

# FEDEX FINANCE PRIVATE LIMITED

## FRAUD RISK MANAGEMENT POLICY

Fedex Finance Private Limited

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# Fraud Risk Management Policy

Fedex Finance Private Limited, a non-deposit taking non-systemically important Non-Banking Financial Company (NBFC) licensed by the Reserve Bank of India (RBI) bearing registration No. 13.00930.

## RATIONALE

The Fraud risk management policy has been framed, in compliance with the RBI 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 (“MD FRM”) to establish a system for prevention, early detection, investigation and timely reporting of fraud against Fedex Finance Private Limited (herein after referred to as “Fedex” or “the Company”), to Law Enforcement Agencies and Reserve Bank of India (RBI) and dealing with the matter pertaining to fraud in a just, fair and reasonable manner.

## OBJECTIVES OF THE POLICY

The Policy has been established to outline the requirements for the development of controls that will assist in fraud risk management and early detection, prevention and timely reporting -

- To establish procedures and controls that will aid in early detection and prevention of fraud;
- To provide guidance to Fedex employees in fraud prevention, identification and detection;
- To investigate detected or referred fraud incidents, as well as loan beneficiaries, employee, or whistleblower complaints related to fraud, and tips received.
- To follow the principles of natural justice before classifying anyone as a culprit.
- To ensure that all suspected fraudulent activities are thoroughly investigated and reported, with ongoing monitoring of detected fraud incidents.
- Reporting fraud incidents and recommending process changes to strengthen the internal control system against fraud.

The Policy is designed to fulfil the following objectives:

- Protect Company’s funds and other assets;
- Protect the reputation of Fedex and its employees;
- Maintain the highest standard of ethics, professional conduct and fiduciary duty and responsibility.

## SCOPE OF POLICY

This Policy applies to any fraud or suspected fraud, involving any member of the Board of Directors, the Management team or staff of Fedex and all others who conduct business with the Company such as customers, third party agents and representatives, including consultants, contractors, suppliers, vendors, subcontractors and agents.

The scope of the policy shall also cover theft, burglary, dacoity and robbery cases which shall also

reported to the Reserve Bank of India in accordance with the guidelines.

The Company already has a Board approved “Grievance Redressal Policy” to protect interest of the customers.

## **THE POLICY**

This document outlines Company's policy concerning fraud and provides guidelines for the implementation and enforcement of Fedex Fraud Risk Management Policy referred to herein after as the ‘Policy’. This policy and any future amendments are subject to the Board of Directors’ approval.

The company shall follow the policy at all levels. Each member of the management team will be made familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity and to recommend necessary internal controls for fraud prevention.

The scope of the Internal audit shall also cover controls and processes involved in prevention, detection, classification, monitoring, reporting, closure and withdrawal of fraud cases and also weaknesses observed in the critical processes in the fraud risk management framework of the Company. The frauds being detected during the course of audit by the internal auditors shall be covered in the Executive Summary of the Internal Audit Report and shall be placed before the Board for further direction.

Any irregularity that is detected or suspected by any staff member or the management team must be reported immediately to the Board, who shall in turn investigate the matter in detail and decide the future course of action including reporting thereof and the imposition of penalties on the involved staff members or change in the system and controls, in consultation with the Operations Head or other departmental heads, as may be required. Information concerning the status of an investigation will be kept confidential.

The complainant or the staff who detects the fraud in the course of his office duties shall be instructed –

- Not to contact the suspected individual directly, so as to determine facts.
- Not to discuss the case, facts, suspicions or allegations with any other person

Fedex Finance Private Limited shall abide by regulatory guidelines and fraud reporting requirements, prescribed by the Regulatory Authorities.

## **DETECTION AND INVESTIGATION OF FRAUD**

A Fraud is a willful act intentionally committed by an individual by deception, suppression, cheating or any other fraudulent or any other illegal means, thereby, causing wrongful gain to oneself or to any other individual and wrongful loss to others. Some examples of fraudulent activity are:

- Misappropriation of funds or other assets and criminal breach of trust
- Impropriety in handling or reporting of money or financial transactions
- Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the Company
- Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property
- Unauthorised credit facilities extended for reward or for illegal gratification.

- Irregularities in foreign exchange transactions
- Any other type of fraud not coming under the specific heads as above.

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.

Any person/employee of the company who comes across any fraudulent activity shall promptly report the activity to the Board, to avoid occurrence of any fraud.

The person detecting the fraud or the investigating team must ensure proper procedures so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

### **REPORTING, RECORDING AND MONITORING OF FRAUDULENT ACTS**

The Company shall immediately report the incidents of fraud to appropriate Law Enforcement Agencies, viz. State Police authorities, etc., subject to applicable laws.

The Company shall establish suitable nodal point(s) / designate officer(s) for reporting incidents of fraud to Law Enforcement agencies and for proper coordination to meet the requirements of the agencies.

The Company shall also report frauds perpetrated in their group entities to RBI separately, if such entities are not regulated / supervised by any financial sector regulatory / supervisory authority. The group entities will have to comply with the principles of natural justice before declaration of fraud.

Reporting of the incidents to the RBI shall be done in the manner and forms prescribed by the RBI from time to time. The Company must examine and fix staff accountability for delays in identification of fraud cases and in reporting to RBI.

