

POLICY FOR PREVENTION OF FRAUDS

BEST CAPITAL SERVICES LIMITED

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**This Policy on Prevention of Frauds reviewed and approved in the BOARD meeting held on
01.04.2025.**

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Policy for Prevention of Frauds

1. BACKGROUND

The corporate policy for prevention of frauds is established to facilitate the development of controls which will aid in the detection and prevention of fraud against Best Capital Services Limited I.e. BCSL / Company. It is the intent of BCSL to promote consistent organizational behavior by providing guidelines and assigning responsibility for the Check and prevention of fraud and development of controls and conduct of investigations. In the light of the foregoing and keeping in view the approach of BCSL in following Corporate Governance principles proactively, it is appropriate that a policy for prevention of frauds is formulated and implemented.

2. SCOPE OF POLICY

This policy applies to any fraud, or suspected fraud, involving employees (full time, part time, ad hoc, temporary, contract) as well as shareholders, consultants, vendors, lenders, borrowers, contractors, outside agencies doing business with BCSL, employees of such agencies, and/or any other parties with a business relationship with BCSL.

3. OBJECTIVES OF POLICY

The "Policy for prevention of frauds" has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy will ensure and provide for the following:-

- i. 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.
 - ii. To provide a clear guidance to employees and others dealing with BCSL forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.
 - iii. **To provide timeline and details to Nodal Officer for reporting fraud once detected or suspected.**
 - iv. To conduct investigations into fraudulent activities.
 - v. To provide assurances that any and all suspected fraudulent activity(ies) will be fully investigated.
- **Fraud in any form against BCSL will not be tolerated.**

4. DEFINITION OF FRAUD

"Fraud" is a willful act intentionally committed by an individual(s) - by deception, suppression, cheating or any other fraudulent or any other illegal means, thereby, causing wrongful gain(s) to self or any other individual(s) and wrongful loss to other(s). Many a times such acts are undertaken with a view to deceive/mislead others leading them to do or prohibiting them from doing a Bonafide act or take Bonafide decision which is not based on material facts.

5. DEFINITION OF NODAL OFFICER

All the Officers in the rank of Manager of the Concerned Division/ Section and Office Heads of different Departments /Offices/ State Offices will be designated as "Nodal Officers for investigation" for the purpose of investigation and reporting of the fraud/ suspected fraud pertaining to the concerned division/ section/ office.

In case the suspected fraud is perpetuated by the Heads of the concerned division/ section or office, the "Nodal Officer for investigation" shall be the Officer to which such Head / Manager is reporting to.

However, the "Nodal Officer for Reporting" for the purpose of reporting and MIS within the ambit of this policy (including the reporting and compliance requirements under the applicable RBI Master Directions/ Circulars) will be Head (Internal Audit), or in absence of Head (Internal Audit), any other officer from Internal Audit division, as may be nominated by MD.

6. ACTIONS CONSTITUTING FRAUD

While 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 alteration of any document or account belonging to the Company
- ii. Forgery or alteration of cheque, bank draft 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. Willful 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 made to one and wrongful loss(s) is caused to the others.
- vi. Utilizing Company funds for personal purposes.
- vii. Authorizing or receiving payments for goods not supplied or services not rendered.

- viii. 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.
- ix. Impropriety in the handling or reporting of money or financial transactions.
- x. Any other act that falls under the gamut of fraudulent activity.

7. OTHER INAPPROPRIATE CONDUCT

Suspected improprieties concerning an employee's moral, ethical, conduct & discipline as defined in BCSL Employees Code of Conduct (ECC) rules or behavioral conduct, should be resolved by departmental management and Employee Relations of Human Resources rather than under policy for prevention of frauds.

If there is any ambiguity as to whether an action constitutes fraud or not, the Nodal Officer may refer the matter to the Managing Director for resolving such ambiguity.

