

TCNS Anti- Fraud Policy

SCOPE AND OBJECTIVES:

Fraud is a false representation or concealment of a material fact or any other illegal act committed intentionally to cause wrongful gains to self or others and /or wrongful loss to others. Fraud is a broad legal concept, majorly encompassing the characteristic of the “**intention to defraud**”.

The intent of the TCNS Anti- Fraud Policy hereinafter referred to as the “**policy**” is also to promote consistent legal and ethical organizational behavior by assigning responsibility for the development of controls and providing guidelines for reporting and conducting investigations of suspected fraudulent behavior.

The Policy shall apply to all frauds, suspected and/or proven and/or otherwise, taking place in the Company or in the business ambit of the Company, involving Promoters, Directors (Whole-time or otherwise), Key Managerial Personnel, Auditors and other Employees (including contractual employees) as well as Shareholders, Consultants, Customers, Consumers, Vendors, Suppliers, Service Providers, Contractors, Lenders, Borrowers, Outside Agencies and their employees and other parties having businessrelationship with the Company (hereinafter referred to as the “**Person**”) and any investigative activity, that will be conducted within as per the provisions of this policy.

The policy has been framed to implement controls for providing a system of detection and prevention of fraud, reporting of any fraud or suspected fraud and appropriate dealing of issues relating to fraud by creating and maintaining a culture of honesty and high ethics, creating awareness about risks and controls, identify and assess the risks of fraud implement the processes, procedures and controls needed to mitigate the risks and reduce the opportunities for fraud and develop an appropriate oversight process.

The Objectives of the Policy are:

- i. To ensure that the Board and Management of the Company are aware of all fraud(s), misappropriation(s) and other inappropriate conduct(s), suspected and/or proven and/or otherwise.
- ii. To provide a clear guidance and actionable in case of any suspected fraudulent activity and to provide a mechanism for reporting any incident of fraud or suspected incident of fraud and protect the persons who make a disclosure of fraud, more particularly those persons who report against their managers and/or fellow employees in certain defined circumstances from harassment and/or dismissal and to ensure that the necessary procedure(s) and system(s) exist in the Company and the same are fully functional, thereby reducing and minimizing the incidence(s) of and opportunity(ies) for occurrence of fraud(s), misappropriation(s) and other inappropriate conduct(s), suspected and/or proven and/or otherwise.
- iii. To providing a procedure for conducting investigations into the fraudulent activities, conducting impartial investigations into fraudulent activities and ensuring that any and all suspected fraudulent activities are fully investigated and dealt with in an appropriate manner.
- iv. To ensure that the preventive measures/ internal control procedures are developed and strengthened on a continuous and ongoing basis.

APPLICABILITY:

This policy shall apply to any fraud or suspected fraud involving all the employees, directors, promoters, key managerial personals, senior managerial personals including but not limited to employee of group companies, holding company, subsidiary company, agents, associates, collaborators, lenders, borrowers, customers, suppliers, service providers, merchant bankers, legal advisors, auditors, insolvency professionals, other advisors, consultants and other stakeholders of TCNS including their relatives as defined under sec. 2(77) of Companies Act, 2013, sec. 56(2) of Income Tax Act 1961 and any other applicable law as may be amended from time to time in India or outside India.

DEFINITION OF FRAUD

Fraud is an operational risk, which might be generally defined as any intentional act or omission designed to deceive others, resulting in the Company suffering a loss and/or the perpetrator achieving a gain.

As per the provisions and Explanation (i) of Sec. 447 of the Companies Act, 2013, “**fraud**” in relation to affairs of a company or any Body 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.

Fraud may include a range of irregularities and illegal acts more particularly characterized by intentional deception or misrepresentation, which an individual knows to be false or does not believe to be true and which is likely to result in some unauthorized benefit to him/her or to another person.

The term Fraud shall include but not be limited to the acts mentioned hereunder:-

- i. Forgery or wrongful alteration of any document belonging to or the Company;
- ii. Concealment or misrepresentation of transactions, assets or liabilities;
- iii. Expense report fraud (e.g. claims for services or goods not actually provided);
- iv. Loss of intellectual property (e.g. disclosing confidential and proprietary information to outside parties);
- v. Conflicts of Interest resulting in actual or exposure to financial loss;

Explanation: for the purpose of this policy conflict of interest shall mean to include a situation in which the impartiality of all the person covered under this policy in discharging his/her/their duties or obligations could be called into question because of the potential, perceived or actual improper and impermissible influence of personal considerations, financial or otherwise.

