

## FRAUD AND CORRUPTION CONTROL POLICY

### 1.0 BACKGROUND

This corporate fraud and corruption control policy has been established to facilitate the development of controls which will aid in the detection and prevention of fraud and corrupt behaviour. It is the intent of Bradken (also called the “**Company**”) to promote consistent organisational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

It is important for Bradken to establish an environment in which fraud is not tolerated and in which Directors, Executive Managers and employees are naturally reluctant to act dishonestly. This environment will promote a culture where all fraudulent activities once noticed or legitimately suspected are reported, investigated and resolved in a timely and fair manner. Bradken will not tolerate any incident of fraud and all employees shall act in accordance with the Company’s Code of Conduct and Ethics and in the spirit of ethical standards.

### 2.0 SCOPE

This policy applies to any fraud, or suspected fraud, corrupt behaviour or actions as defined in this policy, involving employees as well as shareholders, consultants, vendors, contractors, suppliers, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with Bradken. Any investigative activity required will be conducted without regard to the suspected wrongdoer’s length of service, position, title or relationship to the Company. The policy covers the following main areas:

- definition of fraud;
- roles and responsibilities of Directors, Executive Managers and employees;
- responsibilities to allegations and concerns raised internally and externally; and
- actions to be taken when fraud is discovered.

### 3.0 POLICY

All Management personnel are responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Chief Financial Officer who coordinates all investigations with the Company’s legal representatives and other affected parties, both internal and external to the Company.

### 4.0 RESPONSIBILITIES

#### DIRECTORS AND EXECUTIVE MANAGERS

Directors and Executive Managers have a duty to ensure that Bradken’s assets are safeguarded from fraud and abuse and to ensure that Bradken’s powers, duties and responsibilities are exercised in an open fair and proper manner to the highest standards of probity using the Decision Matrix in Appendix A as a guideline.

Directors and Executive Managers will endorse and support all policies and measures taken to prevent, deter, detect and resolve instances or suspected instances of fraud throughout the Company.

## MANAGING DIRECTOR

The Managing Director has primary responsibility for the proper management of the Company's resources and the development and implementation of systems and practices to minimise the risk of fraud.

## INTERNAL AUDIT

Internal audit has an important role in assisting management in the prevention and detection of fraud by:

- independently reviewing systems, procedures and controls to ensure that there are adequate safeguards to prevent, deter and detect fraud;
- through specific audits and testing of systems, identifying area of concern; and
- producing and advising on the production of rules regulations and policies which deter fraud.

## 5.0 DEFINITION

For the purposes of this policy "Fraud" is defined as:

- the taking, or obtaining by deception, of money or any other benefit from the Company when not entitled to the benefit, or the attempt to do so;
- the intentional misrepresentation of the Company's financial position;
- the intentional misrepresentation of information leading to financial loss; or
- the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury.

## 6.0 COMMITMENTS

Bradken is committed to protecting its reputation, revenue, expenditure and property from any attempt either by members of the public, contractors, agents, suppliers or its own employees to gain by deceit financial or other benefits. Bradken will:

- identify and evaluate significant areas of risk in relation to fraud, identifying and delegating responsibility for fraud control activities;
- prioritise and schedule fraud control improvements in all areas of the Company's operations;
- establish an ongoing fraud control monitoring and review process; and
- ensure that the fraud policy and operating procedures are communicated to employees through induction and training; and
- report periodically to the Audit and Risk Committee on the implementation of this policy.

## 7.0 ACTIONS CONSTITUTING FRAUD

The terms defalcation, misappropriation, and other fiscal wrongdoings refer to, but are not limited to:

- Any dishonest or fraudulent act;
- Forgery or alteration of any document or account belonging to the Company;
- Forgery or alteration of a check, bank draft, or any other financial document;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of company activities;
- Disclosing confidential and proprietary information to outside parties;

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- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the Company. Exception: Gifts less than \$50 in value;
- Disclosing to other persons securities activities engaged in or contemplated by the company;
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related inappropriate conduct.

### 8.0 **OTHER INAPPROPRIATE CONDUCT**

Suspected improprieties concerning an employee's moral, ethical, or behavioral conduct, should be resolved by the Division or Business Manager in consultation with a representative of the Human Resources Department.

If there is any question as to whether an action constitutes fraud, contact the Chief Financial Officer for guidance.

### 9.0 **INVESTIGATIONS**

The Officer designed in Appendix A has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Chief Financial Officer will issue reports to appropriate designated personnel and, if appropriate, to the Board of Directors through the Audit and Risk Committee and the External Auditors.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final decisions on disposition of the case.

