

NUMALIGARH REFINERY LIMITED

Risk Management - Fraud Prevention Policy

1. BACKGROUND

Numaligarh Refinery Limited (NRL) has put in place various policies and procedures over the years, to guide its employees within and outside the organization. These systems have been designed to ensure that officials dealing and undertaking transactions conduct the same in a transparent & uniform manner. Few examples are Delegation of powers, Code of conduct for Directors and Senior Management Personnel; Conduct, Discipline & Appeal Rules for employees; Whistle Blower Policy etc.

Department of Public Enterprises (DPE) issued guidelines on 'Corporate Governance' and as per the guidelines, NRL should lay down procedures to inform Board Members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risks through means of a properly defined framework. Procedure will be laid down for internal risk management. It also requires that the Board should implement policies and procedures which should include:

- (a) Staff responsibilities in relation to fraud prevention and identification
- (b) Responsibility of fraud investigation once a fraud has been identified
- (c) Process of reporting on fraud related matters to management
- (d) Reporting and recording processes to be followed to record allegations of fraud
- (e) Requirements of training to be conducted on fraud prevention and identification.

Further, NRL is committed to protect its revenue, property, proprietary information and other assets and provide guidance to its employees when misuse or misappropriation of assets is suspected. NRL has intention to fully investigate any suspected acts of "fraud" as it is defined in this policy, in an impartial manner regardless of the suspected wrongdoer's length of service, position, title or relationship with the company.

In addition to the above, Statutory Auditors of the company are required to comment on the "Fraud Prevention Policy" of the company in their report to the Comptroller and Auditor General of India (C&AG) on the annual accounts of the company given in compliance of the provisions of Section 619(3) of the Companies Act, 1956.

In the light of the foregoing and keeping in view of the fact that NRL had voluntarily following the principles of Corporate Governance proactively since long, it is appropriate that a "Fraud prevention policy" is formulated and implemented.

Hence this policy has been framed & is being issued herewith for implementation.

2. OBJECTIVES:

The "Fraud Prevention Policy" has been framed to provide a system for prevention/detection/reporting of any fraud that is detected or suspected and fair dealing of matters on the subject.

The policy is expected to ensure and provide for the following:-

- i) That 'Fraud Prevention' is the responsibility of all and a 'culture' is to be created.
- ii) That the management is fully aware of its responsibilities for detection & prevention of fraud and also for:
 - a) Establishing procedures for preventing frauds and/or
 - b) Detecting fraud when it occurs.
- iii) Policy is expected to provide clear guidance to every one dealing with NRL:
 - a) Forbidding them from involvement in any fraudulent activity and
 - b) The action to be taken by them - where any fraudulent activity is suspected.
- iv) Guidance as to how to conduct investigations in fraudulent activities.
- v) To provide assurances to one and all, that any & all suspected fraudulent activity(s) will not be allowed and will be fully investigated.

3. SCOPE OF POLICY:

The policy applies to any fraud or suspected fraud, involving any one [(full time & part time employees or persons appointed on adhoc/temporary/contract basis, trainees, apprentices, representatives of vendors/suppliers/contractors/consultants/service providers or any other agency (ies) doing any business with NRL.

4. DEFINITION OF 'FRAUD':

"Fraud" may be defined as "Any willful act, committed intentionally by an individual(s) – by deception, suppression, cheating or any other fraudulent or any other illegal means, thereby, causing wrongful gain(s) to self or any other individual(s) and wrongful loss to NRL and other(s)". "Fraud" is an act of using dishonesty as a tool for personal gain.

Many a times such acts are undertaken with a view to deceive/mislead others leading them to do or prohibiting them from doing a bonafide act or take bonafide decision which is not based on material facts.

5. ACTIONS CONSTITUTING/ LEADING TO FRAUD:

While fraudulent activity could have a very wide range of coverage, the following are some of the actions which constitute fraud.

The list given below is only **illustrative and not exhaustive:-**

- I. Forgery or unauthorized alteration of any document or account belonging to the Company.
- II. Forgery or unauthorized alteration of cheques, bank drafts or any other financial instruments etc.
- III. Misappropriation of funds, securities, supplies or other assets by fraudulent means etc.
- IV. Falsifying records, removing the documents/ papers/notings from files and /or replacing it.
- V. Making fraudulent /false notings etc.
- VI. Willful suppression of facts/ deception in matters of appointment; placements; submission of reports; in any recommendations or making such recommendations as a result of which a wrongful gain (s) is made to one and/or wrongful loss (es) is caused to NRL and others.
- VII. Utilizing Company funds for personal purposes.
- VIII. Authorizing (or receiving) any payment for goods/services not supplied (fully or partly), or supply/acceptance of substandard quality, or supply/acceptance of substandard services.
- IX. Destruction, disposition, removal of records or any other assets of the Company with an ulterior motive to manipulate and misrepresent the facts so as to create suspicion /suppression/cheating as a result of which objective assessment/decision would not be arrived at.
- X. Stealing and/or removing any assets of NRL.
- XI. Obtaining funds and/or compensation through dishonesty.
- XII. Any other act that falls under the gamut of 'fraudulent activity'.

6. REPORTING OF FRAUD: TO THE NODAL OFFICER:

- i. Any one (full time & part time employees or persons appointed on adhoc/ temporary/contract basis, trainees, apprentices, representatives of vendors/ suppliers/ contractors/consultants/service providers or any other agency (ies) doing any business with NRL) - as soon as he / she comes to know of any fraud or suspected fraud or notice any other fraudulent activity - he/she must report such incident (s) without further loss of time.

