



Lucky Investments



Lucky Investments

FRAUD PREVENTION AND WHISTLE-BLOWER POLICY

Version 1.0



Contents

1. INTRODUCTION.....	3
2. SCOPE OF POLICY	3
3. WHO IS WHISTLE-BLOWER.....	3
4. FRAUD AND MISCONDUCT	4
5. RESPONSIBILITIES	5
6. SPECIAL INVESTIGATIONS	7
7. PROCEDURES/ COMMUNICATION CHANNELS FOR LODGMENT OF COMPLAINTS	7
8. CONFIDENTIALITY	7
9. WHISTLE-BLOWER AND ITS PROTECTION.....	8
10. DISCIPLINARY ACTION	8
11. FIDELITY TAKAFUL COVERAGE.....	9
12. INTERNAL AND EXTERNAL AWARENESS	9



1. INTRODUCTION

- 1.1 The Fraud Prevention and Whistle Blower Policy (hereinafter referred to as the “Policy”) is prepared to provide guidance to employees of Lucky Investments Limited (hereinafter referred to as the “Company”) when misuse or misappropriation of the Company’s assets is suspected.
- 1.2 The Company is committed to protecting its revenues, assets and confidential information. The Company will not tolerate any misuse or misappropriation of those assets.
- 1.3 It is the Company’s intent to fully investigate any suspected acts of fraud or misconduct in an impartial manner regardless of the suspected employee’s length of service, position, title or relationship to the Company.
- 1.4 Any act of fraud that is detected or suspected must be reported immediately and investigated in a manner laid down in this Policy.
- 1.5 The Board of Directors (BOD) shall have overall responsibility for the implementation of the Policy.
- 1.6 The Policy shall be strictly followed by all permanent and contractual employees of the Company.
- 1.7 The basic responsibility for maintenance and updation of the Policy resides with the ‘Head of Compliance’. The review and updation of the Policy shall be an ongoing process to ensure continuous alignment of the Policy with the Company-wide strategy and the internal and external dynamics in which the Company operates. Such factors may include the developments and changes required by laws, rules and regulations applicable to the Company.
- 1.8 ‘Head of Compliance’ shall initiate, the CEO shall validate, and the BOD shall approve any modifications to the Policy. Like all other policies and procedures, all employees are encouraged to provide input for further improvement to ‘Head of Compliance’ who shall forward all such recommendations to competent authority, if appropriate.
- 1.9 The Board shall authorize CEO to allow interim approval of any proposed changes in the Policy and their implementation only in cases where the changes do not require any material amendments to the Company-wide strategy and are required to be affected promptly. However, any such changes shall be subject to subsequent ratification by the BOD. Approval of all material changes shall be the prerogative of the Board.
- 1.10 The Policy shall be reviewed on a periodic basis and at least once every three years and updated, if required.

2. SCOPE OF POLICY

- 2.1 The Policy applies to all permanent and contractual employees of the Company and outside parties, such as shareholders, unit holders, distributors, contractors, vendors, customers, etc.
- 2.2 This Policy outlines a process to enable employees and outside parties to report their knowledge or suspicions about any unethical, illegal, fraudulent, improper, or unauthorized activity within the Company. This process is intended to be used for serious and sensitive matters.

3. WHO IS WHISTLE-BLOWER

- 3.1 Any affected person (director, employee, financial advisor, shareholders, unit holders, contractors, distributors, vendors, customers etc.) who, in good faith, has observed reportable misconduct and



Lucky Investments

- 3.2 makes a disclosure pursuant to this policy with respect to a harmful violation or potential harmful violation is referred to as 'Whistle Blower' and is protected from any retaliation or reprisal by the Company or any employee of the Company.

