

# FRAUD PREVENTION POLICY

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## NOTICE TO THE READER

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# 1. Introduction

Fraud is a broad legal concept. Unlike an error, fraud is intentional and usually involves deliberate concealment or misrepresentation of facts. It may involve management, employees, agents, intermediaries or third parties and may involve one individual or an act in collusion.

Fraud can occur in organizations of any size or type and almost any person may be capable of committing fraud given the right set of circumstances.

Today's business environment is likely to increase vulnerability to fraud risk, due to technological advances, the growing cyber security threats, growing complexity of organizations, increasingly transient employees, amongst others.

Fraud is a significant business risk that needs to be managed like all other business risks.

The risk of fraud can be reduced through a combination of prevention, deterrence and detection measures.

Since fraud may be difficult to detect because it often involves concealment through falsification of documents, collusion among staff or third parties e-commerce and cyber frauds, it is important to place a strong emphasis on fraud prevention, which reduces opportunities for fraud to take place, and fraud deterrence, which persuades individuals that they should not commit fraud because of the likelihood of detection and punishment.

Further, Section 177(9) of the Companies Act, 2013 requires that every listed company or such class or classes of companies, as may be prescribed, shall establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed. Besides, as per section 143(12) of the Act, if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government within such time and in such manner as may be prescribed.

## 2. Definition of fraud

The term fraud refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

As per section 447 of the Companies Act, 2013, "fraud" in relation to affairs of a company or anybody corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss.

"wrongful gain" means the gain by unlawful means of property to which the person gaining is not legally entitled;

"wrongful loss" means the loss by unlawful means of property to which the person losing is legally entitled.

"Anti – Fraud Committee" (AFC) This is the Committee which is in charge of monitoring and reporting of frauds and operationally maintaining the fraud prevention framework.





### 3. Role

1 This document identifies the measures that Vakrangee Limited (herein after referred to as the "Company") shall implement to prevent, deter and detect fraud in the context of three fundamental elements:

- (a) Create and maintain a culture of honesty and high ethics, including via the understanding and awareness of risks and controls;
- (b) Identify and assess the risks of fraud and implement the processes, procedures and controls needed to mitigate the risks and reduce the opportunities for the various types of fraud; and
- (c) Develop an appropriate oversight process. Specifically, this document aims at:
  - i. Ensuring that management is aware of its responsibilities for the detection and prevention of fraud and for establishing procedures to prevent fraud and/or detect fraud on its occurrence;
  - ii. Providing a clear guidance to employees and others dealing with the Company, forbidding them from involvement in any fraudulent activity and the action to be taken by them when they suspect any fraudulent activity;
  - iii. Providing a mechanism for employees and officers of the Company to report any incident of fraud or alleged incident of fraud and protect the employees and officers of the Company who make a disclosure against their managers and/or fellow employees in certain defined circumstances from harassment and/or dismissal;



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- iv. Providing a clear guidance on how investigations into fraudulent activities will be conducted by the Company including in case of e-commerce fraud;
  - v. Providing assurance that any and all suspected fraudulent activities will be fully investigated and dealt with;
  - vi. Providing assurance to one and all that any and all suspected fraudulent activities will not be allowed or tolerated; and
  - vii. Ensuring preventive measures and internal control procedure enhancement, subsequent to any fraud being identified, are strengthened in a speedy manner. This document applies to all employees and officers of the Company at whatever level, at every location and whatever the terms of employment, hours of work or length of service, including contractual staff and directors in the employment of the Company, as well as shareholders, agents and other insurance intermediaries, service providers, consultants, vendors, contractors and subcontractors, prospective and existing customers and/or other parties with a business relationship with the Company. Any required investigative activity will be conducted without regard to the suspected wrongdoer's length of service, position/title or relationship to the Company.

## 4. Responsibilities

The Anti – Fraud Committee (AFC) will not tolerate fraud in any aspect of its operations.

AFC will investigate any suspected acts of fraud, misappropriation or other similar irregularity. An objective and impartial investigation, as deemed necessary, will be conducted regardless of the position, title, length of service or relationship with the Company or any party who might be the subject of such investigation.

Any fraud shall constitute grounds for dismissal. Any serious case of fraud, whether suspected or proven, shall be reported to the police. Any person reporting a fraud, or suspected fraud, shall suffer no penalty in their employment.

AFC has ultimate responsibility for the prevention and detection of fraud and is responsible for ensuring that appropriate and effective internal control systems are in place.

AFC is responsible for investigating instances of fraud reported to them.

AFC must ensure that there are mechanisms in place within their area of control to:

- Assess the risk of fraud;
- Educate employees about fraud prevention and detection; and
- Facilitate the reporting of suspected fraudulent activities.

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## 5. Actions Constituting Fraud

The term fraud could have a wide range of coverage such as, but not limited to forgery, bribery, corruption, deception, embezzlement, misappropriation, false representation, concealment of material facts, theft and collusion. An illustrative list of actions constituting fraud is given below:

- i. Misappropriation of funds, securities, supplies or other assets
- ii. Forgery or alteration of any document, record or account belonging to Company
- iii. Forgery or alteration of a cheque, bank draft, account or any other financial instrument
- iv. Fraudulent financial reporting
- v. Mis-utilization of Company funds for personal purposes
- vi. Authorization or receipt of payments for goods not supplied or services not rendered Unauthorized destruction, removal or inappropriate use of records, furniture, fixtures, and equipment;
- vii. Making false written or oral statements or representation with respect to Company activities
- viii. Impropriety in the handling or reporting of money or financial transactions
- ix. Profiteering as a result of insider knowledge of Company's activities
- x. Disclosing confidential and proprietary information to unauthorized parties
- xi. Bribery or kickbacks
- xii. Accepting or seeking anything of material value from contractors, vendors, or persons providing services/ materials to the Company Willful suppression of facts/deception in matters of appointment; placements; submission of reports
- xiii. Any other act that falls under the scope of fraudulent activity

## 6. Process to control of fraud

Upon notification or discovery of a suspected fraud, the AFC will promptly arrange to investigate the fraud. AFC will make every effort to keep the investigation confidential; however, from time to time other members of the management team will need to be consulted in conjunction with the investigation.

