

Nalwa Sons Investments Limited

CIN: L65993DL1970PLC146414

Corporate Office: Jindal Centre, 12, Bhikaiji Cama Place, New Delhi – 110066

Registered Office: 28, Najafgarh Road, Moti Nagar Industrial Area, New Delhi-110028

Phone No.: (011) 45021854, 45021812, Fax No. (011) 45021812

Branch Office: O.P. Jindal Marg, Hisar – 125 005 (Haryana)

E-mail: investorcare@nalwasons.com, Website: www.nalwasons.com

FRAUD RISK MANAGEMENT & PREVENTION POLICY

Document Control Sheet	
Document Name	Fraud Risk Management & Prevention Policy
Name of Company	Nalwa Sons Investments Limited
Policy Authorization by	Board of Directors
Review of the policy	Once in 3 years
Board Approval date	August 13, 2024

Background:

In compliance with the guidelines issued by RBI on Master Direction - Fraud Risk Management in NBFCs Directions 2024, doc vide RBI/DOS/2024-25/120 DOS.CO.FMG.SEC.No.7/23.04.001/2024-25, the Fraud Risk Management & Prevention Policy has been formulated with the aim of setting up a framework for preventing, detecting, investigating, and reporting fraud incidents within Nalwa Sons Investments Limited (referred to as "NSIL" or "the Company").

Scope of the Policy:

This policy is applicable to any instances of fraud, whether confirmed or suspected, involving employees, external agencies, and individuals with a business relationship with Nalwa Sons Investments Limited.

Objectives of the Policy:

This policy aims to instill a proactive approach within the company for identifying, analyzing, and managing the risk of fraud. The company will maintain a zero-tolerance stance toward fraud across all levels and will implement measures to prevent fraud.

The Policy is designed to achieve the following objectives:

- Establishing procedures and controls that facilitate fraud detection and prevention.
- Providing guidance to employees on fraud prevention, identification, and detection.
- Developing internal controls.
- Promptly documenting and reporting fraud incidents.
- Offering essential training to staff to enhance their awareness and capabilities in fraud prevention.

Actions constituting Fraud:

Fraud is defined as a deliberate act carried out by an individual through deception, suppression, cheating, or any other illegal means, leading to wrongful gain for oneself or others and causing wrongful loss to others. Examples of fraudulent activities include:

- Misappropriation of funds or assets.
- Improper handling or reporting of financial transactions.
- Soliciting or accepting material benefits from customers or service providers.
- Criminal breach of trust and misappropriation.
- Fraudulent cashing of forged instruments, manipulation of financial records, or using fictitious accounts.
- Unauthorized extension of credit for illicit gains.
- Negligence of duty leading to frauds.
- Cheating and documents forgery.
- Fraudulent transactions involving foreign exchange;
- Fraudulent electronic banking / digital payment related transactions committed on NBFCs; and
- Any other fraudulent activities not covered by the above categories.
- Cases involving "negligence and cash shortages" or "irregularities" are treated as fraud if there's suspicion or proof of fraudulent intent.

Fraud Detection & Control:

Fraud detection involves identifying actual or potential instances of fraud. This can be accomplished through onsite inspections of processes, employees, documents, or by recognizing early warning signals NBFCs in the Upper Layer and Middle Layer shall have a framework for Early Warning Signals (EWS) through

appropriate early warning indicators for monitoring credit facilities / loan accounts and other financial transactions.

A Board Level Committee, similar to Risk Management Committee shall review the EWS framework for its suitable validation in accordance with its directions.

The framework shall cover the below mentioned:

- EWS triggers and monitoring of the same,
- Remedial actions for the triggers
- Periodic review of portfolio and control mechanisms

The early warning indicators can be from:

- Risk based calling: Carried out by Internal CRM team
- Pre-disbursement sample customer visits by Field Risk Officers
- Post Disbursement trigger based customer visits by Credit & Risk team
- Customer Complaints: Complaints from customers can trigger fraudulent practices
- Credit Monitoring: Unusual Portfolio Behavior indicating potential fraud
- Whistleblowers: Employees or insiders who notice suspicious activities can report them
- Audits: Regular audits can help detect irregularities or frauds
- Legal Actions: Legal proceedings or Litigation process can bring out fraudulent activities

The frauds can be prevented by taking control measures as below:

- Performing thorough background checks and verifying documents of customers, and other business associates of Veritas
- Periodic training programs for all employees on real life scenarios, recent fraud cases and Fraud Detection & Prevention
- Implementing preventive internal controls through appropriate process changes

Fraud Monitoring:

The Company shall set-up an appropriate organizational structure for institutionalization of fraud risk management within their overall risk management functions.

