

# ANITI-CORRUPTION AND ANTI-FRAUD REPORT 2022

# BREAKTHROUGH





## Foreword

Since Kerry Express (Thailand) Public Company Limited (“KEX”) has adhered to the principle of good corporate governance, we have found that the challenges in setting up adequate anti-corruption systems have grown over the past decade. Some examples include a lack of resources for effectively implementing anti-corruption measures or insufficient knowledge and limitations for corruption risk assessment.

This report aims to provide stakeholders an insight into the measures that Kerry Express (Thailand) Public Company Limited (KEX) is currently taking to prevent and monitor bribery and other forms of corruption in our business dealings, beyond merely ticking the boxes.

Despite the unprecedented challenges of COVID-19 and its effects on almost all activities of KEX in 2022, we have remained on track with our deliverables, both in terms of prevention and investigation.

With the approval of KEX’s revised anti-corruption policy by the Board of Directors in November 2022, KEX aims to adopt a risk-based approach to effectively identify, monitor, and prevent integrity risks and minimise reputational risks in our Group’s financing activities and among our staff.

## Performance highlights

- Zero substantiated incident of corruption
- New anti-corruption and anti-fraud has been promoting against various types of corruption
- Extending the conflict of interest declaration to key accounts customers, representing 98 per cent of the total spending from our Business-to-Business (B2B) and Business-to-Customers (B2C) portfolios.
- 100 per cent of strategic customers declared their conflict of interests to KEX
- 100 per cent due diligence assessments were conducted on new investment projects.
- 100 per cent of employees were trained on the code of business conduct, with 86 per cent passing the post-training test.
- 100 per cent of business partners signed the consent agreement to follow KEX's supplier code of conduct.

## Key milestones

2019

- Approved a set of policies on good corporate governance, code of business conduct, and anti-corruption.
- Established a governing body and a framework to fight corruption.

2020

- Set up the Quality and Risk Management team, dedicated to supervising and investigating corruption risks in the organisation.
- Established the Internal Audit team to check the effectiveness of internal control and risk management for anti-bribery and anti-corruption.
- Promoted the “No Gift” policy.
- Enforced mandatory training for all staff; the topics included good practices under the code of business conduct, anti-corruption and anti-bribery, and whistleblower channels and methods.

2021

- Revised the anti-corruption policy and the whistleblower policy to align with local and globally accepted standards, such as the CG Code of the Securities and Exchange Commission of Thailand (SEC).
- Extended the enforcement of the “No Gift” policy to business partners and franchises.
- Submitted the declaration of intent to join the Collective Action Against Corruption (CAC).

2022

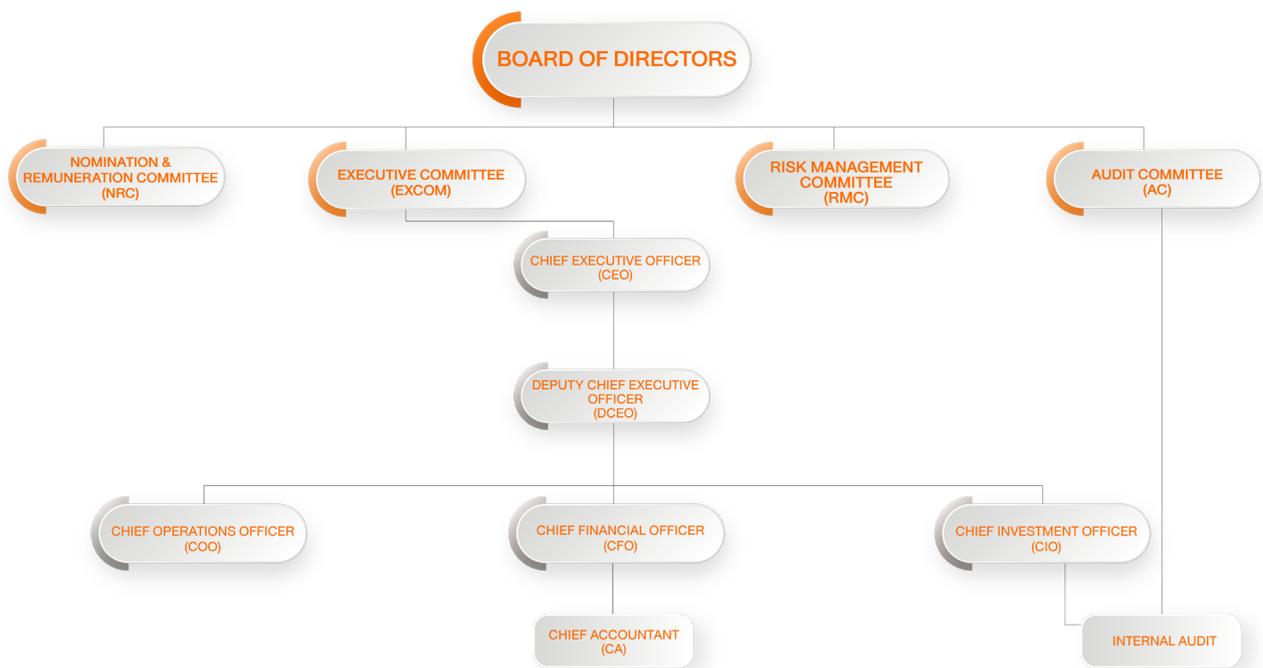
- Revised the anti-corruption policy to align with the expectations of the Collective Action Against Corruption (CAC) and the new listing rules of the Hong Kong Stock Exchange.
- Extended the enforcement of the conflict of interest policy to strategic customers and requested them to declare their conflicts of interest to the Company.
- Promote ethics video clip for online training and orientation of employees and suppliers
- Deployed the very first online reporting system to report and monitor conflict of interests of employees