- ii. Such reporting shall be made to the **"Nodal Officer"**. The official and/or officials who will be the **"Nodal Officer"** for the purpose of this policy will be separately notified by the Managing Director.
- iii. The **"Nodal Officer"** will bring the act of fraud to the notice of Chief Vigilance Officer within two working days from the date of receipt of report of fraud.
- iv. If however, time constraints are there to report the matter to the "Nodal Officer", such report should be made to the **immediate controlling officer**, who shall ensure that input received is immediately communicated to the "Nodal Officer" as stated in item 6 (ii) above.
- v. The reporting of the fraud normally should be in writing. In case the reporter is not willing to furnish a written statement of fraud but is in a position to give sequential and specific transaction of fraud/suspected fraud, then the officer receiving the information should record such details in writing as narrated by the reporter and also maintain the details about the identity of the official/employee/other person reporting such incident.
- vi. Reports can be made 'in confidence'. The person to whom the fraud or suspected fraud has been reported must maintain the confidentiality with respect to the reporter. Such matter should under no circumstances be discussed with any other person who is not supposed to know about/ or is not an authorized person in such matters.
- vii. **Anonymous complaints** received, if not supported by the **relevant evidence**, may not be acted upon. However, a record of such complaints will be maintained. Also, a record of the reasons to be made in writing (for not taking any action on such anonymous complaints) will be maintained by the "Nodal Officer" as stated in item 6 (ii) above.
- viii. All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by the "Nodal Officer" as stated in item 6 (ii) above.
- ix. "Nodal Officer" as stated in item 6 (ii) above on receiving input about any suspected fraud shall ensure that all relevant records/documents and other evidence is being immediately taken into custody and being protected from being tampered with, destroyed or removed by suspected perpetrators of fraud or by any other official under his influence.

7. INVESTIGATION PROCEDURE:

- i. The "Nodal Officer" as stated in item 6 (ii) above will act as Coordinator.
- ii. He shall refer the details of the Fraud/suspected fraud received, to the Chief Vigilance Officer of NRL, for further appropriate investigation and needful action.

- iii. This input would be in addition to the intelligence, information and investigation of cases of fraud being investigated by the “Vigilance Department” on their own as part of their day to day functioning.
- iv. After completion of the investigation, due and appropriate action, which may include administrative action, disciplinary action, civil or criminal action or closure of the matter if it is proved that fraud is not committed etc. (depending upon the outcome of the investigation) shall be undertaken as per relevant rules of the NRL.
- v. “Nodal Officer” and/or “Vigilance Department” shall apprise Chief Vigilance Officer of the results of the investigation undertaken by them. There shall be constant coordination maintained between the two.
- vi. Keeping in view the Guidelines on ‘Corporate Governance’ issued by the Department of Public Enterprises, wherever ‘fraud’ of a material nature is established prima-facie, report thereof will be submitted by the Chief Vigilance Officer to the Audit Committee for their review and further reporting the matter to the Board.

8. RESPONSIBILITY FOR FRAUD PREVENTION & TRAINING RELATED THERETO:

- i. Any one (full time & part time employees or persons appointed on adhoc/temporary/ contract basis, trainees, apprentices, representatives of vendors/suppliers/ contractors/consultants/service providers or any other agency (ies) doing any business with NRL), is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken place or is likely to take place, they should immediately apprise the same to the concerned authority as per this policy.
- ii. All controlling officers shall share the responsibility of prevention and detection of fraud and for implementing the Fraud Prevention Policy of the Company.
- iii. It is the responsibility of “All Controlling Officers” in consultation with the Chief Vigilance Officer to ensure that there are mechanisms in place within their area of control to:-
 - a. Inform every one working with/ under him about ‘Fraud Prevention Policy’,
 - b. Familiarize each employee with the types of improprieties that might occur in their area,
 - c. Inform them the mechanism about Fraud Prevention and Detection,
 - d. Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
 - e. Promote employee awareness of ethical principles subscribed by the Company through ‘Conduct, Discipline and Appeal Rules’;

- iv. A disclosure about the 'Fraud Prevention Policy' will be made a part of 'tender document', so as to make every one aware of and not to indulge or allow anybody else working in their organization to indulge in fraudulent activities while dealing with NRL.

Therefore, following clause may be made a part of the tender conditions:

Fraud Prevention Policy of NRL:

1. *Everyone may take a note that a "Fraud Prevention Policy" is being followed at NRL, which provides a system for prevention/detection/reporting of any fraud. It also forbids every one from involvement in any fraudulent activity and that where any fraudulent activity is suspected by any one, the matter must be reported to the **NODAL OFFICER** as soon as he/she comes to know of any fraud or suspected fraud or notice any other fraudulent activity.*
2. **Anonymous complaints** received, if not supported by the relevant evidence, may not be acted upon.
3. *All reports of fraud or suspected fraud shall be handled and shall be coordinated by the **Nodal Officer**.*
4. *A copy of the '**Fraud Prevention Policy**' is available on the official web-site of NRL.*

9. IMPLEMENTATION & ADMINISTRATION OF THE POLICY:

Each of the Directorates will be responsible for implementation & administration of the Fraud Prevention Policy in the area under their control.

10. ADMINISTRATION AND REVIEW OF THE POLICY:

The Managing Director shall be the next higher authority for complaints made under this policy. The Managing Director shall be responsible for the administration, interpretation, application and revision of this policy. The policy will be reviewed and revised as and when need is felt by the Managing Director.

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