

CHOW TAI FOOK JEWELLERY GROUP

Chow Tai Fook Jewellery Group Limited

## **Anti-Fraud Policy**

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## **1 Senior Management Commitment**

- 1.1** Chow Tai Fook Jewellery Group Limited and its subsidiaries (collectively, “CTF” or the “Group”) is committed to upholding business ethics and probity while pursuing a high standard of honesty. It supports all anti-Fraud laws and regulations and will not tolerate any Fraud. For the purpose of this Policy, “Fraud” shall have the meaning as defined in paragraph 7 of this Policy.
- 1.2** As one of the keys to CTF’s good corporate governance, Fraud prevention is vital to the Group’s long-term success and healthy development.
- 1.3** The Group strives to promote the values of honesty and self-discipline, advocates corporate culture of integrity based on behaviours standards of reasonableness, logicity, legitimacy, fairness, transparency, and impartiality in order to create honest and self-disciplined business environment.
- 1.4** All personnel in the Group and people from all walks of life having business dealings with the Group must uphold at all times CTF’s core values of probity, integrity, honesty, fairness, impartiality and ethics in business practices while abiding by all the principles in this Policy.
- 1.5** Directors of all members of the Group (“Group Directors”) and senior management personnel of the Group should serve as examples to others by adhering to honesty and anti-Fraud principles in making business decisions or executing business of the Group.

## **2 Scope of Application**

This Policy applies to all personnel within the Group, including Group Directors and employees. It also applies to business partners having dealings with CTF, including without limitation suppliers, franchisees, consultants, contractors and (if applicable) relevant persons or entities acting as agents of CTF.

## **3 Anti-Fraud Policy Statement**

- 3.1** Group Directors and employees should comply with the Prevention of Bribery Ordinance (Cap.

201 of the Laws of Hong Kong) (“POBO”) and relevant laws of other countries or regions (as appropriate). Fraud conduct in any form is prohibited and a zero-tolerance stance is adopted for all Fraud conducts.

- 3.2** Be it in Mainland China, Hong Kong, Macau or elsewhere, Group Directors and employees engaging in any form of bribery or corruption, money laundering or financing of terrorism will be subjected to criminal/civil penalties. At the same time, reputation of the Group would be damaged.

## **4 Honesty Requirements on Group Directors and Employees**

CTF’s *Code of Conduct* and related employee systems describe in detail various key honesty rules to be abided by the Group Directors and employees. These rules provide that, among other things, they should not solicit or accept any advantage for themselves or others, from any person, company or organization having business dealings with the Group except that they may accept (but not solicit) certain benefits when offered on a voluntary basis, and such benefits shall be disclosed to and approved by the Group; nor should they offer benefits to people with business dealings with the Group either directly or indirectly through a third party. They should refuse excessively lavish or frequent entertainment provided by people with business dealings with the Group. They are forbidden to seek personal gains or assist related persons to seek advantage through abuse of office. Group Directors and employees are required to avoid conflict of interests in carrying out the Group’s business and should declare any conflict of interests as appropriate. Meanwhile, in related employee systems, a monitoring process has been set up and declaration forms have been provided for recording the provision or acceptance of gifts, entertainment, sponsorship, travel and accommodation or other benefits, as well as charity donations, political activity expenses or recruitment matters, etc.

## **5 Customer Due Diligence**

The *Group Anti-Money Laundering Policy* describes in detail a customer due diligence mechanism and the requirements on recording keeping measures and procedures. Factors for consideration include the types of products and services provided, the types and geographical locations of the customers involved, etc.

## 6 Anti-Fraud Roles and Responsibilities

- 6.1** The Audit Committee of the Group (the “Audit Committee”) provides recommendations to the board directors on ethical practices and anti-Fraud measures, as well as the compliance of anti-Fraud laws and related best practices. The Audit Committee is also responsible for monitoring, reviewing and supervising the Group’s Fraud risk management, the framework of controls in place to mitigate those risks, including the Group’s anti-fraud policies, practices and procedures for detecting fraud, and the design, implementation and overseeing of the internal monitoring system.
- 6.2** The board directors strives to uphold business ethics and probity, pursues a high standard of honesty and establish corporate culture of integrity for the Group. It ensures that the Group’s Fraud risk management and internal control system will be supervised and reviewed regularly, including the identification of major Fraud risks and the assurance that all anti-Fraud monitoring measures are effective.
- 6.3** The Corporate Governance Centre, with the determination to uphold probity in business operations and adopt a zero-tolerance stance towards Fraud, is responsible for planning and implementing Fraud risk management and an internal control system. Its objective is to ensure that sufficient resources and professional knowledge are available in carrying out Fraud risk management and operating the internal control system.

## 7 Definition of Fraud

- 7.1** For the purpose of this Policy, “Fraud” refers to the intentional use of dishonest means to seek benefits, shirk job duties or cause losses to the Group or its stakeholders.

The types of Fraud include corruption (as detailed in paragraph 7.2 below), usurpation of assets (as detailed in paragraph 7.3 below) and faking reports (as detailed in paragraph 7.4 below).

