling awareness among staff on policies and guidelines on integrity and fraud risks; and (iv) specialised on-job-training to be more attuned in detecting possible wrongdoings and fraud incidences. b. Ensure integrity and fraud risks controls are not compromised in favour of business goals being overriding. c. Notify Internal Audit / Compliance of external and other intermediary wrongdoings or fraud incidents. d. Assist in recovery process for staff, external and other intermediary wrongdoings or fraud incidents, upon seeking legal advice (where necessary). <p>Prevent and detect fraud through vigilance and observation of Policies, Procedures and Standard Operating Procedures (SOP). Report suspicions of fraud and cooperate in investigations.</p>
<p>2nd Line of Defence</p>	<p>Compliance/Risk Management</p>	<ul style="list-style-type: none"> a. Assist business and support units in identifying risk indicators and red flags. b. Profile and highlight emerging fraud risks and corresponding proposed controls to the Compliance Committee and RMC from the Risks Scorecards data/information. c. Ensure that any statutory/regulatory (BURSA/SSM/BNM/SC) reporting been made arising from fraud perpetration and investigations. d. Update Compliance Matrixes as a result of such Controls identified.
<p>3rd Line of Defence</p>	<p>Internal Audit</p>	<ul style="list-style-type: none"> a. Independently assess the adequacy and effectiveness of internal controls. b. Investigate reported/detected internal and external fraud incidents or supervision of any externally engaged private investigators. c. Reporting to the authorities (Police/regulators) and external auditors (as appropriate).

4. Reporting and Investigating

All employees, customers, suppliers or third parties are strongly encouraged to report possible wrongdoings through the relevant reporting channels as provided by the Whistleblower Policy to enable prompt actions be taken to investigate and address such acts.

5. Monitoring

The effectiveness of mitigating controls is continually monitored and evaluated and this is supported by :

1. Compliance Risks Assessment Process - the Risks Scorecards of the Operating Companies are further enhanced to incorporate Compliance Risk which also covers fraud risk identification, risk analysis and risk evaluation.
2. The outcome of investigation of alleged wrongdoing – recommendations made by Internal Auditor (or external auditor) to address lapses in the existing internal controls arising from confirmed wrongdoing.
3. Feedback or directive from the Board or Audit Committee in enhancing the existing internal controls.

