

**Fraud Risk Management Policy approved by the Board of Directors at its meeting held on 31<sup>st</sup> December, 2014:**

Panyam Cements & Mineral Industries Limited (PCMIL) takes the effective prevention and detention of fraudulent activity extremely seriously. The Board of Directors (BOD) of PCMIL has adopted the Fraud Risk Management Policy which is applicable to all its Directors and employees with immediate effect.

**1. Purpose and objective:**

The 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.

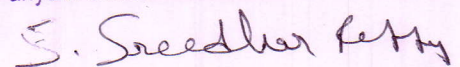
The Fraud Risk Management Policy will help to strengthen the existing anti-fraud culture by raising the awareness across the company and

- Promote an open 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 risk faced by the company.

The Board through this policy will constitute 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.

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For Panyam Cements & Mineral Industries Limited



Managing Director

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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 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 or regulations.

**2. Role of Fraud Risk Management Committee (FRMC):**

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

FRMC will comprise Company Secretary, Head of Legal and Internal Auditor. The Company Secretary will act as the Chairman of FRMC in co-ordination with MD will report to the Audit Committee and the Board.

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*S. Sreedhar Reddy*

Managing Director

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

- Record all complaints received from the employees 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 Board and Audit Committee periodically.

3. **Escalation protocols:**

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

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 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: [cosecy@panyamcements.com](mailto:cosecy@panyamcements.com).
- Mobile No. 9848366493
- 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 complaints/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.

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For Panyam Cements & Mineral Industries Limited

*S. Sreedhar Reddy*

Managing Director

<b>For any action to be taken, you need to tell</b>  <b>(a) Who is the suspect</b> <b>(b)What has been done</b> <b>©Other details like conversations, telephone numbers third parties involved etc.</b>	<b>Do not tamper with original documents.</b>  <b>Secure the evidence at the earliest.</b>  <b>Do not discuss with others.</b>	<b>Do not try to solve the case yourself.</b>  <b>Direct confrontation may give clues to the suspect who may destroy crucial evidence.</b>
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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 PCMIL' brand, reputation and assets. Further, employees will:

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

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

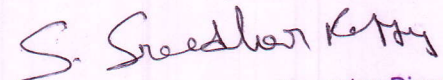
#### 4. **Disciplinary Action:**

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 evident confirmed incident of fraud / misconduct.

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

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**5 Awareness:**

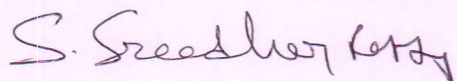
Employee awareness with respect to fraud/ misconduct reporting duties and escalation protocols is critical for ensuring an anti – fraud environment in the company. All employees in a managerial position will be responsible for educating their team members on the importance of complying with Company's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

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

**6 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 FRMC will be approved by the Audit Committee and Board.

**For Panyam Cements & Mineral Industries Limited**



**S.Sreedhar Reddy  
Managing Director.**