

## Sahara International Petrochemical Company (SIPCHEM)



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Document title:	Anti-Fraud Program	Page:	Page 1 of 9

## Approval Record

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Department:	Internal Audit	Revision #:	0
Document #:	SIPC-IA-Y-003	Date of issue:	29/02/2024
		Next review date:	28/02/2029
Document title:	Anti-Fraud Program	Page:	Page 2 of 9

## Table of Content

#	Attributes	Page #
1	Purpose	3
2	Scope & Field of Application	3
3	Abbreviations & Definitions	3
4	References	4
5	Requirements	4
6	Responsibilities	9
7	Verification and Feedback Processes	9
8	Related Standards and Documents	9
9	System Documentation & Records	9
10	Attachment	9

Sahara International Petrochemical Company (SIPCHEM)			
Department:	Internal Audit	Revision #:	0
Document #:	SIPC-IA-Y-003	Date of issue:	29/02/2024
		Next review date:	28/02/2029
Document title:	Anti-Fraud Program	Page:	Page 3 of 9

## 1. PURPOSE

The purpose of an Anti-Fraud Program is to bring awareness to all employees about the potential for fraud, what constitutes fraud, how to prevent/detect fraud, the ultimate goal is to eliminate all fraudulent activity so that SIPCHEM Group and its employees can prosper.

## 2. SCOPE & FIELD OF APPLICATION

- 2.1 The Anti-Fraud Program applies to any Fraud, or suspected fraud, involving employees as well as shareholders, consultants, vendors, contractors, and/or any other parties with a business relationship with SIPCHEM Group.
- 2.2 The Anti-Fraud Program applies to the SIPCHEM group worldwide, including its overseas branches and all separate legal entities owned and controlled by the group.
- 2.3 The Anti-Fraud Program is applicable to, and must be followed by, all staff including consultants and contractors. Failure to comply could result in disciplinary action, including dismissal.
- 2.4 The Anti-Fraud Program requires all those receiving SIPCHEM Group funds or representing The Group, including its suppliers, partners, contractors, and agents, to act in accordance with this program.

## 3. ABBREVIATIONS & DEFINITIONS


- 3.1 **Fraud:** refers to where an individual has undertaken, or intends to undertake, actions in order to obtain gain for him/herself or another, or cause loss to another, or expose another to risk of loss.

### 3.1.1 *The term Fraud encompasses:*

- 3.1.1.1 Fraud by false representation.
- 3.1.1.2 Fraud by failing to disclose information; and
- 3.1.1.3 Fraud by abuse of position.

### 3.1.2 *Possible targets of Fraud:*

- 3.1.2.1 Customers.
- 3.1.2.2 Vendors.
- 3.1.2.3 Fellow Employees.

Sahara International Petrochemical Company (SIPCHEM)			
Department:	Internal Audit	Revision #:	0
Document #:	SIPC-IA-Y-003	Date of issue:	29/02/2024
		Next review date:	28/02/2029
Document title:	Anti-Fraud Program	Page:	Page 4 of 9

### 3.1.3 Some examples of Fraud:

- 3.1.3.1 Theft of cash or property at any level and in any amount.
- 3.1.3.2 Ghost employees.
- 3.1.3.3 Falsification of revenue reports.
- 3.1.3.4 False invoices.

3.2 **Bribery:** is giving or offering someone a financial or other advantage to encourage that person to perform their functions or activities improperly, or to reward someone for having already done so.

3.3 **Corruption:** refers to an individual who has given or obtained an advantage through means which are illegitimate, immoral, and/or inconsistent with their duty to SIPCHEM Group or the rights of others. Examples include accepting bribes or incentives during procurement processes, seeking to influence others.

3.4 **Conflict of interest** is where an individual has private interests that may or actually do influence the decisions that they make as an employee or representative of an organization.

3.5 **Misconduct:** a failure by a staff member or other relevant stakeholder to observe the rules of conduct or standards of behavior prescribed by SIPCHEM Group.

3.6 **Disciplinary Action:** means any action that can be taken on the completion of/during the investigation proceedings including but not limited to a warning, suspension from official duties or any such action as is deemed to be fit considering the gravity of the matter.

3.7 **The Group/SIPCHEM Group:** SIPCHEM company and all its affiliates.

## 4. REFERENCES

None.

## 5. REQUIREMENTS

### 5.1 Anti-Fraud Program

- 5.1.1 SIPCHEM Group complies with applicable laws and regulations.
- 5.1.2 SIPCHEM Group is committed to conducting business fairly, openly, and honestly and in accordance with the highest ethical and legal standards.
- 5.1.3 SIPCHEM Group has a 'zero tolerance' policy towards Fraud, Bribery and Corruption. It will always seek disciplinary and/or legal action against those found to have perpetrated fraud.

