

# **FRAUD PREVENTION POLICY**

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## 1. INTRODUCTION AND BACKGROUND

Welspun Corp Limited is committed to zero tolerance towards fraud and maintain a high legal, ethical and moral standards. All employees are expected to follow the same. The Company has a zero-tolerance attitude towards fraud and will uphold all applicable laws relevant to countering fraud in all jurisdictions in which it operates. The risk of fraud can be reduced through a combination of prevention, deterrence and detection measures.

The Board of Directors of the Company has the overall responsibility to ensure that the Company has laid down policies and procedure on fraud prevention, detection, reporting and investigation. In view of the same, the Company has formed this Fraud Prevention Policy (“Policy” or “This Policy”) with an intention to prevent, detect and investigate fraud that may take place in the day to day business of the Company.

This policy along with the Fraud Response Plan is intended to provide direction to all employees who are dealing with the actual or suspected fraud or corruption cases.

## 2. OBJECTIVE

The Policy has been framed to facilitate the development of controls and establish a system that will aid in prevention, detection, reporting and investigation of fraud or suspected fraud keeping in view the following objectives:

- i. Developing and maintaining effective controls to prevent fraud.
- ii. Provide a mechanism for reporting any incident of fraud or suspected fraud
- iii. Provide protection to the individual who makes a disclosure of such fraud or suspected fraud;
- iv. Carrying out prompt investigations if any fraud is reported.
- v. Taking appropriate disciplinary action against perpetrators of fraud.
- vi. Provide guidance to employees in prevention and detection of fraud or suspected fraud;
- vii. Implement the processes, procedures and controls needed to mitigate the risks and reduce the opportunities for fraud; and
- viii. Encourage staff to be vigilant and raising fraud-awareness at all levels
- ix. Develop an appropriate oversight process.

### 3. SCOPE

- a) The Policy shall be applicable to any fraud or suspected fraud involving employees as well as third parties like vendors, suppliers, contractors, customers, agents, distributors, business partners, consultants, bankers, shareholders or any other party having a business relationship with the Company.
- b) Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Company.

### 4. FRAUD

- a) As per section 447 of the Companies Act, 2013, "fraud" in relation to affairs of a company or anybody corporate, 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. Further, "Fraud" is also defined under section 17 of the Indian Contract Act, 1872 and is also an offence under section 421 of the Indian Penal Code, 1860.
- b) The term Fraud shall include but not be limited to the acts mentioned hereunder:
  - i. Any actual or potential violation of the legal & regulatory requirements whether Criminal/ Civil;
  - ii. Any claim of theft or fraud;
  - iii. Bribery, corruption and kickback;
  - iv. Abuse of authority;
  - v. Conflict of interest;
  - vi. Breach of contract/ trust, pilferage of confidential/propriety information;
  - vii. Negligence causing substantial and specific danger to public health and safety;
  - viii. Manipulation/ theft of the Company data/records;
  - ix. Financial irregularities, including fraud or suspected fraud or deficiencies in Internal Control and check or deliberate error in preparations of Financial Statements or Misrepresentation of financial reports;
  - x. Wastage/misappropriation of the Company funds/assets, embezzlement;
  - xi. Concurrent/Dual employment;

- xii. False expense reimbursement;
- xiii. Unfair trade practices and anti-competitive behaviour;
- xiv. Instances of leakage or suspected leakage of unpublished price sensitive information;
- xv. Breach of Company Policy or failure to implement or comply with any approved Company Policy/ies;
- xvi. Any claim of retaliation for providing information to or otherwise assisting the Audit Committee;
- xvii. Any other action or inaction that could have significant impact on the operations, performance, value and the reputation of the Company.

## **5. INTERNAL AND EXTERNAL FRAUD**

- a) Fraud can be further distinguished as “Internal Fraud” and “External Fraud”.
- b) Internal fraud can be use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the organization’s resources or assets. To simply state, this type of fraud occurs when an employee or Director commits fraud against his or her employer.
- c) External Fraud is the risk of unexpected financial, material or reputational loss as the result of fraudulent action of persons external to the firm. Internal fraud involves at least one internal person, whereas external fraud is committed solely by third parties without any assistance or collusion of an internal person, however both resulting in the Company suffering a loss and/or the perpetrator achieving a gain.

