

LAKME INVESTMENT AND FINANCE LIMITED

FRAUD PREVENTION POLICY

Version Control

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1. Objective:

The Fraud Prevention policy has been framed to establish a system for prevention, detection, investigation and reporting of fraud against Lakme Investment and Finance Limited (herein after referred to as “Lakme” or “the Company”) keeping in view the following objectives:

- To establish procedures and controls that will aid in the detection and prevention of fraud
- To provide guidance to Lakme employees in fraud prevention, identification and detection
- To develop internal controls and to investigate frauds
- To promptly record frauds and report frauds as required, to RBI and other agencies
- To provide necessary training to Lakme staff

2. The Policy:

- This document outlines Lakme's policy concerning fraud and provides guidelines for the implementation and enforcement of Lakme Fraud Prevention Policy referred to herein after as the ‘Policy’. This policy and any future amendments are subject to the Board of Directors’ approval.
- The company shall follow the policy at all levels. 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 irregularity that is detected or suspected by any staff member or the management team must be reported immediately to the Risk Management Committee, which shall in turn investigate the matter in detail and decide the future course of action including reporting thereof and the imposition of penalties on the involved staff members or change in the system and controls. Information concerning the status of an investigation will be kept confidential.

The complainant or the staff who detects the fraud during his office duties shall be instructed:

- Not to contact the suspected individual directly, to determine facts
- Not to discuss the case, facts, suspicions or allegations with any other person

3. Actions Constituting Fraud

Fraud is a willful act intentionally committed by an individual by deception, suppression, cheating or any other fraudulent or any other illegal means, thereby causing wrongful gain to

oneself or to any other individual and wrongful loss to others. Some examples of fraudulent activity are:

- Misappropriation of funds or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the Company.
- Misappropriation and criminal breach of trust
- Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property
- Unauthorised credit facilities extended for reward or for illegal gratification.
- Negligence and cash shortages
- Cheating and forgery
- Irregularities in foreign exchange transactions

Any other type of fraud not coming under the specific heads as above.

4. Detection and Investigation of Fraud:

Any person/employee of the company who comes across any fraudulent activity shall promptly report the activity to the Risk Management Committee, to avoid occurrence of any fraud.

The person detecting the fraud or the investigating team must ensure proper procedures 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 inform the Risk Management Committee head immediately.

The reporting individual will be advised:

- Not to contact the suspected individual directly, in an effort to determine facts.
- Not to discuss the case, facts, suspicions, or allegations with any other person

5. Fraud Investigation Procedure:

The Risk Management Committee, on the receipt of any complaint has to assess the facts reported (preliminary review) in order to understand the possible level (internal/external, level of the internal staff involvement, etc.) and the extent of any potential breach, as well as the severity of the case reported. He shall, based on the primary enquiry, decide the further course of action to be carried out and shall commence the investigation. During investigation, the following procedure shall be adopted:

- Obtain copy of concern /complaint or reported breach;
- Identify, secure and gather data in whatever form, including the changing of locks and system access (where necessary and/or applicable);
- Obtain and analyse documents;
- Conduct initial validation of the information received to understand whether or not the claims are valid
- Perform data analytics on structured/unstructured data;
- Secure documents and relevant evidence related to the suspected Fraud, such as contents of the suspect's office or workstation, personal computer, diary and files including all personal documents, where possible/applicable;
- Securing / preserving the various related documents such as documents pertaining to testing procedures, financial data records, records of interviews and testimonies, consultation memo, related emails or other correspondences etc.
- Securing evidence – documents/evidence must be protected so that nothing is destroyed and so that they are admissible in legal proceedings.

6. Reporting, Recording and Monitoring of Frauds:

The frauds being detected and investigated shall be covered in the scope of Executive Summary report and shall be placed before the Audit Committee of the Board. The recording of the fraud cases shall be made by the committee in the fraud register.

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.

a. Penalties on Staff Involved in Fraud

If after investigation, it is found that the staff member was involved in the fraud, strict action shall be taken against the culprits. The amount involved in fraud, as per the report of the Committee, shall be recovered from the staff directly involved in fraud. Fines in form of pay deduction or deference of promotions, transfer shall be imposed on all the employees who were reporting to the culprit or were his immediate supervisors, who are proven to be delinquent in performance of their duties. The Company may transfer the staff or terminate them from the employment of the company, depending upon the facts and circumstances of the case.

b. Confidentiality:

The Committee will treat all information received with full confidentiality. Any employee who suspects dishonest or fraudulent activity will notify the Risk Management Committee immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

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

c. Fraud Prevention:

Through this policy the company shall strive to adopt a preventive approach for identifying, analyzing and managing the risk of Fraud. The company shall follow zero tolerance to Fraud, at all levels. The company shall take steps to prevent the occurrence of fraud by :

- Performing background checks, and verifying documents pertaining to borrowers, employees and others with whom Lakme has a business relationship
- Conducting regular meetings with the staff members
- Conducting surprise visits to check the records and documents.

- Conducting exit interviews for all employees
- Conducting Training Programmes and Seminars on frauds for all employees on a regular basis

7. Reporting and recording process to be followed:

Reporting of Cases and Turnaround Time: Any person with an allegation of fraud may approach the Risk management committee who shall institute an investigation on the allegation. The Officer shall provide to the Risk Management Committee a list of unresolved allegations along with status, new allegations reported during the period, the cases on which the investigation was completed, and the logical conclusions arrived on the investigation and cases on which investigation is in progress. The Officer shall complete the investigation within a period of 3 months. Extensions may be sought on a case-to-case basis.

Closing of Fraud Cases: The cases shall be reviewed and closed by the Risk Management committee after taking into consideration the nature of fraud, action taken, recovery of fraud amount and action on employees based on the investigation report.