

Poonawalla Fincorp Limited

(Formerly, Magma Fincorp Limited)

This Policy intends to provide a mechanism to Employees, Directors and Stakeholders, connected with the Company to approach and report to identified personnel any unethical and improper practices in the Company.

Breach of Integrity and Whistle Blower/Vigil Mechanism Policy

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Poonawalla Fincorp Limited

Table of Contents

| | |
|---|----|
| 1. PREFACE | 3 |
| 2. DEFINITION..... | 4 |
| 3. Our Commitment | 6 |
| 4. OBJECTIVES..... | 7 |
| 5. APPLICABILITY AND SCOPE..... | 8 |
| 6. SOURCES OF INFORMATION OR MODES FOR REPORTING OF ALLEGED WRONGFUL CONDUCT/WRONGFUL CONDUCT | 9 |
| A. Modes of reporting of Wrongful Conduct | 9 |
| B. Detection and identification of Alleged Wrongful Conduct..... | 10 |
| 7. INVESTIGATION PROCESS:..... | 10 |
| 8. RESPONSIBILITIES OF THE INVESTIGATING AUTHORITY:..... | 13 |
| 9. CATEGORIZATION OF WRONGFUL CONDUCT AND PUNITIVE ACTION: | 14 |
| 10. IMPLEMENTATION OF ACTIONS ON THE INVESTIGATION FINDINGS..... | 15 |
| Actions for Employees:..... | 16 |
| 1. REPORTING OF FRAUDS AND RETURNS | 17 |
| 2. NON-INTERFERENCE | 18 |
| 3. PROTECTION | 18 |
| 4. ADMINISTRATION, AMENDMENT AND REVIEW OF THE POLICY | 19 |
| 5. CONFIDENTIALITY | 19 |
| Annexure I | |
| Annexure- II:..... | |

1. PREFACE

'Integrity is an integral part of the strong value system practiced by Poonawalla Fincorp Limited and all its Group Companies (defined herein below) (hereafter together referred as the **“Company”** or **“PFL”**) and all PFL’s directors, employee and associates are expected to exhibit this ‘Value’ in all our dealings. It is natural, that we have a mechanism to deal with the employees whose activities cast doubts about their integrity. It is also desirable that such issues are escalated to the appropriate level in the company for suitable action. At the same time, it is important to note that 'Prevention is better than Cure' and hence we should be vigilant so that occasions of breach of integrity are minimized. In fact, if there are frequent integrity breaches in any particular function, it reflects adversely on the quality of supervision in that functional vertical.

Any 'Breach of integrity' and/or fraud is a very important issue for any financial services company like PFL and so we have evolved a policy guideline to deal with directors, employees, channel partners, customers, service providers or others who are reported to have breached integrity or committed fraudulent act(s).

Anything done or omission thereof by any directors and/or employees, channel partners, customers, service providers directly or in connivance with others, with an intention of cheating the company whether such act or omission has resulted in any actual loss or damage to the company or not, shall be deemed to constitute fraud.

PFL aspires to grow aggressively which requires a focused approach and calls for taking responsibility and ownership at all levels.

PFL has always been a process driven organisation and to become globally competitive and sustain long term success it needs to build a high level of integrity which is driven by trust and lived by its core values.

In line with PFL’s commitment to the highest possible standards of professionalism, honesty, ethical, moral and legal behavior for conduct of affairs of the Company towards the employees and outsiders, in fair and transparent manner and its commitment to open communication, this **“Breach of Integrity and Whistle blower/ Vigil Mechanism Policy ”** (hereinafter referred to as the **“Policy”**) has been formulated to provide a mechanism to the directors, employees, senior management personnel and/or professionals serving in any functions and attached to any roles and stakeholders of the Company to approach and report to the Ethics & Disciplinary Committee and/or Officer dealing with Frauds as may be designated for this purpose or any unethical or improper practices in the Company. This Policy also seeks to protect the Whistle Blower from any retaliatory action taken by anyone in the Company including its managerial personnel. While the role played by stakeholders is important, specially, the role of the employees in pointing out such violations cannot be undermined.

2. DEFINITION

- **“Alleged Wrongful Conduct/Wrongful Conduct”** shall mean violation of law, misuse or abuse of authority, actual Fraud or suspected Fraud, any deliberate concealment of such abuse or Fraud, infringement of Company’s rules, violation of code of conduct, actual or suspected leak of unpublished price sensitive information pursuant to Code of Insider Trading, or an intention to cheat, substantial and specific danger to public health and safety or violation of this Policy.
- **“Audit Committee”** means the committee constituted under erstwhile Companies Act 1956 and reconstituted in accordance with Section 177 of the Companies Act, 2013 as amended (“Companies Act”) read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (‘Listing Regulations’).
- **“Board of Director”** or **“Board”** in relation to a company, means the collective body of the directors of the company;
- **“Fraud”** includes:
 - a) An act characterised as such under the provisions of section 447 of the Companies Act;
 - b) In terms of definition provided by the Reserve Bank of India (RBI):
 - ✓ Misappropriation and criminal breach of trust;
 - ✓ Unauthorised credit facilities extended for reward or for illegal gratification;
 - ✓ Negligence and cash shortages;
 - ✓ Cheating and forgery;
 - ✓ Irregularities in foreign exchange transactions;
 - ✓ Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property.
 - ✓ Any other type of fraud not coming under the specific heads as above.
- **“Compliance Officer”** means such person designated by the Board of Directors, from time to time, for the purpose of reporting to the Reserve Bank of India (RBI) and/or compliances under the various law(s), rules and regulations issued by the RBI and as applicable to the Company including any amendment thereto.
- **“Code of Conduct and Discipline Rule”** shall mean PFL’s Code of Conduct and Discipline Rules.
- **“Code of Conduct for Prevention of Insider Trading by the Designated Persons and their immediate relatives,”** shall mean PFL’s Code of Conduct for Prevention of Insider Trading by the Designated Persons and their immediate relatives.
- **“Director”** means a Director appointed to the Board of a company.
- **“Ethics & Disciplinary Action”** for the Employees means any action that can be taken on the completion of / during the investigation proceedings including but not limiting to a warning, imposition of penalty, suspension/termination from official duties and for the Stakeholders it shall mean termination of business relationship or any such action as is

deemed to be fit by Human Resource (HR) department and/or Ethics & Disciplinary Committee considering the gravity of the matter which shall also include but not limited to legal suits.

- **“Ethics & Disciplinary Committee”** shall mean the committee formed as under:
 - a. **Ethics & Disciplinary Committee:** Head- Human Resource H, Chief Compliance Officer, Chief of Staff , Chief Internal Auditor (CIA) and Chief Risk Officer (CRO) to look in to all the cases. The Committee at its discretion shall invite any functional heads whose presence is required to discuss any case, to be present at the meetings of the Ethics & Disciplinary Committee. Such invitees shall have no voting rights.
 - b. **Audit Committee:** to look into Whistle Blower cases related to Senior Management Personnel and Directors of the Company;
- **“Employee”** means every person in employment relationship with the Company, including the Directors in employment of the company, Key Managerial Personnel and Senior Management Personnel of the Company.
- **“Group Companies”** means and includes Subsidiaries and Associates (both the terms are defined in the Companies Act, 2013)
- **“Investigator/Investigating Authority”** shall mean such authority as appointed by the Ethics & Disciplinary Committee depending upon the nature and content of Alleged Wrongful Conduct.
- **Key Managerial Personnel** has been defined in section 2(51) of the Companies Act, which shall include;
 - (i) The Chief Executive Officer or the Managing Director or the Manager;
 - (ii) The Company Secretary;
 - (iii) The Whole-Time Director;
 - (iv)The Chief Financial Officer;
 - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board.

In PFL’s context the term Key Managerial Personnel would include Managing Director, Whole-Time Director, Chief Executive Officer Company Secretary and Chief Financial Officer.

