

Fraud and Corruption Control Policy and Framework

Version	7.0
Category of document	Lead Policy
Short description	This Policy outlines the Fraud & Corruption Control Framework which supports MyStates prevention and detection strategy, along with responding to events and reporting incidents if they occur.
Applicable to	MyState Group (MYS)
Approval Authority	Group Audit Committee
Responsible Executive	Chief Risk Officer (CRO)
Document owner	Senior Manager Fraud Risk
Lead Policy	Risk Management Strategy and Framework
Related Policies	<ul style="list-style-type: none"> • Risk Appetite Statement • Conflict of Interest Management Standard • Conduct Risk Framework • Whistleblower Protection Policy • Staff Code of Conduct • Scam Strategy and Framework • Cyber Security Framework • Procurement Framework
Submitting Authority	Chief Risk Officer (CRO)
Date Submitted	16 May 2024
Date Approved	16 May 2024
Next scheduled review date	May 2026

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1. Purpose and Overview

The aim of this document is to outline the MyState Limited Group ('MyState') Fraud and Corruption Control Policy and Framework.

The Fraud and Corruption Control Policy has been developed in accordance with the Australian Standard 8001-2021 Fraud and Corruption Control.

This Policy is designed to create an environment that actively seeks to discourage fraudulent and corrupt behaviour, detects fraud and corruption if it occurs and provides a practical guide for responding to fraud and corruption incidents that have already occurred.

The Policy forms an essential part of Risk and Fraud management strategies by establishing a framework for the control of fraud and corruption throughout the Group. This includes setting MyState's attitude towards fraud and corruption, specifying staff responsibilities and strategies for preventing, detecting, investigating, reporting and mitigating such activities.

The Policy sets out our approach to controlling fraud and corrupting by:

- Establishing the Groups fraud and corruption control objectives;
- Developing, implementing, communicating and maintaining an integrity framework;
- Developing and implementing fraud and corruption controls;
- Raising awareness of control issues;
- Establishing clear accountability structures for the response and escalation of incidents; and
- Setting guidelines to recover the proceeds of fraud and corruption.

Fraud and corruption control is essential to maintain the integrity of the MyState Limited Group, provide an ethical workplace, good corporate governance and to preserve our resources and reputation. MyState does not tolerate fraudulent or corrupt activity of any kind, and employees are expected to perform their duties for, and on behalf of MyState legally, ethically and with honesty.

1.1 Definition of Fraud

'Australian Standard AS 8001-2021 defines fraud as:

'Dishonest activity causing actual or potential gain or loss to any person or organisation including theft of money or other property by persons internal and/or external to the organisation and/or where deception is used at the time, immediately before or immediately following the activity.

Examples include:

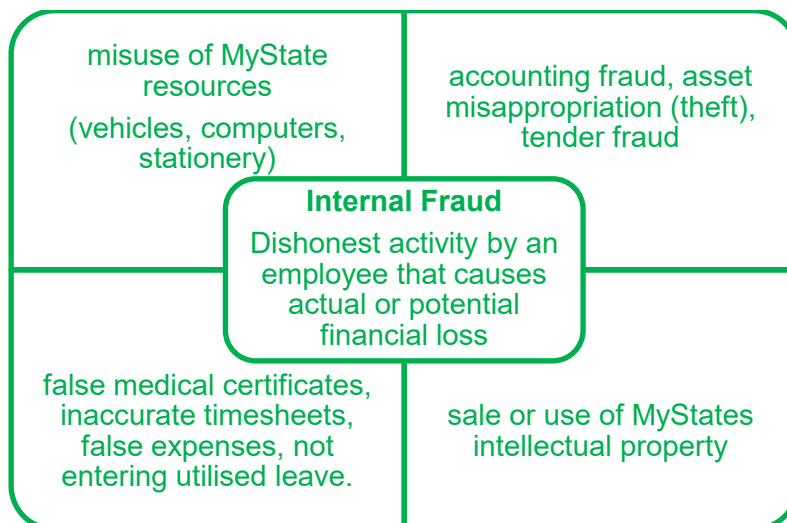
- Dishonest activity causing loss to MyState;
- The use of deliberate deception, falsification, concealment or destruction to dishonestly obtain or give an improper benefit at the cost of MyState;
- Improper access to, use of, or disclosure of confidential or personal information;
- The improper use information or position for personal financial benefit;
- Fraudulent conduct by internal and/or external parties targeting the MyState;
- Dishonest activity causing loss to account holders associated with or connected to MyState; and
- Attempting any of the above or conspiring to commit any of the above.
- The theft of intellectual property or other intangibles such as information belonging to MyState by employees, consultants, contractors, suppliers or others external to MyState is also considered fraud for the purpose of the Policy.

