



FRAUD RISK MANAGEMENT POLICY

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 The Board of Directors on 22nd April, 2009

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Applicable To : All Directors and Employees



Table of Contents

1. Definition, Purpose and Objective	3
2. Types of Fraud.....	3
3. Role of Fraud Risk Management Committee (FRMC).....	4
4. Escalation protocols.....	4
5. Disciplinary Action.....	5
6. Awareness	6
7. Review of the Policy	6



Ambuja Cements Limited (ACL) takes the effective prevention and detection of fraudulent activity extremely seriously. Based on the recommendation of the Audit Committee, the Board of Directors (BoD) of ACL has adopted the Fraud Risk Management Policy which is applicable to all Directors and employees with immediate effect.

1. Definition, Purpose and Objective

Fraud is defined as any intentional act committed to secure unlawful or unfair gain, whether in cash or in kind

This policy aims to protect the brand, reputation and assets of the Company from loss or damage, resulting from suspected or confirmed incidents of fraud / misconduct. The policy will provide guidance to all employees (including third parties) on reporting any suspicious activity and handling critical information and evidence.

Fraud can occur internally or externally – by employees or third parties

Fraud can be perpetrated individually or in collusion with others

The Fraud Risk Management Policy will help to strengthen the existing anti-fraud controls by raising the awareness across the Company and:

- Promote an open and transparent communication culture
- Promote zero tolerance to fraud / misconduct
- Encourage all employees to report suspicious cases of fraud / misconduct (it will be ensured that no employee is discriminated or unfairly treated for reporting such cases)
- Spread awareness amongst employees and educate them on risks faced by the company

The Board through its Audit Committee has constituted a Fraud Risk Management Committee (FRMC), which will be responsible for investigating all complaints of dishonest behavior, fraud or misconduct and taking suitable actions as per company disciplinary procedures.

2. Types of Fraud

Fraud may involve:

- ***Misappropriation (theft) or willful destruction (e.g. property, records, etc.) or loss of assets including cash, inventory etc.***
- ***Unauthorized personal use of company assets***
- ***Bribery and corruption i.e. where someone is influenced by payment in cash or benefit in kind to unreasonably use his or her position to give some advantage to another***



- *Inappropriate relationships with third parties thereby causing conflict of interest*
- *Manipulation, falsification or alteration of financial statements, other records or documents*
- *Suppression or omission of the effects of transactions from records or documents*
- *Recording of transactions without substance*
- *Deliberate misapplication of accounting or other regulations or policies*
- *Disclosing confidential information to third parties without authority*

Misconduct involves wrongful, improper, unethical or unlawful conduct in violation of Company's policies, laws or regulations.

3. Role of Fraud Risk Management Committee (FRMC)

FRMC will implement the policy and shall be responsible for reviewing and taking appropriate actions on all reported cases of suspected fraud/misconduct.

FRMC will comprise of Company Secretary, Head of Accounts & IT and Chief Internal Auditor. The Company Secretary will act as the Chairman of the Committee. FRMC may recommend to the Audit Committee for induction of such additional members into it as and when found necessary. FRMC is also authorized to call such other executives, employees and representatives of third parties to appear before it as may be required.

FRMC will work closely with the MD, Chief Financial Officer, Business Heads, Unit Heads and Functional Heads to achieve the following:

- Record all complaints received from employees and third parties on suspected incidents of fraud/misconduct
- Conduct reviews, inspections and investigations to identify the facts / details about the reported incident and identify the perpetrator
- Take appropriate disciplinary actions against the perpetrator
- Take necessary steps to recover losses and misappropriated assets
- Report to the Audit Committee and the Board periodically

4. Escalation protocols

At ACL, we encourage open & honest communication and believe in a strong speak up culture.

Timely reporting of incident is extremely important.

Delay in reporting may cause substantial losses and reputational damages to the Company.

Any person with knowledge of suspected or confirmed incident of fraud/misconduct or who is personally being placed in a position by another person to participate in a



fraudulent activity must report the case **immediately**. The company encourages the use of the following mechanisms for effective and efficient handling of reported incidents:

- E-mail (Acl-Speakup@ambujacement.com)
- All India Tollfree Hotline No: 1800 22 xxxxx (to be activated soon)
- Written communication to members of FRMC via letters

The e-mail account will be managed by the Chairman of the FRMC (or an official designated by the Chairman). FRMC will ensure the confidentiality of complainants' identity and no person will experience discrimination or unfair treatment as a result of a genuinely held concern, even if the concern proves to be mistaken.

Anonymity of the person is absolutely guaranteed unless the complaint is malicious.

All employees will be responsible for reporting suspected or confirmed cases of fraud/misconduct and extend full co-operation during internal checks, reviews or investigations to safeguard ACL's brand, reputation and assets. Further, employees will:

- Adhere and comply with ACL's policies and procedures
- Act with highest standards of ethics and integrity
- Ensure propriety and confidentiality of ACL's resources and information
- Avoid accepting gifts, hospitality or benefits of any kind which compromise integrity and standards of business conduct

Attention of the employees is drawn to the following:

For any action to be taken, you need to tell
(a) who is the suspect
(b) what has been done
(c) other details like conversations, telephone numbers, third parties involved etc.

Do not tamper with original documents.

Secure the evidence at the earliest.

Do not discuss with others.

Do not try to solve the case yourself.

Direct confrontation may give clues to the suspect who may destroy crucial evidence.

Employees in managerial positions will be responsible for ensuring existence of robust controls in their area of operations and spreading awareness amongst team members. Maintaining good employee morale at all times is the key to reducing the likelihood of an employee causing harm to the Company.

5. Disciplinary Action

FRMC in consultation with Head of HR and Head of Legal, in co-ordination with MD, will determine the disciplinary action to be taken against the perpetrator in the event of confirmed incident of fraud / misconduct.



Disciplinary action may involve suspension or termination of employment, penalty, criminal or civil action etc. as defined under ACL's policies and procedures.

6. Awareness

Employee awareness with respect to fraud / misconduct reporting duties and escalation protocols is critical for ensuring an anti-fraud environment in the Company. All employees in a managerial position will be responsible for educating their team members on the importance of complying with Company's policies & procedures and identifying / reporting of suspicious activity.

FRMC will provide oversight in spreading awareness and ensure adequate steps (such as posting of policy on internet / intranet, posters, handouts, town halls etc.) have been taken to increase awareness amongst employees.

7. Review of the Policy

The policy will be reviewed and revised (if deemed appropriate) by the FRMC on an annual basis. All amendments to the FRMP will be approved by the Audit Committee and the Board of Directors of ACL.

APPROVED BY:

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