- **“Protected Disclosure/Whistle Blow”** means a concern raised by Employee(s) or Directors or any other Stakeholder(s) of the Company, through a written communication and made in good faith which discloses or demonstrates information about an activity covered under the definition of Alleged Wrongful Conduct under the scope of the Policy with respect to the Company.

However, the Protected Disclosures should be factual and not speculative or in the nature of

an interpretation / conclusion and should contain as much specific information as possible to allow for proper assessment of the nature and extent of the concern.

- **“Stakeholder”** means a person having any business relationship with the Company including but not limited to customers, contractors, suppliers, business Employees, service providers, channel partners, third party agencies, valuer etc. It shall also include employees of those entities in which PFL has an interest but does not have control, as also consultants and agents employed by PFL for conduct of its business normally.
- **Senior Management Personnel** has been defined in section 178 of the Companies Act read with Listing Regulations as personnel of the Company who are members of its core management team excluding Board of Directors; normally this would comprise all members of management one level below the executive directors, including functional heads;
- In PFL’s context the term “Senior Management Personnel” would cover its Executive Committee member (Ex-Com) i.e. functional heads who directly reports to the Chief Executive Director or Managing Director or such other persons as deemed fit.
- **“Whistle Blower”** means a Director or an Employee or Stakeholders making a Protected Disclosure under this Policy.

3. Our Commitment

- Be preferred employer where Employees feels valued and Stakeholders recognise the commitment, potential and dedication of our employees;

In fulfilling our commitment we will strive to live by our core values and stand for:

- Integrity and credibility
 - Know and understand the principles of integrity;
 - Always be fair, just and right;
 - Deliver on one’s commitment and maintain consistency in dealings;
 - Adhere to moral and ethical Code of Conduct;
- Openness and Transparency
 - Drive clear understanding of products and programmes at all levels;
 - Share expectations with each other and clearly communicate the scope of work;
 - Share/pool resources, best practices, customer insights, technologies and partner knowledge to enhance overall capability and effectiveness;
 - Stand by values and report someone who has cut corners to compromise on them;
 - Leverage diverse perspectives across levels, departments and functions for better and more informed decisions;
 - Demonstrate faith in others abilities;
 - Seek inputs, knowledge and experience by formal and informal means and build on the recommendation;

- Trust and respect for people
 - Be disciplined and punctual towards the organisation;
 - Adhere to the workplace norms as mentioned in any other Policies of PFL;
 - Have confidence and faith in self and team members;
 - Appreciate and honour good performance;
 - Treat colleagues and other Stakeholders with dignity and respect;
- Fairness and impartiality
 - Treat everyone equally, be unbiased;
 - Be sensitive and ethical in every single deal;
 - Maintain high standards of transparency in disclosures;
 - Provide equal opportunities to people irrespective of gender or religion;
 - Respect fellow team members and collaborate across team to achieve goals;
- Demanding Excellence
 - Motivate your external drive to surpass expectations.
 - Set targets and develop specific timelines to achieve them.
 - Treat challenges as a stepping stone.

Apart from the above guiding principles, we shall at all times be guided by PFL Book of Values.

4. OBJECTIVES

1. This Policy aims to maintain the standard of business conduct and ethics expected of everyone who carries out work for or on behalf of for the Company and also ensuring compliance with legal requirements.
2. This policy also seeks to serve as a guideline for reporting of fraud to the various regulatory authorities as required by such authorities from time to time.
3. This Policy does neither release the Employees and Stakeholders from their duty of confidentiality in the course of their work nor can it be used as a route for raising malicious or unfounded allegations against people in authority and / or colleagues in general.
4. This Policy provides a channel to Whistle Blower to report concerns about any Alleged Wrongful Conduct and to build and strengthen a culture of transparency and trust between the Whistle Blower and PFL as an organization.
5. It provides necessary safeguards for protection from reprisals or victimization of Whistle Blower, blowing the whistle in good faith.
6. It encourages the Whistle Blower to communicate to the members of the Ethics & Disciplinary Committee of the Company as may be applicable, behavior or practice, that they may be aware of and which they suspect to be unethical, illegal or otherwise inappropriate and harmful to the Company.

7. It seeks to protect the Whistle Blower, who is providing information regarding violation/s of law or regulation by the Company, its Employees and Stakeholders or regarding manipulation of company's data / records, leaking confidential or proprietary information, wastage or misappropriation of company fund and assets or any other activities which amount to Wrongful Conduct/Alleged Wrongful Conduct in terms of this Policy, including but not limited to, accounting, internal controls, auditing matters, applicable national and/or international laws, either through Whistle Blower mechanism and/or by informing the identified personnel of the Company through written communication, with relevant information, without fear of victimization.

5. APPLICABILITY AND SCOPE

- a. This Policy applies to all Employees, Directors and Stakeholders of the Company or its Group Companies.

This Policy covers any Alleged Wrongful Conduct or any activity on account of which the Interest of the Company is affected and is formally reported by Whistle Blower(s) such as:

- i. Issues pertaining to Integrity;
 - ii. Disciplinary Issues / work place harassment;
 - iii. Issues pertaining to leak/suspected leak of Unpublished Price sensitive information
 - iv. Any other issue;
- i. **Issues pertaining to Integrity:**
In case of any issues pertaining to breach of integrity, once a case is prima facie and case is accepted, the process laid down in this Policy shall be followed. Examples of breach of Integrity/Wrongful Conduct which can come under this category is mentioned in ***Annexure I***. However, the cases which are not covered in this Annexure would need to be categorized basis the nature and gravity of breach of Integrity/Wrongful Conduct.
 - ii. **Disciplinary Issues / Work place harassment**
In case of receipt of any Protected Disclosure regarding any disciplinary/work place harassment issues, the Human Resources department will be the ultimate authority to take decision basis on the Code of Conduct and Discipline Rules of the company and issues pertaining to sexual harassment will be governed by 'Policy on Prevention and Redressal of Sexual Harassment' and the procedure prescribed therein.
 - iii. **Issues pertaining to leak/suspected leak of Unpublished Price sensitive information (UPSI)**

In case of any issues pertaining to leak/suspected leak of UPSI under PFL Code of Conduct for Prohibition of Insider Trading, once a case is prima facie and case is accepted, the process laid down in this Policy shall be followed.

This Policy is also framed for providing the procedure for initiating inquiry, investigation and disposal of cases pertaining to any leak or suspected leak of UPSI under SEBI (PIT)

Regulations, 2015.

iv. **Any other issues**

Protected Disclosure other than as mentioned above will be dealt in pursuance of the Code of Conduct and Discipline Rules of the Company and/or as per this Policy as applicable.

- b. The Whistle Blower's role is that of a reporting party with reliable information. They are not required or expected to act as investigators or finders of facts, nor would they determine the appropriate corrective or remedial action that may be warranted in a given case;
- c. Whistle Blower(s) should not act on their own in conducting any investigative activities nor do they have a right to participate in any investigative activities other than as requested by the Compliance Officer and/or Investigator/ Investigating Authority or otherwise;
- d. If anonymous complains made, it must be backed with reasonable evidence/details to enable necessary investigation. For matters where sufficient evidence / detail is not provided and the whistleblower has maintained anonymity, it will be at the Ethics & Disciplinary Committee's discretion whether to consider it or not.
- e. Protected Disclosure will be appropriately dealt with by the internal audit and/or officer designated for this purpose, Investigator/ Investigating Authority, Ethics & Disciplinary Committee or the Chairman of the Audit Committee, as the case may be, depending on the gravity of Protected Disclosure made by the Whistle Blower;

6. SOURCES OF INFORMATION OR MODES FOR REPORTING OF ALLEGED WRONGFUL CONDUCT/WRONGFUL CONDUCT

This section is divided in to two parts:

A: Modes of reporting of Wrongful Conduct

B: Detection and identification of Alleged Wrongful Conduct

A. Modes of reporting of Wrongful Conduct

Whistle Blower coming to know of any suspected Alleged Wrongful Conduct, through whatever means, should immediately bring it to the notice by either of the following modes. In case of any undue delay in reporting of any Wrongful Conduct, it will be considered as conniving with the Wrongful Conduct.

