

## **FRAUD PREVENTION POLICY**

### **1) BACKGROUND:**

Konkan LNG Limited (KLL) was incorporated under the Companies Act, 2013.

Ever since its incorporation, KLL has adopted various policies, procedures and systems to ensure that all officials conduct the transactions in a transparent & uniform manner. Further, 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 financial statements of the company given in compliance of the provisions of Section 139 of the Companies Act, 2013.

In light of the foregoing and keeping the tenets of good corporate governance in view, it is appropriate for KLL to formulate and implement a Fraud Prevention Policy. In this context, the policy statement is given below for implementation in the company.

### **2) POLICY OBJECTIVES:**

The "Fraud Prevention Policy" has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy will ensure and provide for the following:

- i. To ensure that management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs.
- ii. To provide a clear guidance to employees and others dealing with KLL forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.
- iii. To conduct investigations into fraudulent activities.
- iv. To provide assurances that any and all suspected fraudulent activity will be fully investigated.

### **3) SCOPE OF POLICY :**

The policy applies to any fraud, or suspected fraud involving employees of KLL ( all full time, part-time or appointed on ad-hoc/ temporary/ contract basis), employees on secondment basis from other companies, as well as representatives of vendors, suppliers, contractors, consultants, lenders, service providers or any outside agency(-ies) doing any type of business with KLL

### **4) DEFINITION OF FRAUD :**

"Fraud" is a willful act intentionally committed 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/or wrongful loss to other(s). Many a times such acts are undertaken with a view to deceive/mislead others leading them to do or prohibiting them from doing a bona-fide act or take

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bona-fide decision which is not based on material facts.

### 5) ACTIONS CONSTITUTING FRAUD:

While fraudulent activity could have a very wide range of coverage, the following are some of the act(s) which constitute fraud (The list given below is only illustrative and not exhaustive):

- i. Forgery or alteration of any document or account belonging to the Company.
- ii. Forgery or alteration of cheque, bank draft or any other financial instrument etc.
- iii. Misappropriation of funds, securities, supplies or others assets by fraudulent means etc.
- iv. Falsifying records such as pay-rolls, removing the documents from files and/or replacing it by a fraudulent note etc.
- v. Willful suppression of facts/deception in matters of appointment, placements, submission of reports, tender committee recommendations etc. as a result of which wrongful gain(s) is made to one and wrongful loss(s) is caused to others.
- vi. Utilizing Company funds for personal purposes.
- vii. Authorizing or receiving payments for goods not supplied or services not rendered.
- viii. 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.
- ix. Any other act that falls under the gamut of fraudulent activity.

### 6) REPORTING OF FRAUD :

- i. Any employee (full time, part-time or employees appointed on ad-hoc/temporary/contract basis), employees on secondment basis from other companies, representative of vendors, suppliers, contractors, consultants, service providers or any other agency (-ies) doing any type of business with KLL, as soon as he/she comes to know of any fraud or suspected fraud or any other fraudulent activity must report such incident(s). Such reporting shall be made to the designated Nodal Officer(s) nominated at Project/ HQ-Noida. If, however, there is shortage of time, such report shall be made to the concerned HOD (Head of Department), whose duty shall be to ensure that input received is immediately communicated to the Nodal Officer. 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/Nodal Officer 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. Reports can be made in

confidence and the person to whom the fraud or suspected fraud has been reported must maintain the confidentiality with respect to the reporter and such matter should under no circumstances be discussed with any unauthorized person.

- ii. Anonymous and Pseudonymous complaints received will not be entertained as a general rule. However, if the complaint is supported by any verifiable facts/ evidence, the same may be acted upon after taking approval of MD.
- iii. All reports shall be considered as confidential and shall not be discussed with any unauthorised person. The identity of the person reporting shall be kept strictly confidential. The person reporting the incident will be considered as a 'Whistle Blower' and all protection shall be available to him/her as provided under the Vigil Mechanism / Whistle Blower policy of the company.
- iv. All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by the nominated Nodal Officer(s).
- v. Nodal officer/Officer receiving input about any suspected fraud shall ensure that all relevant records documents and other evidences are 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/her influence

### **7) INVESTIGATION PROCEDURE**

- i. The Nodal Officer shall refer the details of the Fraud/suspected fraud to the Committee-at-HQ for further appropriate investigation and needful action.
- ii. This input would be in addition to the intelligence and investigation of cases of fraud being done by the Committee-at-HQ on its own as part of its day-to-day functioning.
- iii. After completion of the investigation, due & appropriate action, this could 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.
- iv. Committee-at-HQ shall intimate Nodal Officers of the results of the investigation undertaken by them. There shall be constant coordination maintained between the two.

### **8) RESPONSIBILITY FOR FRAUD PREVENTION**

- i. Every employee (full time, part-time, ad-hoc, temporary or contract basis), employees on secondment basis from other companies, representatives of vendors, suppliers, contractors, consultants, service providers or any other agency(-ies) doing any type of business with KLL, 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 or is likely to take place, they should immediately apprise the same to the concerned as per the procedure.