- 7.2** “Corruption” refers to all sorts of conflicts of interests or collusion with a supplier or client in getting kickbacks and the acceptance of bribes. It mainly takes the following forms:

- Currency funds, red packets/*lai-see*
- Encrypted digital currencies
- Enjoying the use of or proxy payment for assets
- Stock swaps
- Overseas assets
- Bank cards or shopping cards
- Enjoying entertainment
- Reimbursement of huge expenses
- Disguised benefits such as the offering of a job, employment, business, transaction contracts, etc

**7.3** “Usurpation of assets” refers to all sorts of embezzlement, over-reporting expenses, depositing public funds in personal accounts, misappropriating corporate assets, setting up off-book accounts (aka “little coffers”), appropriation of the Group’s tangible and intangible assets or information. Usurpation of assets mainly take the following forms:

- Interception, unauthorised division, theft and embezzlement of Group assets
- Fraud of the Group’s currency funds
- Theft of physical assets, intangible assets or information (commercial secrets, technical data, etc)
- Fraud involving wage or salary
- Reimbursement of personal expenses with business funds
- Payment of unreceived goods or labour in violation of regulations
- Unauthorised setting up of off-book accounts
- Renting out or lending account or misappropriating Group assets for personal use or use as collateral for personal loans.

**7.4** “Faking reports” refers to the altering or misrepresenting of financial or non-financial reports, such as altering earnings up or down, tax fraud and evasion or using related party transactions to adjust earnings.

## **8 Fraud Risk Management and Internal Control System**

8.1 “Anti-Fraud Policy”, “Code of Conduct” and related policy guidelines such as employee

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systems have been laid down for the Group as a whole as well as for its various business segments in mainland China, Hong Kong, Macau and overseas. These policies and guidelines serve to expound on the Group's determination to promote a business environment of honesty and probity, and will lay out the Group's criteria and rules on honesty and integrity.

- 8.2 The Group has passed top-down policies and systems such as *Chow Tai Fook Best Practice Principles for Suppliers* to convey to business partners its ethics values and determination, as well as its anti-corruption measures and requirements on honesty.
  - 8.3 The Group regularly carries out systematic Fraud risk assessments, which include the identification, analysis and reporting of Fraud risks and responses to be made. The Group has also decided on establishing a risk monitoring system to monitor Fraud risks.
  - 8.4 In conducting investigations on corruption and bribery, the Group assesses any internal control frameworks and processes found to be in question and takes improvement measures as necessary. Management makes timely assessments and decides whether it is possible to carry out effective improvements on internal control defects as far as possible.
  - 8.5 The Group offers suitable training to management staff and employees who are more likely to be exposed to the risks of bribery, corruption, money laundering and financing of terrorism or non-compliance under the POBO, including training on how to identify and handle such risks and circumstances.
  - 8.6 The Group periodically provides all relevant personnel with training in risk control and compliance. The scope of this training covers legal and regulatory requirements, understanding of Fraud risk management and internal control system. Employees will be told the Fraud risks, common Fraud traps and integrity challenges they are likely to face when carrying out business operations. They will also be given guidelines on how to deal properly with these situations.
  - 8.7 The Group periodically disseminates integrity knowledge and, where appropriate, anonymous case studies on Fraud. Prior to the festivals when it is expected that business partners may offer gifts to the Group's employees, the Group reminds its employees of the values of honesty and probity.
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## **9 Fraud Reporting**

- 9.1 The Group has devised a whistleblowing policy so that employees and business partners can raise their concerns about actual or suspected fraud, material misconduct, improprieties and irregularities in confidence and anonymity. The Group also ensures that proper arrangements are in place for a fair and independent investigation, appropriate follow-up actions, protection of whistle-blowers who make genuine and appropriate reports with legitimate concerns, and prohibition of retaliation against such whistle-blowers. The Group reserves the right to take appropriate actions against any person who maliciously makes a false report to cover any loss or damage resulted from the false report, while employees who make a false report may be subject to disciplinary actions, including dismissal, where appropriate.
- 9.2 All employees and/or relevant external parties may report any actual or suspected fraud through the reporting channels provided by the Group, whether or not they have conclusive proof or evidence. Whistle-blower who make genuine and appropriate reports with legitimate concerns is also assured of protection against unfair dismissal, victimisation or unwarranted disciplinary action, even if the report turned out to be unsubstantiated.

## **10 Fraud Investigation**

- 10.1 For serious violation cases, it shall bring to the attention of the board of directors, take appropriate disciplinary action and/or refer the cases to the relevant law enforcement authority for investigation.
- 10.2 In the course of an investigation, relevant measures shall be taken to preserve evidence, maintain confidentiality and minimise the loss that may arise from the Fraud risk.

## **11 Violation Penalties**

- 11.1 All personnel found violating this Policy will be equally penalised irrespective of their position or years of service within the Group. An employee found in violation will be subjected to fair and appropriate disciplinary actions, civil actions or other legitimate actions based on the proven facts, the actual or potential damage made to the Group as well as regulatory

requirements. If applicable, employees may have their employment contracts terminated, while suppliers/licensees may have their contracts terminated.

11.2 As for the details of Fraud reporting, Fraud investigation and violation penalties, the *Whistleblowing Policy* shall take precedence.

## **12 Effective Date and Review**

This Policy shall be issued for implementation upon the auditing and approval of the Audit Committee. The latest version of this Policy (or its summary) will be published on the Group's website (<https://www.ctfjewellerygroup.com/en/sustainability/approach/practices.html>). It shall come into effect on the date of issue and shall be reviewed annually.