Modes:

Directly communicate with reliable information to whistleblower@poonawallafincorp.com or at the postal address: Kind Attn.: Head-Human Resources, 601, 6th Floor, Zero One IT Park, Sr. No. 79/1, Ghorpadi, Mundhwa Road, Pune – 411036.

Communicate/complain to any employee or sr. management team on alleged Wrongful Conduct. In such an event the recipient of such complaint shall forthwith, forward the same

to **IA or Head- Human Resource, who shall forward the complaint to the Ethics & Disciplinary committee.**

In exceptional circumstances, may also report any violation, to the Chairman of the Audit Committee whose address is given herein below, who shall cause investigation into the same at his own discretion or may refer the matter to the Ethics & Disciplinary Committee for investigation.

The Chairman of the Audit Committee

601, 6th Floor, Zero One IT Park, Sr. No. 79/1, Ghorpadi, Mundhwa Road, Pune – 411036.

B. Detection and identification of Alleged Wrongful Conduct

- i. Each vertical, both line and support, of all businesses, shall have in place adequate directive/preventive/ controls to prevent and detect Alleged Wrongful Conduct and the primary responsibility of detection and reporting of any Alleged Wrongful Conduct would normally rest with the immediate superior of the perpetrator.
- ii. Alleged Wrongful Conduct may also be detected by Internal Audit team and Fraud Risk Management Team (FRM) whenever they conduct an audit or special review. Simultaneously, to prevent occurrence of fraudulent activities, surprise branch visit will be conducted and extension of this may include surprise audit of any location by internal team meant/formed for this purpose.
- iii. All Employees/Stake Holders have the responsibility to be vigilant against any Alleged Wrongful Conduct and any Wrongful Conduct notice can be brought to light through 'Whistle Blowing'.
- iv. The identification of the manner of leak of UPSI may be as follows:
 - a. due to accidental disclosure of UPSI and promptly brought to the notice of the Compliance Officer and Company Secretary by the concerned person;
 - b. due to willful breach of the regulations by an Insider resulting in communication of UPSI;
 - c. due to hacking of systems storing UPSI;
 - d. due to sabotage of particular system storing UPSI.
- v. Where clear identification of leak of UPSI is not feasible, the Compliance Officer may engage external agencies to investigate and submit report in relation to leak of UPSI to the Managing Director/Chief Executive Officer or the Chairman of the Audit Committee.

7. INVESTIGATION PROCESS:

| Activity | Vertical Responsible/Committee | Time Line (Working |
|----------|--------------------------------|--------------------|
|----------|--------------------------------|--------------------|

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| <p>Ethics & Disciplinary Committee to decide whether the complaint merits or does not merit investigation and document the reasons thereof, in case the complaint does not require any further investigation/action.</p> <p>If the case requires further investigation, the Ethics & Disciplinary Committee shall pass on the details to concerned committee for submission of the Investigation report (“Investigation Report”) depending on nature of the case as below –</p> <ol style="list-style-type: none"> 1. Nonbusiness related behavioral issue – Ethics & Disciplinary Committee 2. Sexual Harassment issue – POSH Committee 3. Business Fraud issue – FRM <p>The Ethics & Disciplinary Committee shall share acknowledgement of receipt to the whistleblower, if identity disclosed or raised through an email id.</p> | <p>Ethics & Disciplinary Committee</p> | <p>Within 10 days of receipt of complaint</p> |
| <p>Upon receipt of the case details, the concerned committee shall without delay commence the investigation in the complaint.</p> | <p>Concerned Committee</p> | <p>Immediately upon receipt of the case details</p> |
| <p>Subsequently, the concerned committee will submit a detailed Investigation Report to Ethics & Disciplinary Committee</p> | <p>Concerned Committee</p> | <p>Within 30 days from receipt of the case details</p> |
| <p>Ethics & Disciplinary Committee shall review the Investigation Report and suggest its recommendations, if any to the Concerned Committee</p> | <p>Ethics & Disciplinary Committee</p> | <p>Within in 30 days from receipt of Investigation Report</p> |

| | | |
|---|---------------------------------|--|
| The Final Investigation Report along with recommendation from Ethics & Disciplinary Committee as well as concerned committee shall be forwarded to compliance team for necessary reporting as per RBI guidelines | Ethics & Disciplinary Committee | Within 7 days of receipt of Final Investigation Report from concerned committee |
| Upon receipt of Final Investigation Report from concerned committee, the Ethics & Disciplinary Committee shall initiate necessary disciplinary action as per the categorization of wrongful conduct. The matters of Termination of employment shall be forwarded to Senior Disciplinary Committee. Cases warranting legal actions shall be forwarded to Legal team. | Ethics & Disciplinary Committee | Within 14 days of receipt of Final Investigation Report from concerned committee |
| Decision on firming up or modification of business/operational process in line with recommendation of concerned committee and in conjunction with respective Business Head to curb any future re-occurrence. | Ethics & Disciplinary Committee | Within 21 Days of receipt of Final Investigation Report |
| Legal team to initiate action, as required and recommended. e.g. Lodging of FIR, recovery/legal proceedings etc. against the concerned Employees | Legal Team | As per Judicial/ Administrative procedure |

- No disciplinary action would be recommended without issuing show cause notice thereby giving opportunity of being heard as per a principal of natural justice.
- Minutes of the meeting of the Ethics & Disciplinary Committee shall be recorded in writing identifying date, names of the members and signed by all the members.
- Wherever deemed necessary HR and/or Investigating Authority, as the case may be, will intimate to the Ethics & Disciplinary Committee about the gravity of the wrongful conduct / frauds and the Ethics & Disciplinary Committee or HR in consultation with the members of the Ethics & Disciplinary Committee may put the accused Employee under immediate suspension pending completion of the investigation and enquiry.
- Matters related to non-business nature, e.g., behavioral or inter-personnel issues will be taken up directly by Head- Human Resource for investigation as per Code of Conduct Policy of the Company

- HR In charge shall upon receipt of any case or knowledge of fraud involving employee either from respective business team or *suo moto* discovery or otherwise where any disciplinary action is proposed or where any pre-legal action has been taken, shall follow the steps as stipulated in the Investigation Process and ensure that such cases have been forwarded to RBI Compliance team and legal for necessary action and information.
- Intimation by way writing or by an e-mail will also be sent to the Functional Head of the concerned vertical (Ex-com. member) of investigation having been initiated.
- Protected disclosure & the subsequent investigation & other related documents along with the minutes will be maintained for a period of eight years

8. RESPONSIBILITIES OF THE INVESTIGATING AUTHORITY:

Once a case of suspected Wrongful Conduct is brought to the notice of Investigating Authority, it shall study the case and may take action as deemed necessary:

- i. Preliminary analysis/investigation of cases shall be done for acceptance / rejection for investigation by the Investigating Authority or Internal Audit as the case may be.
- ii. On preliminary analysis/investigation, if any matter is rejected then reasons thereof shall also be documented and intimated to the Ethics & Disciplinary Committee.
- iii. Investigating Authority shall depute its audit team to investigate the matter thoroughly, if it feels necessary. Investigating Authority may also take the help of any other department/external resources for investigation, if it feels necessary. However there should not be any conflict of interest while taking help of other department;
- iv. Once Internal Auditor or Investigating Authority (IA) as the case may be, after learning the facts of the case, believes that an Employee accused of Wrongful Conduct should be put under suspension, it may make such recommendation to the Ethics & Disciplinary Committee before or at any stage during the investigation, clearly stating the reasons for such recommendation depending on the gravity of Wrongful Conduct.
- v. The investigation shall be completed normally within 30 working days of the receipt of the Protected Disclosure/compliant or *suo moto* discovery.