All investigations will be undertaken in accordance with the processes defined in the Company's Whistleblower Policy (Ref: 2 BK ST CG).

### 10.0 **CONFIDENTIALITY**

All information received is treated with the utmost confidentiality. Any employee who suspects dishonest or fraudulent activity must notify the Whistleblower Protection Officer immediately, and should not attempt to personally conduct investigations, interviews or interrogations related to any suspected fraudulent act.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Company from potential civil liability.

### 11.0 **MANAGING THE RISK OF FRAUD**

#### 11.1 **IDENTIFYING FRAUD RISK**

The responsibility for considering this issue, and the implementation of an appropriate strategy to assess fraud risks, lies with Division, Business and Head Office Management. However, it remains the responsibility of all personnel to be vigilant of the risk of fraud within the Company and to report it as soon as they are aware of significant fraud risks.

#### 11.2 **WHAT IS A FRAUD RISK?**

This is where there is the potential for fraud to occur, usually as a result of internal controls not being in place or being ineffective in preventing or detecting fraud.

## 11.3 **FRAUD AWARENESS**

Further information on how to prevent, detect or report fraud and fraud awareness training is available by contacting the Chief Financial Officer.

## 12.0 **TERMINATION**

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated representatives from Human Resources and the Company's legal representatives and, if necessary, by outside counsel, before any such action is taken. Any disagreement on whether to terminate an employee will be referred to the Managing Director for resolution.

## 13.0 **REFERENCE DOCUMENTATION**

|             |                              |
|-------------|------------------------------|
| 2 BK ST CG  | Whistleblower Policy         |
| 2 BK ST CG  | Code of Conduct and Ethics   |
| AS8001:2003 | Fraud and Corruption Control |

## 14.0 **FURTHER INFORMATION**

If you require further information or assistance, or are uncertain about the application of the law or of this policy in any situation, please contact the Chief Financial Officer.

Approved by the Audit and Risk Committee on 3 February 2010.

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### APPENDIX A - DECISION MATRIX

|     | Action Required   | Assigned Investigator | Internal Audit | Finance / Accounting | Executive Management | Line Management | Risk Management | Legal | Marketing | Human Resources |
|-----|---|-----------------------|----------------|----------------------|----------------------|-----------------|-----------------|-------|-----------|-----------------|
| 1.  | Controls to Prevent Fraud                                 | S                     | S              | S                    | P                    | SR              | S               | S     | S         | S               |
| 2.  | Incident Reporting  | P                     | S              | S                    | S                    | S               | S               | S     | S         | S               |
| 3.  | Investigation of Fraud                                    | P                     | S              |                      |                      | S               |                 | S     |           | S               |
| 4.  | Referrals to Law Enforcement                              | S                     |                |                      | P                    |                 |                 | S     |           |                 |
| 5.  | Recovery of Monies due to Fraud                           | P                     |                |                      | S                    |                 |                 |       |           |                 |
| 6.  | Recommendations to Prevent Fraud                          | SR                    | SR             | S                    | P                    | S               | S               | S     | S         | S               |
| 7.  | Internal Control Reviews                                  |                       | P              | S                    |                      |                 |                 |       |           |                 |
| 8.  | Handle Cases of a Sensitive Nature                        | P                     | S              |                      | S                    |                 | S               | S     |           | S               |
| 9.  | Publicity/Press Releases                                  | S                     | S              |                      | P                    |                 |                 |       |           |                 |
| 10. | Civil Litigation  | S                     | S              |                      | S                    |                 |                 | P     |           |                 |
| 11. | Corrective Action/ Recommendations to Prevent Recurrences | SR                    | SR             | SR                   | P                    | SR              | S               | S     |           |                 |
| 12. | Monitor Recoveries  | S                     |                | P                    |                      |                 |                 |       |           |                 |
| 13. | Pro-active Fraud Auditing                                 | S                     | P              | S                    |                      |                 |                 |       |           |                 |
| 14. | Fraud Education/Training                                  |                       | S              | P                    |                      | S               |                 |       |           | S               |
| 15. | Risk Analysis of Areas of Vulnerability                   | S                     | S              |                      |                      |                 | P               |       |           |                 |
| 16. | Case Analysis   | P                     | S              |                      |                      |                 |                 |       |           |                 |
| 17. | Hotline   | P                     | S              |                      |                      |                 |                 |       |           |                 |
| 18. | Ethics  | S                     | S              |                      |                      |                 |                 | P     |           |                 |

#### Legend:

- P (Primary Responsibility)
- S (Secondary Responsibility)
- SR (Shared Responsibility)