From a company perspective, fraud can be divided into two categories, internal and external fraud:

Internal Fraud

Internal fraud occurs when at least one perpetrator is employed by or has a close association with MyState and has detailed knowledge of the internal operations, systems and procedures. The employee dishonestly makes false representation, wrongfully fails to disclose information, abuses a position of trust for personal financial gain or causes loss to others.

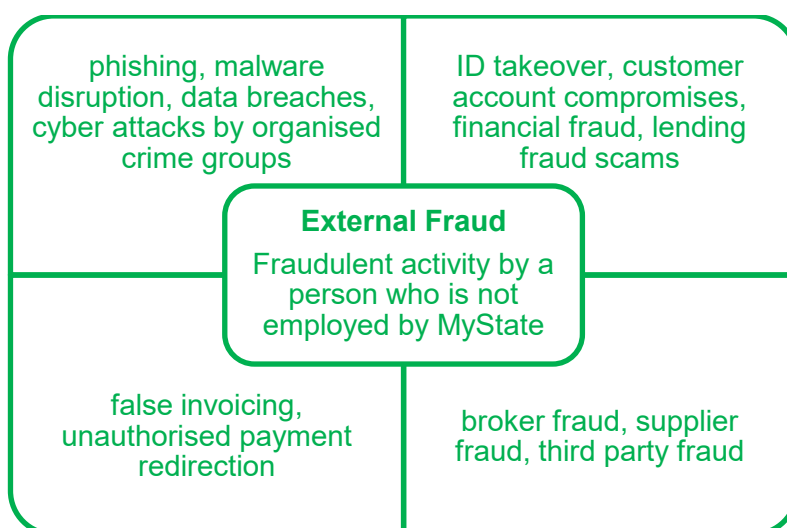
- Benefits an individual employed by MyState or any Subsidiary (e.g. Director, Executive, Manager or employees); and
- Benefits MyState or any Subsidiary (e.g. financial misstatement fraud or accounting fraud)



External Fraud

External instigated fraud is where none of the perpetrators are employed by or have a close association with MyState and refers to the risk of unexpected financial, material or reputational loss as a result of the fraudulent action of persons outside MyState.

- Benefits third parties (e.g. other ADI’s, stakeholders, customers, brokers, suppliers and organise crime groups); and
- Benefits others engaged in the facilitation of financial crimes across all products and channels of financial services and providers.



1.2 Definition of corruption

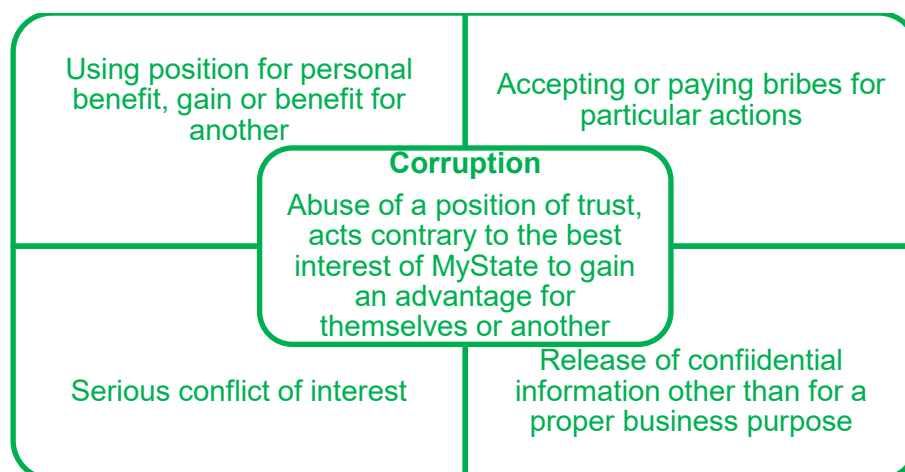
MyState has adopted the Australian Standard AS 8001-2021 definition of corruption:

‘Dishonest activity in which a person associated with the organisation (e.g. Director, Executive, Manager, employee or contractor) acts contrary to the interests of the organisation and abuses their position of trust in order to achieve personal advantage or advantage for another person in the organisation. This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of and in the interest of the organisation, in order to secure some form of improper advantage for the organisation either directly or indirectly.’