After the completion of the investigation (and discussions with concerned vertical, if felt necessary), Internal Auditor or Investigating Authority as the case may be shall submit the final investigation report to the Ethics & Disciplinary Committee, the Compliance Officer and to the Functional Head of the concerned vertical if so required. Such report shall contain recommendations inter alia:

- Charges fixed on the Employees responsible with grading of the offences in terms of **“Minor”, “Major”, “Serious” and “Gross”**;
- To take such disciplinary or corrective action as the Ethics & Disciplinary Committee of the Company deems fit;

- Process modifications, if any;

9. CATEGORIZATION OF WRONGFUL CONDUCT AND PUNITIVE ACTION:

For cases pertaining to leak/ suspected leak of UPSI, once the allegations are fully substantiated, the Audit Committee shall determine the action to be taken against the guilty by referring to the Code of Conduct for Prohibition of Insider Trading.

Other Wrongful Conduct has been categorized in to 4 degrees namely: ‘Serious’, ‘Gross’, ‘Major’ and ‘Minor’ Wrongful Conduct. An illustrative list of this categorization of Wrongful Conduct basis historical experience is attached in Annexure I. However, the cases which are not covered in this illustrate list would need to be categorized basis the nature and gravity of Wrongful Conduct.

The below table lays down the disciplinary procedure/punitive actions as per the categorization/degree of Wrongful Conduct:

| Degree | Fraudulent Act | Alleged Wrongful Conduct | Punitive Action |
|--------|--|---|---|
| Minor | NA | Unintentional act or negligence for which no direct motive is attributable and the impact of the Alleged Wrongful Conduct does not have any material impact with regard to financial, reputation, customer satisfaction, legal etc. | ➤ Verbal warning / counselling /advisory /cautionary note by the HR manager and/or in presence of HR Manager with information to the national head concerned. Post action the information should be mailed to all concerned that the process has been complied and the copy of the relevant documents to be kept in file and the noting to be made in the HRMIS for future reference. |
| Major | Intentional Subversion of policy(s) / process/ established practices/ procedural | Intentional Subversion of policy, procedure to show better performance or unintentional act or negligence, consequences of which has material impact with regard to | ➤ A warning in writing shall be issued by VP – HR / Head HR. However, person(s) having delegation of authority by VP- HR/ Head HR can issue letters on their behalf. A copy of the same shall be held |
| | activities not aimed at deriving pecuniary benefits | financial, reputation, customer satisfaction, legal etc. Any second instance of minor Wrongful Conduct within 12 months will be considered as Major Alleged Wrongful Conduct. | employees file at HR and noting shall be made in the HR MIS. Employee’s rating during appraisal will be dropped one notch lower and such employee will not be eligible for promotion in the next appraisal cycle. |

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| Serious | Intentional act aimed at deriving pecuniary benefit for self or channel partner. | <p>Intentional Wrongful Conduct / process violation aimed to gain pecuniary benefit(s) or gross negligence of work consequences of which has material impact with regard to financial, reputation, customer satisfaction, legal etc.</p> <p>Any second instance of unexplained major Wrongful Conduct within 12 months will also be considered as serious Wrongful Conduct.</p> | <ul style="list-style-type: none"> ➤ Initiating actions to make the accused employee exit from the system. ➤ HR - shall send emails to all employees informing the name, along with photograph, nature of wrongful conduct committed, investigation findings, amount involved and disciplinary action taken ➤ Considering nature of wrongful conduct- emails to be sent by the respective vertical/functions to the customer dealt with by such employee thereby warning not to deal with him as he/she might defraud them. |
| Gross | Misappropriation of cash of the company, customer, channel, service provider etc. | Intentional Wrongful Conduct that has gross negative impact on the company's reputation or ethical environment in the eyes of customer, employees, channels, law, service provider or any other stake holder. | <ul style="list-style-type: none"> ➤ Disciplinary leading to dismissal of accused employee. Alongside criminal proceedings to be done particularly when there is money to be recovered. ➤ HR - shall send emails to all employees informing the name, along with photograph, nature of wrongful conduct committed, investigation findings, amount involved and disciplinary action taken ➤ Considering nature of wrongful conduct - emails to be sent by the respective vertical/functions to the customer dealt with by such employee thereby warning not to deal with him as he/she might defraud them. ➤ Strict Criminal and Civil legal recourse as per nature of case |

Before implementing the disciplinary action as per above matrix, the Ethics & Disciplinary committee will discuss with the concerned vertical and may seek their views. However, the decision of the Ethics & Disciplinary Committee will prevail.

10. IMPLEMENTATION OF ACTIONS ON THE INVESTIGATION FINDINGS

There will be two types of actions emanating out of the investigation findings.

- **The first category of actions** will be pertaining to disciplinary actions against Directors and Employees or Stakeholders as the case may be who have been implicated in the Alleged Wrongful Conduct.
- **The second category of actions** will be the implementation of 'process modifications' to minimize the possibility of alleged Wrongful Conduct recurrence.

The Ethics & Disciplinary Committee will also monitor and ensure that the action to be initiated

as per the report has been properly implemented.

Before implementing the Disciplinary Action, HR may discuss with the concerned Functional Head and seek their views. However, the decision of the Ethics & Disciplinary Committee will prevail. Whistle Blowers, who are Employees or Stakeholders of the Company and who make any Protected Disclosures, which are subsequently found to be mala fide or malicious, shall be liable to Disciplinary Action under this policy of the Company. Any Employees knowingly or intentionally suppressing / hiding any Wrongful Conduct and not reporting to the Ethics & Disciplinary Committee and/or Investigating Authority will also be liable for Disciplinary Action under this Policy.

Actions for Employees:

For 'Serious', 'Gross', Major' and 'Minor' Alleged Wrongful Conduct the outline of standard disciplinary procedure/action is to be referred to the **Clause 9**.

In case of repeated frivolous complaints being filed by a Director or an Employee, the Audit Committee may take suitable action against the concerned director or employee including reprimand.

Actions for Stakeholders:

Actions for external agencies/parties (read with definition of Stakeholders) will be initiated by the concerned vertical in terms of laid down policies of the Company and/ laws of the land.

11. REPORTING OF FRAUDS AND RETURNS:

The Compliance Officer on receiving the report from the Internal Auditor or Investigating Authority as the case may be, shall submit or cause the same to be submitted to the Reserve Bank of India in accordance with directions of the Reserve Bank of India, as amended from time to time . Tentative cases for reporting are given in annexure -II

12. NON-INTERFERENCE

There shall not be any interference in the process of investigation especially by anyone in the concerned vertical. If any such instances occurred, the same will be recorded and reported to Committee.

13. PROTECTION

No unfair treatment will be meted out to a Whistle Blower by virtue of his/ her having reported a Protected Disclosure under this Policy. Complete protection will, therefore, be given to Whistle Blower(s) against any unfair practice like retaliation, threat or intimidation of termination / suspension of service, disciplinary action, transfer, demotion, refusal of promotion or the like including any direct or indirect use of authority to obstruct the Whistle Blower's right to continue to perform his duties / functions including making further Protected Disclosure. The Company will take

steps to minimize difficulties, which the Whistle Blower may experience as a result of making the Protected Disclosure. Thus, if the Whistle Blower is required to give evidence in criminal or disciplinary proceedings, the Company will arrange for the Whistle Blower to receive advice about the procedure etc. As an additional measure, if any Employee is found to be retaliating against someone who has reported a Wrongful Conduct in good faith shall be subjected to Disciplinary Action under this Policy. At the same time, if any individual is found to be making repeated or frivolous complaints, then suitable action will be taken against the concerned including reprimand.

