

1. Preamble

GMR Airports Limited (hereinafter referred as "GAL" or "Company") is an Airport Sector holding Company of GMR Group and follows the GMR Group's Values and Beliefs and policies framed thereunder, including Code of Business conduct and ethics, Disciplinary & Ethics Policy. In an effort to further this approach and to follow a better Corporate Governance, we are placing a mechanism by way of this policy for classification of frauds, approach towards classification, monitoring of and reporting system for frauds.

Further, RBI vide its notification no. RBI/DNBS/2016-17/49 dated September 29, 2016 has issued Master Directions – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 (" Directions") which are applicable to Systematically Important non-deposit taking non-banking financial companies (NBFC-ND-SI) and Company being a NBFC-ND-SI, is required to adhere the provisions of the said Directions.

The Directions obligates Company to:

- i. Put in place a reporting system so that frauds are reported without any delay to competent authorities.
- ii. Fix staff accountability in respect of delays in reporting of fraud cases to the RBI.
- iii. Nominate an official at least of the rank of the General Manager who will be responsible for submitting all the returns to the Bank and reporting.
- iv. Disclose the amount related to fraud, reported in the Company for the year in its Balance Sheet.

2. Definition and Scope

This Policy will be applicable to any fraud or suspected fraud involving investee companies, employees involved in frauds.

Fraud has been classified as under mainly based on the provisions of Indian Penal Code:

- (a) Misappropriation and criminal breach of trust;
- (b) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property;
- (c) Unauthorized credit facilities extended for reward or for illegal gratification;
- (d) Negligence and cash shortages (includes intention to cheat/defraud is suspected/ proved);
- (e) Cheating and forgery;
- (f) Irregularities in foreign exchange transactions
- (g) Any other type of fraud not coming under the specific heads as above;

Cases of 'negligence and cash shortages' and 'irregularities in foreign exchange transactions' referred to in items (d) and (f) above are to be reported as fraud, if the intention to cheat / defraud is suspected / proved.

However, the following cases where fraudulent intention is not proved, at the time detection, will be treated as fraud and reported accordingly:

- (a) cases of cash shortages more than Rs.10,000/- and
- (b) cases of cash shortages more than Rs. 5000/- if detected by management/auditor/inspecting officer and not reported on the occurrence by the persons handling cash.

3. Regulatory reporting

- A reporting system for frauds as prescribed by RBI as per “**Annexure A**”
- Company should also report fraud perpetrated in their overseas branches/offices to the RBI as per the criteria prescribed in **Annexure A**.
- Company should also report fraud perpetrated in their subsidiaries and affiliate/joint ventures. Such fraud should, however, not be included in the report on outstanding frauds and the quarterly progress reports referred in **Annexure A**.
- Fraud reports should also be submitted in cases where Central Agencies have initiated criminal proceedings suo-moto and/or where the Bank has directed that they be reported as frauds.
- Company should also furnish case wise quarterly progress reports in FMR – 3 based on criteria as provided in **Annexure A**.

It may be noted that Company is not required to submit “NIL” report of frauds to monitoring cell/regional offices of Department of Non-Banking supervision.

4. Frauds committed by unscrupulous borrowers

Frauds committed by unscrupulous borrowers including companies, partnership firms/proprietary concerns and/or their directors/partners by various methods including the following:

- (a) Fraudulent discount of instruments.
- (b) Fraudulent removal of pledged stocks/disposing of hypothecated stocks without the Company's knowledge/inflating the value of stocks in the stock statement and drawing excess finance.
- (c) Diversion of funds outside the borrowing units, lack of interest or criminal neglect on the part of borrowers, their partners, etc. and also due to managerial failure leading to the unit becoming sick and due to laxity in effective supervision over the operations in borrowal accounts on the part of the Company functionaries rendering the advance difficult of recovery.

In respect of frauds in borrower accounts involving an amount of Rs. 5 lakh and above, additional information as prescribed under Part B of FMR – 1 may also be furnished.

5. Reporting and review by Board

- All frauds of Rs. 1 lakh and above shall be reported to the Board promptly on their detection.
- Information relating to frauds for the quarters ending March, June and September shall be placed during the month following the quarter to which it pertains, if any.

It should be accompanied by supplementary material analyzing statistical information and details of each fraud so that the Board would have adequate material to contribute effectively in regard to the punitive or preventive aspects of frauds.

- Undertake and update the Board on the annual review of the frauds. Reviews for the year ended December should be put up before the end of March of following year.

6. Reporting, monitoring and review by ACB

- All frauds of Rs. 25 lakh and above shall be reviewed by the ACB promptly on their detection;
- All frauds of Rs. 25 lakh and above shall be monitored and reviewed by the ACB on a quarterly basis;

However, the periodicity of the meetings of the may be decided according to the number of cases involved. However, ACB should meet and review as and when a fraud involving an amount of Rs 25 lakh and above comes to light.

- All attempted frauds of Rs. 25 lakh and above shall be reported to the ACB. The report containing attempted frauds which is to be placed before the ACB should cover inter alia the following:
 - The modus operandi of the attempted fraud;
 - How the attempt did not materialize in the fraud or how the attempt failed/was foiled;
 - The measures taken to strengthen the existing systems and controls;
 - New system and controls put in place in the area where fraud was attempted;
 - In addition to above, yearly consolidated review of such cases detected during the year containing information regarding area of operations where such attempts was made, effectiveness of new process and procedures put in place during the year, trend of such cases during the last three years, need for further change in process and procedures, if any etc. as on March 31 every year within three months of the end of the relative year.