# Zero tolerance framework

Core Value	Top-level commitment	Risk assessment & management	Policy and procedure	Culture	Monitoring and assessing
<p><b>HI-STEP</b> Honesty - We are committed to high ethical standards, operating with transparency and guided by relevant rules and regulations.</p>	<p>Uncompromised</p> <p>Governing body to approve the Policies and oversight the implementation - <b>Board of Directors</b></p> <p>Governing body to monitor the case and ensure internal control- <b>Audit Committee</b></p> <p>Governing body to monitor the risk management - <b>Risk Management Committee</b></p>	<p>Conduct enterprise-wide risk assessment and management to prevent misconduct and lost</p>	<p>Anti-corruption and anti-bribery policy <b>Whistleblowing policy</b> Code of Business ethics <b>Supplier code of conduct</b></p> <p>Business SOP, e.g.,</p> <ul style="list-style-type: none"> <li>• Procurement &amp; purchasing</li> <li>• COI on timely manner (system to be developed)</li> <li>• Revolving door</li> <li>• Entertainment</li> <li>• Gift offering and receiving</li> </ul> <p>Whistleblowing procedure</p>	<p>Awareness &amp; Training for staff and business partners (vendors, suppliers, sub-contractors)</p> <p>Disciplinary action</p>	<p>Monitoring and assessing the effectiveness of compliance</p> <p>Auditing (3 lines of defense)</p>

## Governance structure

While the laws and regulations provide the framework on which corporate governance systems are built, KEX’s goal of zero tolerance is to provide guidance on how to strengthen our governance to prevent corruption and fraud risks. With the segregation of duties and cross-functional approvals, KEX can ensure the segregation of controlling power and trust in the approval authorities.



***“Leaders are the primary drivers of a culture.”***

The Board of Directors is considered the most important driver in establishing relevant anti-corruption policies at the corporate level and overseeing the overall anti-corruption initiatives.

According to the KEX’s anti-corruption policy, the Board of Directors is the highest-ranking position responsible for policy development and supervising the implementation. Meanwhile, the Board of Directors has also appointed the Audit Committee, the Risk Management Committee, and other sub-committees to assist in monitoring and supervising the effectiveness of policy implementation. The internal audit team plays an important role in assessing the internal control and the effectiveness of the anti-bribery and anti-corruption programmes of KEX. Likewise, the risk management team help anticipates risks and identify potential and actual incidents. All employees have the duty to take ownership of the anti-corruption programme and perform their duties with care and loyalty to KEX. If an employee suspects a misconduct, he/she must immediately report it to the Company through the whistleblowing channels.