From a company perspective, corruption may involve, but is not limited to the following conduct:

- Payment or receipt of secret commissions (bribes), which may be paid in money or in some other form of value to the received;
- Release of confidential information for other than proper business purpose in exchange for some form of non-financial benefit or advantage occurring to an employee for releasing the information;
- Serious conflict of interest involving a Director, Executive, or other employee acting in his or her own self-interest rather than the interests of the entity to which he or she is appointed (e.g. failing to declare to the Board an interest in a transaction MyState is about to enter into or excessive remuneration to Directors and Executives; and
- Gifts or entertainment intended to achieve a specific or generic commercial outcome – an essential element in determining if conduct of this type is corrupt and if it would it in breach of MyStates cultural values, Code of Conduct or any other policy.

While conduct must be dishonest to be defined as corruption, the conduct does not necessarily represent a breach of the law.



2. Scope

This Policy applies to MyState Limited Group Companies and Subsidiaries and covers all business conducted by the Group.

This Policy is advised by Australian Standard 8001-2021 Fraud and Corruption Control and should be read in conjunction with associated documents that support MyStates Risk and Fraud management strategies.

- Risk Management Strategy and Framework;
- Risk Appetite Statement;
- Conflicts of Interest Management Standard;
- Conduct Risk Framework;
- Whistleblower Protection Policy and Procedure; and
- Code of Conduct.

3. Roles

The Fraud Risk Business Unit, under the direction of the Chief Risk Officer, maintains the primary responsibility for fraud risk management and owns all fraud management related policy and procedures throughout the Group.

Fraud Risk management within MyState forms part of the everyday decision making. As such, all employees must accept and be accountable for all fraud risk management activities relevant to their respective business units and role.

MyStates overall approach to risk management is based on the 'three lines of defence' model which supports the relationship between individual business units, risk management and compliance functions, internal and external audit and the Board as stated in the Risk Management Strategy and Framework. This translates to the following roles and responsibilities in the Group.

Board

The Board oversee and monitor the Fraud and Corruption Control Policy and Framework, consistent with the Board approved risk appetite.

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Executive

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Managers

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Employees

All employees (including Directors, Executive and Managers) are responsible for:

- Maintaining the highest standard of ethics in accordance with the Staff Code of Conduct and related policies and procedures;
- Being vigilant in their work to prevent and detect fraud and corruption against MyState;
- Reporting any suspected fraud or corruption of which they become aware or suspect on reasonable grounds;
- Taking appropriate measures to protect employees who make reports in accordance with MyState’s Whistleblower Protection Policy from detrimental action;
- Refraining from any activity that is, or could be perceived to be victimisation or harassment of a person they know or suspect to have made disclosure of reportable conduct; and
- Protecting and maintaining the confidentiality of a person they know or suspect to have made a disclosure of reportable conduct.

4. Review frequency

MyState will review the Fraud and Corruption Control Policy biennially, however earlier reviews may be required in the event of change, to continue to maintain best practice standards in respect to fraud and corruption prevention, detection and response.

5. Principles

MyState recognises that a number of structural elements are required for the effective control of fraud and corruption and these elements are embedded within our various policies, procedures and practices.

The framework MyState has adopted is built on the following three principles:

1. Structural Elements;
2. Operational Elements; and
3. Maintenance Elements (Incident Management and Continuous Improvement).

6. Related documents

- Fraud Banking Procedure;
- Fraud Lending Procedure;
- Financial Crime Monitoring Procedure;
- Anti-Money Laundering and Counter Terrorism Financing Procedures;
- Employee Assistance Program Procedure; and
- Whistleblower Protection Policy.

