

HI-KLASS TRADING & INVESTMENT LTD.

Regd. Off. :24, Veer Nariman Road, Rehman Building, 2nd Floor, Office No.15, Fort, Mumbai – 400 001.

Tel.: 2287 4084, 2287 4085 * Email : info@hiklass.co.in

CIN-L51900MH1992PLCO66262

HI-KLASS TRADING AND INVESTMENT LIMITED

FRAUD PREVENTION AND CONTROL POLICY

(Adopted by the Board of Directors of the Company at their meeting held on August 08, 2024)

INTRODUCTION

The Fraud Prevention and Control Policy has been framed, in accordance with the requirements of RBI “Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016” to establish a system of prevention, detection, investigation and reporting of fraud, against M/s. Hi-Klass Trading and Investment Limited (“the Company”) keeping in view the following objectives:

- To establish the procedure and control that will aid the detection and prevention of fraud;
- To provide guidance and necessary training to the company’s employee in identification, detection and prevention of fraud;
- To develop proper internal control;
- To promptly record and report frauds, as required, by RBI or any other agencies;

SCOPE OF THE POLICY

This Policy applies to any fraud or suspected fraud involving employees as well as outside agencies or persons having business relationship with the Company. The policy also covers dacoities, robberies, theft and burglary cases which is to be reported to the Reserve Bank of India in accordance with the guidelines.

OBJECTIVE OF THE POLICY

The objective of the Policy is to outline the requirements for the development of controls that will assist in the detection, prevention and management of Fraud.

This Policy is applied to any Fraud or suspected Fraud, involving any member of the Boards of Directors, the Chief Executive Officers, the Management teams or Staff of the



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Company, as well as minority shareholders and others who conduct business with the Company, such as customers, consultants, agents, etc.

The policy is designed to fulfill the following objectives:

- To maintain high standard of ethics, professional conduct, duty and responsibility;
- To protect Company's funds and other assets;
- To protect the reputation of Company and its employees
- To secure Company's Businesses

FRAUD

A Fraud is a willful act intentionally committed by an individual by deception, suppression, cheating or any other fraudulent or any other illegal means, thereby, causing wrongful gain to oneself or to any other individual and wrongful loss to others.

Some examples of fraudulent activity are:

- Misappropriation of funds, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Company
- Misappropriation and criminal breach of trust
- Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property
- Unauthorised credit facilities extended for reward or for illegal gratification
- Negligence and cash shortages
- Cheating and forgery
- Irregularities in foreign exchange transactions
- Any other type of fraud not coming under the specific heads as above
- Cases of 'negligence and cash shortages' and 'irregularities in foreign exchange transactions' are to be reported as fraud if the intention to cheat / defraud is suspected / proved
- In the following cases where fraudulent intention is not suspected / proved, at the time of detection, the matter will be treated as fraud and reported accordingly:
 - (a) Cases of cash shortages more than ₹10,000/- and



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(b) Cases of cash shortages more than ₹ 5000/- if detected by management /auditor / inspecting officer and not reported on the occurrence by the persons handling cash

DETECTION OF FRAUD

The Head (Internal Audit) has the primary responsibility for the detection/investigation of all actual/suspected fraudulent acts as defined in the policy. However, the responsibility of reporting of any fraud will not be limited to the Head of the Internal Audit Department, and any person/employee of the company who comes across any fraudulent activity shall promptly report the activity to the Internal Audit Department, to avoid occurrence of any fraud.

The person detecting the fraud or the investigating team must ensure proper procedures so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. An employee who discovers or suspects fraudulent activity will inform the Audit Head immediately.

The reporting individual will be advised:

- Not to contact the suspected individual directly, in an effort to determine facts.
- Not to discuss the case, facts, suspicions, or allegations with any other person

FRAUD INVESTIGATION PROCEDURE

The Internal Audit Head shall, on the receipt of any complaint pertaining to fraud assess the facts reported (preliminary review) in order to understand the possible level (internal/external, level of the internal staff involvement, etc.) and the extent of any potential breach, as well as the severity of the case reported. He shall, on the basis of the primary enquiry decide the further course of action to be carried out and shall commence the investigation in consultation with the Managing Director and other related departments. During the course of Investigation the following procedure shall be adopted:

- Obtain copy of concern/complaint or reported breach;
- Identify, secure and gather data in whatever form, including the changing of lock and system access (where necessary and/or applicable);



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- Obtain and analyse documents;
- Conduct initial validation of the information received to understand whether or not the claims are valid;
- Perform data analytics on structured/unstructured data;
- Interview relevant internal and external individuals, document the interview and obtain their acknowledgement on the facts;
- Secure documents and relevant evidence related to the suspected Fraud, such as contents of the suspect's office or workstation, personal computer, diary and files including all personal documents, where possible/applicable;
- Securing/preserving the various related documents such as documents pertaining to testing procedures, financial data records, records of interviews and testimonies, consultation memo, related emails or other correspondences etc.;
- Securing evidence – documents/evidence must be protected so that nothing is destroyed and so that they are admissible in legal proceedings.