8. FRAUD PREVENTION

- (i) Every employee (full time, part time, ad hoc, temporary, contract), representative of vendors, suppliers, contractors, consultants, lenders, borrowers, service providers or any other agency(ies) doing any type of business with BCSL, is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. 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 as per the procedure.
- (ii) Nodal Officer(s) shall ensure prevention and detection of fraud and implementation of the policy for prevention of frauds of the Company. Nodal Officer(s) shall ensure that there are mechanisms in place within their area of control to:-
 - a. Familiarize each employee with the types of improprieties that might occur in their area.
 - b. Educate employees about fraud prevention and detection.
 - c. Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
 - d. Promote employee awareness of ethical principles subscribed to by the Company through ECC Rules;
- (iii) Due amendments shall be made in the general conditions of contracts, sanctions, loan/subsidy/grant agreements of the organization wherein all bidders/service providers/vendors/lenders/borrowers/consultants etc. shall be required to certify that they would adhere to the policy for prevention of frauds in BCSL 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. In case of failure to do so, the Company may debar them for current/ future transactions. These conditions shall form part of documents both at the time of submission of bid/loan/subsidy/grant application and agreement of

execution of contract/loan/subsidy/grant. The list of debarred organizations to be published in BCSL website and reported to their concerned authorities.

9. REPORTING PROCEDURE

An employee on discovery of fraud or suspected fraud must report it to the designated Nodal Officer. The matter may be reported in writing. If an employee or other person is not willing to report it in writing, he or she may get his/her statement BCSL ordered before the Nodal Officer. The Nodal Officer shall maintain the details of identity of the official/employee/other person reporting such fraud.

Further, any suspected fraud, as intimated by a vendor, contractor, borrower, lender or other person having business relationship with the Company on discovery of fraud or suspected fraud, shall be referred to the Designated Nodal Officer for further investigation in this regard.

The Nodal Officer shall maintain the confidentiality about the identity of the reporting individual and under no circumstances would discuss it with any unauthorized person. The Company will not tolerate any form of retaliation against individuals providing information concerning fraud or suspected fraud. The Company shall provide protection to the complainant/individual providing information concerning fraud or suspected fraud against victimization.

The Nodal Officer will act expeditiously upon such reporting and ensure that all relevant BCS records and documents and other evidences are taken into custody or protected from being tampered with, destroyed or removed by the suspected persons/ officials.

On receipt of the report, the reporting individual would be informed of the following by the Nodal Officer:-

- ii. Do not contact the suspected individual in an effort to determine facts or demand reinstitution.
- iii. Observe strict confidentiality. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Nodal Officer.

10. INVESTIGATION OF FRAUD/SUSPECTED FRAUD

i. The Nodal Officer shall carry out preliminary investigation. The employee or any person doing any type of business with BCSL such as vendors, suppliers, contractors etc. who reports suspected dishonest or fraudulent activity should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act. The reporting individual should be informed of the following:

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

- The Nodal Officer shall treat all information received confidential. Great care must be taken in the investigation of suspected improprieties.

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. 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.

If Nodal Officer determines that a report is not credible or is not a report of fraud, he/she shall document this determination. The Nodal Officer's documentation shall include support for the determination.

If the preliminary investigation of the Nodal Officer substantiates that fraudulent activities have occurred, the Nodal Officer shall seek approval of the competent authority i.e. MD and, refer the details of the Fraud/suspected fraud to the Vigilance Department of BCSL, for further appropriate investigation and needful action. This input would be in addition to the intelligence, information and investigation of cases of fraud being investigated by the Vigilance Department of their own as part of their day to day functioning.

- ii. After completion of the investigation by the Vigilance Department, due & appropriate action, which could include administrative action, disciplinary action, reporting to the Board / Audit Committee, 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 with the approval of the competent authority i.e. MD.
- iii. Vigilance Department shall apprise "Nodal Officer" of the results of the investigation undertaken by them. There shall be constant coordination maintained between the two.

11. TIME LIMITS FOR THE PRELIMINARY AND FINAL INVESTIGATION

The following are the time limits for completing the preliminary and final investigation of report of fraud/ suspected fraud: -

(i) Preliminary Investigation

The Nodal Officer will complete the Preliminary investigation and submit the investigation report not later than 30 days from the date of report of fraud/ suspected fraud to the Executive director. In case Nodal Officer is not able to complete and submit the investigation report in 30 days, he has to record the reasons for delay and may seek an extension for 10 days from MD. However, under the exceptional circumstances the extension beyond 40 (forty) days may be permitted by MD.

(ii) Approval of Executive Director

The Executive Director will accord the approval for final investigation by Vigilance Unit

normally in 10 days from the date of receipt of preliminary investigation report.