Save and except as required by law enforcement agencies under any subpoena, the identity of the Whistle Blower shall be kept confidential to the extent possible and permitted under law (except to the persons involved in investigation in the matter on which whistle has been blown) and unless the Whistle Blower has himself/herself disclosed his/her identity to any other office or authority. Provided however that the Whistle Blower before making a complaint shall have reasonable belief that an issue exists and he has acted in good faith. No action should be taken against the whistleblower, if the complaint was made in good faith, but no misconduct was confirmed on subsequent investigation. Any complaint not made in good faith and assessed as such by the Investigation Authority/ Ethics & Disciplinary Committee shall be viewed seriously and the Whistle Blower shall be subject to appropriate Disciplinary Action. This Policy does not protect a Whistle Blower from an adverse action taken independent of his disclosure of unethical and improper practice etc. unrelated to a disclosure made pursuant to this Policy.

Notwithstanding anything mentioned herein above, any breach of protection clause by the Employees or the Stakeholders shall be appropriately dealt with by the Ethics & Disciplinary Committee at its own discretion and the Ethics & Disciplinary Committee shall take such punitive and/or disciplinary action it may deem fit.

14. ADMINISTRATION, AMENDMENT AND REVIEW OF THE POLICY

The Audit Committee shall be responsible for the administration, interpretation, application and review of this Policy. The Audit Committee also shall be empowered to bring about necessary changes to this Policy, if so required at any stage at its own discretion or with the concurrence and/or recommendation of the Ethics & Disciplinary Committee. Whilst, the Company has made best efforts to define detailed procedures for implementation of this Policy, there may be occasions when certain matters are not addressed or there may be ambiguity in the procedures. Such difficulties or ambiguities will be resolved in line with the broad intent of the Policy. The Company 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.

An annual report about the functioning of the Whistle Blower Mechanism shall be placed before the Audit Committee by the members of the Ethics & Disciplinary Committee. A quarterly status report on the total number of complaints received if any during the period with summary of the findings of Investigating Authority / Ethics & Disciplinary Committee and corrective steps taken should be sent to the Audit Committee.

15. CONFIDENTIALITY

Investigating Authority and external resources (if any) appointed by the Investigating Authority during the course of investigation or any other person who are anywhere related to this Policy shall

maintain the confidentiality of sensitive information relating to the Company which comes to their knowledge in the course of the discharge of their functions and any other confidential information about the Company that comes to them, from whatever source, except when such disclosure is authorized or legally mandated. No person shall provide any confidential or sensitive information either formally or informally, to the press or any other publicity media, unless specifically authorized to do so. Confidential / sensitive information includes all information not in public domain and that might be of use to competitors or harmful to the Company or its customers if disclosed. It also includes information that suppliers and customers have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.

ANNEXURE I

| SL. NO. | VERTICAL | CATEGORY | GRADE | NATURE OF WRONGFUL CONDUCT |
|---------|---------------------------------|---|---------|--|
| 1 | All | Others | Serious | Accepting payments in cash, kind, gratification from anyone- customer, channel etc. Exception is only items like calendars, diaries, sweets that carry the name of the company offering the same. Even in the case of such items, if value of such gift exceeds Rs. 500/- it should be declared in writing by the recipient. |
| 2 | All | Others | Serious | Entering into any money transaction with any channel partner of the company |
| 3 | All | Misleading business decision | Major | Non adherence to marking all business approval mails directly to the person executing or implementing the approved action. The person executing should peruse the mails of approving authority only. |
| 4 | Business/ Sales | Unauthorised activities | Gross | Attempt of sales personnel to influence FI & TVR and related aspects |
| 5 | Business/Collection 60+ / Sales | Others | Gross | Misappropriation of cash and financial instruments related to the company, customers, channels and service providers |
| 6 | Business / Sales | Making false promises to/misinforming customers | Major | Promising terms that are not as per standard offerings on the company |
| 7 | Business / Sales | Making false promises to/misinforming customers | Major | Misleading customers with wrong terms of lending even within offerings of the company |
| 8 | Business/Collection 60+ / Sales | Making false promises to/misinforming customers | Major | Trying to advise the guarantor that it is just a signature and has no financial implications |
| 9 | Business/ Sales | Making false promises to/misinforming customers | Major | Incorrect fees collected directly or letting channel take higher than prescribed processing fees |
| 10 | Business/ Sales | Making false promises to/misinforming customers | Major | Wrong product being offered, trying to fit a customer for a product he does not want Complaint of mis-selling, in terms of tenor, loan value, hypothecations process, docs required etc. |
| 11 | Business/ Sales | Mishandling channels | Major | Converting a direct case to indirect <i>without proper approval</i> |
| 12 | Business/ Sales | Mishandling channels | Serious | Converting a direct case to indirect -"if such conversion is with the objective / intent of sharing DSA payout / commission." |
| 13 | Business/ Sales | Mishandling channels | Major | Not preventing any channel from collecting cash from the customer |
| 14 | Business/ Sales | Misleading credit decision | Major | Suppression of any information that is material to credit decision e.g. not reporting the past defaults, profile being high risk, strong connection with police, repo agents, political parties etc., surrogate funding, high degree of leveraging, venture being on informal partnership (not exhaustive but indicative) |
| 15 | Business/Credit/ Sales | Misleading credit decision | Major | Dealer or DSA communicated a delivery permission prior to credit approval. |
| 16 | Business/ Sales | Misleading credit decision | Major | Overruling an FI negative without documented papers to justify |
| 17 | Business/ Sales | Misleading credit decision | Major | Tailor making a customer for the screen that is advising customer swap & promoting <i>Dummy/false funding by producing/presenting false documents</i> |
| 18 | Business/ Sales | Tampering documents | Major | Not doing OSV properly and seeing only the photocopies |
| 19 | Business/Collection 60+ / Sales | Tampering documents | Major | Signing on behalf of the customer in case of missing signatures |
| 20 | Business/ Sales | Jeopardizing recovery | Major | permitting customer to bring in co-applicant not related, by not collecting relationship proof as required |
| 21 | Business/Credit/ Sales | Making unauthorized delivery of Assets | Major | Advising a DSA in turn to order any dealer to deliver an asset |
| 22 | Business/Collection 60+ / Sales | Affecting company's revenue | Major | Promising charges below approved rates for any service |
| 23 | Business/ Sales | Others | Major | Recommending or rejecting a case without due diligence |
| 24 | Business/Collection 60+ / Sales | Others | Major | Paying EMI of any customer fully or partly |
| 25 | Business/ Sales | Others | Major | Suppressing information on personal relationship with any prospective customer either handled by himself or by other sales executives |
| 26 | Business/Collection 60+ / Sales | Making false promises to/misinforming customers | Minor | Not disclosing penal charges, personal visit charges etc. to the customer |
| 27 | Business/ Sales | Making false promises to/misinforming customers | Minor | Promising door step collection of EMI |
| 28 | Business/ Sales | Making false promises to/misinforming customers | Minor | Not capturing all liabilities and obligations of a customer and committing a loan amount that he does not qualify for |
| 29 | Business/ Sales | Mishandling channels | Minor | Permitting channel to book a deal subsequent month, since his current month targets are met |
| 30 | Business/ Sales | Mishandling channels | Minor | Converting indirect case to direct |
| 31 | Business/ Sales | Mishandling channels | Minor | taking wrong subventions of dealers/manufacturers and giving incorrect rate to customers |
| 32 | Business/ Sales | Misleading credit decision | Minor | Recommending a case post-delivery without declaring |
| 33 | Business/ Sales | Misleading credit decision | Minor | Accompanying or offering to accompany FIE on any FI |
| 34 | Business/ Sales | Jeopardizing recovery | Minor | Deliberately converting an NPDC case to PDC and vice versa |
| 35 | Business/ Sales | Jeopardizing recovery | Minor | Not capturing the right communication address/ phone number where applicant is reachable. |

