**CONSOLIDATED FINVEST & HOLDINGS LIMITED**

## Fraud Risk Management & Prevention Policy

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| Approver of the Policy | Board |
| Details of the Approval of Board | February 11, 2025 |
| Applicability | All employees/Directors/Consultants/Vendors |
| Policy Amendments | None |
| Reference | Master Direction - Fraud Risk Management in NBFCs Directions 2024, doc vide RBI/DOS/2024-25/120 DOS.CO.FMG.SEC. No.7/23.04.001/2024-25 |
| Date of Policy | February 11, 2025 |



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## 1. Background:

In compliance with the guidelines issued by RBI on Master Direction - Fraud Risk Management in NBFCs Directions 2024, doc vide RBI/DOS/2024-25/120 DOS.CO.FMG.SEC.No.7/23.04.001/2024-25, the Fraud Risk & Prevention Policy has been crafted with the aim of setting up a framework for preventing, detecting, investigating, and reporting fraud incidents within Consolidated Finvest & Holdings Limited (referred to as "CFHL" or "the Company").

## 2. Scope of the Policy:

This policy is applicable to any instances of fraud, whether confirmed or suspected, involving employees, external agencies, and individuals with a business relationship with Consolidated Finvest & Holdings Limited.

## 3. Objectives of the Policy:

This policy aims to instill a proactive approach within the company for identifying, analyzing, and managing the risk of fraud. The company will maintain a zero-tolerance stance toward fraud across all levels and will implement measures to prevent fraud

The Policy is designed to achieve the following objectives:

- Establishing procedures and controls that facilitate fraud detection and prevention.
- Developing internal controls.
- Promptly documenting and reporting fraud incidents.

## 4. Actions constituting Fraud:

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. 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.
- Fraudulent cashing of forged instruments, manipulation of financial records, or using fictitious accounts.
- Negligence of duty leading to frauds.
- Cheating and documents forgery.
- 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 & Control:

Fraud detection involves identifying actual or potential instances of fraud.

NBFCs in the Upper Layer and Middle Layer shall have a framework for Early Warning Signals (EWS) through appropriate early warning indicators for monitoring credit facilities / loan accounts and other financial transactions

A Board Level Committee, shall review the EWS framework for its suitable validation in accordance with its directions.

**6. Fraud Monitoring:**

CFHL shall set-up an appropriate organizational structure for institutionalization of fraud risk management within their overall risk management functions, which shall on periodic basis, share Fraud reports, if any and dashboards with internal management and stakeholders. All potential fraud/suspected reports will be reported to the Internal Audit team

**7. 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.

CFHL shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in accounts(s) are examined and concluded appropriately under Whistle Blower Policy

**8. Fraud Reporting:**

CFHL shall issue an extensive Show Cause Notice (SCN) to the individuals, organizations, and promoters, as well as the executive directors and full-time 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

**Special Committee:**

A Special Committee to Monitor and Follow-up (SCMF) shall be formed in line with regulatory guidelines, Middle layer NBFCs shall constitute a committee, headed by one Whole-Times Director to oversee the effectiveness of the fraud risk management in the Company and to review and monitor cases of frauds.

**(a) Reporting to the Board:**

In addition to the actions set out by the policy above, CFHL shall also notify the Board of Directors of the Company as follows:

a) Information relating to frauds for the quarters ending March, June and September shall be placed before the Board of Directors during the subsequent month of the following quarter.
b) Irrespective of the quantum, all instances of Fraud will be reported to the Managing Director / Executive Committee.
c) 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.
d) 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).
e) In addition to the above, CFHL shall conduct an annual review of the frauds and place a note before the Board.

**(b) Reporting to Regulator via XBRL:**

a) FMR -1 for reporting new frauds of ₹1 lakh and above within three weeks (21 days) from the date of detection
b) FMR-3/FUA for reporting the developments in respect of frauds already reported (as and when basis)

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c) FMR-4 (Quarterly Reporting of Theft, Robbery, Dacoit and Burglary): If there no incidents to report 'Nil' submission to be done in the XBRL

d) Paper based Monthly Certificate to be submitted by 7th of every month in the prescribed format

**(c) Reporting under Legal Governance:**

As a general rule, the following cases should invariably be referred to the State Police:

a) Cases of fraud involving an amount of ₹1 lakh and above, committed by outsiders on their own and/or with the connivance of staff/officers;

b) Cases of fraud committed by employees, when it involves the CFHL's funds exceeding ₹10,000/-

The said activity would be taken up by internal/external Legal Counsel for further processes and updates through Disciplinary Committee.

**9. Fraud Governance:**

**Closure of Frauds:**

Prior approval from the respective Regional Offices of RBI/SSM Concerned is required for closure of fraud cases

**a) Statistical Closure:**

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:**

CFHL 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
- CFHL 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.

**10. Updates or revisions:**

Periodic updation with regards to Policy basis regulatory guidelines