



SOP for Fraud Prevention Policy

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I. PHILOSOPHY:

The Company's philosophy on Corporate Governance is the creation of long-term stakeholder value through the adoption of a best-in-class Corporate Governance Framework and adherence thereto. It aims to conduct its business in accordance with the highest ethical standards and facilitate the development of controls that will aid in the prevention and detection of fraud against the Company.

1. OBJECTIVES:

The objectives of this SOP is:

- To provide guidance to all the parties covered under the Fraud Prevention Policy.
- To set internal processes and procedures for implementing the Fraud Prevention Policy of the Company.
- To foster a business environment that is free of fraud through reporting and redressal.
- To endeavour that internal and external stakeholders take reasonable measures to ensure their daily activities do not involve fraud activities directly or indirectly.
- To refrain from non-compliance with acts, codes and policies related to fraud.
- To mitigate risks and implications of any untoward incident in violation of the Fraud Prevention Policy.
- To enumerate disciplinary action for non-compliance with acts, codes and policies.

2. SCOPE & APPLICABILITY:

This SOP shall apply to any fraud, or suspected fraud, involving all stakeholders of the Company.

II. DIRECTIVES:

The Prevention of Fraud Policy ('the Policy') together with the SOP provides guidance how to deal with any fraud, misconduct and any other fraudulent activities and issues that may arise while doing business. Any violation of the Policy will not be tolerated and shall lead to inquiry, investigations, and disciplinary actions including termination of employment or contract along with penalties, claim for damages and criminal proceedings.

III. STRUCTURE AND RESPONSIBILITIES:

The multi-tier governance structure supports the Company's commitment to not tolerating any fraud instance and further ensuring effective implementation and governance of the Anti-Bribery Policy in true spirit.

1. Board of Directors (Board):

The Board shall formulate, evaluate, and approve the Fraud prevention Policy of the Company and upgradations thereto based on recommendations from the CSR & ESG Committee. The Risk Management Committee shall monitor risks relating fraud and corruption.

2. CSR & ESG committee:

CSR & ESG Committee in their role under the structure and for ensuring compliance and reporting thereunder, shall:

- recommend amendments in the Policy, if any to the Board.
- recommend vision and targets aimed at zero tolerance towards non-compliance and review its functioning.
- advise the ESG Council on the implementation and functioning of the Policy.

3. Risk management committee:

The risk management committee shall:

- Conduct regular risk assessments to identify areas of vulnerability to fraud within the company's operations, including financial transactions, procurement, and employee activities.
- Establish a fraud risk framework as a part of Risk Management.
- Design and implement internal controls to mitigate identified fraud risks, such as segregation of duties, authorization procedures, and regular monitoring of transactions.
- Ensure that employees adhere to established policies and procedures through regular monitoring, audits, and internal investigations.
- Provide regular updates to the board of directors on the company's fraud prevention efforts, including risk assessments, control implementations, incident reports, and remediation activities.
- Continuously evaluate and enhance the effectiveness of the company's fraud prevention program based on evolving risks, regulatory requirements, and lessons learned from past incidents.

4. ESG Council and Working Group:

The ESG Council shall:

- review and recommend amendments in the Policy, if any, to the CSR & ESG Committee.
- support the implementation of the Policy and amendments thereto by reviewing the Fraud prevention Standard Operating Procedures and training modules.
- Monitor and review the implementation of the Fraud prevention Policy, SOP, training and applicable system.
- recommend training calendar, process reviews, refresher sessions and educational programs on compliance and awareness about the prevention of fraud for internal stakeholders, employees, third parties and external stakeholders.

5. Management team:

The Management Team comprising of Senior Managerial Personnel (SMPs), in their managerial role as Business / Function Heads of the Company, are responsible to:

- communicate, demonstrate, and promulgate the Policy.
- ensure the Policy is communicated effectively to all internal and external stakeholders that they engage with from time to time.
- endeavour to promulgate and communicate the Policy to all third parties that they are dealing with.

- endeavour adequate training conducted for their respective department on the Policy and Standard Operating Procedure at regular intervals.
- create adequacy of checks and balances, internal control systems and effective operation within their respective functions.
- promulgate a zero-tolerance approach towards non-compliance with the policy and SOP thereof.
- promulgate job rotation of employees based on work allocation and region.
- minimize the opportunity for potential instances of fraud that may occur within the business activities.
- identify and enlist within their respective function probable instances of fraud.
- disseminate policy and SOPs to all employees through digital or physical mode including new employees at the time of on-boarding.
- Develop compliance KPIs toward employee engagement and awareness of the compliance program.
- encourage and guide disclosing fraud instances.
- redress issues of the implementation of the Policy, SOP and training.
- Monitor the implementation of the Policy within the function.