## What we do

Through the zero-tolerance framework, KEX can continue to work assiduously to ensure that entities and individuals under its supervision are successfully reformed and can run their operations ethically and in compliance with the Company's standards and principles, as well as in accordance with the best practices. The practices are detailed below:

### People

#### *“Set as a Culture, Conduct as a Nature”*

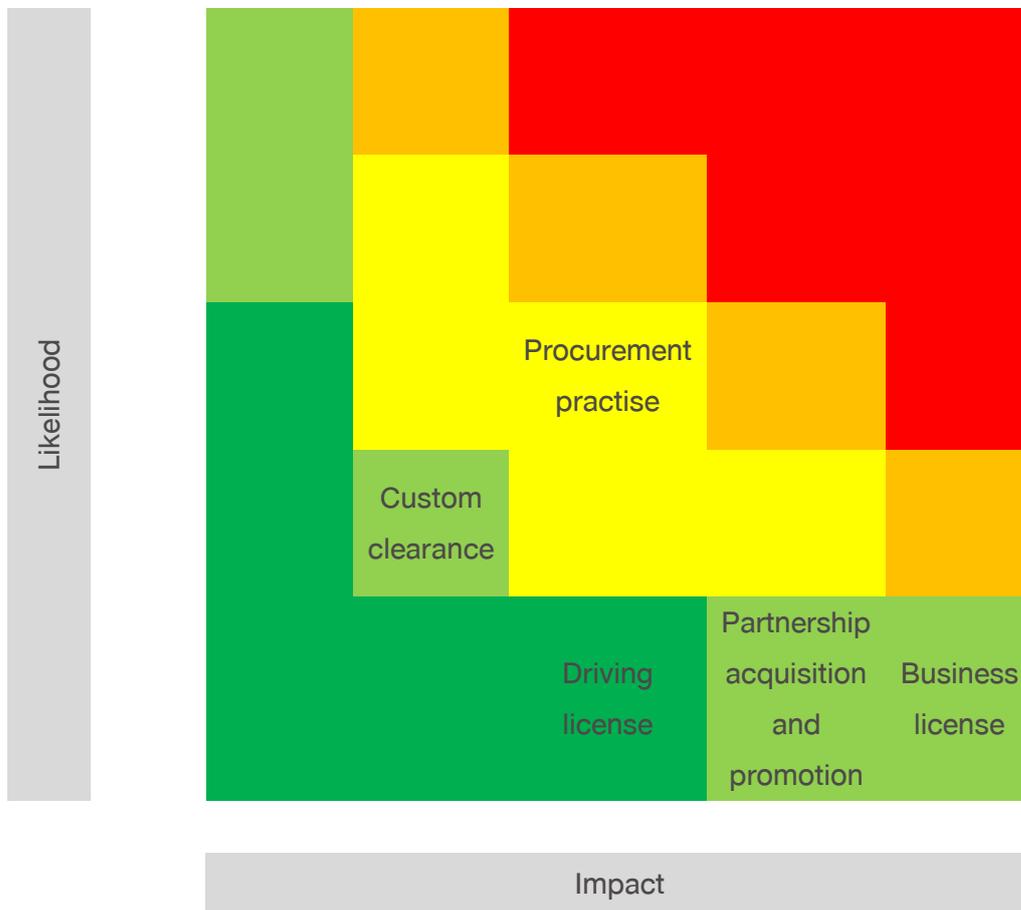
KEX remains committed to ensuring that our honesty culture is well-recognised and embedded in all employees. To achieve this commitment, the Human Resource Department has deployed HI STEP culture to promote good employees who strongly demonstrate our HI STEP culture in their behaviors. The compliance training has also been applied to all existing and new staff. The training subjects include ethical culture, anti-corruption and anti-bribery practice, the “No Gift” policy, and environmental and social responsibilities. An ongoing monthly communication has been initiated to promote better understanding and create awareness among the staff. At the Board of Directors level, the board members are well-educated on the principle of good corporate governance and sustainability. In 2022, KEX conducted compliance training twice a month as a part of the mandatory sessions in our onboarding program. We also conducted one annual refreshment programme in December every year.

Apart from those mentioned above, KEX has developed digital tools to manage conflicts of interest in our recruitment and selection process. KEX requires new candidates to declare their conflicts of interests to KEX before the engagement process or before the candidate are shortlisted. Existing staff are required to update their conflicts of interest annually or when there is any change in their situation.

The management and the Board of Directors have established the misconduct investigation and whistleblowing policies. We leverage the cooperation between 3 parties: Kerry Police, the Human Resource Department, and the Legal team. In 2022, KEX received more than 355 fraud allegations; as of 31 December 2022 of which 325 cases were investigated and solved. The remaining 30 cases, for which investigations are ongoing, will be concluded in 2023. There is always a need for internal control, training, awareness, and communication on the code of business conduct.

It is the responsibility of all staff to ensure clean business and white practice of KEX.