STRUCTURAL ELEMENTS	<p>MyState Limited</p> <ul style="list-style-type: none"> • Group Audit Committee • Cultural Values • Code of Conduct • Risk Management Policy and Framework • Risk Appetite Statement • Risk Culture Framework • Fraud and Corruption Control Policy • Whistleblower Protection Policy • AML/CTF Policy
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OPERATIONAL ELEMENTS	[Redacted]	[Redacted]
INCIDENT MANAGEMENT	[Redacted]	
CONTINUOUS IMPROVEMENT	[Redacted]	

7. Framework

The framework includes a suite of risk controls designed to prevent fraud and corruption from occurring, to detect fraud and corruption when it occurs and respond to fraud and corruption as it is detected.

The Fraud and Corruption Framework:

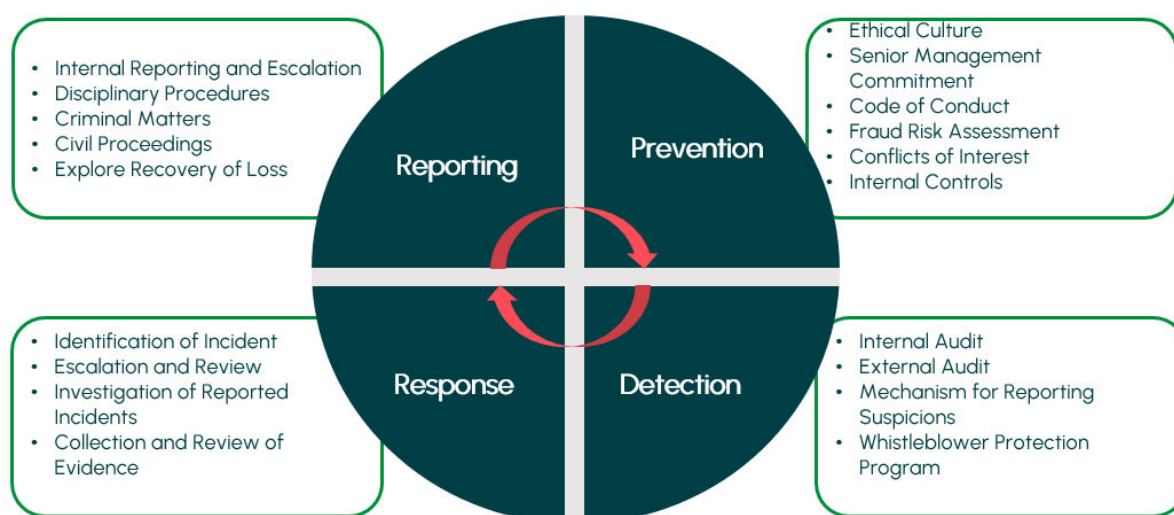
- Encompasses control activities to prevent, detect and respond to fraud and corruption with an emphasis on prevention;
- Recognises environmental factors that influence and help managers achieve their objective to mitigate the risks; and
- Highlights the importance of monitoring and review.

MyState has a zero-tolerance to fraud and corruption and is strongly committed to resourcing and deploying a robust detection, investigation and prevention focus on external fraud and corruption threats.

Zero-tolerance means that fraud and corruption allegations will always be investigated regardless of position or status. In accordance with the principal of zero-tolerance, MyState will seek to prosecute anyone reasonably suspected of perpetrating an illegal act of fraud or corruption against MyState.

The Fraud & Corruption Control Framework shows MyState's obligations in respect of Federal and State based legislation, Regulations, Industry codes and MyStates own policies and procedures.

The framework is comprised of MyStates approach to fraud and corruption, as well as implemented controls for the detection, prevention, response and reporting of fraud and corruption incidents.



8. External Environment

MyState will actively monitor the external environment to identify any potential fraud and corruption risks. These threats may be present within the industries and jurisdictions we operate. The external environment scan should include

identifying and analysing relevant events, trends and drivers in the political, economic, social, technological and legal environments.

External environment scanning includes the monitoring of new articles, social platforms, industry journals and publications, reports, surveys and presentations.

