

**POLICY ON PREVENTION OF FRAUD
OF
KIRLOSKAR OIL ENGINES LIMITED**

A. INTRODUCTION

Kirloskar Oil Engines 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 formed this **Policy on Prevention of Fraud** ("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 and to provide direction to all employees who are dealing with the actual or suspected fraud or corruption cases.

B. 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 Encourage staff to be vigilant and raising fraud-awareness at all levels
- viii. Develop an appropriate oversight process.

C. SCOPE

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.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Company.

D. FRAUD

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.

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, pilferation 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 Ethics Committee;
- xvii. Any other action or inaction that could have significant impact on the operations, performance, value and the reputation of the Company.

E. INTERNAL AND EXTERNAL FRAUD

Fraud can be further distinguished as “Internal Fraud” and “External Fraud”.

- i. **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. Simply stated, this type of fraud occurs when an employee or Director commits fraud against his or her employer.
- ii. **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.

F. REPORTING OF FRAUD

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 / Vigil Mechanism Policy of the Company.

G. INVESTIGATION

All investigations will be carried out objectively and confidentially, and independently of the function in which the fraud/suspected fraud has occurred as per the process prescribed under the Whistle Blower / Vigil Mechanism Policy of the Company.

The Ombudsman will be responsible to conduct a preliminary enquiry of the complaint received under this Policy and also to decide on the need for detailed investigation based on

the preliminary enquiry with the help of internal staff or an outside agency who specialises in investigating such cases.

The Ombudsman shall conduct the investigations in a timely manner and shall submit a written report containing the findings with Managing Director.

Managing Director will take 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.

H. 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 behaviour by employees and other stakeholders of the Company.

ii) EXECUTIVE LEADERSHIP TEAM

Executive Leadership Team will be responsible to:

- a) 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.

iii) INTERNAL AUDIT

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 Managing Director for review and comments.

iv) EMPLOYEES

- a) Act at all times with the highest degree of honesty, integrity, accountability, and propriety Comply with Company's Code of Conduct.

- b) Immediately report instances of suspected or actual fraud identified / observed to the through Whistle blower / Vigil mechanism.
- c) Co-operate with internal team 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.

I. COMMUNICATION OF POLICY

This policy including amendment thereof shall be communicated by displaying it on the Company's website as well as on the intranet website of the Company.

J. AMENDMENT

This policy may be amended or modified from time to time in case of any subsequent changes to the provisions of applicable regulations or which deems necessary to strengthen prevention of fraud.

This policy be effective from 1st April 2022.

**For and on behalf of the Board of Directors
of Kirloskar Oil Engines Limited**

Sd/-

**Atul C. Kirloskar
Executive Chairman
DIN: 00007387**

Date: 9th February 2022

Place: Pune