6. Human Capital (Employees):

The Employees whether on-roll, off-roll, contractual or fixed term shall:

- always act ethically and with integrity.
- Make a declaration about any observed fraud in their best professional interest obliging the duty of transparency in relation to prevention of fraud.
- promulgate and communicate the prevention of fraud commitment and zero tolerance policy of the Company in their dealings with all internal and external stakeholders.
- aid team members, employees, third parties and other stakeholders to identify report and redress potential fraud instances and ensure the issues are addressed through inclusive training.
- disseminate and promulgate the policy to internal and external stakeholders.
- achieve KPIs aimed at employee engagement and awareness of the compliance program.
- Act at all times in compliance with the law, codes, policies and principles of the Company.
- attend the training on the fraud prevention policy, seek guidance from CO and disclosures thereunder, and keep oneself updated on the policy, SOPs, and training modules.
- Report to CO at speakup@polycab.com, any fraud events in relation to other employees and third parties immediately upon becoming aware.

7. External Stakeholders:

The External Stakeholders shall comply and confirm compliance with the laws relating to the identification of evidence of fraud. The Policy applies to all third parties including but not limited to vendors, dealers, distributors, resellers, business partners, suppliers, contractors, consultants, service providers, subcontractors, or agents working on behalf of the Company, or third parties, the Company shall engage with its

stakeholders and endeavour to ensure communication of the of compliance relating to the Policy.

The external stakeholders shall endeavour to seek training from the Company and comply with the SOP and the Policy. The Stakeholders are further encouraged to conduct regular training in their respective organizations to create awareness of compliance related to the provisions of fraud.

IV. SYSTEMS:

Governance systems and tools are devised to provide guidance and ensure compliance with the Prevention of Fraud Policy which includes:

1. Understanding Fraud and its forms
2. Identification of Compliances and associated risk
3. Preventing Fraud
4. Structured reporting of a concern
5. Investigation
6. Assurance and due diligence

1. Understanding Fraud & its forms

Understanding fraud and identifying fraud instances is a crucial step in upholding the company's commitment to ethical conduct and integrity. All employees play a vital role in maintaining a culture that discourages fraud. Through vigilance, the ability to spot warning signs, and the swift reporting of suspicions, we can collaboratively foster an open and dependable business atmosphere. **Annexure I** provide different forms of fraud.

2. Identification of compliances and associated risk

This SOP provides a well-defined and structured system for risk mitigation wherein the stakeholders identify compliances and risks associated with the compliance of the prevention of fraud policy and take mitigating actions to minimise the impact of the risks on the Company and its stakeholders.

The stakeholders identified in the muti-tier structure shall familiarise themselves and other internal and external stakeholders to answer questions when faced with instances of fraud amongst other forms of unethical behaviour:

i. Who can communicate?

Any person

ii. With whom to communicate?

Whistle Officer

iii. What to communicate?

Instances of fraud whether within the organisation or otherwise

iv. When to communicate?

Immediately upon knowledge

v. How to communicate?

Vide email to 'speakup@polycab.com'

vi. The languages in which to communicate?

Any language

3. Preventing Fraud

a) **Company's approach: Prevention is better than cure:**

The Company believes that it is better to prevent fraud than to detect and undertake corrective actions once it has occurred. The Company expects all its employees, officials and staff members to be honest and fair in their dealings. The Company will not tolerate any level of fraud and such an incident will be investigated, with disciplinary actions.

b) **Complex and Unusual Transactions:**

Special attention should be paid to large and complex transactions or on unusual patterns of transactions, which have no apparent legal or lawful purpose. The background of such transactions should be examined, and the effect and purpose of such transactions should be recorded in writing for investigation purposes if required.

For the measures to be effective, the following process must be adhered to:

- **Identification of the Company's operation areas that are most vulnerable to fraud:** For the said purpose, training every month will be conducted for regular review of operations and processes.
- **Ensure proper controls are in place:** Internal Audit will be conducted on a half-yearly basis to review the processes to ensure that appropriate controls are in place to prevent incidents of fraud.

c) **Training & Communication:**

ESG Council of the Company will provide training documents on the policy as part of the induction process for all new employees. Employees will also receive regular, relevant training/updates on how to adhere to this policy and will be asked annually to formally accept that they will comply with this policy. The company's fraud prevention policy and zero-tolerance attitude will be communicated to all suppliers, contractors, business partners, and any third parties at the outset of business relations.