- ii. All departmental heads shall share the responsibility of prevention and detection of fraud and for implementing the Fraud Prevention Policy of KLL. It shall be the responsibility of all departmental heads to ensure that there are mechanisms in place within their area of control to:
  - a. Familiarize each employee with the types of improprieties that might occur in their area.
  - b. Educate employees about fraud prevention and detection.
  - c. Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
  - d. Promote employee awareness of ethical principles subscribed to by the Company through CDA Rules.
- iii. It must be ensured that necessary clauses are incorporated in the 'General Conditions of Contract (GCC)' of the tenders floated by the company wherein all bidders / service providers / vendors / consultants etc. shall be required to certify that they would adhere to the 'Fraud Prevention Policy of KLL' and not indulge or allow anybody else working in their organization to indulge in fraudulent activities and would immediately apprise the organization of the fraud/suspected fraud as soon as it comes to their notice. These conditions shall form part of documents both at the time of submission of bid and agreement of execution of contract.

### **9) ADMINISTRATION AND REVIEW OF THE POLICY**

The Managing Director (KLL) shall be responsible for administration, interpretation, application and revision of this policy.

This policy can be modified or amended in whole or in part at any time by the Managing Director of the Company under intimation to the Board of Directors of the Company.

Guidelines for implementation of the Fraud Prevention Policy (for internal purpose only)

#### **I. COMMITTEE-AT-HQ**

Head of HR at KLL-HQ shall act as the convenor and Heads of C&M, F&A and LNG at KLL-HQ shall be the members of the committee. MD – KLL shall constitute the committee. Working structure for this system has been placed at *Annexure- I*.

#### **II. NODAL OFFICERS – NOMINATION, RANK, ETC.**

- a. Nodal Officer at KLL Site shall be nominated by the Head of the Project. Details of nomination shall be intimated immediately to Committee-at-HQ.
- b. Nodal Officer for Corporate Centre shall be nominated by MD (KLL).

- c. Nodal Officers nominated shall not be below the rank of Sr. Mgr.
- d. Changes in incumbency in the post of Nodal Officers due to transfer, promotion and change in posting or separation from KLL shall be intimated immediately to the Committee-at-HQ.
- e. The duties of employees as Nodal Officers shall be in addition to their normal duties. Nodal Officers shall work in close co-ordination with the Committee-at- HQ in matters relating to the Fraud Prevention Policy.

### III. MAINTENANCE AND CUSTODY OF RECORDS

- a. Details of all reports of fraud/suspected fraud shall be maintained by the Nodal Officers in Registers maintained for this purpose.
- b. The Register shall have numbered pages and shall contain brief details of the case, action taken by the Nodal Officer and ultimate disposal of the reference.
- c. All outgoing correspondence shall be given serial reference numbers and details shall be entered in a separate dak dispatch register. All correspondence (both incoming and outgoing) and reports shall also be maintained in separate files in chronological order and the pages in the files shall also be numbered.
- d. All records and documents pertaining to reported cases of fraud/suspected fraud shall be kept under lock and key at all times and shall be handled with utmost discretion.
- e. All records and documents shall be handed over by the outgoing Nodal Officer and taken into custody and acknowledged in writing by the incoming Nodal Officer, whenever there is a change in the post of Nodal Officer. A copy of the acknowledged handing over note shall be forwarded by the outgoing Nodal Officer to the Head of Project/Office with copy to Committee-at-HQ.

### IV. REPORTS AND MEETINGS

- a. A quarterly status report giving details of cases pending at the beginning of the quarter, cases reported during the quarter, cases referred to Committee-at-HQ during the quarter, cases pending as at the end of the quarter as well as details of cases ultimately disposed of out of the cases referred by the Nodal Officer shall be forwarded by each Nodal Officer to Committee-at-HQ with copy to the Head of project by 10<sup>th</sup> of the first month of the following quarter.
- b. Nodal officers at different locations shall also prepare a similar status report in respect of cases at the respective locations to be forwarded to Committee-at-HQ by 10<sup>th</sup> of the first month of the following quarter.
- c. A quarterly report, similar to the one described at IV (a) above shall be prepared by Nodal Officer at HQ and forwarded to Committee-at-HQ by 10<sup>th</sup> of the first month of the following

quarter.

- d. Committee-at-HQ shall prepare a consolidated statement of the status received from all Nodal Officers and forward the same for submission to the Audit Committee on quarterly basis.
- e. Nodal Officers' meetings, to review the status of action taken on cases reported to Nodal Officers may be held as and when required, as decided by the Committee-at-HQ.

### **V. DISCUSSION AT AUDIT COMMITTEE MEETINGS**

An annual report compiled by Committee-at-HQ on the basis of the quarterly reports under Clause IV (d) above shall be placed before the Audit Committee (after its constitution) till than to the Board for review, only if the complaint is received and covered under this policy.

### **VI. INCLUSION OF REFERENCES TO POLICY AND REQUIREMENTS IN GCC**

Head of C&M (KLL HQ) and Head of C&M (KLL Site) shall ensure that bid documents issued and agreements entered into hereafter shall have reference to the policy and its requirements. It should also be ensured that all prospective bidders furnish a certificate to the effect that they will abide by the provisions of the Fraud Prevention Policy of KLL.

### **VII MEASURES FOR AWARENESS ABOUT POLICY AND NOMINATED NODAL OFFICERS**

- a. It shall be the duty of all HODs to ensure that all employees / those covered by the Fraud Prevention Policy are fully aware of its contents and their responsibility towards its implementation. Awareness workshops may be held for this purpose, if deemed necessary.
- b. Information containing the names of nominated Nodal Officers, their location and contact numbers (both office and residence numbers) should be prominently displayed at places where the notices can easily be seen (e.g. at all entry gates, main lobby of the administrative building, near punch card machines, recreation center and hospitals, etc.) and should also be displayed on the company's website.