## Process



In 2022, KEX redesigned the framework to prevent fraud and corruption in our organisation. One of the key pillars is effective risk management and due diligence. KEX developed a proactive methodology for identifying fraud and corruption risks in our business operation and during new project implementation. The risk management team conducts a regular assessment to identify corruption risks and underlying weaknesses that expose our business operation and project implementation process to fraud and corruption risks. As for new project implementation, KEX has enabled the project management team to identify corruption risks during the early phases of project implementation, with suggestions from the risk management team and the legal team. The project management team can also provide recommendations on risk-mitigating measures.

At corporate level, the approval authority has been set up by the Board of Directors with the check and balance system between financial personnel and operations personnel. The approval authority also indicated the level of approval, reserved matters as well as segregation of duty between creator and approver.

The Standard of Procedure (SOP) for procurement practise, partnership engagement, custom clearance as well as credit line also set up as a guidance on business procedure and timeframe in order to promote fair treatment to all business partners with integrity and transparency as well as to maintain competitive advantage and a license to operate the business. The hiring criteria for drivers and couriers is explicitly addressed the requirement on driving license and criminal record check.

Moreover, KEX has identified the business units that might be exposed to high risks relating to corruption and fraud: procurement and last-mile delivery units. As for the procurement process, the corporate administration and procurement team have revised the new procurement practices in accordance with ISO 9001 for quality management and other internationally accepted standards for corruption risk prevention, such as ISO 37001, OECD Anti-Corruption and Integrity Standards, and the Governance Risk and Compliance framework. The bidding process, price comparison, and TOR have also been revised according to the new business environment and the best practices on fair competition and treatment.

In September, the supplier screening process was established to check their criminal record, corruption blacklists, and conflict of interest before engaging. This process is similar to the annual due diligence process for strategic suppliers.

For the operation process, the management considered the proposal for a review of the first-mile, transit, and last-mile process and approved it. The revised quality procedure of core operation provides details on the operation procedure, the approval authority, and the checking process.

In 2021, Kerry Police, the second line of defense under the operation team, was set up to monitor and investigate compliance issues and fraud. Whereas the audit centre has been set up in 2022 as the first line of defense together with business units' supervisor.

## Customers

The key account customers who have contributed more than 98 per cent of the total volume have been requested to acknowledge the anti-corruption policy and declare their conflicts of interest on the date of contract signing. This is the new step established in September 2022 to identify and prevent any potential circumstances that may give rise to conflicts of interest and pose a risk of damage to clients' interests.

At least annually, our key account team conducts a due diligence process for strategic customers or approximately 144 key account customers in the previous year.

## Partners

KEX continues to leverage its efforts to promote integrity and ethical practices among our business partners. The supplier screening and the code of conduct help us align the ethical practice in operating our business in the country. During the onboarding briefing for business partners, the corporate administration and procurement team, in collaboration with the company secretary department, provided awareness-raising sessions on how to prevent fraud and corruption in business activities and how to report such cases to KEX via our whistleblowing channels.

In December, KEX also convened an online training with strategic suppliers to communicate and promote the supplier code of conduct and the anti-corruption practice, apart from requiring all business partners to sign the acknowledgment form before the vendor registration process. The objective of the training was to create a dialogue and an information-sharing opportunity on the emerging corruption-related risks and opportunities brought about by the current market situations, social moral, and corruption. We achieved our goal of reaching 100 per cent of the key suppliers who attended.

### ***Whistleblowing and complaint management policy and procedure***

**“Bribery and corruption are not only illegal but also against our core values and business ethics. All employees are responsible for monitoring and reporting any suspected violation or breach of the anti-corruption policy and the code of business conduct.”**

In doing this, The Board of Directors established the whistleblowing policy to help KEX set forth the conditions and procedures for investigating allegations of corruption, fraud, and any other misconduct against the code of business conduct of KEX. The full policy is published on our corporate website and intranet, available for internal and external parties.

A complaint management procedure has been established consistent with global best practices and the principle of good corporate governance.

## Monetary contribution

Unit: THB million

	FY2019	FY2020	FY2021	FY2022
Lobbying, interest representation or similar	0	0	0	0
Local, regional or national political campaigns / organizations /candidates	0	0	0	0
Trade associations or tax-exempt groups (e.g., think tanks)	0	0	0	0
Other (e.g. Spending related to ballot measures or referendums)	0	0	0	0
Total Contributions and other Spending	0	0	0	0
Data coverage (as % of denominator, Indicating the organizational scope of the reported data)	100	100	100	100



# Anti-corruption and anti-fraud report 2022



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