The Company shall have proper functional structure for the Fraud Risk Management for prevention, early detection, investigation, staff accountability, monitoring, recovery, and reporting of frauds, and other related aspects under the Board approved Policy. The chief Manager or equivalent officer shall be responsible for reporting and monitoring Fraud.

### **INVESTIGATION OF FRAUDS AND STAFF ACCOUNTABILITY**

The Company will institute a mechanism for investigating actual, attempted or suspected frauds. All employees should be encouraged to appraise the instance of fraud to the Senior Management through a well laid out process. The investigation shall be completed within a specified period from the date of detection.

If after investigation, it is found that the staff member was involved in the fraud, strict action shall be taken against the culprits. The amount involved in fraud, shall be recovered from the staff directly involved in fraud. Fine, in form of pay deduction or deference of promotions, transfer shall be imposed on all the employees who were reporting to the culprit or were his immediate supervisors, who are proven to be delinquent in performance of their duties.

The power to recommend for termination of any employee on the basis of an enquiry/investigation shall solely vest with the Management.

## **SHOW CAUSE NOTICE**

The process of investigation includes issuance of Show Cause Notice (SCN) to the Persons, Entities and its Promoters / whole-time and Executive Directors against whom allegation of fraud is being examined.

- SCN shall be served on the abovementioned persons after investigation and charges have been framed against them.
- The SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated.
- A reasonable time of not less than 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond to the said SCN.
- The Competent authority shall examine the responses/submission made by the Person/Entities prior to declaring such Person/ Entities as fraudulent.
- A reasoned Order shall be served on the Persons / Entities conveying the decision of the Competent authority regarding declaration / classification of the account as fraud or otherwise.
- The Reasoned Order must contain all relevant facts / circumstances relied upon, submissions made against the SCN and the reasons for classification as fraud or otherwise.

## **EARLY WARNING SIGNALS FOR DETECTION OF FRAUDS**

The Company shall identify actual or potential instances or signals that point towards the occurrence of a fraud. These Early Warning Signals (EWS) shall be responsible for monitoring credit facilities/loan accounts and other financial transactions and these EWS shall be reviewed periodically for their effectiveness. This can be accomplished through onsite inspections of processes, employees, documents, or by recognizing early warning signals.

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

## **CLOSURE OF FRAUD CASES**

The Company should close only such cases where the actions as stated below are complete and prior approval is obtained from the concerned authorities -

- The fraud cases pending with CBI/Police/Court are 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.
- The Company has reviewed the systems and procedures, identified as the causative factors and plugged the lacunae and the fact of which has been certified by the appropriate authority (Board / Audit Committee of the Board).

The Company is allowed, for limited statistical / reporting purposes, to close those fraud cases involving amounts up to ₹ 25 lakhs after complying with the conditions specified in the RBI Master Directions.

The details of all the closed cases shall be maintained by the Company and the same shall be kept for examination by the Internal & External Auditors.

## **FRAUD PREVENTION**

Through this policy the Company shall strive to adopt a preventive approach for identifying, analyzing and managing the risk of fraud. The Company shall follow zero tolerance to fraud, at all levels. The Company shall take steps to prevent the occurrence of fraud by -

- Performing background checks and verifying documents pertaining to borrowers, employees and others with whom Fedex has a business relationship.
- Circulating information regarding the modus operandi in frauds that have occurred, on a quarterly basis, to all branches for their information and necessary action.
- Adopting digital channels for disbursements and collections with the objective of eliminating cash transactions with clients.
- Conducting regular meetings with the staff members, training programs and seminars on frauds for all employees on a regular basis.
- Conducting exit interviews for all employees.
- Implementing preventive internal controls through appropriate process changes

## **DISCLOSURE IN FINANCIAL STATEMENTS**

The amount related to fraud reported in the company for the year shall be disclosed in the Financial Statements – Notes to Accounts.

## **COMMITTEE OF THE EXECUTIVES**

Committee composition and Roles and Responsibilities –

To comply with the requirement of RBI and to further strengthen our governance structure, the Board of Directors of Fedex Finance, in the Board Meeting dated December 8, 2025 has approved the constitution of the Committee of Executives (COE) for Monitoring and Follow-up of cases of Frauds and other incidents.

The Committee has the following structure and key considerations:

- i. Committee Composition
  - a) The Chairperson: The Executive director shall be the Chairperson of the Committee who shall be responsible for overseeing the entire functioning of the Committee.
  - b) Members: The committee shall have following Members:
    1. Director, Chairman of the Committee
    2. COO, Member
    3. VP Finance, Member
- ii. Roles and responsibilities of the COE:
  - Oversee the effectiveness of fraud risk management in the Organisation.
  - Review and monitor cases of frauds, including root cause analysis and suggest mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of frauds.
    - Review and monitor any other matter that is incidental or directly related to Fraud or its management.
    - Approval of Standard Operating Practices for prevention, early detection, investigation, deciding nature & amount of Fraud for legal steps, staff accountability, monitoring, recovery, analysis and reporting of frauds, etc. and other related aspects under the Board approved Policy and Master Direction on Fraud Risk Management.

- To 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.

iii. Meeting Frequency and Quorum:

The Committee shall meet at least once every quarter and the quorum for the Committee meeting shall be two members and one of them must be the Chairperson of the Committee.

**REVIEW**

The Policy shall be reviewed by the Board at least once in three (3) years, or more frequently as the circumstances may require.

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