For an instance:

1. Mr. X, a recruiter in HR department hiring an unqualified relative to provide services to the Company
 2. Mr. Y, an employee accepts a vacation package as a gift from a vendor, then purchases more than what the business needs from the vendor as a favour.
- vi. Vendor fraud;
 - vii. Embezzlement (i.e. misappropriation of money, securities, supplies, property or other assets);
 - viii. Cheque fraud (i.e. forgery or alteration of cheques, bank drafts or any other financial instrument);
 - ix. Payroll fraud;
 - x. Corruption;
 - xi. Fraudulent financial reporting (e.g. forging or alteration of accounting documents or records; intentional concealment or misstatement of transactions resulting in false records or misleading statements; intentional failure to record or disclose significant information accurately or completely);
 - xii. Improper pricing activity;
 - xiii. Unauthorized or illegal use or leakage of general corporate, proprietary or confidential information (e.g. profiteering as a result of insider knowledge of company activities);
 - xiv. Indulging in to practices of Insider trading which means dealing (including buying as well as selling) in securities of company based on, or when in possession of, unpublished price sensitive information.

Explanation: Unpublished Price Sensitive Information for the above clause shall mean any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities.

- xv. Unauthorized or illegal manipulation or use of information technology networks or operating systems;
- xxvi. Unauthorized or illegal or allowing any negligent use or leakage of customer, vendor, operational, design or any other business information of the Company.
- xxvii. Forgery or alteration of a cheque, bank draft or any other financial instrument and/or document etc.;
- xxviii. Misappropriation and mis-utilization of funds, securities, supplies or other assets of the Company etc.;
- xix. Willful suppression of facts/ deception in matters of appointments, placements, tender committee recommendations, entity and project appraisal, submission of reports, etc. as a result of which a wrongful gain(s) is made to one and /or wrongful loss(s) is caused to the others;
- xx. Utilization of the Company funds for personal purposes;
- xxi. Authorizing or receiving payments for goods/products not supplied or services not rendered;
- xxii. Destruction, disposition, removal of record(s) or any other asset(s) of the Company with an ulterior motive to manipulate and misrepresent the facts so as to create suspicion/ suppression of facts/ cheating as a result of which factual assessment/ decision can't be arrived at;
- xxiii. Impropriety in the handling or reporting of money or financial transactions;
- xxiv. Profiteering as a result of insider knowledge of company activities;
- xxv. Disclosing and/or providing by any means of communication, any confidential information related to the Company, to outside parties;
- xxvi. Accepting or seeking anything of material value from contractors and/or vendors and/or lenders and/or borrowers and/or persons providing services/ materials to the company in contravention of Code of Conduct (including the receipt of excessive gifts or accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the Company);
- xxvii. Diversion to an employee or outsider of a potentially profitable transaction;
- xxviii. Execution of a document on behalf of the Company, with malafide intention and ulterior motive, with an intention to gain wrongful advantage and/or with an intention to cause wrongful loss to the Company;
- xxix. Any similar or related inappropriate conduct.
(*This list is only indicative and not intended to be exhaustive*).

Illustrations: for instance

1. Mr. X, an employee being an approver of suppliers and vendors invoices approved an expense and diverted the funds of Company to buy goods or services for his own. Mr. X committed the fraud by misappropriation, mis-utilization of funds of the Company and utilization of the Company funds for personal purposes.
2. Mr. Y, a supplier of the raw material / goods supplied sub-standard quality of raw material/ goods to the Company which was not at par the specifications provided or samples approved by the Company. Mr. Y committed the fraud by misrepresentation of facts and breach of trust.
3. Mr. Z, an employee in IT department having access to the relevant business transactions (viz. sales, purchases, customer personal information) shared the said data with any other entity whether competitor of the Company. Mr. Z committed the fraud for unauthorized or illegal or allowing any negligent use or leakage of customer, vendor, operational, design or any other business information of the Company.

In addition to all that is stated hereinabove and in all other applicable laws, the term “**fraud**” shall include any misappropriation(s) and/or inappropriate conduct(s) and/or false representation and/or concealment of a material fact and/or any other illegal act committed intentionally to cause wrongful gains to self or others and /or wrongful loss to others.

Fraud can be further distinguished as “**Internal Fraud**” and “**External Fraud**”. 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 tangible or intangible/ notional or actual/direct or indirect/direct or consequential loss and/or the perpetrator achieving a gain.

