POLICY ON
FRAUD RISK MANAGEMENT
NEUZEN FINANCE PRIVATE LIMITED
(FORMERLY KNOWN AS UMANG TRADING PVT. LTD.)

CONTENTS

1. INTRODUCTION

a. Purpose

The purpose of this policy is to establish a comprehensive framework for identifying, assessing, managing, and mitigating fraud risk within the organization. This policy aims to protect the NBFC's assets, reputation, and integrity.

b. Scope

This policy applies to all employees, directors, contractors, vendors, and other stakeholders associated with the NBFC.

2. DEFINITIONS

a. Fraud

Fraud refers to any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain. This includes activities such as theft, embezzlement, falsification of records, bribery, and corruption.

b. Types of Fraud

(i) Internal Fraud:

Fraudulent activities committed by employees, such as embezzlement, asset misappropriation, and financial statement fraud.

(ii) External Fraud:

Fraudulent activities are committed by external parties, including customers, vendors, and other third parties.

(iii) Cyber Fraud:

Fraud involves cybercriminal activities, such as hacking, phishing, and identity theft.

3. POLICY STATEMENT

The NBFC is committed to maintaining a zero-tolerance approach towards fraud and ensuring that all instances of fraud are promptly identified, investigated, and addressed.

4. GOVERNANCE STRUCTURE

a. Board of Directors

- Oversee the implementation and effectiveness of the fraud risk management policy.
- Ensure adequate resources are allocated for fraud risk management activities.

b. Special Committee of the Board for Monitoring & Follow up of cases of Frauds (SCBMF)

- Comprise senior management
- Meet regularly to review fraud risk assessments and mitigation strategies
- Responsible for the day-to-day management of fraud risk.
- Ensure effective implementation of fraud detection and prevention measures.
- Report to the Board of Directors.
- Responsible for monitoring and reporting of frauds.

5. FRAUD RISK ASSESSMENT

a. Risk Identification

- Identify potential fraud risks through regular risk assessments and internal assessments.
- Use data analytics and other tools to detect anomalies.

b. Risk Evaluation

- Assess the likelihood and impact of identified fraud risks.
- Prioritize risks based on their potential impact on the organization.

c. Risk Mitigation

- Implement controls and procedures to mitigate identified fraud risks.
- Regularly review and update controls to address emerging threats.

6. FRAUD DETECTION

a. Monitoring and Surveillance

- Use data analytics and monitoring tools to detect suspicious activities.
- Implement whistleblower mechanisms to encourage reporting of suspected fraud.

b. Investigations

- Conduct thorough and impartial investigations of suspected fraud incidents.
- Maintain confidentiality and protect the rights of all parties involved.

7. FRAUD RESPONSE

a. Incident Management

- Establish a clear protocol for responding to fraud incidents.
- Ensure timely reporting to relevant authorities and regulatory bodies.

b. Corrective Actions

- Implement corrective actions to address control weaknesses identified during investigations.
- Ensure disciplinary actions are taken against perpetrators, where appropriate.

c. Communication

- Communicate findings and actions taken to relevant stakeholders.
- Provide regular updates to the Board of Directors and the SCBMF.

8. TRAINING AND AWARENESS

a. Employee Training

- Conduct regular training programs on fraud risk awareness and prevention.
- Ensure employees are aware of their roles and responsibilities in fraud risk management.

b. Awareness Programs

- Implement ongoing awareness programs to educate employees and stakeholders about fraud risks.
- Promote a culture of ethical behavior and integrity.

9. POLICY REVIEW AND UPDATES

a. Regular Review

- Review the fraud risk management policy annually or as needed.
- Update the policy to reflect changes in regulatory requirements, emerging risks, and best practices.

b. Continuous Improvement

- Foster a culture of continuous improvement in fraud risk management practices.
- Encourage feedback from employees and stakeholders to enhance the effectiveness of the policy.