Providing advice and guidance to personnel on the Governance system and issues relating to fraud.

d) **Upgradation and continuous improvement:**

Carry out regular reviews of fraud prevention policy, procedures, training and programmes including internal audits, provide resulting reports to top management and the Board and take necessary actions to improve the system. There shall be a continuous endeavour to develop internal controls and systems to prevent and mitigate the risk of fraud.

e) **Record-Keeping:**

For the fraud prevention Policy and SOP, the records shall include but not be limited to communication of the Company's commitment (to implement the fraud prevention compliance programme etc.), implementation of the fraud prevention policy/ SOP, report of activities concerning the corruption prevention etc., and the relevant staff must retain for at least eight (8) years, all records, operational work

documents, other documents, and transactions to enable Company to comply with any requests from the relevant authorities.

f) Separation of Duties

Each function shall adopt requisite checking mechanisms for the separation of duties within its respective function.

4. Structured Reporting of a concern:

Any misconduct observed or reported within the organization shall be subject to investigation and disciplinary action. The process is enumerated in the Code of Conduct and reproduced as **Annexure II**.

5. Investigation

The CO will investigate any reported allegations as per the Investigation Policy. The Whistle Blower Committee shall maintain utmost 'confidentiality' and ensure adequate protection is provided to the stakeholders. The CO shall update the Audit Committee Chair and report directly to the Audit Committee. All reports will be handled confidentially, and the investigation may involve the documentation of all relevant facts, including persons involved, times and dates. The CO shall take recommended actions depending upon the outcome of the investigation, including disciplinary steps where appropriate, action to correct any behaviour in breach of this policy or other unfavourable treatment connected with raising a concern.

6. Assurance and due diligence:

The Company shall undertake need-based due diligence to aid in decision-making about the initiation or continuation of the relationship with the internal and external stakeholders including employees, suppliers, service providers, customers and third parties. The stakeholders may seek guidance from the multi-tier structure. Any unsatisfactory findings from the due diligence shall be treated as red flags by the stakeholder and risk mitigated prior to the intended or continued business dealings and exercise discretion before proceeding with the relationship. The internal stakeholders for customers with a positive trace of public officials, and the staff have decided to commence the relationship whereby the interests are also not prohibited by the Company's Code of Conduct Policy, the disclosure in the financing procurement proposal is mandatory. The Board or its Committee may conduct internal audits/assurances, as and when required.

V. EVALUATION:

a. Oversight mechanism:

The Stakeholders are encouraged and aided to raise genuine concerns about possible improprieties in the business conduct to the Whistle Officer / Committee of the Company as per the procedure laid down in the Whistle Blower Policy. The Whistle Blower Committee shall ensure that no whistle blower suffers detrimental treatment for refusing to collaborate or reporting their suspicion in good faith on actual, contemplated or potential instances of frauds or other corruption forms. The Company shall not tolerate retaliation in any form against anyone for raising concerns or reporting what they genuinely believe to

be improper, unethical, or inappropriate behaviour and all the allegations shall be treated confidentially.

b. **Compliance with the Policy:**

Every employee and other stakeholder of the Company shall act with integrity and ensure that they read, understand, and comply with the prevention of fraud policy and this SOP document. The prevention, detection and reporting of violations and other instances shall be the responsibility of all those working for the Company or under its control.

All stakeholders, including employees, vendors, customers, and any other third parties, are required to submit an annual disclosure certifying the compliance with the relevant provisions as per **Annexure III**.

Violation or breach of this policy shall result in disciplinary action, up to and not limited to termination of contract, suspension or termination of employment with the Company.

c. **Waiver & amendment of the Policy and SOP:**

This document to be read together with the prevention of fraud policy of the Company. The Compliance team will monitor the effectiveness and review the implementation of the Policy, regularly considering its suitability, adequacy and effectiveness. This document is subject to modification. Any change of the guideline shall be approved by the Compliance Officer. The management shall have the overriding right to withdraw or amend the guideline at its own discretion as it deems fit from time to time. The decision of the management shall be final and binding.

Annexure I - Understanding fraud & its forms.

1. Definitions:

- ✚ **“Fraud”** as per **Section 447 of the Companies Act, 2013** (hereinafter referred to as “the Act”), 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.

2. Fraudulent Activities:

Fraudulent activities encompass a wide range of deceptive and dishonest actions. Here is a list of some common types of fraudulent activities:

- Misuse of funds of Company for personal purposes.
- Misappropriation of assets, securities, or supplies.
- Destruction or disappearance of records, furniture, fixtures, or equipment where theft is suspected.
- Forgery or unauthorised alteration of a cheque, bank draft, account, or any other financial instrument and any other document belonging to the Company.
- Manipulation, falsification or alteration of accounting records.
- Forgery or alteration of employee benefit or salary related items.
- Making false written or oral statements or representation with respect to Company activities.
- Irregularity in the handling or reporting of money or financial transactions.
- Irregularities in foreign exchange transactions.
- Profiteering as a result of insider knowledge of Company’s activities.
- Disclosing confidential information to unauthorized parties.
- Negligence and cash shortages.
- Abuse of position of trust.
- Authorizing or receiving payments for goods not supplied or services not rendered.
- Any other act that falls under the scope of fraudulent activity.