OTHER INAPPROPRIATE CONDUCT

Any other inappropriate act concerning an employee’s moral, ethical, or behavioral conduct should be resolved by Human Resource Head separately as per the applicable policies of the Company. In case there is any question as to whether an action constitutes fraud or not, necessary inputs shall be sought from the designated authority under this Policy and if on preliminary view it is found that the inappropriate action involves a fraudulent action then a parallel investigation may be proceeded at the reasoned discretion of the Designated Authority as per the process under this Policy.

REPORTING PROCEDURE:

An employee, vendor, contractor, borrower, lender or other person having business relationship with the Company, on discovery of fraud or suspected fraud must report it to the designated Ethics Officer. The matter must be reported in writing in Annexure -I. If an employee or other person is not willing to report it in writing or in requisite format, he or she may get his/her statement recorded before the Ethics Officer who shall help the Complainant fill the requisite details. The Ethics Officer shall maintain the confidentiality about the details of identity of the official/employee/other person reporting such fraud.

The Ethics Officer shall maintain the confidentiality about the identity of the reporting individual and under no circumstances would discuss it with any unauthorized person. The Company will not tolerate any form of retaliation against individuals providing information concerning fraud or suspected fraud. The Company shall provide all reasonable protection to the complainant/individual providing information concerning fraud or suspected fraud against victimization.

The Ethics officer may seek any further information/ evidence from the Complainant.

The Ethics Officer will act expeditiously upon such reporting and ensure that all relevant records and documents and other evidences are taken into custody or protected from being tampered with, destroyed or removed by the suspected persons/ officials.

On receipt of the report, the reporting individual may be guided by the Ethics Officer to not to contact the suspected individual in an effort to determine facts or demand restitution and observe strict confidentiality and not discuss the case, facts, suspicions.

Any incidence of fraud can be reported by writing to the Chief Human Resource Officer / Chief Executive Officer/ Company Secretary/ Head of Department as these officials are duty bound to share the complaint with the Ethics Officer.

Any incidence of fraud can also be reported by using the means of the whistle blower policy/ vigil mechanism to the Chairman of the Audit Committee directly.

The information about ethics officer and concerned officials and their e-mail ids are available below: -

S No	Person	Contact Details (Email IDs)	Direct Line
1.	Ethics Officer	Ethicsofficer@tcnsclothing.com	011-42193193

2.	Chief Human Resource Officer	chro@tensclothing.com	011-42193193
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PROCEDURE FOR INVESTIGATION

It will be the primary responsibility of Ethics Officer to conduct the preliminary investigation. The employee who reports the suspected fraud should not attempt to conduct investigation personally. He or she should not interview or interrogate any person related to the suspected fraud.

The Ethics Officer or any other entity/ person involved in the investigations of suspected fraud shall keep the content of investigative activity strictly confidential. Investigation results shall not be disclosed to or discussed with anyone other than those who have a legitimate need to know this.

The Ethics Officer shall make every effort to protect the rights and the reputations of everyone involved in a report of suspected fraud, including the individual who in good faith alleges perceived misconduct, as well as the alleged violator(s).

If Ethics Officer determines that a report is not credible or is not a report of fraud, he/she shall document this determination. The Ethics Officer's documentation shall include reasons for the same. If complaint does not fall under purview of whistle blower policy, then same would be redirected to the right forum. For e.g. – If complaint is related to sexual harassment, same will be forwarded to the Complaints Committee and would be dealt as defined under. – Policy to Prevent Sexual Harassment at the Workplace If complaint is related to a personal grievance, e.g. appraisal rating, promotion etc, it will be forwarded to the relevant Chief Human Resource Officer.

The Ethics Officer will complete the Preliminary investigation and submit the investigation report not later than 30 days from the date of report of fraud/ suspected fraud. In case Ethics Officer is not able to complete and submit the investigation report in 30 days and has to record the reasons for delay and may seek an extension for 15 days from the Managing Director.

If the preliminary investigation substantiates the fraudulent activities, the Ethics Officer will prepare an incident report and if required appoint a duly constituted internal Vigil Committee comprises of minimum two members having specialization in investigation and have relevant expertise in dealing in the matters of frauds or suspected frauds or a third party to further investigate the case. The investigative team can be a pool of internal people specially trained to investigate or can be an external agency specialized to investigate such cases.

After completion of the investigation by an internal Vigil Committee a proper reporting will be done to the Ethics Officer.

Once the investigation is completed, the Ethics Officer will submit the report of final investigation along with recommendation to the management including Audit Committee/ CEO / CFO and the management will then decide on the quantum of punishment to be given.