4. FRAUD AND MISCONDUCT

- 4.1 **Fraud** refers to an intentional act committed to secure an unfair or unlawful gain.
- 4.2 **Misconduct** refers to violations of laws, rules, regulations, internal policies and market expectations of ethical business conduct.
- 4.3 Fraud and Misconduct together, they fall into the following categories that can undermine public trust and damage Company's reputation for integrity:
- **Fraudulent financial reporting**
(e.g., improper revenue recognition, overstatement of assets, understatement of liabilities)
 - **Misappropriation of assets**
(e.g., embezzlement, payroll fraud, external theft, procurement fraud, counterfeiting, personal benefits from counter parties)
 - **Revenue or assets gained by fraudulent or illegal acts**
(e.g., over-billing to customers, deceptive sales practices, accelerated revenue, bogus revenue, churning of load)
 - **Expenses or liabilities avoided by fraudulent or illegal acts**
(e.g., tax evasion, falsifying compliance data provided to regulators)
 - **Expenses or liabilities incurred for fraudulent or illegal acts** (e.g., commercial or public bribery, kickbacks)
 - **Other misconduct**
(e.g., conflicts of interest, insider trading, discrimination, sales based on misleading information, theft of competitor trade secrets, antitrust practices, environmental violations, front running, sexual harassment, abuse of power or seniority over colleagues, give away sensitive/ confidential/ company proprietary information (financial/business/product knowledge) to outsiders)
- 4.4 Any misconduct or violation by the employee of laws, rules, regulations, internal policies or business code of conduct and ethics requirements are dealt with according to the provisions of "The Code of Ethics and Standards of Professional Conduct" document signed by every employee of the Company.
- 4.5 Fraud can be carried out by a single person or by more than one individual working together. Fraud may be carried out in three stages:
- a) **Stage 1 - Action**
The fraudulent activity is committed by the fraudster.
 - b) **Stage 2 - Concealment**
Once the act is committed, the fraudster hides the act.
 - c) **Stage 3 - Conversion**
After concealment, the fraudster converts the misappropriated assets to his or her personal use such as deposited stolen cash in a personal bank account.



4.6 RED FLAGS

These indicators are not proof of fraud, but one or more is usually present in circumstances where fraud has occurred. Here are some common red flags:

- Swift change in employees' lifestyles.
- Lack of segregation of duties in the work environment.
- Frequent complaints from customers about services provided to them.
- Missing or altered documents.
- Employee's inability to manage Company's assets.
- Poor internal controls.
- Unusual relationship with vendor
- Erratic and secretive behavior; and
- Employees not taking mandatory leaves

If any of these red flags have arisen, the senior management should be vigilant and make discreet inquiries if considered necessary as to the nature of the circumstances.

5. RESPONSIBILITIES

5.1 SENIOR MANAGEMENT

- a) Senior management is responsible for establishing and maintaining a system of internal controls to ensure the detection and prevention of fraud and misconduct.
- b) Senior management is responsible to ensure segregation of duties.
- c) Head of every department/function should be reasonably familiar with the types of fraud that might occur within his/her area of responsibility and be alert for any indication of fraud.
- d) Head of every department/function has the same responsibility with respect to reporting fraud as all other employees of the Company as outlined in Paragraph 5.2.
- e) All correspondence relating to External Auditors, Regulators and Law Enforcement agencies in the detection, reporting and investigation of all fraudulent acts, including the prosecution of offender shall be made through Chief Executive Officer. In case the Chief Executive Officer is suspected of being involved in the process, correspondence with the aforementioned shall only be made with approval of Board Audit Committee.

5.2 EMPLOYEES

- a) Any employee of the Company, who knows or has reason to believe that a fraud has occurred, shall be responsible for immediately notifying his/her immediate manager.
- b) If the employee has reason to believe that the employee's immediate manager may be involved, the employee shall immediately notify the Head of Department through electronic mail. In the absence of Head of Department, Company Secretary may be approached. However, if the employee feels that the matter needs to be reported to the Chief Executive Officer, he/she may do so in writing. Employees must understand that such reporting should be done with professional responsibility, and this forum shall not be used for settlement of personal grievances.
- c) Employees must maintain strict confidentiality concerning a reported fraud at all times.
- d) Employees should be aware that it will be more difficult to investigate anonymous complaints;



- e) therefore, anonymous complaints will be discouraged and may not attract any action thereon.
- f) It is expected that employees will fully co-operate with senior management and other involved departments, Regulators and law enforcement agencies during the course of an investigation and will make all reasonable efforts to be available to assist the above noted persons / authorities with the investigation.