The Risk Team on periodic basis, share Fraud reports, if any and dashboards with internal management and stakeholders. All potential fraud/suspected reports will be reported to the Internal Audit team.

Staff Accountability:

In all fraud cases, staff accountability will be mandatorily explored. It is required to

- confirm whether there was any lapse / mala-fide on part of employee which led to fraud and
- if so then to take action against the staff concerned.

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

Fraud Reporting:

The Company shall issue an extensive Show Cause Notice (SCN) to the individuals, organizations, and promoters, as well as the executive directors and full-time employees, against whom the fraud allegations are under investigation. The Show Cause Notice shall capture the details about the transactions, acts, and occurrences which constitute the basis for the declaration and reporting of fraud.

Minimum of 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond.

Special Committee:

A Special Committee to Monitor and Follow-up (SCMF) shall be formed in line with regulatory guidelines, Middle layer NBFCs shall constitute a committee, headed by one Independent Director to oversee the effectiveness of the fraud risk management in the Company and to review and monitor cases of frauds.

(a) Reporting to the Board:

In addition to the actions set out by the policy above, the risk team shall also notify the RMC/Board of Directors of the Company as follows:

- Information relating to frauds for the quarters ending March, June and September shall be placed before the Board of Directors during the subsequent month of the following quarter.
- Irrespective of the quantum, all instances of Fraud will be reported to the Managing Director /Whole Time Director/ Executive Committee.
- Where the quantum of the fraud exceeds Rs.1,00,000/- (Rupees One Lakh), the fraud shall be promptly reported to the Managing Director/Whole Time Director and Board after the same are proved in the preliminary investigation.
- It is to be ensured that information relating to all the attempted frauds involving Rs. 25 lakhs or more shall be placed before the Audit Committee of the Board (with details of fraud).
- In addition to the above, the Company shall conduct an annual review of the frauds and place a note before the Board.

(b) Reporting to Regulator via XBRL:

- FMR -1 for reporting new frauds of Rs. 1 lakh and above within three weeks (21 days) from the date of detection
- FMR-3/FUA for reporting the developments in respect of frauds already reported (as and when basis)
- FMR-4 (Quarterly Reporting of Theft, Robbery, Dacoit and Burglary): If there no incidents to report 'Nil' submission to be done in the XBRL
- Paper based Monthly Certificate to be submitted by 7th of every month in the prescribed format

(c) Reporting under Legal Governance:

As a general rule, the following cases should invariably be referred to the State Police:

- Cases of fraud involving an amount of Rs.1 lakh and above, committed by outsiders on their own and/or with the connivance of staff/officers;
- Cases of fraud committed by employees, when it involves the Company's funds exceeding Rs.10,000/-

The said activity would be taken up by internal/external Legal Counsel for further processes and updates.

Fraud Governance:

Closure of Frauds:

Prior approval from the respective Regional Offices of RBI/SSM Concerned is required for closure of fraud cases

a) Statistical Closure:

Fraud cases involving amount up to Rs. 25 lakhs, may be closed for limited statistical / reporting purposes where:

- the investigation is on, or challan / charge sheet not filed in the Court for more than three years from the date of filing of First Information Report (FIR) by the CBI / Police; or
- the trial in the courts, after filing of charge sheet / challan by CBI / Police, has not started, or is in progress.

b) Other Closure:

The Company shall close the fraud cases after completing all following actions

- cases pending with CBI/Police/Court have been finally disposed of;
- the examination of staff accountability has been completed;
- the amount of fraud has been recovered or written off;
- insurance claim wherever applicable has been settled; and
- the systems and procedures have been reviewed, causative factors have been identified and lacunae plugged
- The Company shall provide all possible assistance to the Police/CBI/Court for investigation/trial and vigorous follow up with the police authorities and / or court for final disposal of fraud cases shall be undertaken.

Updates or revisions:

The policy will be reviewed and updated periodically and at least once in every 3 years basis regulatory guidelines.