



EDC LIMITED

A Government of Goa Undertaking

**FRAUD PREVENTION
POLICY**

SUMMARY OF POLICY:

Policy Name	Fraud Prevention Policy
Issue and Effective date	09/07/2025
Periodicity of Review	Annually or as decided by the Board of EDC
Owner/Contact	Recovery Department
Approver	Board of Directors (404 th Board meeting dated 09/07/2025)

INDEX

SR.NO.	PARTICULARS	PG. NO.
1	Background	1
2	Scope of the policy	1
3	Objective of the Policy	1
4	Actions consisting Fraud	1
5	Fraud Control	2
6	Monitoring	3
7	Role of Auditors	3
8	Identification, Reporting and Fraud Investigation Procedure	3
9	Staff Accountability	5
10	Reporting to concerned involved	5
11	Penalty	6
12	Closure of Frauds	6
13	Review of the Policy	6
14	Whistleblower Statement	7

FRAUD PREVENTION POLICY

1. Background:

The Fraud Prevention policy has been framed to establish a system for prevention, detection, investigation and reporting of fraud, against EDC Limited (herein after referred to as “EDC” or “the Company”) keeping in view the following objectives.

- To establish procedures and controls that will aid in the detection and prevention of fraud
- To provide training and guidance to the employees in fraud prevention, identification and detection
- To develop internal controls and to investigate frauds
- To promptly record frauds and report frauds, as required, to Reserve Bank of India (RBI).

2. Scope of the Policy:

This policy applies to any case or instance of fraud, or suspected fraud involving the employees or external agencies having business relationship with EDC Limited.

3. Objectives of the Policy:

The policy has been established with a aim to make a proactive approach for detection, analysing, prevention and managing the risk of fraud to a zero-tolerance stance for any further prevention of fraud across all levels.

The Policy is designed to fulfil the following objectives:

- Establishing procedures and controls that facilitate fraud detection and prevention.
- Developing internal controls
- Adequate training and guidance to prevent such risk of fraud
- Maintain the highest standard of ethics, professional conduct and fiduciary duty & responsibility;
- Protect the Corporation’s funds and other assets

4. Actions constituting Fraud:

A Fraud is defined as a deliberate act carried out by an individual through deception, suppression, cheating, or any other illegal means, leading to wrongful gain for oneself or others and causing wrongful loss to others.

The following incidents may be considered for reporting fraud related events:

- Misappropriation of funds or assets and Criminal breach of trust and misappropriation.
- Cheating by concealment of facts with the intention to deceive any person and cheating

by impersonation.

- Cash shortages on account of frauds and improper handling or reporting of financial transactions.
- Soliciting or accepting material benefits from customers or service providers.
- Fraudulent cashing of forged instruments, manipulation of books of accounts/ financial records or through fictitious accounts, and conversion of property.
- Fraudulent facilities extended for illegal gratification
- Negligence of duty leading to frauds.
- Forgery with intention to commit fraud by making any false documents/electronic records;
- Wilful falsification, destruction, alteration, mutilation of any book, electronic record, paper, writing, valuable security or account with intent to defraud
- Fraudulent transactions involving foreign exchange;
- Fraudulent electronic banking / digital payment related transactions
- Cash shortages of more than Rs. 5,000.00, if detected by management / auditor / officer and not reported on the occurrence by the person handling cash.
- Any other fraudulent activities not covered by the above categories.

5. Fraud Control

Fraud detection involves identifying actual or potential instances of fraud. This can be accomplished through onsite inspections of processes, employees, documents, or by recognizing early warning signals / indicators for monitoring credit facilities / loan accounts and other financial transactions.

Through sampling methodology, the Corporation will identify patterns / trends to review processes and will put in place preventive and corrective measures and the same will be reported to Risk Management Team, which oversees the Fraud Monitoring functions.

Risk Management Committee shall review the Early Warning Signals (EWS) framework for its suitable validation in accordance with its directions.

The early warning indicators can be from:

1. Pre-disbursement customer visits by concerned Appraisal Officer along with Engineering Department.
2. Post Disbursement based customer visits by concerned Recovery Officer
3. Customer Complaints: Complaints from customers can trigger fraudulent practices
4. Credit Monitoring: Unusual Portfolio Behaviour indicating potential fraud
5. Whistleblowers: Employees or insiders who notice suspicious activities can report

them

6. Audits: Regular audits can help detect irregularities or frauds
7. Legal Actions: Legal proceedings or Litigation process can bring out fraudulent activities

The frauds can be prevented by taking control measures as below:

1. Performing thorough background checks and verifying documents of customers, and other related activities.
2. Periodic training programs for all employees on real life scenarios, recent fraud cases and Fraud Detection & Prevention
3. Implementing preventive internal controls through appropriate process changes

6. Monitoring

The Corporation shall review and monitor cases of frauds, including root cause analysis, and suggest mitigating measures for strengthening the internal controls, risk management framework and minimizing the incidence of frauds. The coverage and periodicity of such reviews shall be decided by the team as applicable.

A periodic review of incidents of fraud shall be placed before Board by the Risk Management Team.

7. Role of Auditors

During the course of the audit, auditors may come across instances where the transactions in the account or the documents point to the possibility of fraudulent transactions in the account. In such a situation, the auditor should immediately bring it to the notice of the management and if necessary, to the Audit Committee for appropriate action.

Internal Audit shall cover controls and processes involved in prevention, detection, classification, monitoring, reporting, closure and withdrawal of fraud cases, and also weaknesses observed in the critical processes in the fraud risk management framework.