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| 36 | Business/ Sales | Jeopardizing recovery | Minor | Disbursing / offering an LTV higher than what the customer requirement with |
| 37 | Business/Credit/ Sales | Affecting company's revenue | Minor | Diverting list of declined cases to other channels or competition |
| 38 | Business/Credit / Sales | Tampering documents | Serious | Making any change in any standard document of the company or the documents of the customer, DSA, dealer or any other agency |
| 39 | Business/ Sales | Tampering documents | Serious | Preparing or ordering preparation of any document that should be received from the channel, dealer, customer or any other agency |
| 40 | Business/Collection 60+/Credit/ Sales | Jeopardizing recovery | Serious | Sharing information that might compromise the company's position with the customer |
| 41 | Business/Credit/ Sales | Making unauthorized delivery of assets | Serious | Advising delivery of an asset to a customer through <i>Manual or Unauthorized DO</i> |
| 42 | Business / Sales | Affecting company's revenue | Serious | Diverting insurance business to others |
| 43 | Business/ Sales | Others | Serious | Offering or promising any payments in cash or kind to anyone internally or externally to improve performance. |
| 44 | Business/Collection 60+/Credit/ Sales | Others | Serious | Sharing customer information outside PFL |
| 45 | Business/Collection 60+/ Sales | Negligence of work | Major | In consecutive three RCU Negative cases in a particular month, the concerned Deal Originator will be accountable for such irregularity since he/she is responsible for verifying the original / carrying out OSV <i>only in case he is not able to produce or present the Original Copy of document</i> |
| 46 | Credit | Unauthorised activities | Gross | Attempt to entertain or acceptance or being influenced by sales team in FI,TVR and related aspects |
| 47 | Credit | Misleading the company | Major | Bypassing any credit process of the company deliberately or inadvertently |
| 48 | Credit | Misleading the company | Major | Not recording material information about any proposal/appraisal |
| 49 | Credit | Misleading the company | Major | Disposing (Approving or rejecting) a case without appraisal . |
| 50 | Business / Credit | Misleading the company | Major | Swapping the DSA or DO |
| 51 | Business/Collection 60+/Credit | Misleading the company | Major | Approving a charge below the approved rates for any service |
| 52 | Business / Credit | Lack of guidance to customer | Major | Failing to brief the legal implications of being a co-applicant to a co-applicant or of a personal guarantee to the guarantor |
| 53 | Credit | Lack of guidance to customer | Major | Failing to inform financial details of the deal to the customer |
| 54 | Business/ Credit | Others | Major | Customer files being sent back to channels and then accepting represented cases with channel lead fraud/revised docs submitted |
| 55 | Credit | Lack of guidance to customer | Minor | Reconfirmation of tenor, rate, EMI, other details during PD or TVR That leads to customer defaulting on not knowing the terms. |
| 56 | Credit | Misleading the company | Serious | Approving a case sans TVR, appraisal, reference check. |
| 57 | Credit | Misleading the company | Serious | Approving a negative FI case without adequate justifications |
| 58 | Credit | Misleading the company | Serious | Recording of personal discussion and TVR without actually conducting. |
| 59 | Business/Credit | Misleading the company | Serious | Suppression of any information material to credit decision. |
| 60 | Credit | Misleading the company | Serious | Exceeding the discretionary powers |
| 61 | Business / Credit | Misleading the company | Serious | Not conducting de-dupe as per laid down procedure |
| 62 | Credit | Misleading the company | Serious | Gross negligence in judging the risk profile of the customer/venture/asset combination |
| 63 | Credit | Others | Serious | Sharing customer information in any mode to any outsider sans authorization. |
| 64 | Credit | Others | Serious | Sharing information that might compromise the company's position with the customer. |
| 65 | Business / Credit | Making false declarations | Serious | FI reports submitted without actual field investigation being conducted |
| 66 | Business/Collection 60+ / Collection | Unauthorised activities | Gross | Carrying unaccounted cash |
| 67 | Business/Collection 60+ Collection | Cash holding | Gross | Using collection funds for expenses of any kind. |
| 68 | Business / Collection | Others | Gross | Using profit made in sale for collections |
| 69 | Business/Collection 60+/ Collection / Credit | Others | Gross | Misappropriation of cash and financial instruments related to the company, customers, channels and service providers |
| 70 | Business/ Collection | Making false declarations | Major | Conducting FI along with channel for FI |
| 71 | Business/Collection 60+/ Collection | Making false declarations | Major | Conducting FI in someone else's name of diverting allocated FI to someone else |
| 72 | Business/Collection 60+/ Collection | Making false declarations | Major | false commitments to settlement for retaining in buckets or flowing back |
| 73 | Business/Collection 60+/ Collection | Making false declarations | Major | Adding unvisited locations in the DCR |
| 74 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Leaving the <i>HHD/Tablet</i> with unauthorized persons |
| 75 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Collecting sale or pre term amounts & <i>Not depositing it with the Organization</i> |
| 76 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Holding Blank PDC filled or blank |
| 77 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Postponing month end advance collections to next month |
| 78 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Making part payments from own cash in customer account |
| 79 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Holding back original MR from customer |
| 80 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Enabling/participating in asset transfer to third party |
| 81 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Accepting cheques from channel partners to hold a customer from flowing |
| 82 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Promising a settlement exceeding the powers in any mode of communication |
| 83 | Business/Collection 60+/ Collection | Unauthorised activities | Major | Promising charges less than approved rates for any service. |
| 84 | Business/Collection 60+/ Collection | Cash holding | Major | Cutting receipt for a table collection <i>without proper approval</i> |
| 85 | Business/Collection 60+/ Collection | Cash holding | Major | Accepting clubbed EMI cheques of more than one loan from either customer or a third party <i>Can take Cheques for person holding multiple proposals in his name. But not for Proposal belonging to other party</i> |
| 86 | Business/Collection 60+/ Collection | Others | Major | Not taking due care of <i>HHD/tablet</i> leading to its malfunction or physical damage |
| 87 | Collection 60+/ Collection | Others | Major | Not making all possible efforts to get the best price for the repossessed as |