7. Annual Review of Frauds

Company should conduct an annual review of the frauds and place a note before the Board of Directors for information and main aspects which may be considered while making such a review is prescribed in **Annexure B**. The reviews for the year-ended December may be put up to the Board before the end of March the following year. Such reviews need not be sent to RBI. These may be preserved for verification by the Reserve Bank's inspecting officers.

8. Annual report disclosure

Company shall disclose the amount related to fraud, reported for the year in the balance sheet.

9. Responsibility

Vice President (Finance & Accounts) of the Company is responsible for policy implementation and for submitting all the returns to the RBI and reporting as mentioned in this policy.

10. Guidelines for reporting frauds to Police

Company is required to follow the following guidelines for reporting of frauds such as investment in securities for illegal gratification, negligence and cash shortages, cheating, forgery, etc. to the State Police authorities. As a general rule, the following cases should invariably be referred to the State Police:

- a) Cases of fraud involving an amount of Rs. 1 lakh and above, committed by outsiders on their own and/or with the connivance of Company staff/officers; and
- b) Cases of fraud committed by Company employees, when it involves Company funds exceeding Rs. 10,000/-.

11. Amendment

Any amendment or modification in the RBI Directions and any other applicable regulations relating to the reporting and monitoring of fraud shall automatically be applicable to the Company.

In case of any inconsistencies between the provisions of this policy and the applicable RBI Master Directions/circulars, the relevant Master Directions/Circular will prevail with respect to such provisions.

Please find below the link for the notification viz. RBI/DNBS/2016-17/49 dated September 29, 2016 for immediate reference.

[Reserve Bank of India - Notifications \(rbi.org.in\)](http://rbi.org.in)

Annexure – A

Particulars	Reporting to	From	Timelines	Additional requirements
Amount involved above Rs. 1 lakh and below Rs. 1 Crore	Regional Office, DNBS, RBI	FMR-1	Within three weeks (21 days) from the date of detection.	Such reports should, among other things, take note of the failure on the part of the concerned officials, and consider initiation of appropriate action against the officials responsible for the fraud.
Amount involved Rs. 1 Crore and above	(i) Regional Office, DNBS, RBI and (ii) Central Fraud Monitoring Cell (FMC), DBS, Central Office, RBI	FMR-1	Within three weeks from the date of detection.	Fraud in borrower account involving an amount of Rs 1 Lakh and above additional info in Part B of FMR-1 to be provided
Case wise quarterly progress report on frauds involved Rs 1 lakh and above	Regional Office, DNBS, RBI	FMR-3	Within 15 days of the end of the quarter	
Quarterly reports on frauds outstanding (All amounts)	Regional Office, DNBS, RBI	FMR-2	Within 15 days of the end of the quarter	Certificate as part of the FMR-2 report that all individual fraud cases of Rs. 1 lakh and above reported to RBI in FMR-1 during the quarter have also been put up to the Board and have been incorporated in Part – A (columns 4 and 5) and Parts B and C of FMR- 2.
Case wise quarterly progress report on frauds involving Rs. 1 Crore and above	Fraud Monitoring Cell (FMC), DBS, Central Office, RBI	FMR-3	Within 15 days of the end of the quarter	In cases where there are no developments during a quarter, a list of such cases with a brief description including name of branch and date of reporting shall be furnished in FMR-3.
Case wise quarterly progress report on frauds involved less than Rs 1 Crore	Regional Office, DNBS, RBI	FMR-3	Within 15 days of the end of the quarter	

D.O. letter on frauds of Rs. 1 Crore and above	Chief General Manager (CGM) - In Charge, DBS, FMC, Central Office, RBI and copy to: (i) CGM – In Charge, DNBS, Central Office, RBI (ii) Regional Office, DNBS, RBI	It should be a D.O. letter, however no format prescribed	Within a week of fraud coming to the notice	
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Annexure - B

ANNUAL REVIEW OF FRAUDS

S. No.	Particulars	Response
1.	Total number of frauds detected during the year and the amount involved as compared to the previous two years.	
2.	Analysis of frauds according to different categories detailed in Paragraph 2 and also the different business areas indicated in the Quarterly Report on Frauds Outstanding (vide FMR – 2).	
3.	Modus operandi of major frauds reported during the year along with their present position.	
4.	Detailed analyses of frauds of Rs. 1 lakh and above.	
5.	Estimated loss to the Company during the year on account of frauds, amount recovered and provisions made.	
6.	Number of cases (with amounts) where staff are involved and the action taken against staff.	
7.	Time taken to detect frauds (number of cases detected within three months, six months and one year of their taking place).	
8.	Position with regard to frauds reported to Police.	
9.	Number of frauds where final action has been taken by the Company and cases disposed of.	
10.	Preventive/punitive steps taken by the Company during the year to reduce/minimise the incidence of frauds.	
11.	Whether the systems in the Company are adequate to detect frauds, once they have taken place, within the shortest possible time.	
12.	Whether frauds are examined from staff angle.	
13.	Whether deterrent punishment is meted out, wherever warranted, to the persons found responsible.	
14.	Whether frauds have taken place because of laxity in following the systems and procedures and, if so, whether effective action has been taken to ensure	

	that the systems and procedures are scrupulously followed by the staff concerned.	
15.	Whether frauds are reported to local Police, as the case may be, for investigation.	
16.	Timely reporting of fraud to the concerned authorities.	
17.	Any other relevant information	

For GMR Airports Limited


Company Secretary