Department:	Internal Audit	Revision #:	0
Document #:	SIPC-IA-Y-003	Date of issue:	29/02/2024
		Next review date:	28/02/2029
Document title:	Anti-Fraud Program	Page:	Page 5 of 9

- 5.1.4 SIPCHEM Group is committed to developing an anti-fraud culture and keeping the opportunities for Fraud, Bribery and Corruption to the absolute minimum.
- 5.1.5 SIPCHEM Group will assess the risks of Fraud, Bribery and Corruption, establish processes and controls to minimize these risks, and regularly review the effectiveness of its control systems.
- 5.1.6 SIPCHEM Group requires all staff to immediately report any incidents or suspicions of Fraud, Bribery or Corruption to the Chief Internal Auditor via channels indicated in the Whistleblowing Policy and Procedure Manual.
- 5.1.7 SIPCHEM Group will not penalize anyone for raising a concern in good faith, please refer to Whistleblowing Policy and Procedure Manual for more details about whistleblower protection.
- 5.1.8 SIPCHEM Group will take all reports of Fraud, Bribery and Corruption seriously, and investigate proportionately and appropriately as set out in the Whistleblowing Policy and Procedure Manual.
- 5.1.9 SIPCHEM Group requires all those receiving the group funds or representing the group, including its suppliers, contractors, and agents, to act in accordance with this program. This includes reporting to the Chief Internal Auditor via channels indicated in the Whistleblowing Policy and Procedure Manual any suspected or actual instances of Fraud, Bribery or Corruption involving SIPCHEM Group assets or staff of the group.

## 5.2 Board and Management Commitment to the Anti – Fraud Program


The Board and Management are aware that a robust internal system for employees and other relevant stakeholders to disclose Fraud without fear of reprisal shows that employees take their responsibilities seriously. The Board of Directors and Management is committed towards promoting a culture of openness, accountability, and integrity.

## 5.3 Preventing and/or Detecting Fraud

*5.3.1 The prime responsibility for preventing/detecting Fraud lies with management **through:***

- 5.3.1.1 Identifying risks to which systems and procedures are exposed.
- 5.3.1.2 Designing, implementing, documenting, and operating internal controls.
- 5.3.1.3 Establishing an environment that promotes compliance with internal controls.
- 5.3.1.4 Promoting fraud awareness amongst staff; and
- 5.3.1.5 Fostering an ‘anti-fraud’ culture.

*While managers are responsible for assessing and controlling the level of fraud risk within their areas of authority, **it is the responsibility of all staff** to be aware of Fraud and take the necessary steps to prevent/detect Fraud.*

Sahara International Petrochemical Company (SIPCHEM)			
Department:	Internal Audit	Revision #:	0
Document #:	SIPC-IA-Y-003	Date of issue:	29/02/2024
		Next review date:	28/02/2029
Document title:	Anti-Fraud Program	Page:	Page 6 of 9

#### **5.4 Essential components for Preventing/Deducting Fraud:**

**5.4.1 Control Environment:** SIPCHEM Group Management is committed to enabling an environment that can permit controls designed to be effective. The Group management are committed to integrity and fair ethical values. SIPCHEM Group maintaining an open-door policy.

**5.4.2 Risk Assessment:** Each employee at SIPCHEM Group has certain job responsibilities. In doing his or her job, an employee may learn of ways that SIPCHEM Group is being defrauded or can potentially be defrauded. These are considered areas of risk exposure for The Group. The best way to prevent Fraud is to identify these risk areas in advance. Therefore, it is every employee's responsibility to make a reasonable effort to identify these risks and to notify his or her manager and or the Chief Internal Auditor.

**5.4.3 Control Activities:** On an ongoing basis after risks have been identified, The Group employees should be working with management to develop and implement controls that will prevent or detect these risks. Some controls can be as sophisticated as automating a procedure using computer technology, or as simple as requiring an approval signature from a supervisor. The most fundamental control has to do with the "separation of duties" whereby a series of activities are divided among two or more people rather than completed by one person. The best controls are controls that prevent a Fraud from occurring, therefore called "Preventive Controls". When Preventive Controls are not possible or practical, controls that could detect fraudulent activity after it has occurred are called "Detective Controls".

**5.4.4 Information and Communication:** In order to be effective, SIPCHEM Group communication regarding The Group Anti-Fraud Program and Whistleblowing Policy and Procedure Manual will be communicated (i.e., published on website) to all employees, shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with SIPCHEM Group. Communication from The Group will support The Group commitment to preventing Fraud. In addition, each employee must fully understand all relevant aspects of The Group Anti-Fraud Program and Whistleblowing Policy and his or her role and responsibilities as they relate to following and enforcing The Group's Anti-Fraud Program and Whistleblowing Policy and Procedure Manual. Management is expected to help to explain to subordinate employees what behavior is expected or acceptable, and what is unacceptable.

**5.4.5 Monitoring:** Once controls are in place, it is essential that the controls are monitored by management to ensure they are effective and working so that fraudulent activities are either prevented or, if detected, investigated. The monitoring process is a continuous process that provides feedback to management that gives them reasonable assurance that frauds are being minimized or eliminated entirely.

