

Corporate Office: Plot No. A9, Sector 3, Noida - 201301

Registered Office: CP-3, Sector-8, IMT Manesar,
Gurgaon, Haryana-122051

Tel: +91 120 4306000 Fax: +91 120 4310288

CIN: U65923HR2008PTC046947

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VAMA SUNDARI INVESTMENTS(DELHI) PRIVATE LIMITED

FRAUD PREVENTION POLICY

(Approved by the board of directors at its meeting held on September 30, 2020 & reviewed on 16th March, 2021, 15th March, 2022, 20th March, 2023 and 9th December, 2024)

Vama Sundari Investments (Delhi) Private Limited “**the Company**”) was granted registration vide Certificate of Registration No.14.03494 dated 14th June, 2019 to commence/carry on the business of non-banking financial institution without accepting public deposits. The Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) dated July 15, 2024 supersede a view to providing a framework to applicable NBFCs for prevention, early detection and timely reporting of incidents of fraud to Law Enforcement Agencies (LEAs), Reserve Bank of India (RBI) and National Housing Bank (NHB) and matters connected therewith or incidental thereto.

Objectives

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

- i. To establish procedures for detection and timely reporting of frauds to senior management for review and necessary action.
- ii. To develop and evolve of system for detection and prevention of fraud and for establishment of procedures for preventing fraud.
- iii. To provide clear guidance to employees on the process for dealing with matters related frauds.
- iv. To facilitate in conduct of investigation into fraudulent act or frauds detected.

Scope

This policy will be applicable to any fraud or suspected fraud in the Company, employees of the Company as well as other parties involved in frauds.

Terms of Reference

- a) To ensure that adequate systems are in place to detect frauds, once they have taken place, within the shortest possible time.
- b) To ensure that adequate process and polices are in place dealing with frauds detected and course of action to be undertaken.

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- c) All frauds (including attempted Frauds) would be required to be reported to the Fraud Risk Officer who shall expeditiously deal with the matter in terms of process laid down.
- d) All the frauds involving an amount of Rs 25 lakh and above would be reported to Audit Committee of the Board (ACB) for their review. This would also include undertaking periodic review of frauds.
- e) The periodicity of the meetings of the ACB may be decided according to the number of cases involved. However, the GRMC should meet and review as and when a fraud involving an amount of Rs 25 lakh and above comes to light and provide a report to ACB for their review.
- f) ACB shall have right to outline a detailed procedure for an investigation and may delegate such powers and authorities, as it may deem fit to any other committee and/or officer(s) of the Company for carrying out any investigation.
- g) To ensure that deterrent punishment is meted out, wherever warranted, to the persons found responsible.
- h) To continuously review if frauds have taken place because of laxity in following the systems and procedures and, if so, whether effective action has been taken to ensure that the systems and procedures are scrupulously followed by the staff concerned.
- i) To assess if the frauds detected are reported to local Police, as the case may be, for investigation
- j) In respect of implementation of policy, ACB may perform all such acts as it may deem fit at its sole discretion, including, the following functions:
 - To obtain legal or expert view in relation to Fraud or attempted Fraud;
 - To appoint external agency to assist in investigation;
 - To seek assistance of Internal Auditor;
 - To request any officer(s) of the company to provide adequate financial or other resources for carrying out investigation;
 - To call for any information /document and explanation from any employee of the Company or other person(s) as they may deem appropriate for the purpose of conducting investigation;
 - To seek explanation or solicit submission or give reasonable opportunity to respond to concerned personnel on material findings contained in investigation report.

Definition of fraud : The definition of fraud is based mainly on the provisions of the Bharatiya Nyaya Sanhita (erstwhile Indian Penal Code) which includes –

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- a) Misappropriation and criminal breach of trust;
- b) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property;
- c) Unauthorized credit facilities extended for reward or for illegal gratification;
- d) Negligence and cash shortages (includes intention to cheat/defraud is suspected/ proved);
- e) Cheating and forgery;
- f) Irregularities in foreign exchange transactions (includes intention to cheat/defraud is suspected/ proved); and
- g) Any other type of fraud not coming under the specific heads as above;

Cases of 'negligence and cash shortages' and 'irregularities in foreign exchange transactions' referred to in items (d) and (f) above are to be reported as fraud, if the intention to cheat / defraud is suspected / proved.

Measures for ensuring compliance with principles of natural justice in a time-bound manner:

1. Issuance of a detailed Show Cause Notice (SCN) to the Persons, Entities and its Promoters / whole-time and Executive Directors against whom allegation of fraud is being examined. The SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated under these Directions.

- a) A reasonable time of not less than 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond to the said SCN.
- b) A reasoned Order shall be served on the Persons / Entities conveying the decision of the Company regarding declaration / classification of the account as fraud or otherwise. Such Order(s) must contain relevant facts / circumstances relied upon, submission made against the SCN and the reasons for classification as fraud or otherwise.

The Company shall constitute a Committee of the Board to be known as 'Special Committee of the Board for Monitoring and Follow-up of cases of Frauds' (SCBMF) with a minimum of three members of the Board, including Independent Director(s). The Committee shall be headed by one of the Independent Director(s).

The Company shall have the option of constituting a Committee of the Executives (CoE) with a minimum of three members, atleast one of whom shall be a Whole-time Director or equivalent rank official for the purpose of performing the roles and responsibilities of SCBMF as required under these Directions.

SCBMF shall oversee the effectiveness of the fraud risk management in the Company.

SCBMF shall review and monitor cases of frauds, including root cause analysis, and suggest mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of frauds. The coverage and periodicity of such reviews shall be decided by the Board of the applicable Company.

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A periodic review of incidents of fraud shall also be placed before Board / Audit Committee of Board (ACB), as appropriate, by the Senior Management of the Company.