LION GROUP INTEGRITY & FRAUD RISK FRAMEWORK

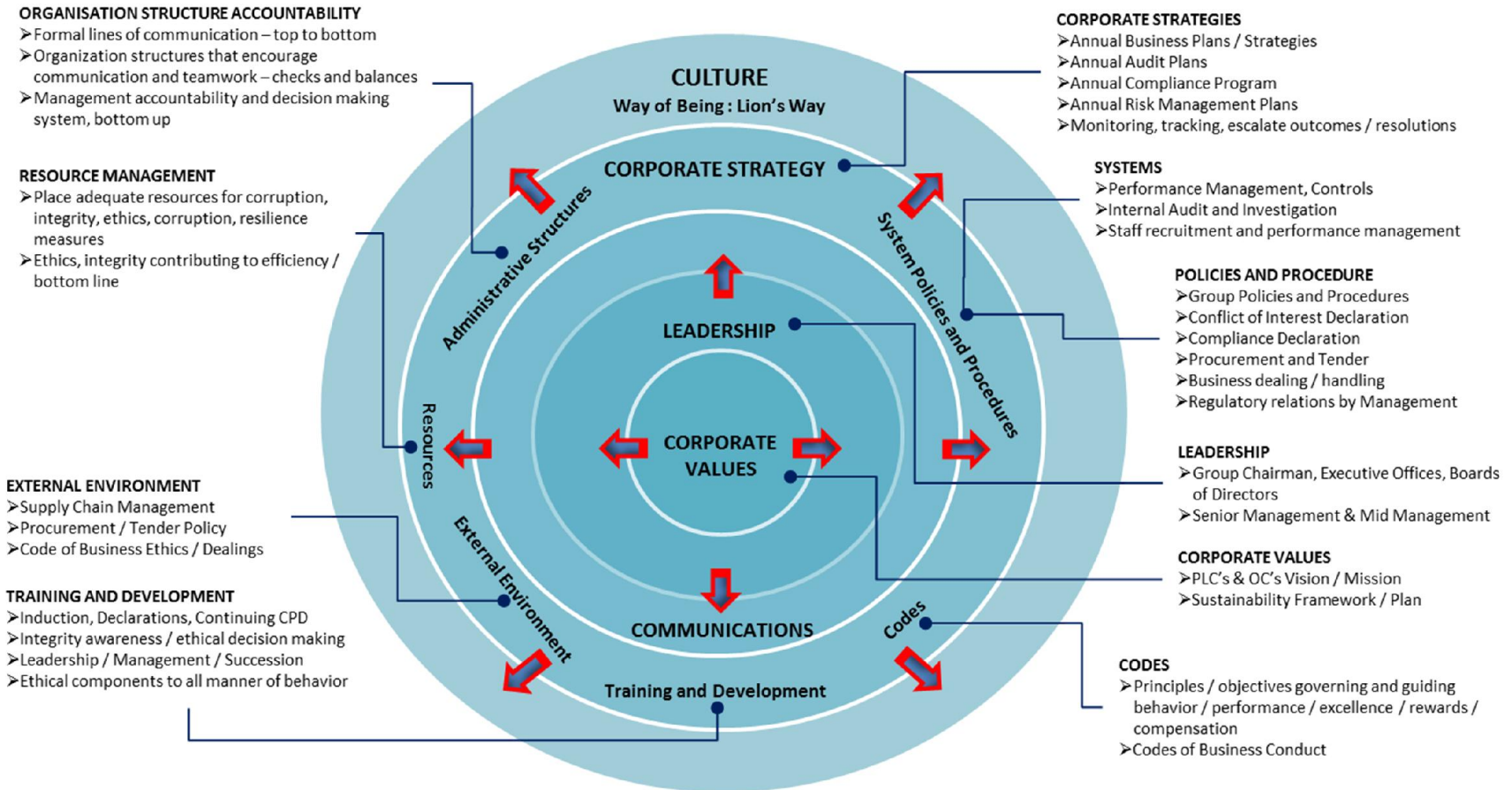


Illustration I

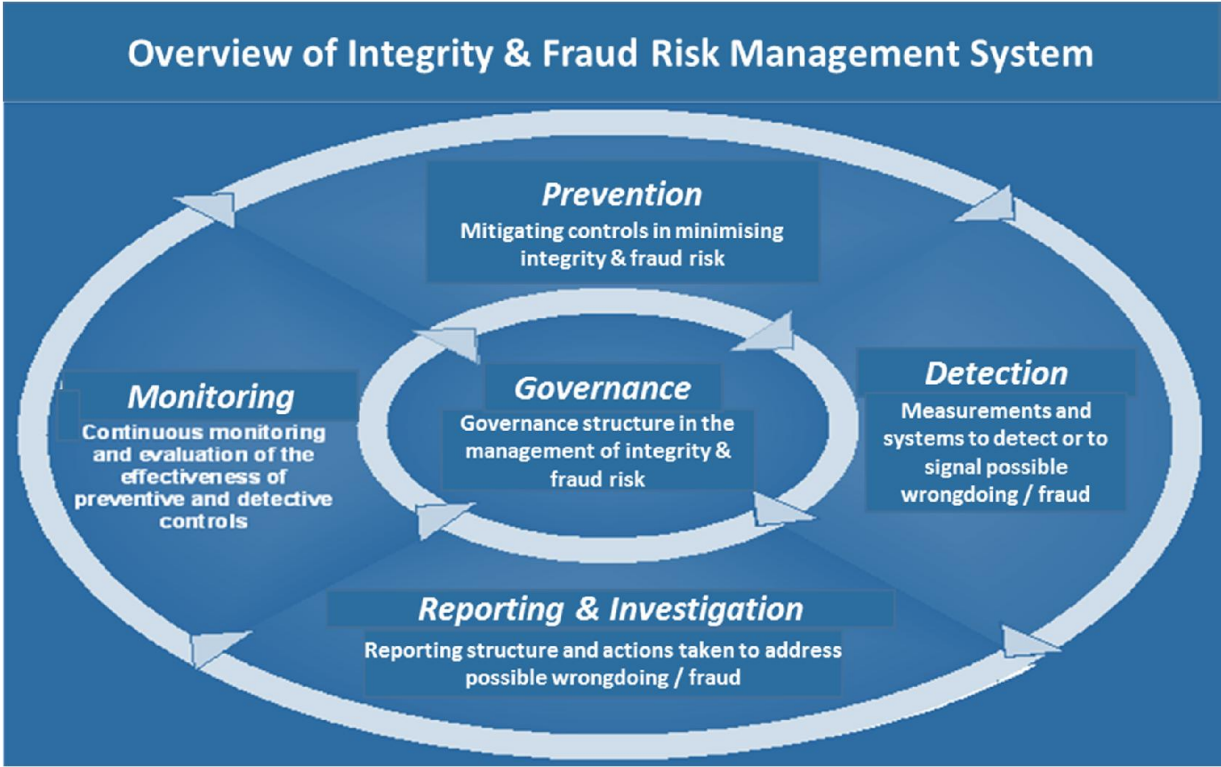


Illustration II