

Muthoot Mercantile Limited

(A Unit of Muthoot Ninan Group)

Regd. Office: 'MUTHOOT FLOORS', 1st Floor, North Block, Opp. W&C Hospital,
Thycaud, Thiruvananthapuram-695 014. ☎ 0471-2774800 CIN: U65921KL1997PLC011260
e-mail: info@muthootenterprises.com website: www.muthootenterprises.com

FRAUD RISK MANAGEMENT POLICY

1. BACKGROUND

Pursuant to the guidelines issued by RBI Master Direction on Fraud Risk Management in NBFCs Directions 2024, vide RBI/DOS/2024-25/120 DOS.CO. FMG. SEC.No.7/23. 04.001/2024-25, this Fraud Risk Management Policy has been adopted with the aim of setting up a framework for preventing, detecting, investigating, and reporting fraud incidents within Muthoot Mercantile Limited (referred to as "MML" or "the Company")

OBJECTIVE

- Establishing procedures and controls that will aid in the detection and prevention of fraud.
- Providing guidance to MML employees in fraud prevention, identification and detection.
- Developing internal controls and investigating of frauds.
- Prompt recording and reporting of frauds to concerned authorities.
- Imparting of necessary training to employees.
- To maintain highest standard of ethics, professional conduct in fraud prevention
- To protect company's funds and other assets
- To protect reputation of the company and its employees

2. SCOPE OF THE POLICY

This Policy is applicable to instances of fraud, whether confirmed or suspected, involving employees, outside agencies, and individuals having business relationship with the Company.

The Internal Audit Department of the Company shall be responsible for the detection of frauds during the course of its internal audits, reporting thereof and recommending necessary internal controls for fraud prevention. The frauds detected during the course of internal audit shall be covered in the report of the Internal Audit Department and shall be placed before the Audit Committee of the Board.

3. COVERAGE OF THE POLICY

This Policy contains comprehensive measures on early warning signals; early detection, investigation and reporting of fraud. Ensuring compliance with principles of natural justice, allowing accused parties to respond to allegations before being classified as fraud. The Company will maintain a zero-tolerance stance toward fraud across all levels and will implement measures to prevent fraud.

4. ACTIONS CONSTITUTING FRAUD

Fraud is a deliberate act intentionally carried out by an individual by deception, suppression, cheating, or any other fraudulent or illegal means, thereby causing wrongful gain for oneself or to any others and wrongful loss to others. Examples of fraudulent activities include:

- Misappropriation of funds or assets.
- Improper handling or reporting of financial transactions.
- Soliciting or accepting material benefits from customers or service providers.
- Criminal breach of trust and misappropriation.
- Manipulation of financial records, or using fictitious accounts.
- Unauthorized extension of credit for reward or illegal gratification.
- Negligence of duty leading to frauds.
- Cheating and forgery.
- Fraudulent transactions involving foreign exchange.
- Fraudulent electronic banking/ digital payment related transactions committed on NBFCs.
- Any other fraudulent activities not covered by the above categories.

Cases involving "negligence and cash shortages" or "irregularities" are treated as fraud if there's suspicion or proof of fraudulent intent.

5. FRAUD DETECTION AND MONITORING

TRANSACTION MONITORING: Regular checks and audit trials, approval of loan limits by different authorities at Branch and Head Office

SURPRISE AUDIT: By internal auditors and regional heads are empowered to conduct such audit. The Head - Internal Audit and his team shall be primarily responsible for the detection/ investigation of all actual / suspected fraudulent acts

SURVEILLANCE: Twenty four hour centralized closed circuit television monitoring of premises, security areas and movement of employees and outsiders to avert any incidence of fraud, theft or burglary.

6. INVESTIGATION & REPORTING

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.

The Head - Internal Audit shall, on the receipt of any complaint pertaining to fraud, carry out a preliminary review to assess the facts reported in order to understand whether internal/ external/ staff involvement is there 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.