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|-----|---|---------------------------|---------|---|
| 88 | Collection 60+ / Collection | Others | Serious | Ordering repossession without issuing formal repo order |
| 89 | Business/Collection60+ / Collection | Unauthorised activities | Major | Making part payments from own cash in customer account (loading) |
| 90 | Business/Collection60+/ Collection | Unauthorised activities | Minor | Wrong allocation of a collections bucket case |
| 91 | Business/ Collection | Making false declarations | Serious | Recording the FI in the System in any name other than the one who conducted the FI |
| 92 | Business/Collection60+/ Collection | Making false declarations | Serious | Making falsified statements in any mode of communication to obtain an approval of higher authorities |
| 93 | Business/Collection60+/ Collection | Making false declarations | Serious | Making alterations to MR |
| 94 | Business/Collection60+/ Collection | Unauthorised activities | Serious | Sharing HHD/tablet password with others |
| 95 | Business/Collection60+/ Collection | Unauthorised activities | Serious | Cutting MR in anticipation without physical cash or cheque |
| 96 | Collection 60+/ Collection | Unauthorised activities | Serious | Non documented repossession |
| 97 | Business/Collection60+/ Collection | Unauthorised activities | Serious | Non documented releases |
| 98 | Business/Collection60+/ Collection | Unauthorised activities | Serious | Accepting Self cheque |
| 99 | Business/Collection60+/ Collection | Cash holding | Serious | Convincing colleagues to cut MRs for cash collected or to be collected by oneself through false statements |
| 100 | Business/Collection60+/ Collection | Cash holding | Serious | Letting third party or channel to collect EMI |
| 101 | Business/Collection60+/ Collection | Cash holding | Serious | Deliberately delaying the payment of cash to the cash counter |
| 102 | Business/Collection60+/ Collection | Cash holding | Serious | Letting customers to pay cash in own bank accounts |
| 103 | Business/Collection60+/ Collection | Cash holding | Serious | Not cutting official MR |
| 104 | Business/ Collection 60+/Credit/ Collection | Others | Serious | Sharing customer information outside PFL |
| 105 | Business/Collection60+/ Collection | Others | Serious | Sharing information that might compromise the company's position with the customer. |
| 106 | Collection 60+/ Collection | Others | Serious | Cross subsidizing value of one repo asset with other |
| 107 | Business/Collection60+/ Collection | Others | Serious | Depositing cheques with full knowledge that it was likely to bounce |
| 108 | Collection 60+/ Collection | Others | Serious | Utilizing a repo vehicle for any use |
| 109 | Collection 60+ / Collection | Others | Serious | Overstating an accident damage of a repo vehicle |
| 110 | Business/Collection60+/ Collection | Others | Serious | Sharing companies internal policies on waivers with others |
| 111 | Business/Collection60+/ Collection | Others | Serious | Buying any repossessed asset for oneself directly or through others |
| 112 | Collection 60+/ Collection | Others | Serious | Accepting quotations outside the bidding process |
| 113 | Collection 60+/ Collection | Others | Serious | Removing or suppressing quotations |
| 114 | Collection 60+/ Collection | Others | Serious | Revealing any price sensitive information to bidders |
| 115 | Business/ Collection | Others | Serious | Trying to influence the valuer |
| 116 | Collection 60+/ Collection | Others | Serious | Not handing over or holding documents undeclared documents (RC, Insurance, invoice) of repossessed vehicles |
| 117 | Business/Collection60+/ Collection | Others | Serious | Allowing repo agent to collect cash from customers |
| 118 | Collection 60+/ Collection | Others | Serious | Making false statements about the customer's intention and third party status to speed up the repossession |
| 119 | Collection 60+/ Collection | Others | Serious | Not making all efforts possible to recover and release the asset to the customer |
| 120 | Collection 60+/ Collection | Others | Serious | Releasing the repo assets sans complete recovery of dues |
| 121 | Business/Collection60+/ Collection | Unauthorised activities | Serious | If Dealer/ DSA/ Third Party makes payment for any party account, then the information in particular needs to be captured in system in appropriate |
| 122 | Business/Collection60+ | Unauthorised activities | Major | Intentional non-tagging of possession of Asset with Dealer |
| 123 | Business | Misconduct | Minor | Punching of PTP post collection is done – 1st Instance |
| 124 | Business | Misconduct | Major | Punching of PTP post collection is done – 2nd Instance |
| 125 | Business | Misconduct | Serious | Punching of PTP post collection is done – 3rd Instance |
| 126 | Sales | Mishandling channels | Major | Changing the name of the channel partner |
| 127 | Credit | Misleading the company | Major | Entering discrepant information about the asset, customer, financial parameters |

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|-----|--------|------------------------|---------|--|
| 128 | Credit | Misleading the company | Major | Not capturing a critical PDD document list or not following up on due dates for PDDs, that leads to fraud, early delinquencies and Instant |
| 129 | Credit | Misleading the company | Major | Releasing payment for non-registered Construction equipment sans original invoice |
| 130 | Credit | Others | Major | Disbursing without critical docs not collected, nor captured in PDD |
| 131 | Credit | Others | Major | Holding any payment to channels sans valid reasons and approval |
| 132 | Credit | Misleading the company | Serious | Booking a file without requisite details. |
| 133 | Credit | Misleading the company | Serious | Falling to obtain all the documents that are prescribed in the manual and approval mails |
| 134 | Credit | Misleading the company | Serious | Falling to ensure compliance to sanction terms and conditions before booking the deal |
| 135 | Credit | Misleading the company | Serious | Issuing DO outside the System |

| OPERATIONS (BRANCH) | | | | |
|---------------------|------------|------------------------------|---------|---|
| SL. NO. | VERTICAL | CATEGORY | GRADE | NATURE OF WRONGFUL CONDUCT |
| 1 | All | Others | Serious | Accepting payments in cash, kind, gratification from anyone- customer, channel etc. Exception is only items like calendars, diaries, sweets that carry the name of the company offering the same. Even in the case of such items, if value of such gift exceeds Rs. 500/- it should be declared in writing by the |
| 2 | All | Others | Serious | Entering into any money transaction with any channel partner of the company |
| 3 | All | Misleading business decision | Major | Raising the payment reacquisition or release of delivery order before verifying process conditions or deviation approval in place |
| 5 | Branch Ops | Others | Gross | Misappropriation of cash and financial instruments (DD/cheque) related to the company, customers, channels and service providers |
| 6 | Branch Ops | Misleading the company | Major | Not recording material facts about the proposal/deal which could significant impair decision making. |
| 7 | Branch Ops | Misleading the company | Major | Swapping the DSA or DO without the approval of appropriate authority |
| 8 | Branch Ops | Misleading the company | Major | Releasing payment for non-registered Construction equipment sans original invoice or accepting laminated invoice |
| 9 | Branch Ops | Misleading the company | Major | Approving a charge below the approved rates for any service |
| 10 | Branch Ops | Others | Major | Disbursing without critical docs not collected, nor captured in PDD |
| 11 | Branch Ops | Others | Major | Holding any payment to channels sans valid reasons and approval |
| 12 | Branch Ops | Misleading the company | Serious | Booking a file without requisite details. |
| 13 | Branch Ops | Misleading the company | Serious | Not conducting de-dupe as per laid down procedure |
| 14 | Branch Ops | Misleading the company | Serious | Failing to obtain all the documents that are prescribed in the manual and approval mails |
| 15 | Branch Ops | Misleading the company | Serious | Failing to ensure compliance to sanction terms and conditions before booking the deal |
| 16 | Branch Ops | Misleading the company | Serious | Issuing DO outside the System |
| 17 | Branch Ops | Others | Serious | Sharing customer information in any mode to any outsider sans authorization. |
| 18 | Branch Ops | Others | Serious | Sharing information that might compromise the company's position with the customer. |
| 19 | Branch Ops | Others | Serious | Preparing NOC without internal de-dupe |
| 20 | Branch Ops | Others | Serious | Issue DO/raising PR before issuing ICN in case of rentalised case. |

| OPERATIONS (HO) | | | | |
|-----------------|----------|-----------------------------|---------|---|
| SL. NO. | VERTICAL | CATEGORY | GRADE | NATURE OF WRONGFUL CONDUCT |
| 1 | HO Ops | Unauthorised activities | Major | Approving or rejecting a case without due diligence |
| 2 | HO Ops | Unauthorised activities | Major | Closure of Concurrent Audit related point without receiving approval / supporting docs |
| 3 | HO Ops | Affecting company's revenue | Major | Suppression of any information that is material to payment approval |
| 4 | HO Ops | Tampering documents | Major | Signing on behalf of the customer in case of missing signatures |
| 5 | HO Ops | Affecting company's revenue | Minor | Diverting list of declined cases to other channels or competition |
| 6 | HO Ops | Others | Serious | Sharing information that might compromise the company's position with external agency / person |
| 7 | HO Ops | Others | Serious | Sharing customer information in any mode to any outsider sans authorization. |
| 8 | HO Ops | Others | Gross | Accepting payments in cash, kind, gratification from anyone-customer, channel, Sales person etc. Exception is only items like calendars, diaries, sweets that carry the name of the company offering the same. Even in the case of such items, if value of such gift exceeds Rs. 1000 it should be declared. |
| 9 | HO Ops | Others | Gross | Misappropriation of financial instruments related to the company, customers, channels and service providers |
| 10 | HO Ops | Unauthorised activities | Gross | Attempt to entertain or acceptance or being influenced by sales team in payment approval related aspects |
| 11 | HO Ops | Unauthorised activities | Gross | Attempt to entertain or acceptance or being influenced by sales team / channel partners in providing unauthorized facility |
| 12 | HO Ops | Unauthorised activities | Gross | Unauthorized modification / creation of Masters in the system which may lead to wrong disbursement / payout to unauthorized persons |
| 13 | HO Ops | Others | Minor | Holding any payment to channels sans valid reasons and approval |
| 14 | HO Ops | Others | Serious | NOC approval / un-blocking and cancellation without related compliance |
| 15 | HO Ops | Others | Gross | Unauthorized modification of financial data |
| 16 | HO Ops | Jeopardizing recovery | Serious | Release of property documents without loan closure and approval |
| 17 | HO Ops | Unauthorised activities | Minor | Sharing of documents / files with unauthorized person or without approval |
| 18 | HO Ops | Unauthorised activities | Major | Unauthorized destruction of relevant documents |
| 19 | HO Ops | Unauthorised activities | Major | Unauthorized addition / deletion / modification of PDD details in the system |