5.3 INVESTIGATION RESPONSIBILITIES

- a) 'Head of Compliance' has primary responsibility for the investigation of all suspected fraud except as identified in Paragraph 5.2. In the absence of 'Head of Compliance', the Board of Directors shall assign the responsibility for investigation of suspected fraud to Company Secretary.
- b) Head of Department shall review the case submitted by the employee and all preliminary findings shall mandatorily be forwarded to Head of Compliance for investigation and/ or record without any delay. Head of Compliance shall carry out investigation and results of the investigations shall be communicated to the Board of Directors.
- c) The Management will not take any disciplinary action against the alleged employee till the conclusion of the investigation by Head of Compliance.
- d) During the investigation period, alleged employee will be designated as "Staff on Special Duty" till the conclusion of the investigation by Head of Compliance. He/ She cannot represent the Company at any platform and meet any customer during this investigation period.
- e) Within the scope of their investigation, Head of Compliance will have:
 - free and unrestricted access to all Company's records, employees and premises, whether owned or rented; and
 - the authority to examine, copy, or remove all or any portion of the contents of files, desks, cabinets, and other Company's facilities without prior knowledge or consent of any individual who might use or have custody of any such items.
- f) Head of Compliance shall formally inform the Chief Executive Officer and/ or the Board of directors as appropriate of an allegation of fraud at the start of the investigation as determined by Head of Compliance. However, as fraud is a corporate concern, Head of Compliance will, as appropriate, consult with the legal adviser or forensic consultants for obtaining experts advice.
- g) Head of Compliance may delegate responsibility for the investigation of suspected fraud to departmental staff depending on the nature and scope of the suspected fraud. In this regard, Head of Compliance will continue to monitor and provide advice as requested.
- h) Decisions to prosecute or refer the investigation results to the Regulators or Law enforcement agencies for independent investigation will be decided by the Board of Directors of the Company.
- i) Upon conclusion of an investigation, recommendations may be made to senior management where required in order to minimize future fraud risk. Senior management shall be responsible for implementing the appropriate controls to prevent recurrence.
- j) Head of Compliance will compile a report based on the investigations and work performed. The finalized report will be presented to the Board of Directors for their perusal and directions.



6. SPECIAL INVESTIGATIONS

- 6.1 Where it is suspected that fraud may have been committed by a member of senior management excluding Chief Executive Officer, Head of Compliance will conduct an initial review and report the results to the Chair of the Board of Directors.
- 6.2 Where it is suspected that fraud may have been committed by Head of Compliance, the Chair of the Board of Directors and Chief Executive Officer will conduct an initial review.
- 6.3 Where it is suspected that fraud may have been committed by Chief Executive Officer, the Board of Directors will conduct an initial review and assign investigation responsibilities accordingly.

7. PROCEDURES/ COMMUNICATION CHANNELS FOR LODGMENT OF COMPLAINTS

a) Duty to Report

If an employee knows, believes, or suspects that any unethical, illegal, fraudulent, improper, or unauthorized activities (hereinafter called “Violations”), including any violations of the Company’s Code of Conduct, are being carried out in any Branch, or Office of the Company, it is their duty to report such violations or suspected violations in accordance with this Policy. Failure to report such violations will be viewed as a serious disciplinary offense.

Outside parties, such as shareholders, unit holders, contractors, distributors, vendors, customers, etc., should also report, in accordance with this Policy, their concerns relating to any Violations noted by them during the course of their dealings with the Company.

b) Where to Report

Whistle-blower may report the concerns through the following modes:

- E-mail: whistleblow@luckyinvestments.com.pk only accessible by the ‘Head of Compliance’
- Postal mail: ‘Head of Compliance’ – Lucky Investments Limited, Ground Floor Finance and Trade Center (FTC), Main Shahrah e Faisal, Karachi.
- Telephone: (Direct No.)

c) What to Report

The report should contain sufficient information to permit adequate investigation. At a minimum, the following information should be included:

- Name and contact number of the reporting employee/party.
- Description of the nature of the Violation, with sufficient detail to permit an investigation.
- Names of employees and other individuals involved or suspected of being involved in the Violation

8. CONFIDENTIALITY

- 8.1 The participants in a fraud investigation shall treat all information received confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. To the extent possible by law, the identity of individuals involved in an investigation including the identity of an individual alleging fraud and the identity of an individual



Lucky Investments

alleged to have committed fraud will be protected.