## **6. REPORTING OF FRAUD**

- a) Any employee, vendors, suppliers, contractors, customers, agents, distributors, business partners, consultants, bankers, shareholders or any other third party having any type of business relationship with the Company as soon as he/she comes to know of any suspected fraud or fraudulent activity must report such incident(s) using the means available in the Whistle Blower Policy of the Company. A complainant:
  - i. Can send a complaint to the Ethics Helpline by calling on a toll-free number. The toll-free number is available with option to communicate in languages, as set out below:

Country	Telephone Number	Languages
India	000-800-919-0236	Hindi/English
USA	833-921-5074	English

These toll-free numbers can be accessed 24 hours a day, 07 days a week. For every complaint made through the Ethics Helpline, a case reference number will be provided to the complainant, which can be used for further communication like providing additional information or knowing the status of the concern. The complainant may disclose his/her identity or choose to remain anonymous while reporting through this channel.

- ii. Can write an email or send post to the Head-Ethics of the Company. The contact details are as under:

**Head Ethics (WCL)**

Address: 7<sup>th</sup> Floor

Welspun Corp Ltd

Kamala Mills Compound

Mumbai, Maharashtra

Email: [whistleblower\\_wcl@welspun.com](mailto:whistleblower_wcl@welspun.com)

- iii. Can also complaint by accessing the company website. The link to access the web site is as follows:  
[www.welspun.ethicspoint.com](http://www.welspun.ethicspoint.com)
  - iv. Can write to the Chairman of the Audit Committee in exceptional cases. The email id is [arun@aruntodarwal.com](mailto:arun@aruntodarwal.com).
- b) It is encouraged that the individuals put their name to complaint they make. However the same can be made anonymously also.
  - c) If a complaint is received by any employee of the Company other than Chairman of Audit Committee or the Head Ethics, the same should be forwarded to the Company's Head Ethics for further appropriate action. Appropriate care must be taken to keep the identity of the complainant confidential.
  - d) The Chairman of Audit Committee shall have access to the portal at all times.

## **7. INVESTIGATION**

- a) All investigations will be carried out objectively and confidentially, and independently of the function in which the fraud/suspected fraud has occurred.
- b) The Head Ethics will be responsible to conduct a preliminary verification of the complaint received under this Policy.
- c) The Ethics Committee under the direction of Audit Committee will decide on the need for detailed investigation based on the preliminary verification. If required, the Ethics Committee will direct the Head Ethics to conduct a detailed investigation with the help of internal staff or an outside agency who specialises in investigating such cases.
- d) The investigation may involve study of documents and interviews with various individuals. Any person required to provide documents, access to systems and other information to the Head Ethics or the investigating team for the purpose of such investigation shall do so. Individuals with whom the Head Ethics or the investigating team requests an interview for the purposes of such investigation shall make themselves available for such interview at reasonable times and shall provide the necessary cooperation for such purpose.
- e) The Head Ethics shall conduct the investigations in a timely manner and shall submit a written report containing the findings with the Ethics Committee.
- f) If the misconduct constitutes a criminal offence, the Ethics Committee will bring it to the notice of the Managing Director and take appropriate action.

## **8. DISCIPLINARY ACTION**

- a) Disciplinary action means, any action that can be taken on the completion of /during the investigation proceedings including but not limiting to a warning, imposition of fine, suspension from official duties or any such action as is deemed to be fit considering the gravity of the matter.
- b) If an investigation leads the Ethics Committee to conclude that an improper or unethical act has been committed, the Ethics Committee shall recommend such disciplinary or corrective action under the direction of the Audit Committee as per the disciplinary action matrix to the Disciplinary Action Committee of the Company.