9. Fraud and Corruption Prevention

An effective approach to fraud and corruption prevention includes the establishment of an appropriate risk culture that promotes ethical behaviour across all levels of staff. To achieve this, MyState must create and maintain a strong and sustainable ethical culture that promotes expected behaviours, unacceptable conduct and consequences.

MyState's ethical culture must be supported and demonstrated by the Board, Executives and senior management, who must demonstrate they follow policies and procedures, and act as suitable role models for both employees and the organisations with whom we engage.

All employees including management, Members of the Board and others involved with MyState's business operations, are required to confirm annually they have complied with MyState's Staff Code of Conduct and related policies and procedures.

9.1 Integrity elements for a sound ethical culture

- Promoting a sound integrity framework;
- Managing conflicts of interest;
- Leading by example;
- Senior management actively promoting such a culture;
- Codes of behaviour;
- Allocation of responsibilities;
- Communication;
- Training;
- Reinforcement (in performance management);
- Benchmarking;
- Monitoring;
- Reporting of complaints; and
- Compliance.

9.2 Senior management commitment

Senior management must have a high level of commitment to controlling the risks of fraud and corruption both against MyState and by MyState.

A high level of risk consciousness for the risks of fraud and corruption should be present across the senior management group and, if found to be absent, should be the subject of appropriate awareness training. The fraud awareness training can contribute to a strong risk management framework by setting out how to identify and correctly report fraud and corruption risk concerns.

9.3 Code of Conduct

High standards of ethical behaviour at MyState are supported by the MyState Staff Code of Conduct and supporting policies which outline the ethical principles and professional standards of conduct that employees are expected to adopt in performing their duties.

Disciplinary processes are applied to people who are found to have engaged in fraudulent or corrupt practices. In addition, actions for recovery of monies will be undertaken and criminal prosecution recommended where appropriate.

9.4 Fraud Risk Assessment

[Redacted content]

[Redacted]

[Redacted]

[Redacted]

9.5 Managing Conflicts of Interest

Some Instances of fraud and corruption committed by staff derive from a conflict of interest that has been concealed, understated or mismanaged. It is important that MyState effectively manage any actual, potential or perceived conflicts of interest risk. This can be effectively manage by:

- Having a procedure which requires staff and relevant business associates to report actual, potential or perceived conflicts of interest;
- Maintaining records of relevant business, financial, family or personal interests of staff that could be considered a conflict;
- Maintain records of actions taken to avoid, eliminate or manage any perceived and/or actual conflicts of interest identified;
- Monitor and actively manage risks posed by conflicts of interest;
- Conflicts of interest training; and
- Treat failure to disclosed conflicts of interest as a potential disciplinary matter.

9.6 Internal Controls

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9.7 Assurance Testing

MyState undertake assurance testing activities across the Group at both division level by Line 1 Risk Managers and through the approved 2nd line assurance testing program managed and completed by the Risk team.

The program is designed to test compliance with regulatory requirements, procedures, processes and the effectiveness of existing controls, providing the following benefits.

- Assurance testing verifies internal controls are working as intended and identifies enhancement opportunities;
- Confirms risks associated with internal and external fraud are effectively managed;
- Increases internal and external fraud awareness across the Group during stakeholder discussions;
- Assists in identifying deficiencies in existing processes and practices, allowing enhancement and rectification.

9.8 Communication and Awareness

Adequate awareness requires the Board, senior management and all staff to be conscious of the risk of fraud and corruption and be accountable for reporting fraud or corruption occurrences.

Fraud Risk will facilitate fraud awareness training in conjunction with the Culture and Capability team, to develop a general awareness for staff member on fraud and corruption, covering the importance of detection and prevention and how he or she should react if this type of activity is suspected or detected.

There should be regular communications to staff providing a clear definition of the types of behaviour that constitute fraud or corruption, the detection measures that are in place and what they can do to combat fraud or corruption.

All employees will receive training in the Staff Code of Conduct and other elements of the integrity framework at induction and throughout their period of employment.

Updates and changes to fraud and corruption related policies, procedures, the Staff Code of Conduct and other ethical statements should be effectively communicated to all employees by their managers with the assistance of the appropriate specialist areas.