Department:	Internal Audit	Revision #:	0
Document #:	SIPC-IA-Y-003	Date of issue:	29/02/2024
		Next review date:	28/02/2029
Document title:	Anti-Fraud Program	Page:	Page 7 of 9

## 5.5 Risk and Internal Control Systems

- 5.5.1 Internal controls are the key element in preventing Fraud. In order to set a good example, managers should be seen to be complying with all controls.
- 5.5.2 SIPCHEM Group will seek to assess the nature and extent of its exposure to the risks of internal and external Fraud, Bribery and Corruption. It will regularly review these risks, using information on actual or suspected instances of Fraud, Bribery and Corruption to inform its review.
- 5.5.3 SIPCHEM Group will seek to put in place efficient and effective systems, procedures, and internal controls to: encourage an anti-fraud culture; prevent and detect Fraud, Bribery and Corruption; and reduce the risks to an acceptable level.
- 5.5.4 SIPCHEM Group will seek to equip its staff with the skills, knowledge, and expertise to manage its fraud risk effectively. It will provide adequate training to make staff aware of the risks of Fraud, Bribery and Corruption, and of their responsibilities in preventing, detecting, and reporting it.
- 5.5.5 SIPCHEM Group will make all those receiving SIPCHEM Group funds or representing The Group, including its suppliers, grant recipients, partners, contractors, and agents aware of this program and the Whistleblowing Policy.
- 5.5.6 SIPCHEM Group will work with relevant stakeholders, including comparable organizations, relevant regulators, and government organizations to tackle Fraud.
- 5.5.7 SIPCHEM Group will regularly review and evaluate the effectiveness of its systems, procedures, and internal controls for managing the risk of Fraud. It will do this through risk management and assurance processes and audit arrangements.
- 5.5.8 SIPCHEM Group will regularly monitor compliance with controls. It should be emphasized that the prime function of Group Internal Audit is to evaluate the effectiveness of the overall framework of internal control, with management being responsible for ensuring implementation and monitoring of the framework.
- 5.5.9 Common excuses for non-compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to management so that the need for controls can be re-evaluated.



Department:	Internal Audit	Revision #:	0
Document #:	SIPC-IA-Y-003	Date of issue:	29/02/2024
		Next review date:	28/02/2029
Document title:	Anti-Fraud Program	Page:	Page 8 of 9

## 5.6 Specific Fraud Risk Mitigation Measures

- 5.6.1 Managing the risk of Fraud is the same in principle as managing any other business risk. It is best approached systematically both at an organizational and operational level.
- 5.6.2 Management also has a responsibility to familiarize itself with common fraud techniques in areas for which it has control. This should include being alert to signs which may indicate that Fraud is taking place, examples being:
- 5.6.2.1 Staff under stress without a heavy workload.
  - 5.6.2.2 Staff always work late.
  - 5.6.2.3 Prime documents being lost and replaced by photocopies.
  - 5.6.2.4 Reluctance of staff to take leave.
  - 5.6.2.5 Staff refusing promotion.
  - 5.6.2.6 Unexplained wealth and sudden change in lifestyles.
  - 5.6.2.7 New staff resigning quickly.
  - 5.6.2.8 Suppliers/contractors/customers insist on dealing with a particular member of staff.
  - 5.6.2.9 Cozy relationships with suppliers/contractors/customers; and
  - 5.6.2.10 Sudden changes in behavior.
- 5.6.3 To manage the exposure to Bribery and Corruption always follow code of conduct, all gifts and hospitality received by staff or given by staff must be approved by/reported (disclosed) to line manager.
- 5.6.4 Conflicts of interest are known to increase the risk of Fraud. Therefore, all staff who have an interest in an actual or potential supplier (whether personally, or through family members, close friends, or associates) must report (disclose) that Conflict of interest to their line manager.

## 5.7 Corporate Governance

Development of best practice and recommendations arising from the reviews of corporate governance will continue to be important in the development of an environment in which awareness of responsibility for Fraud prevention and detection can flourish.

## 5.8 Responsibility for Implementing the Anti-Fraud Program


It is the responsibility of all employees to implement the Anti-Fraud Program in their daily work responsibilities.

## 5.9 Ownership and Frequency of Review

The Anti-Fraud Program remains the property of SIPCHEM Group. However, its custody and management rest with the Internal Audit Department.

This policy document and procedure manual shall be subject to review every two (2) years or as may be deemed necessary. All suggestions for review and or amendments shall be forwarded to the Group Chief Internal Auditor for necessary action.



Sahara International Petrochemical Company (SIPCHEM)			
Department:	Internal Audit	Revision #:	0
Document #:	SIPC-IA-Y-003	Date of issue:	29/02/2024
		Next review date:	28/02/2029
Document title:	Anti-Fraud Program	Page:	Page 9 of 9

## 6. RESPONSIBILITIES

All direct and contracted employees of Sipchem are responsible for adhering to this policy.

## 7. VERIFICATION AND FEEDBACK PROCESSES

None.

## 8. RELATED STANDARDS AND DOCUMENTS

- |     |                 |                                 |
|-----|-----------------|---------------------------------|
| 8.1 | SIPC-IA-Y-002   | Whistle Blowing Procedure       |
| 8.2 | SIPC-HRCE-N-001 | HR General Policy and Procedure |

## 9. SYSTEM DOCUMENTATION & RECORDS

The soft copy of this document will be issued in Q-Pulse and retained for its validity.

## 10. ATTACHMENT

None