(iii) Final Investigation

The Vigilance Unit will complete the final investigation and submit investigation report within two months from the date of submission of Preliminary Report to the Vigilance Unit or such extended period as MD may permit.

12. DISCIPLINARY ACTION

Failure to comply with this policy would attract the disciplinary action in the following cases: -

- (i) An employee who is engaged in any form of fraud.
- (ii) An employee who suspects or discovers fraudulent activity and fails to report the same as required by this policy.
- (iii) An employee who intentionally reports false or misleading information is subject to disciplinary action.

13. REPORTING TO THE AUDIT COMMITTEE/ BOARD OF DIRECTORS

- a. It is to be ensured that all frauds involving amounts of Rs.1.00 lakh and above are reported to the Audit Committee and Board promptly after the same are proved in the preliminary investigation of the Nodal Officer, and
- b. Information relating to all the attempted frauds involving Rs.25 lakh or more shall be placed before the Audit Committee of the Board of Directors containing attempted frauds which is to be placed before the Audit Committee of the Board and the Nodal Officer for Reporting shall ensure the compliance with Master Directions/ Circulars issued by RBI in this regard.
- c. All the frauds involving an amount of ₹ 1 crore and above should be monitored and reviewed by the Audit Committee of the Board. The periodicity of the meetings of the Committee may be decided according to the number of cases involved.

Quarterly review of frauds

Information relating to frauds for the quarters ending March, June and September shall be placed before the Board of Directors during the month following the quarter to which it pertains.

Frauds involving amount of Rs.1 crore and above shall be monitored and reviewed by the Audit Committee of the Board. The committee should meet and review as and when a fraud involving an amount of Rs.1 crore and above comes to light.

An annual review of the frauds shall be conducted and placed before the Board of Directors for information. The reviews for year ended December should be put up to the Board before the end of March the following year.

14. REPORTING OF FRAUDS TO RESERVE BANK OF INDIA

Frauds should be reported in all cases of fraud of Rs.1 lakh and above perpetrated through any of the frauds mentioned in the policy for prevention of frauds.

Reporting of frauds (FMR-1)

Where amount involved in fraud is Rs.1 crore and above, the reports in the prescribed format shall be sent within three weeks from the date of detection of the fraud to address mentioned in the RBI master directions on frauds and also to the regional office of the department of Non-Banking supervision of the bank under whose jurisdiction the registered office of BCSL falls.

Where amount involved is less than Rs.1 crore, reports in the prescribed format shall be sent to the Regional Office of the Department of Non-Banking Supervision of the Bank under whose jurisdiction the Registered Office of BCSL falls within three weeks from the date of detection of fraud.

Reporting of Frauds outstanding (FMR-2)

Quarterly reports on frauds outstanding in the prescribed format shall be sent to the Regional Office of the bank, Department of Non-banking Supervision under whose jurisdiction the Registered Office of BCSL falls irrespective of amount within 15 days of the end of the quarter to which it relates.

Progress report on frauds (FMR-3)

Case-wise quarterly progress reports on frauds involving Rs.1 lakh and above in the prescribed format shall be sent only to the Regional Office of the Bank, Department of Non-Banking Supervision under whose jurisdiction the Registered office of the applicable NBFC falls within 15 days of the end of the quarter to which it relates.

Where amount involved in Rs.1 crore and above, case wise quarterly progress report on frauds shall be sent to the Central Office of the Department of Banking Supervision of the Bank, Fraud Monitoring Cell, Bengaluru and to the Regional Office of the Department of Non-Banking Supervision of the Bank under whose jurisdiction the Registered office of BCSL falls, within 15 days of the end of the quarter to which it relates.

15. COMPLIANCE ON MASTER DIRECTIONS ON MONITORING OF FRAUDS BY NBFCs ISSUED BY RBI

In case of any inconsistencies between the provisions of this policy and the applicable RBI Master Directions/ Circulars, the relevant Master Directions/ Circular will prevail with respect to such provisions.

16. ADMINISTRATION OF THE POLICY

Any change in the policy shall be approved by the Board of Directors of the Company. Any amendment in the regulatory guidelines shall prevail and necessary amendment shall be carried out at a subsequent date in the policy. The Board of Directors of the Company shall have the right to withdraw and / or amend any part of this policy or the entire policy, at any time, as it deems fit, or from time to time, subject to applicable laws in force.