After an initial review and a determination that the suspected fraud warrants additional investigation, AFC shall coordinate the investigation with the appropriate law enforcement officials. Internal or external legal representatives will be involved in the process, as deemed appropriate.





Once a suspected fraud is reported, immediate action will be taken to prevent the theft, alteration, or destruction of relevant records needs to occur. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records.

Where a prima facie case of fraud has been established the matter shall be referred to police. Any action taken by police shall be pursued independent of any employment-related investigation by the Company.

If a suspicion of fraud is substantiated by the investigation, disciplinary action, up to and including dismissal, shall be taken by AFC.

The Company will also pursue every reasonable effort, including court ordered restitution, to obtain recovery of the losses from the offender.

Vendors and contractors shall be asked to agree in writing to abide by these policies and procedures.

No employee of the Company, or person acting on behalf of the Company in attempting to comply with this policy shall:

- be dismissed or threatened to be dismissed;
  - be disciplined or suspended or threatened to be disciplined or suspended;
  - be penalised or any other retribution imposed, or
  - be intimidated or coerced,
- based to any extent upon the fact that the employee has reported an incident or participated in an investigation in accordance with the requirements of this document. Violation of this section of this document will result in disciplinary action, up to and including dismissal.

If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator.

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## 7. Disciplinary action

Failure to comply with this policy or an employee who is engaged in any form of fraud or an employee who suspects or discovers fraudulent activity and fails to report the same as required by this policy or an employee who intentionally reports false or misleading information is subject to disciplinary action and will be subject to appropriate action from AFC.

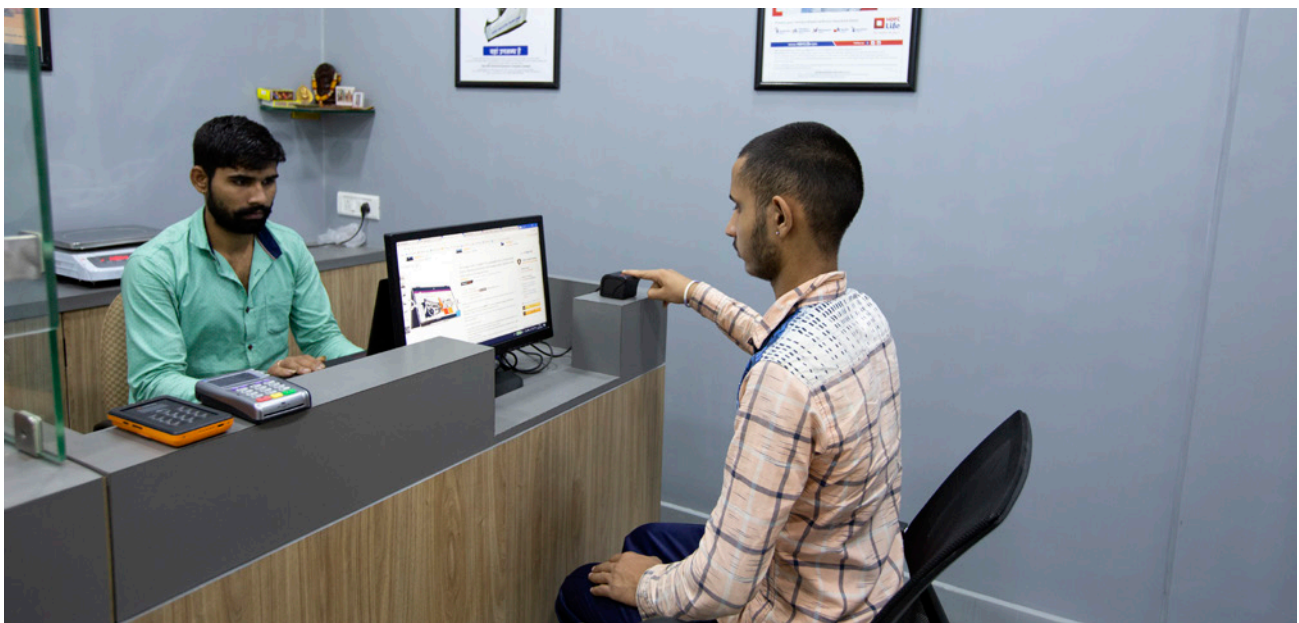
Depending upon the outcome of the investigation, due and appropriate action, which may include administrative action, disciplinary action, civil or criminal action or closure of the matter, shall be undertaken as per relevant rules, regulations and laws applicable in India.

## 8. Confidentiality

Vakrangee will treat all information received as part of a complaint/an investigation confidentially. The existence and nature of a report or investigation details shall not be disclosed, other than to those who need to know for the purposes of investigating or dealing with the matter.

## 9. Review / Update of the Policy

This policy will be reviewed once in a year and changes will be recommended to Audit Committee and put-up to Board for approval.







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