9.9 Employment screening

[Redacted]

[Redacted]

[Redacted]

9.10 Annual leave

[Redacted]

[Redacted]

9.11 Supplier selection

[Redacted]

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10. Fraud and Corruption Detection

[Redacted]

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10.1 Internal Audit Strategy

[Redacted]

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10.2 External auditors role

[Redacted]

[Redacted]

10.3 Mechanisms for reporting suspected fraud

Adequate means for reporting suspicious or known illegal or unethical conduct must be available to all employees and other interested parties. Employees are encouraged to report fraud or corruption concerns directly to their manager or supervisor.

It is important that all instances of fraud or corruption detected within, against or by MyState are reported to senior management

In order to capture all reports of suspected fraud or corruption, MyState encourages staff to report their suspicions to either:

- The Whistleblower Protection Officer;
- Their immediate Manager; and
- If anonymity is required via MyState’s External Auditors.

10.4 Whistleblower Protection Program

MyState Board and employees who are aware of, or suspect that an act of fraud or corruption against MyState has been committed or is about to be committed are obligated to report the act. They can report the incident directly to the Chief Risk Officer, Fraud Risk or any other Senior Manager. They can also refer to the Whistleblower Protection Policy and Whistleblower Protection Procedure for reporting procedures in place under that mechanism, designed to protect the Whistleblower.

MyState’s Whistleblower Protection Policy sets out the organisations approach to the protection of Whistleblower and is based on the Australian Standard AS 8004-2003 Whistleblowers Protection Programs for Entities.

Managers must make all employees aware of the existence of this policy and actively promote MyState’s commitment to its content.

11. Fraud Response

All allegations or suspicions of internal or external fraud or corruption must be referred to the Chief Risk Officer immediately or reported via the Whistleblower Protection Policy.

11.1 Investigation of detected or suspected incidents

[Redacted content]

[Redacted content]

[Redacted]

11.2 Conducting the investigation

[Redacted]

11.3 Collecting and reviewing evidence

[Redacted]

12. Fraud and Corruption Reporting

MyState will report all instances of fraud or corruption both internally and externally using the processes detailed below:

12.1 Internal reporting and escalation

- Fraud Risk will maintain an incident register;
- The CRO and GM PCPA will report any recent fraud or corruption events to the Executive Management Team;
- The Senior Manager Fraud Risk will provide an annual Fraud Report to the Group Audit Committee detailing industry information and specific MyState information relating to fraud or corruption; and
- The Managing Director will report events to the Board.

12.2 Disciplinary procedures

[Redacted]

[Redacted]

12.3 Criminal matters

[Redacted]

[REDACTED]

12.4 Civil proceedings to recover the proceeds of fraud

[REDACTED]

[REDACTED]

13. Impact of Fraud

Generally the financial services sector is significantly more prone to fraudulent activity than most other industries. It should be noted that reputation and image is by far the biggest issue for organisations affected by fraud.

[REDACTED]

13.1 Internal review post event

In each instance where fraud or corruption is detected, MyState will reassess the adequacy of the internal controls, particularly those directly impacting on the event and potentially allowing it to occur, and consider whether improvements are required.

13.2 Insurance

[REDACTED]

14. Related regulation

- APRA – provides guidelines for fraud risk management including planning and resourcing, fraud prevention, fraud detection, fraud response, monitoring and review.
- AUSTRAC - Australia's financial intelligence agency with regulatory responsibility for anti-money laundering and counter-terrorism financing.

Version Control

Version Number	Date Approved	Brief Description	Change Author	Approver
1.0	17/9/2015	[REDACTED]	Senior Manager Fraud Risk	Group Audit Committee
2.0	8/11/2016	[REDACTED]	Senior Manager Fraud Risk	Group Audit Committee
3.0	16/2/2017	[REDACTED]	Senior Manager Fraud Risk	Group Audit Committee
4.0	16/11/2017	[REDACTED]	Senior Manager Fraud Risk	Group Audit Committee
5.0	18/11/2020	[REDACTED]	Senior Manager Fraud Risk	Group Audit Committee
6.0	15/11/2023	[REDACTED]	Senior Manager Fraud & Financial Crime & AML Officer	Group Audit Committee
7.0	16/5/2024	[REDACTED]	Senior Manager Fraud & Financial Crime & AML Officer	Group Audit Committee