

FRAUD RISK MANAGEMENT POLICY

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 Management Policy has been crafted with the aim of setting up a framework for preventing, detecting, investigating, and reporting fraud incidents within A V S R Holdings Private Limited (referred to as "A V S R" 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 A V S R Holdings Private Limited.

3. OBJECTIVES OF THE POLICY:

This policy aims to instill a proactive approach within the company for identifying, analysing, 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.
- Providing guidance to A V S R employee on fraud prevention, identification, and detection.
- Developing internal controls.
- Promptly documenting and reporting fraud incidents.

4. FRAUD DETECTION & CONTROL:

Fraud detection involves identifying actual or potential instances of fraud. This can be accomplished through onsite inspections of processes, employees, documents, or by recognizing early warning signals.

The Company shall have a framework for Early Warning Signals (EWS) through appropriate early warning indicators for monitoring credit facilities / loan accounts and other financial transactions.

Risk Management Committee shall review the EWS framework for its suitable validation in accordance with its directions.

The framework shall cover the below mentioned:

- EWS triggers and monitoring of the same,
- Remedial actions for the triggers
- Periodic review of credit sanction and monitoring processes.

The frauds can be prevented by taking control measures as below:

- I Performing thorough background checks and verifying documents of customers, and other business associates of A V S R.
- II Periodic training programs for all employees on real life scenarios, recent fraud cases and Fraud Detection & Prevention.
- III Implementing preventive internal controls through appropriate process changes.

5. FRAUD MONITORING:

A V S R shall set-up an appropriate organizational structure for institutionalization of fraud risk management within their overall risk management functions.

The Risk Team 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.

6. FRAUD REPORTING:

A V S R 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:

Risk Management Committee of the Company 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, the risk team shall also notify the RMC/Board of Directors of the Company as follows:

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.

Irrespective of the quantum, all instances of Fraud will be reported to the RMC/Board of Directors of the Company.

In addition to the above, A V S R shall conduct an annual review of the frauds and place a note before the Board.

(b) Reporting to Regulator via XBRL:

FMR -I for reporting of Actual or Suspected Frauds as and when detected.

FMR-III for reporting the developments in respect of frauds already reported (as and when basis).

FMR-IV for reporting of Theft, Robbery, Dacoit and Burglary on Quarterly basis.