The reporting individual shall not contact the suspected individual directly, in an effort to determine facts, neither shall discuss the case, facts, suspicions, or allegations with any other person. 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 locks and system access (where necessary and/or applicable).
- Confirm that the information received to determine whether or not the claims are valid.
- Enquire relevant internal and external individuals, document the enquiry and obtain their acknowledgement on facts stated by them.
- Obtain documents and relevant evidence related to the suspected fraud wherever possible.
- Preservation of all related documents for future reference.

7. MEASURES OF PREVENTION OF FRAUDS

The Company shall follow zero tolerance to fraud, at all levels. The Company shall take steps to prevent the occurrence of fraud by:

- a) **ENHANCED KYC CHECK:** All existing and new customers, before commencement of business relationship, verify the officially valid documents and classify the borrowers according to the risk
- b) **STANDARDISED VALUATION:** Branches to follow uniform procedures for weight / purity checks to prevent fake gold/under valuation/over valuation. Strict LTV (Loan To Value) monitoring and valuation protocols are in place
- c) **ABUNDANT PRECAUTION ON CERTAIN TYPE OF ORNAMENTS:** Bangles weighing more than 12 grams of single unit and certain north Indian model ornaments.

- d) **SAFETY & STORAGE:** Pledged securities are kept in strong room under dual custody of the employees of the branch
- e) **AUCTION FRAUD:** Transparent processes including board approved auctioneers and auction procedures are in place
- f) **INSURANCE:** Pledged ornaments are covered under comprehensive insurance policy
- g) **EMPLOYEE TRAINING:** Regular session on fraud scenarios and its prevention is in place to make the employee well equipped in identifying fraudsters
- h) **INTERNAL CONTROLS:** Dual set of keys handled by different levels of employees in the branch and access to the strong by OTP from Head office time limits permissible inside the strong room is in place
- i) **LOAN CLAUSE :** Appropriate audit clauses are incorporated in loan application / agreement.

8. 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.

MML shall put in place a transparent mechanism to ensure that complaints on possible fraud cases/ suspicious activities in accounts(s) are examined and concluded appropriately.

9. FRAUD REPORTING

- (a) The Company will issue an extensive Show Cause Notice (SCN) to the individuals, organizations and employees, against whom the fraud allegations are under investigation. The Show Cause Notice shall capture the details about the transactions, acts, and occurrences which constitute the basis for the declaration and reporting of fraud. Minimum of 21 days shall be provided to the persons/ entities on whom the SCN was served to respond.
- (b) Incidents of fraud will be immediately reported to appropriate law enforcement agencies, viz. State Police authorities, etc., subject to applicable laws. Suitable nodal point(s)/ designate officer(s) shall be established for reporting incidents of fraud to law enforcement agencies and for proper coordination to meet the requirements of such agencies.
- (c) NBFC's are mandated to reports of frauds to RBI through Fraud Monitoring Returns (FMR) WITHIN 14 days of fraud occurrence. Fraud of Rs1.00 lakh or more need to be reported to the law enforcing authorities.

- (d) NBFC's has to submit a quarterly return (RBR) on theft, burglary, decoiety and robbery to RBI using online portal within 15 days of the end of quarter.

10. FRAUD RISK COMMITTEE

A special committee headed by the Managing Director and other members are formed. The committee shall meet quarterly or as and when required depending upon the emergency and review the fraud and action taken report.

11. CUSTOMER PROTECTION

- a) **NATURAL JUSTICE:** On noticing the irregularities, notices are being issued to the borrowers and giving opportunity to explain their views on the irregularities before classifying as fraud
- b) **AWARENESS:** When customers commences business relationships, we are educating the customers on fraud risks and self-protection

The Board of Directors will oversee the administration, interpretation, and application of this Policy. The policy has been approved by the Board don 18/04/2026. Any revision of this Policy shall be placed before the Board of Directors for approval.

For Muthoot Mercantile Limited

S/d
Mathew Mathaininan
Chairman & Whole-time Director
DIN: 00063078