While deciding on this, the Ethics Officer will consider the following:

- Severity of the misconduct/ fraud
- Impact on the Organization (Reputation, Financial / Non – Financial)
- Past record of the accused
- Past precedence of treating similar violations (a summary of the same will be kept with Organization Effectiveness portfolio at Group HumanResources)

The punishment shall constitute a minimum of written warning and may lead to withdrawal of last increment/ demotion, withholding promotion, dismissal from service and/ or even prosecution in a court of law.

The investigation team should work towards ensuring that the investigation is completed by following the laws of the land and principles of natural justice within 4 weeks of the complaint being reported. If the investigation cannot be completed within 4 weeks, then the committee needs to have very valid and strong reasons for the same. While implementing the recommendation, the management will ensure that the name of the complainant and the person accused is kept confidential at all times.

The Ethics Officer will communicate the findings and final order of the Management to the accused.

In case the complainant or the person accused is not satisfied with the decision he/she has the option to appeal within 7 days of the order to the Chairman Audit Committee of the Company which shall review the facts and findings and after giving a reasonable opportunity of being heard and if required a detailed re- investigations shall pass appropriate orders within a period of 3 months from the date of appeal.

In case the accused cannot be identified or is an external third party only, or after the investigation no concrete evidence but only a circumstantial evidence of a suspected fraud, then the Ethics officer after consulting with the Managing Director shall inform forward the matter to the internal finance and legal teams or external lawyers to initiate the legal action with appropriate authorities.

REPORTING PROCESS

The management shall report all the material fraud cases (Material fraud shall mean and include cases where suspected/ actual loss/ wrongful gain is estimated above Rs.10 lakh or the cases where in opinion of the management the operations and goodwill of the Company is hampered irrespective of the value of estimated loss/ gain) to the Board/ Audit Committee, after the same are proved in the final investigation /even if it is proved that fraud is not committed etc. Reporting shall be done in format as enclosed in Annexure - II

DISCIPLINARY ACTION:

Failure to comply with this policy would attract the disciplinary action in the following cases:

- a. A person who is engaged in any form of fraud is subject to disciplinary action.
- b. A person who suspects or discovers fraudulent activity and fails to report the same as required by this policy or a person who intentionally reports false or misleading information is subject to disciplinary action.
- c. An employee of the department in which fraud is committed does not pass to the Respective Complaints Committee each and every report of suspected fraud made by an employee or other person is subject to disciplinary action.

FRAUD PREVENTION

- a. The Management shall ensure detection and prevention of fraud by establishing procedures, checks and controls to prevent fraud and detect fraud as and when it occurs .In addition to the above, the Management will be responsible to educate employees with the types of improprieties that might occur in their area and create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization and shall promote employee awareness of ethical principles and values subscribed to by the Company.

- b. Amendments shall be made in the general conditions of contracts with service providers/ vendors/ lenders/ borrowers/ consultants etc. shall be required to certify that they would adhere to anti- fraud Policy of the
- c. Company and not indulge or allow anybody else working in the Company to indulge in fraudulent activities and would immediately apprise the Company of the fraud/suspected fraud as soon as it comes to their notice. In case of failure to do so, the Company may debar them for future transactions.
- d. The Company may educate the employees on detection and prevention of fraud through internal, communication, awareness sessions and training programs etc.

PRACTICES TO PROMOTE THIS DOCUMENT

- a. The Company will circulate the information about this policy document, from time to time, to the concerned persons.
- b. Employees will be reminded of this policy document by their supervisors during their performance evaluations and shall endeavor to provide affirmation of acceptance of terms of this policy
- c. New employees will be trained on this policy document during the orientation. They will be provided with a copy of this policy document, with examples of what should be reported.
- d. The Company shall inform both potential and existing clients about this Policy or any amendments thereof, through upload of this Policy on the Company Website and internal Intranet and portals.
- e. The employees will endeavor to obtain acceptance of terms of this policy from agents, associates, collaborators, lenders, borrowers, customers, suppliers, service providers, merchant bankers, legal advisors, auditors, insolvency professionals, other advisors, consultants, and other stakeholders of TCNS while dealing with them.
- f. The Company will endeavor to create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization and promote employee awareness of ethical principles subscribed to by the Company.