## 9. DUTIES & RESPONSIBILITIES

### I. BOARD OF DIRECTORS

The Board of Directors has overall responsibility of governance and to ensure that the Company had designed and implemented effective fraud prevention framework and ethical culture and behavior by employees and other stakeholders of the Company.

### II. AUDIT COMMITTEE:

The Audit Committee has responsibility of maintaining oversight on the fraud prevention framework, processes and review the adequacy of fraud prevention framework. Audit Committee shall

- Ensure that Company has put in practice an effective ethics and compliance program.
- Ensure that Company has identified the key risk areas and internal controls to adequately address and mitigate those risks.
- Maintain oversight on the procedures established within the Company by which employees may, in confidence, report an allegation regarding suspected or actual fraud.
- Provide guidance and review functioning of the Ethics Committee and Head - Ethics

### III. MANAGEMENT

Management is responsible for the overall prevention, detection, control and deterrence and investigation of fraud in the Company. In addition to that, Management will be responsible to:

- a) "Set the tone at the top", point out risks exposed to the operations and the systems, establish an effective system of Internal Controls, Governance and Risk Management process, and follow up systematically on the implementation of the Company's procedures and policies.
- b) Ensure that all employees are aware of the Company's zero tolerance attitude towards fraud and their individual responsibilities towards managing fraud.



- c) Educate employees about the types of fraud risks that might occur in their work area.
- d) Ensure development of a system for prompt, competent, and confidential review, investigation, and resolution of instances of fraud or suspected fraud.
- e) Ensure that appropriate anti-fraud training and development opportunities are available to the employees.
- f) Create an environment whereby employees are encouraged to report any fraud or suspected fraud without any fear of victimization.

#### **IV. INTERNAL AUDIT**

- a) Evaluate the adequacy of the internal control system in managing risk of fraud and provide recommendations for improvement.
- b) Prioritize auditing activities in accordance with a documented risk assessment plan.
- c) Assist management throughout the fraud risk assessment exercise, review the result of the assessment, independently assess the ability of existing controls to prevent the occurrence of fraud, propose corrective measures and present the outcome of the fraud risk assessment to the Audit Committee for their review and comments.
- d) During the course of Internal Audit if any red flags or suspicion was noticed the same should be referred to Head - Ethics for consultation and necessary action.
- e) Ensure implementation and examine and evaluate the effectiveness and efficiency of preventive measures suggested by the Ethics Committee.

#### **V. EMPLOYEES**

- a) Act at all times with the highest degree of honesty, integrity, accountability, and propriety.
- b) Comply with Company's Code of Conduct and Ethics, Code of Conduct for the Board of Directors and Senior Management, and Anti-Bribery and Anti-Corruption Policy.

- c) Immediately report instances of suspected or actual fraud identified / observed to the Head Ethics through Whistle blower mechanism.
- d) Co-operate with Head Ethics or external agency assigned to conduct internal checks, reviews or fraud investigations by extending necessary support in terms of providing data / documents / information within the timeline stated by the Head Ethics.

## **10. FRAUD PREVENTION**

The Company shall take the following steps to prevent the occurrence of fraud:

- a) Conduct background checks on new vendors, suppliers, contractors, employees, borrowers and other parties with whom the Company has any business relationship to prevent fraud at source.
- b) Perform Fraud Risk Assessment on a periodic basis to identify and mitigate the areas of business that are susceptible to fraud risks.
- c) Provide training to all employees on fraud awareness and management upon joining the Company and throughout their association with the Company on a periodic basis.
- d) Include general conditions of contracts with vendors and third parties who shall be required to certify that they would adhere to Fraud Prevention Policy of the Company and not indulge in fraudulent activities and would immediately inform the Company of the fraud or suspected fraud as soon as it comes to their notice.

## **11. COMPANY'S POWERS**

The Board of Directors of the Company may subject to applicable laws and at the recommendation of the Audit Committee is entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Audit Committee in line with the broad intent of the Policy and in consultation with the Board of Directors. The Ethics Committee in consultation with Audit Committee may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.