

Fraud Policy



The information contained in this document is confidential and subject to review only by Diligent Board Member Services, Inc. authorized employees.

No part of this document may be reproduced, or transmitted without permission by the document owner or an official of Diligent Board Member Services, Inc..

Table of Contents

- 1 INTRODUCTION 1**
- 1.1 EXECUTIVE SUMMARY 1
- 1.1.1 *Purpose* 1
- 1.1.2 *Scope* 1
- 1.1.3 *Acknowledgment* 1
- 2 POLICY 2**
- 2.1 ACTIONS CONSTITUTING FRAUD 2
- 2.1.1 *Other Inappropriate Conduct* 2
- 2.2 INVESTIGATION RESPONSIBILITIES 2
- 2.3 CONFIDENTIALITY 3
- 2.4 AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD 3
- 2.5 REPORTING PROCEDURES 3
- 2.6 TERMINATION 3
- 2.7 FRAUD OFFICER 4
- 2.8 AUDIT COMMITTEE 4
- 2.9 ADMINISTRATION 4

1 Introduction

1.1 Executive Summary

Diligent Board Member Services (“the Company”) is committed to the highest standards of moral and ethical behavior by its employees, management team, and others involved with the organization. To that end, the Company’s Executive Management team supports and enforces this policy concerning fraud.

1.1.1 Purpose

The purpose of this policy is to prohibit dishonest and/or fraudulent activity and to establish procedures for reporting fraudulent activities to Company management. This policy details responsibility and assignment of Company controls and investigations relating to fraud.

1.1.2 Scope

This policy applies to any fraud, or suspected fraud, involving employees as well as shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the Company

1.1.3 Acknowledgment

Each employee of the Company is required to execute the attached acknowledgment that they have read and will comply with the Company’s Fraud Policy.

2 Policy

Company Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as 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. 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 Robert Norton, Company General Counsel, who coordinates all investigations with affected areas, both internal and external.

2.1 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
- Disclosing to other persons securities activities engaged in or contemplated by the company
- 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.)
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related inappropriate conduct

2.1.1 Other Inappropriate Conduct

Suspected improprieties which are not fraud concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and Employee Relations of Human Resources rather than the Company's General Counsel.

If there is any question as to whether an action constitutes fraud, contact the Company's General Counsel for guidance.

2.2 Investigation Responsibilities

The General Counsel has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. Working with the General Counsel on all investigations will be the Fraud Officer who, with the advice and direction of the General Counsel, will conduct all investigations. The General Counsel and the Fraud Officer will decide if more individuals are needed on a team to investigate a particular matter. The team is referred to herein as an "Investigative Unit." At all significant milestones of the investigation, the Fraud Officer will confer with the General Counsel and the two will review the final results before publication of any results.

If the investigation substantiates that fraudulent activities have occurred, the General Counsel will issue reports to appropriate designated personnel and to the Board of Directors through the Audit Committee. 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.

2.3 CONFIDENTIALITY

The General Counsel treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify either their supervisor or the General Counsel immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see REPORTING PROCEDURES section below). If the notice is to the supervisor, then the supervisor must immediately notify the General Counsel.

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.

2.4 AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

At the onset of an investigation, the General Counsel will provide the Investigation Unit, led by the Fraud Officer, with a specific mandate, including the problem to be evaluated and the activities to be undertaken by the Investigation Unit.

Members of the Investigation Unit will have, under the supervision of the Fraud Officer:

- Free and unrestricted access to all Company records and premises, whether owned or rented; AND
- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation.

2.5 REPORTING PROCEDURES

Great care must be taken in the investigation of suspected improprieties or wrongdoings so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will *contact either their supervisor or the General Counsel immediately*. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the General Counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: "I am not at liberty to discuss this matter." *Under no circumstances* should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Do not discuss the case, facts, suspicions, or allegations with *anyone* unless specifically asked to do so by the General Counsel.

2.6 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 General Counsel and, if necessary, by outside counsel, before any such action is taken. The General Counsel does not have the authority to terminate an employee. The decision to terminate an employee is made by the employee's management. Should the General

Counsel believe the management decision inappropriate based upon the facts presented, the facts will be presented to the President for a decision.

2.7 FRAUD OFFICER

The Fraud Officer will be appointed from time to time by Management with the prior acknowledgment of the Audit Committee.

2.8 AUDIT COMMITTEE

The Audit Committee will be notified of any fraud investigations being commenced. Further, the General Counsel will update the Audit Committee each meeting on any outstanding matters related to fraud.

2.9 ADMINISTRATION

The General Counsel is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed. This policy has been approved by the Audit Committee of the Board.

ACKNOWLEDGMENT OF RECEIPT OF DBMS FRAUD POLICY

I, _____, hereby acknowledge the receipt of a copy of Diligent Board Member Services, Inc.'s Fraud Policy. I have read and familiarized myself with the contents and I understand I am responsible for adhering to this Policy. I agree to abide by DBMS rules and procedures as outlined in the Policy.

Signature

Date

Printed Name