The Company shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately under their Whistle Blower Policy.

The Company shall set-up an appropriate organizational structure for institutionalization of fraud risk management¹ within their overall risk management functions / Department. A sufficiently senior official shall be responsible for monitoring and reporting of frauds.

The Company shall disclose the amount related to fraud reported in the Company for the year in their financial statements - Notes to Accounts.

The Company shall have a framework for Early Warning Signals (EWS) under the overall Fraud Risk Management Policy approved by the Board. A Board level Committee shall oversee the effectiveness of the framework for EWS.

The Company shall identify appropriate early warning indicators for monitoring credit facilities / loan accounts and other financial transactions. These indicators shall be reviewed periodically for their effectiveness. Suspicion of fraudulent activity thrown up by the presence of one or more EWS indicators shall alert / trigger deeper investigation from potential fraud angle and initiating preventive measures.

The Early Warning Signals ("EWS") shall be subject to suitable validation in accordance with the directions of the Board Level Committee so as to ensure its integrity, robustness and consistency of the outcomes.

The EWS Framework shall provide for, among others:

- (i) A system of robust EWS which is integrated with Core Banking Solution (CBS) or other operational systems;
- (ii) Initiation of remedial action on triggers / alerts from EWS System in a timely manner; and
- (iii) Periodic review of credit sanction and monitoring processes, internal controls and systems

The loan agreement with the borrower shall contain clauses for conduct of such audit at the behest of lender(s). In cases where the audit report submitted remains inconclusive or is delayed due to non-cooperation by the borrower, The Company shall conclude on status of the account as a fraud or otherwise based on the material available on their record and their own internal investigation / assessment in such cases.

The Company may incorporate necessary terms and conditions in their agreements with third-party service providers to hold them accountable in situations where willful negligence / malpractice by them is found to be a causative factor for fraud.

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The principles of natural justice shall be followed as per the judgement of Hon'ble Supreme Court in the matter of State Bank of India vs. Rajesh Agarwal. Principles of natural justice are not mere legal formalities but are substantive obligations that need to be followed by the decision making and adjudicating authorities. Therefore, principles of *audi alteram partem* shall be followed so that the vice of arbitrariness is avoided. An opportunity of hearing should be given to borrower before the declaration of account as fraudulent.

The Company shall initiate and complete the examination of staff accountability in all fraud cases in a time-bound manner in accordance with their internal policy.

A Board Level Committee shall oversee the effectiveness of the framework for EWS. The Senior Management shall be responsible for implementation of a robust Framework for EWS within the Company.

2. Reporting of Frauds to Law Enforcement Agencies (LEAs)

1. The Company shall immediately report the incidents of fraud to appropriate LEAs, viz. State Police authorities, etc., subject to applicable laws.
2. The Company shall establish suitable nodal point(s) / designate officer(s) for reporting incidents of fraud to LEAs and for proper coordination to meet the requirements of the LEAs.

3. Reporting of Incidents of Fraud to Reserve Bank of India (RBI)

To ensure uniformity and consistency while reporting incidents of fraud to RBI through Fraud Monitoring Returns (FMRs) using online portal, The Company shall choose the most appropriate category from any one of the following:

- (i) Misappropriation of funds and criminal breach of trust;
- (ii) Fraudulent encashment through forged instruments;
- (iii) Manipulation of books of accounts or through fictitious accounts, and conversion of property;
- (iv) Cheating by concealment of facts with the intention to deceive any person and cheating by impersonation;
- (v) Forgery with the intention to commit fraud by making any false documents/electronic records;
- (vi) Willful falsification, destruction, alteration, mutilation of any book, electronic record, paper, writing, valuable security or account with intent to defraud;
- (vii) Fraudulent credit facilities extended for illegal gratification;
- (viii) Cash shortages on account of frauds;
- (ix) Fraudulent transactions involving foreign exchange;

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- (x) Fraudulent electronic banking / digital payment related transactions committed on NBFCs;
and
- (xi) Other type of fraudulent activity not covered under any of the above.

4. Modalities of Reporting Incidents of Fraud to RBI

1. The Company shall furnish FMR in individual fraud cases, irrespective of the amount involved, immediately but not later than 14 days from the date of classification of an incident / account as fraud.
2. The Company shall also report frauds perpetrated in their group entities to RBI separately, if such entities are not regulated / supervised by any financial sector regulatory / supervisory authority.
3. The Company shall adhere to the timeframe prescribed in these Master Directions for reporting of fraud cases to RBI. Applicable NBFCs must examine and fix staff accountability for delays in identification of fraud cases and in reporting to RBI.
4. While reporting frauds, the Company shall ensure that persons / entities who / which are not involved / associated with the fraud are not reported in the FMR.
5. The Company may, under exceptional circumstances, withdraw FMR / remove name(s) of perpetrator(s) from FMR. Such withdrawal / removal shall, however, be made with due justification and with the approval of an official at least in the rank of a director.

5. Closure of Fraud Cases Reported to RBI

1. The Company shall close fraud cases using 'Closure Module' where the actions as stated below are complete:
 - (i) The fraud cases pending with LEAs / Court are disposed of; and
 - (ii) The examination of staff accountability has been completed.
2. The Company is allowed, for limited statistical / reporting purposes, to close those reported fraud cases involving amount upto ₹25 lakh, where examination of staff accountability and disciplinary action, if any, has been taken and:
 - (i) The investigation is going on or charge-sheet has not been filed in the Court by LEA for more than three years from the date of registration of First Information Report (FIR); or
 - (ii) The charge-sheet is filed by the LEAs in trial court and the trial in the court has not commenced or is pending before the court for more than three years from the date of registration of FIR.
3. In all closure cases of reported frauds, Applicable NBFCs shall maintain details of such cases for examination by auditors.

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