- 8.2 Identities of employees and outside parties reporting in good faith will be kept confidential and will be fully protected against any harassment, retaliation, or adverse employment/business consequences. Moreover, any officer who retaliates against or victimizes such employees will be subject to disciplinary action, and any disclosure thereof will be viewed as a serious disciplinary offense.
- 8.3 Employees and outside parties whose reports result in early detection of a Violation or prevention of potential losses will receive a letter of thanks/ appreciation from the Company. Employees will also receive due recognition at the time of the annual performance review.
- 8.4 Any staff contacted by the media with respect to a fraud investigation shall refer the media person to the CEO or any other authorized spokesperson. Alleged fraud or investigation shall not be discussed with the media by any person other than the CEO or authorized spokesperson.

9. WHISTLE-BLOWER AND ITS PROTECTION

- 9.1 Whistle-Blowing is defined as the act of raising concerns about Fraud or Misconduct within the Company.
- 9.2 Whistle-Blower is defined as an employee of the Company who discloses in good faith any unethical and improper practice or wrongful conduct to the Head of Department or in case it involves Head of Department, to the Head of Compliance and in exceptional cases to the Board of Directors in writing.
- 9.3 The Board of Directors assures that no person covered by this Policy shall:
 - a) dismiss or threaten to dismiss an employee;
 - b) discipline or suspend or threaten to discipline or suspend an employee;
 - c) impose any penalty upon an employee; or
 - d) intimidate or coerce an employee,
only due to the reason that the employee has acted as a whistle-blower in accordance with the requirements of the Policy.

10. DISCIPLINARY ACTION

- 10.1 Senior management is solely responsible for the discipline of employees.
- 10.2 Employees who have committed fraud and misconduct as well as Employees who have knowledge about fraud and misconduct, but they do not disclose them **for any reason** shall be subject to disciplinary action up to and including termination of employment and legal consequences.
- 10.3 Where fraud is suspected of any employee, the individual will be given notice of the essential particulars of the allegations following the conclusion of the investigation and prior to final disciplinary action. The individual against whom allegations are made will be given a reasonable opportunity to give his/her response to the allegations.
- 10.4 An employee who knowingly makes false allegations of fraud or misconduct on any employee of the Company may be subject to disciplinary action, up to and including termination of employment.
- 10.5 In case the terminated employee was in interaction with customers of the Company, the Human Resources Department shall give appropriate notice in the newspaper for the information of general public and inform MUFAP about the termination of employee. The Head of Department shall immediately assign the customers of the terminated employee to another employee. The Investor Services Department shall be responsible for informing the relevant customers about their new relationship manager. All these steps should be taken within two working days of the termination.



11. FIDELITY TAKAFUL COVERAGE

The Company shall obtain sufficient fidelity takaful coverage from a takaful company rated minimum A- by a credit rating agency registered with the Securities and Exchange Commission of Pakistan against any losses that may be incurred as a result of employee's fraud or gross negligence. The Company shall make disclosure about the takaful coverage in its financial statements

12. INTERNAL AND EXTERNAL AWARENESS

12.1 HR Department shall be responsible for raising awareness of this policy among employees and external parties ensuring following standards amongst others:

- a) Placement of Guidelines on "How to make whistle blow complaint" on appropriate touch points like Company's website and internal sites, branches, and other client facing locations,
- b) Guidance on Whistle blow policy for new employees during orientation session
- c) Guidance on Whistle blow policy for existing employees via appropriate channels like email communication, workshops/zoom sessions, and regular meetings with Department Heads for reinforcement.
- d) Incorporation of a section on Whistle blow policy in the mandatory compliance essential training course.