| BRANCH ACCOUNTS | | | | |
|-----------------|-----------------|------------------------------|---------|--|
| SL. NO. | VERTICAL | CATEGORY | GRADE | NATURE OF WRONGFUL CONDUCT |
| 1 | All | Others | Serious | Accepting payments in cash, kind, gratification from anyone- customer, channel etc. Exception is only items like calendars, diaries, sweets that carry the name of the company offering the same. Even in the case of such items, if value of such gift exceeds Rs. 500/- it should be declared in writing |
| 2 | All | Others | Serious | Entering into any money transaction with any channel partner of the company |
| 3 | All | Misleading business decision | Major | Non adherence to marking all business approval mails directly to the person executing or implementing the approved action. The person |
| 4 | Branch Accounts | | Gross | Collecting cash sans MR |
| 5 | Branch Accounts | | Gross | Cash shortage |
| 6 | Branch Accounts | | Gross | Holding unaccounted cash |
| 7 | Branch Accounts | | Gross | Shortage in MR books |
| 8 | Branch Accounts | | Gross | Issuing MR book to field collection (without approval) |
| 9 | Branch Accounts | | Gross | Misappropriation of cash and financial instruments related to the company, customers, channels and service providers |
| 10 | Branch Accounts | | Major | Not updating daily cash register on daily basis |
| 11 | Branch Accounts | | Major | Physical Petty Cash not tallied with petty cash module / vouchers. |
| 12 | Branch Accounts | | Major | Handing over cash to pick up agency without following requisite control requirements |
| 13 | Branch Accounts | | Major | Not maintaining inventory control on MR rolls |
| 14 | Branch Accounts | | Major | Refusing to receive cash from customers, FOS within reasonable times |
| 15 | Branch Accounts | | Major | Delays in approving verified cash in HDD |
| 16 | Branch Accounts | | Major | Holding unaccounted cheques |
| 17 | Branch Accounts | | Serious | Holding cash deliberately without handing over to pick up agency/bank |
| 18 | Branch Accounts | | Serious | Not maintaining the MR books under lock and key |
| 19 | Branch Accounts | | Serious | Accepting counterfeit currency |

Annexure- II:

1. Frauds involving ₹ 1 lakh and above :

(i) Fraud reports shall be submitted in all cases of fraud of ₹ 1 lakh and above perpetrated through misrepresentation, breach of trust, manipulation of books of account, unauthorized handling of securities charged to the applicable NBFC, misfeasance, embezzlement, misappropriation of funds, conversion of property, cheating, shortages, irregularities, etc.

ii) Fraud reports shall also be submitted in cases where central investigating agencies have initiated criminal proceedings suo moto and/or where the RBI has directed that they be reported as frauds.

(iii) Company shall also report frauds perpetrated in their subsidiary company. Such frauds should, however, not be included in the report on outstanding frauds and the quarterly progress reports referred to in Paragraph (6b) below.

(iv) Where the amount involved in fraud is less than ₹ 1 crore, reports in the format given in FMR – 1 shall be sent to the Regional Office of the Department of Non Banking Supervision of the Bank under whose jurisdiction the Registered Office of the Company, falls within three weeks (21 days) from the date of detection of the fraud.

2. Frauds involving ₹ 1 Crore and above:

In respect of frauds involving ₹ 1 crore and above, in addition to the requirements given above, NBFCs shall report the fraud by means of a D.O. letter addressed to the Chief General Manager-in-charge of the Department of Banking Supervision, Reserve Bank of India, Frauds Monitoring Cell, Central Office Bengaluru and a copy endorsed to the Chief General Manager-in-charge of the Department of Non-Banking Supervision, Reserve Bank of India, Central Office **within a week of such frauds coming to the notice.**

Company shall also report such fraud in prescribed format

All the frauds involving an amount of ₹ 1 crore and above shall be monitored and reviewed by the Audit Committee of the Board (ACB) of NBFCs. However, the Committee should meet and review as and when a fraud involving an amount of ₹ 1 crore and above comes to light.

3. Cases of attempted fraud:

a) All individual cases involving ₹ 25 lakh or more shall be continued to be placed before the Audit Committee of the Board.

The report containing attempted frauds which is to be placed before the Audit Committee of the Board should cover inter alia the following viz;

- The modus operandi of the attempted fraud;
- How the attempt did not materialize in the fraud or how the attempt failed / was foiled;
- The measures taken by the company to strengthen the existing systems and controls;
- New systems and controls put in place in the area where fraud was attempted;
- In addition to the above, yearly consolidated review of such cases detected during the year containing

information regarding area of operations where such attempts were made, effectiveness of new process and procedures put in place during the year, trend of such cases during the last three years, need for further change in process and procedures, if any, etc. as on March 31 every year within three months of the end of the relative year.

4. Closure of Fraud

PFL shall close the fraud cases only where the actions are complete and prior approval is obtained from the respective Regional Offices of DNBS. The action shall be considered complete when:

- i. The fraud cases pending with CBI/Police/Court are finally disposed of;
- ii. The examination of staff accountability has been completed
- iii. The amount of fraud has been recovered or written off
- iv. Insurance claim wherever applicable has been settled; and
- v. The Company has reviewed the systems and procedures, identified as the causative factors and plugged the lacunae and the fact of which has been certified by the appropriate authority (Board / Audit Committee of the Board).

5. Annual Review of Fraud

In addition Company shall also conduct an annual review of the frauds and place a note before the Board of Directors for information as per the guidelines prescribed under the Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Direction, 2016.

6. Quarterly Returns

a. Reports on Frauds Outstanding:

- (i) Submit a copy of the Quarterly Report on Frauds Outstanding in the format given in FMR – 2 irrespective of amount within 15 days of the end of the quarter to which it relates.
- ii) Furnish a certificate, as part of the above report, to the effect that all individual fraud cases of ₹ 1 lakh and above reported to the Bank in FMR – 1 during the quarter have also been put up to the Board of Directors and have been incorporated in Part – A (columns 4 and 5) and Parts B and C of FMR – 2.

b. Progress Report on Frauds:

- (i) Furnish case-wise quarterly progress reports in the format given in FMR – 3 to the Central Office of the Department of Banking Supervision of the Bank, Fraud Monitoring Cell, Bengaluru where the amount involved in fraud is ₹ 1 crore and above and to Regional Office of the, Department of Non-Banking Supervision of the Bank under whose jurisdiction the Registered Office of the company falls where the fraud amount involved in fraud is less than ₹ 1 crore within 15 days of the end of the quarter to which it relates.
- (ii) In the case of frauds where there are no developments during a quarter, a list of such cases with a brief description including name of branch and date of reporting shall be furnished in FMR – 3 as mentioned in item (i) above.
- (iii) The periodicity of the meetings of the Committee may be decided according to the number of cases involved.

Reporting of Frauds to Police

In dealing with cases of fraud/embezzlement, the Company shall not merely be actuated by the necessity of recovering expeditiously the amount involved, but should also be motivated by public interest and the need for ensuring that the guilty persons do not go unpunished; The following cases should invariably be referred to the State Police:

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