AUTHORITY (INTERNAL AND EXTERNAL COMMUNICATIONS)

No Individual shall communicate, comment, share his/her views or respond unless authorized to do so specifically in the matters under this Policy to the media, stock exchanges, investors, financial community, lenders, business partners/ associates and others or in any other internal or external communication on behalf of the Company. Further, no individual shall spread, post, leak or reveal classified/ sensitive information about any matter under this policy on any social media website/platform (viz Facebook, whatsapp, linkedin, Instagram, snapchat, youtube and others) and only the spokesperson specifically so authorized by the Company shall communicate with internal and external sources on any such matter under this policy.

ADMINISTRATION OF THE POLICY:

The Managing Director of the Company shall be responsible for administration, interpretation, application and periodical review of this policy. The decision of the Managing Director will be final in the case of difference in the interpretation of any of the clauses in the Policy.

Further, the Managing Director is empowered to approve any amendment in the policy suo moto or on the recommendation of the Audit Committee/ Board of Directors.

All employees of the Company have a responsibility to detect potential fraud and should be familiar with the types of fraud that might occur within his/her area of responsibility and be alert for any indication of irregularities. Every employee shall immediately report any suspected fraud or dishonest act or omission.

The Company has zero-tolerance against any fraud instance, and the Company is committed to ensure timely and

adequate response to such events. The Company ensures that the matter is investigated until the root-cause is determined, appropriate action as per disciplinary matrix is undertaken, and learnings from such events are identified and implemented. The response may thus include action on fraudster(s), process improvements, enhanced controls, further training and monitoring etc.

Template for Reporting Fraud

To: Ethics Officer

Please select the applicable incident type(s) from the list below that best describes the issue(s) you are reporting. Please note that multiple issues can be selected

- 1. Misappropriation of company assets or resources
- 2. Conflict of interest
- 3. Inappropriate sharing of confidential information
- 4. Financial fraud of any nature
- 5. Violation of gifts and entertainment policy
- 6. Non-adherence to safety guidelines
- 7. Inaccurate financial reporting
- 8. Bribery & Corruption
- 9. Insider trading
- 10. Other forms of Harassment – Victimization, Bullying, Discrimination etc. 11. Social Media Usage
- 11. Misuse of authority
- 12. Environment, health and safety
- 13. Concurrent employment
- 14. Others

Please provide name, designation and department of the person(s) involved?

	Name	Department	Designation
Individual 1			
Individual 2			
Individual 3			
Individual 4			

When did the incident occur? (Please provide tentative date if you do not know the exact date)

Please confirm the location of the incident

How did you find out about this incident?

How long has this been occurring for?

- Less than a month
- 1-6 months
- 6-12 months
- Greater than 12 months

Please provide a detailed description of the incident. To enable your company to act on your complaint, you are requested to provide specific information where possible including names, location, date, time etc. Please note that this field is limited to 5,000 characters.

Have you reported this incident to any other person in the company?

- Yes
- No

Date: _____

Location: _____

Name of the Person reporting (optional): _____

Contact Information (including email optional): _____

Annexure –II

Reporting of Actual or Suspected Frauds

<p>Category of Principal Party/ Accused</p> <p>(Promoter/ Director/ Employee or Staff/ Customer/ Associate/ Outsider)</p>	
<p>Name and designation of the Principal Party/ Accused</p>	
<p>Date of occurrence</p>	
<p>Date of detection</p>	
<p>Brief history and modus operandi</p>	
<p>Fraud reported On / By</p>	
<p>Reasons for delay, if any, in detecting the fraud</p> <p>If yes, why the fraud could not have been detected during any inspection/audit</p>	
<p>Area of operation where the fraud has occurred</p>	
<p>Amount of transaction or estimated losses/ damage</p>	
<p>Detailed information on nature of transaction of actual or suspected Fraud</p> <p>Whether computer or any software or electronic device such phone etc. is used in committing the fraud?</p> <p>If yes, details of evidence obtained, if any</p>	
<p>Whether any internal investigation/ external departmental enquiry conducted been / is proposed to be conducted.</p> <p>If yes, details and date of commencement/ completion and current status.</p>	

<p>Complaint with Police/any other authority If yes relevant details such as FIR details and any other reference number for further tracking.</p>	
<p>Whether opportunity of being heard is given to the Principal Party/ Accused. If yes what are the details/ grounds of defense or clarification from Accused Decision of the adjudicating authority (internal or external) Recommendation of the Ethics Officer/ Management</p>	
<p>Steps taken/ proposed to be taken including Punishment awarded to avoid future instances or Details of disciplinary action/ prosecution/ conviction/ acquittal, etc.</p>	
<p>Whether there is need to improve the information system/ internal procedures. Step taken to improve the processes and systems.</p>	
<p>Any further action/ relevant details, if any</p>	