Employees' disclosures:

- Employees have a responsibility to promptly report any suspected fraudulent activity they become aware of. Reporting should be done in writing or through the HR system as soon as possible after discovering potential fraud at the email id speakup@polycab.com.

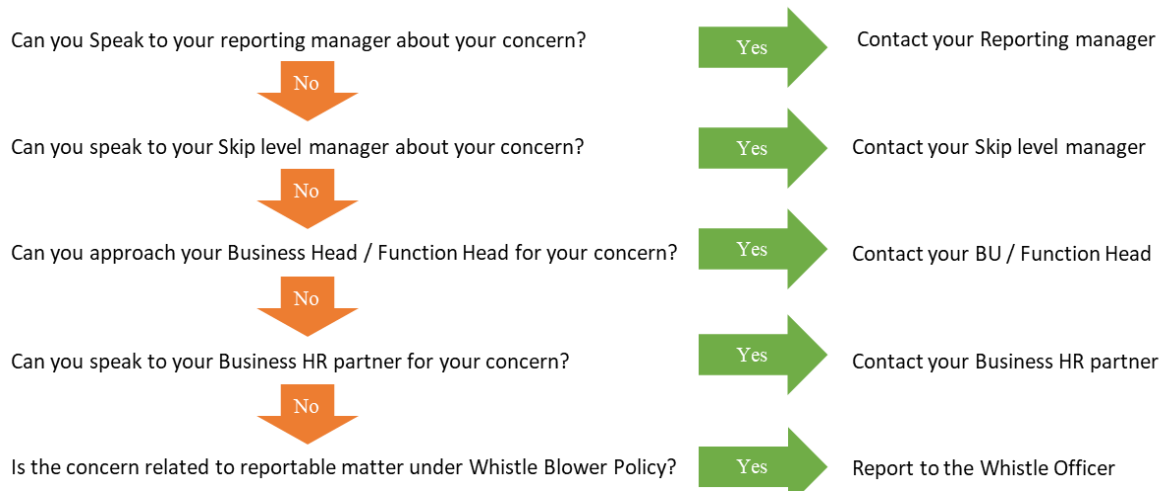
Following is a few of the instances when an employee is required to disclose fraud:

1. When an employee observes unethical or fraudulent conduct, such as embezzlement, bribery, kickbacks, or other financial improprieties.
2. If an employee notices irregularities in financial records, expense reports, or accounting documents that suggest fraudulent activities, such as inflating expenses or hiding financial losses.
3. Employees should disclose instances where they suspect or become aware of fraudulent activities involving third parties doing business with the company, such as contractors, consultants, or service providers.
4. Employees should report any suspicions or evidence of fraudulent activities involving vendors or suppliers, such as onboarding, overcharging, collusion, or providing subpar goods or services.
5. When there are data breaches, cybersecurity threats, or unauthorized access to sensitive information, employees should disclose such incidents, which may be a form of fraud or misconduct.
6. Employees must promptly report any instances of record manipulation they encounter.
7. Employees are expected to promptly report any instances of fraudulent sales practices, including violations of revenue recognition.

Annexure II

Speak Up

Each one of us has a responsibility to speak up if we see something unsafe, unethical, retaliatory, or potentially harmful. If you need help, seek clarity want to raise a concern, please refer to the 'SPEAK UP' decision tree below:



Investigation

The purpose of this Investigation Policy within the prevention of fraud Policy SOP is to establish clear guidelines and procedures for conducting investigations into suspected fraud instances. This policy aims to ensure that all investigations are conducted impartially, thoroughly, and in compliance with applicable laws and regulations.

The Company shall investigate the complaint as per the applicable policies and procedures of the Company. The outcome of the investigation shall be reported to the Disciplinary Committee for further action.

Disciplinary action

Employees, contractors, agents and all the other stakeholders of the Company are encouraged to report any suspected violations through the company's established reporting channels. Upon receiving a report of a suspected violation, the whistle-blower committee will initiate an internal investigation. The severity of the violation will be assessed based on factors such as the nature and extent of the violation, the intent of the individual(s) involved, the potential harm to the company's reputation, and any legal implications. The results of the investigation will be used to determine appropriate disciplinary actions, which may include verbal or written warnings, suspension, termination of employment or contract, or legal action as outlined in the Disciplinary Action section of this SOP.

Annexure III - Declaration of Compliance:

To,
The Compliance Officer
Polycab India Limited

DECLARATION

I, Mr./Ms.....Employee
Codeconfirm that I have gone through the Fraud
Prevention Policy of the Company and hereby certify that to the best of my
knowledge and belief, I have complied with all anti-fraud provisions as mandated by
applicable laws, regulations, and internal policies.

Signature
Date