

Queensland Rail Limited

Board Directive – Fraud Management Framework

1. Purpose and Scope

It is Queensland Rail Limited's policy to promote and sustain a culture in which ethical conduct is expected, encouraged and supported by everyone and a business environment that is free of fraud.

Queensland Rail Limited has zero tolerance for fraud by its employees, consultants and its contractual counterparties.

Queensland Rail Limited will not hesitate to take punitive action against those who commit fraud. Queensland Rail Limited will report suspected or actual fraud to law enforcement agencies for investigation and criminal prosecution, and where possible, seek contractual remedies.

This fraud management framework applies to Queensland Rail Limited and its subsidiary companies.

2. Key Elements of the Framework

Queensland Rail Limited's fraud management framework includes:

- Board policies, directives and corporate principles;
- Applicable laws, regulations and Queensland government policies;
- Queensland Rail Limited Board, management and staff; and
- Queensland Rail Limited business management systems and processes.

3. Fraud and Fraudulent Activity

Fraud and fraudulent activity is activity or behaviour which is dishonest and causes or is likely to cause actual or potential loss or harm to Queensland Rail Limited or any person or entity forming part of the Queensland Rail Limited Group. It also includes the dishonest use of Queensland Rail Limited resources to cause actual or potential loss to a third party.

The Code of Conduct provides particular examples of *fraud* and *fraudulent activity*.

If there is any question as to whether an action constitutes fraud, the opinion of the Corporate Counsel will prevail.

4. Fraud Management Process

Risk assessments to identify any fraud risks and develop strategies to mitigate these risks will be based on the Risk Management Framework.

The primary focus of fraud management activities is on fraud prevention.

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5. Responsibilities and Accountabilities

Employees

Every employee has an obligation to prevent and report suspected or actual fraud and other illegal activities to their managers, the Corporate Counsel, the Chief Internal Auditor or to any member of the Policy Committee. Information could also be provided anonymously through the Whistleblower's Hotline.

Corporate Functions

The corporate functions (finance, HR, risk, legal, safety and marketing) are accountable for the following activities and outcomes, within their areas of responsibility:

- Advising and assisting the businesses to assess fraud risks and develop and implement controls to manage these risks; and
- Assisting the businesses to assess the effectiveness of the key controls that manage significant fraud risks.

In addition to the above, the corporate head for the risk function is accountable for:

- Maintaining a central record of all actual or suspected fraud reported by the businesses; and
- Providing regular reports to the CEO and the Board on fraud risk management.

Businesses

The businesses are accountable for the following:

- Undertaking regular fraud risk assessments, consistent with Queensland Rail Limited's Risk Management Policy and Framework;
- Implementing controls, including staff training and enforcement of the Code of Conduct, to ensure prevention and timely detection of fraud;
- Implementing a Fraud Control Plan for ongoing monitoring and coordination of fraud control activities, which identifies fraud risk, incorporates control strategies, action plans and a timetable for implementation;
- Promptly informing the corporate head for the risk function, Corporate Counsel and the Chief Internal Auditor of all actual or suspected fraud cases. The information will be provided using the form attached as appendix. The corporate head for the risk function has the authority to update this appendix; and
- Promptly informing the police where there is clear evidence of criminal activity.

5.1.1 Internal Audit

Internal Audit is responsible for undertaking and/or managing all fraud investigations in liaison with the Corporate Counsel.

Suspected and actual fraud will be investigated by professional and objective investigators without regard to the suspected wrongdoer's position or history of service to Queensland Rail Limited.

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6. Recording

All fraud risks shall be recorded in a system determined by the corporate head for the risk function.

7. Management Assurance and Reporting

Businesses shall provide reasonable assurance via regular reports to the CEO that their fraud risks are being managed effectively.

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Appendix

Reporting Actual or Suspected Fraud

Queensland Rail Limited CONFIDENTIAL

DO NOT MENTION NAMES OF PERSONS INVOLVED IN THE ACTUAL OR SUSPECTED FRAUD

| Business Impacted | | |
|-------------------|----------|---------|
| Business | Division | Section |

| Incident | |
|--|--|
| Nature of Incident Actual or suspected fraud | |
| Date and Time of Incident | |
| Location of Incident | |
| How was Incident Discovered | |
| What Happened Description of incident including parties involved (without naming them), the specific or suspected acts etc | |
| Probable Cause(s) Don't speculate | |
| Dollar Value of Loss Actual or potential | |
| Other Impacts On Queensland Rail Limited or Business (actual or potential) as per Queensland Rail Limited's Risk Categories | |
| Police Crime Report No. If Police notified | |
| Business Managers Notified (Names, positions and dates notified) | |

| Action(s) taken to Limit the Loss or Prevent Recurrence of the Incident |
|---|
| |

| Form Completed by | |
|-------------------|--|
| Name | |
| Position | |
| Date | |

| Formal Reporting - Once completed, forward this form, with appropriate care, to the following: | | |
|---|--|---|
| Corporate Counsel RC1-1 Brisbane QLD Ph: 81 2078 / (07) 3235 2078 Fax: 81 2652 / (07) 3235 2652 | Chief Internal Auditor Central Concourse Brisbane QLD Ph: 81 2784 / (07) 3235 2784 Fax: 81 2786 / (07) 3235 2786 | GM Risk & Assurance RC1-9 Brisbane QLD Ph: 81 1499 / (07) 3235 1499 Fax: 81 3140 / (07) 3235 3140 |

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