REPORTING, RECORDING AND MONITORING OF FRAUDULENT ACTS

The Company shall report the report the following Frauds to the Reserve Bank of India in accordance with Chapter – IV Reporting of Frauds to Reserve Bank of India of the RBI Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016:

- The Company shall submit the report of fraud in all cases of Fraud of Rs. 1 lakh and above committed through misrepresentation, breach of trust, manipulation of books of account, fraudulent encashment of FDRs, unauthorized handling of securities charged to the applicable NBFC, misfeasance, embezzlement, misappropriation of funds, conversion of property, cheating, shortages, irregularities, etc.
- The Company shall also submit the report of the Fraud if it is been committed in their subsidiaries and joint ventures.
- The Company shall report Fraud involving Rs. 1 crore and above
- The Company shall also report Fraud committed by unscrupulous borrowers including companies, partnership firms/proprietary concerns or their directors/partners by various methods including:
(a) Fraudulent discount of instruments;



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- (b) Fraudulent removal of pledged stocks/disposing of Hypothecated stocks without the Company's knowledge;
- (c) Diversion of funds outside the borrowing units;

The Company shall report Frauds in XBRL mode through the online reporting platform, to the Regional Office of the Department of Non-Banking Supervision of the Reserve Bank of India. The Forms for reporting fraud are as follows:

- FMR – I – Report on Actual or Suspected Frauds to be reported by the company as when the fraud is detected.
- FMR – III – Update of FMR-I required to be reported as and when any development occurs in FMR – I details.
- FMR – IV – to be reported within 21 days from the end of every quarter regarding any dacoities/robberies/theft/ burglaries. If no such fraud is detected then the Company is required to submit 'NIL' return in every quarter.

ANNUAL REVIEW OF FRAUDS

The Company will conduct an Annual review of the Frauds and will place a note before the Board of Directors for information. Such reviews are not required to be sent to the Bank as it shall be preserved with the company for its record purposes.

The main aspects taken into account while making the review are as follows:

- Whether the system in the Company are adequate to detect frauds, once they occur, within the shortest time;
- Whether the frauds are examined from staff angle;
- Whether the fraud have taken place because of lack of care in the Company's systems and procedures and, if so, whether effective actions were taken or not;
- Whether the frauds are reported to local police for investigation purpose;

The Annual review shall also contain the following details:

- Total No of Frauds detected during the year and the amount involved in it as compared with the previous two years;
- Analysis of Frauds according to different categories;



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- Major frauds, if any reported during the year along with its current position;
- Detailed analysis of frauds of Rs. 1 lakh and above;
- Estimated loss to the Company during the year on account of frauds;
- No of cases where the staff was involved and the action taken against the staff;
- Time taken to detect the frauds;
- Position of the frauds that are been reported to police;
- No of frauds where the final action has been taken by the company and the cases has been disposed of;
- Timely reporting of the frauds to the concerned authorities.

CONFIDENTIALITY

The Head (Internal Audit) will treat all information received with full confidentiality. Any employee who suspects dishonest or fraudulent activity will notify the Head (Internal Audit) immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Investigation results will not be disclosed or discussed with anyone other than those who need to be kept informed. This is important in order to avoid damaging the reputation of persons suspected but subsequently found innocent of wrongful conduct and to protect the Company from potential civil liability.

FRAUD PREVENTION

Through this policy the company shall strive to adopt a preventive approach for identifying, analyzing and managing the risk of Fraud. The company shall follow zero tolerance to Fraud, at all levels.

The company shall take steps to prevent the occurrence of fraud by:

- Performing background checks, and verifying documents pertaining to borrowers, employees and others with whom the Company has a business relationship.
- Circulating information regarding the frauds that have occurred, on a quarterly basis, to all branches for their information and necessary action.
- Adopting digital channels for disbursements and collections with the objective of eliminating cash transactions with clients.
- Conducting regular meetings with the staff members.



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- Conducting surprise visits at branches to check the records and documents.
- Conducting exit interviews for all employees.
- Conducting Training Programs and Seminars on frauds for all employees on a regular basis.

MONITORING & REVIEW OF THE POLICY

The Policy shall be amended and modified with approval of the Board. The Board of Directors of the Company shall monitor and review the Policy on an Annual basis. Any Amendments in RBI guidelines or any change in the position of the Company, necessary changes in this Policy shall be incorporated and approved by the Board.

HI-KLASS TRADING AND INVESTMENT LIMITED


Director