

Fraud Prevention Policy

(With effect from 22nd September, 2016)

1) Back Ground

Organizations are subject to the risk of Fraud. Frauds have a negative impact on the reputation and brand value of the organization. Vigilant handling of fraud cases within the organization sends good signs to the stakeholders about management's attitude towards fraud and organizations tolerance towards fraud. The responsibility for dealing with fraud is with all levels of management, staff, internal and external auditors.

TVS SRICHAKRA LIMITED (TSL) has already put in place various policies, procedures, and systems to guide TSL employees within and outside the organization. Most of these have been formalised in the form of policy documents. These systems have been designed to ensure that officials dealing and undertaking transactions conduct the same in a transparent & uniform manner. Some of them are Delegation of powers, Project and Contracts Management system, Finance and Human Resource Systems, Code of Conduct for Directors and Senior Management Personnel, Code of Conduct & Ethics, Standing Orders and Rules for employees, Service Rules etc.,.

Considering TSL's approach to proactively follow Corporate Governance principles, it is appropriate that a policy on Fraud be formulated and implemented.

SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, which deals with the Corporate Governance practices to be followed by listed companies, also describes certain requirements. These requirements inter alia include "Whistle Blower Policy". This policy envisages the companies to put in place a mechanism for employees to report to the Management about unethical behaviour, actual or suspected fraud or violation of conduct or ethics policy.

Further, if the Statutory Auditor(s) of the Company in the course of performance of his duty has reasons to believe that an offence of fraud is being or has been committed by officers or employees of the Company to the Central Government or the Audit Committee or the Board depending on the magnitude.

The policy statement is given below for implementation with immediate effect:

2) POLICY OBJECTIVES:

The "Fraud Prevention Policy" has been framed to provide a system for detection, prevention and reporting of fraud detected or suspected and handling of matters pertaining to fraud.

The policy is expected to ensure and provide for the following:-

- a. To ensure that management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs.
- b. To provide clear guidance to employees and others dealing with TSL forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.
- c. To conduct investigations into fraudulent or suspected fraudulent activities.

d. To provide assurances that any and all suspected fraudulent activity(ies) will be fully investigated.

3) SCOPE OF POLICY:

The policy applies to any fraud or suspected fraud involving business transactions with TSL committed by employees (full or part time), ex-employees working as consultants / advisors, persons engaged on adhoc / temporary/ contract basis as well as representatives of vendors, suppliers, contractors, consultants, service providers or any outside agency (ies) doing any type of business with TSL.

4) DEFINITION OF FRAUD:

Fraud as defined in Section 447 of the Companies Act, 2013:

(i) "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;

(ii) "wrongful gain"

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

(iii) "wrongful loss"

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

Gaining wrongfully, losing wrongfully- A person is said to gain wrongfully when such person retains wrongfully, as well as when such person acquires wrongfully. A person is said to lose wrongfully when such person is wrongfully kept out of any property as well as when such person is wrongfully deprived of property.

5) ACTIONS CONSTITUTING FRAUD:

While fraudulent or suspected fraudulent activity could have a very wide range of coverage, the following are some of the act(s) which constitute fraud.

The list given below is only illustrative and not exhaustive:-

- i. Forgery or unauthorized alteration of any document or account belonging to the Company
- ii. Forgery or unauthorized alteration of cheque, bank draft, e-banking transaction or any other financial instrument etc.
- iii. Misappropriation of funds, securities, supplies or others assets by fraudulent means etc.

- iv. Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.
- v. Wilful suppression of facts/deception in matters of appointment, placements, submission of reports, tender committee recommendations etc. as a result of which a wrongful gain(s) is/are made to one and wrongful loss(es) to the others.
- vi. Utilizing Company funds / assets for personal purposes.
- vii. Authorizing or receiving payments for goods not supplied or services not rendered.
- viii. Allowing use of Company assets by outsiders like vendors / suppliers / sub-contractors.
- ix. Destruction, disposition, removal of records or any other assets of the Company with an ulterior motive to manipulate and misrepresent the facts so as to create suspicion/suppression/cheating as a result of which objective assessment/decision would not be arrived at.
- x. Any other act that falls under the gamut of fraudulent activity.

6) RESPONSIBILITY FOR FRAUD PREVENTION

Persons responsible for ensuring that no fraudulent activity is committed by them while carrying out business transactions with the Company are :

- Employee (Full time / Part time)
- Ex-employee working as consultant / advisor
- Persons engaged on adhoc / temporary/ contract basis
- Consultant / Customer / Lender / Vendor / Supplier / Service Provider
- Any outside agency or their representative(s) who have business relationship with TSL.

As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to the concerned as per the procedure.

Due reference shall be made in the general conditions of contract(s) of the organization wherein all service providers/vendors/consultants etc. shall be required to certify that they would adhere to the Fraud Prevention Policy of TSL and not indulge or allow anybody else working in their organization to indulge in fraudulent activities and would immediately apprise the organization of the fraud/suspected fraud as soon as it comes to their notice.

All Head of the Department (HOD) shall share the responsibility of prevention and detection of fraud and for implementing the Fraud Prevention Policy of the Company. It is the responsibility of all HOD to ensure that there are mechanisms in place within their area of control to:-

Familiarise each employee with the types of improprieties that might occur in their area.

Educate employees about measures to be taken for fraud prevention and detection.

Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.

Promote employee awareness of ethical principles subscribed to by the Company through Code of Conduct and Ethical Awareness and Standing Orders & Rules;

7) REPORTING OF FRAUD:

All employee (full time, part time or employees appointed on adhoc/temporary/contract basis), representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with TSL as soon as he / she comes to know of any fraud or suspected fraud or any other fraudulent activity must report such incident(s). Such reporting shall be made to the designated Nodal Officer(s).

If, however, there is shortage of time such report should be made to the HOD whose duty shall be to ensure that input received is immediately communicated to the Nodal Officer.

The reporting of the fraud normally should be in writing. In case the reporter is not willing to furnish a written statement of fraud but is in a position to give sequential and specific transaction of fraud/suspected fraud, then the officer receiving the information/Nodal Officer should record such details in writing as narrated by the reporter and also maintain the details about the identity of the official / employee / other person reporting such incident. Reports can be made in confidence and the person to whom the fraud or suspected fraud has been reported must maintain the confidentiality with respect to the reporter and such matter should under no circumstances be discussed with any unauthorised person.

If the reporter requires protection, then the protection as available in the Whistle Blower Policy of the Company shall be extended

All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by Nodal Officer(s). Officer receiving input about any suspected fraud/Nodal officer(s) shall ensure that all relevant records documents and other evidence are immediately taken into custody and protected from being tampered with, destroyed or removed by suspected perpetrators of fraud or by any other official under his influence.

8) INVESTIGATION PROCEDURE:

The "Nodal Officer" Head - Human Resources shall refer the details of Fraud / suspected Fraud to the Ethics Committee of TSL, for further appropriate investigation and needful action.

The Nodal Officer shall maintain record of complaint / cases received.

After completion of the investigation, appropriate action which could include administrative action, disciplinary action, civil or criminal action or closure of the matter if it is proved that fraud is not committed etc. depending upon the outcome of the investigation shall be undertaken.

Ethics Committee shall apprise "Nodal Officer" of the results of the investigation undertaken by them. There shall be constant coordination maintained between the two.

Ethics Committee will comprise of President, Chief Financial Officer, Head - Internal Audit and Secretary.

9) ADMINISTRATION AND REVIEW OF THE POLICY:

The Executive Vice Chairman and Managing Director shall be responsible for the administration, interpretation, application and revision of this policy. The policy will be reviewed and revised as and when needed