8. Identification, Reporting and Fraud Investigation Procedure

A. Identification & Reporting

Any employee who suspects or detects dishonest or fraudulent activity should report through the incident reporting system immediately, in any case, within 48 hours of its detection. While the reporting can be done by any employee / person who suspects / detects the fraud, Head of the Department is responsible to ensure that the fraud is reported within the aforesaid timelines. Complete information as available should be provided at the time of reporting.

In addition to the actions set out by the policy, the Risk Management Team shall also notify the Managing Director / Board of Directors of the Corporation as follows:

- Irrespective of the quantum, all instances of Fraud will be reported to the Managing Director by the Risk Management Team.
- Where the quantum of the fraud exceeds Rs.1,00,000/- (Rupees One Lakh), the fraud shall be promptly reported to the Managing Director and Board after the same are proved in the preliminary investigation.
- It is to be ensured that information relating to all the attempted frauds involving Rs. 25 lakhs or more shall be placed before the Audit Committee of the Board (with details of fraud).

Reporting mechanism

Employee -> Head of Department -> Senior Management -> Risk Management Team -> Managing Director -> Board Committee

Internal Audit Team -> Senior Management -> Audit Committee Meeting -> Board Committee

B. Investigation

Points to be noted in investigating the fraud cases:

'Date of Occurrence' is the date when the actual misappropriation of funds has started taking place, or the event occurred, as evidenced / reported in the audit or other findings.

'Date of Detection' to be reported in where the actual date when the fraud came to light in the concerned branch / audit / department, as the case may be, and not the date of approval by the competent authority.

'Date of Classification' is the date when due approval from the competent authority has been obtained for such a classification, and the reasoned order is passed.

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 any specific form 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, computer, diary and files including all personal documents, financial data records, where possible/applicable
- Securing / preserving the various related documents such as documents pertaining to

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.

In case the Department has conducted a preliminary investigation of the fraud, the investigation report should be annexed at the time of incident reporting. If there is any doubt as to whether an action constitutes fraud, the Risk Management Team may be contacted for guidance.

Employees and other individuals should not attempt to personally conduct investigations or interviews / interrogations related to any suspected fraudulent act. Disciplinary action may be initiated against the employee(s) for not reporting or withholding information related to suspected or actual fraud

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final decisions on disposition of the case.

9. Staff Accountability

In all fraud cases, staff accountability will be mandatorily explored. It is required to

- (a) confirm whether there was any lapse / mala-fide on part of employee which led to fraud and
- (b) if so then to take action against the staff concerned.

The Corporation has a transparent mechanism to ensure that complaints on possible fraud cases / suspicious activities in accounts(s) are examined and concluded appropriately.

10. Reporting to concerned involved

- I. Issuance of a detailed Show Cause Notice (SCN) to the person/s against whom allegation of fraud is being examined. The SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated.
- II. A reasonable time of not less than 21 days shall be provided to the person/s on whom the SCN was served to respond to the said SCN
- III. A reasoned Order shall be served on the person/s conveying the decision of the Corporation regarding declaration / classification of the account as fraud or otherwise. Such Order(s) will contain relevant facts / circumstances relied upon, submission

made against the SCN and the reasons for classification as fraud or otherwise.

11. Penalty

If after investigation, it is found that the staff member was involved in the fraud, strict action shall be taken against the culprits. The amount involved in fraud, as per the report of the Internal Audit Department, shall be recovered from the staff directly involved in fraud. Fines in the form of pay deduction or deference of promotions, transfer shall be imposed on the employees who were reporting to the culprit or were his immediate supervisors, who are proven to be delinquent in performance of their duties. The HR Department may recommend the transfer of staff or their termination from the employment of the company, depending upon the facts and circumstances of the case. Before taking the aforesaid action, the HR Department shall take the approval of the Managing Director. The power to recommend for termination of any employee on the basis of an enquiry/investigation, shall solely vest with the HR Department.

12. Closure of Frauds

Prior approval from the Board of Directors is required for closure of fraud cases.

a) Fraud cases involving amount up to ₹25 lakhs, may be closed for limited statistical / reporting purposes where:

- 1) the investigation is on, or challan / charge sheet not filed in the Court for more than three years from the date of filing of First Information Report (FIR) by the CBI / Police; or
- 2) the trial in the courts, after filing of charge sheet / challan by CBI / Police, has not started, or is in progress.

b) Other Closure:

EDC shall close the fraud cases after completing all following actions

- cases pending with CBI/Police/Court have been finally disposed of;
- the examination of staff accountability has been completed;
- the amount of fraud has been recovered or written off;
- insurance claim wherever applicable has been settled; and
- the systems and procedures have been reviewed, causative factors have been identified and lacunae plugged
- The Corporation shall provide all possible assistance to the Police/CBI/Court for investigation/trial and vigorous follow up with the police authorities and / or court for final disposal of fraud cases shall be undertaken.

13. Review of the Policy

The policy will be reviewed by Risk Management Team and will be recommended to the

Board of Directors for approval, at least annually or as and when required, review process and recommend necessary changes in the policy. Policy may be reviewed based on the newly released changes to Acts, regulatory requirements, independent audits and/ or internal review.

14. Whistleblower Statement

EDC Limited is committed to the highest standards of integrity and accountability. A whistleblower mechanism has been established to encourage reporting of suspected fraud or unethical conduct without fear of retaliation. All complaints will be treated with utmost confidentiality and investigated promptly by the Internal Audit.
