



Brahmaputra Cracker and Polymer Limited (BCPL)

Fraud Prevention Policy

September' 2021

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1. INTRODUCTION

- 1.1 Brahmaputra Cracker and Polymer Limited (BCPL), A Govt. of India Enterprise, is a Joint Venture Company & was incorporated on 8th January, 2007. GAIL is the holding company of BCPL with 70% shareholding while OIL, NRL and Govt. of Assam have shareholding of 10% each. The vision of BCPL is to emerge as a dominant petrochemical player in the northeast region, providing value to stakeholders, offering best-in class products & services, contributing to economic growth while remaining environmentally conscious.
- 1.2 BCPL has put in place various policies, systems and procedures to guide employees for undertaking various transaction (s) within and outside organization to conduct the same in a transparent and uniform manner e.g Delegation of Powers (DOP), ERP-SAP, HR Policies, HSE, Code of Conduct for Directors and Senior Management Personnel, Conduct, Discipline and Appeal Rules for employees, Standing Orders and Service Rules etc.
- 1.3 Department of Public Enterprises (DPE) issued revised guidelines on Corporate Governance for Central Public Sector Enterprises on 14.05.2010. These guidelines being mandatory in nature, inter alia, stipulate that BOARD should implement policies and procedures to include:
 - 1.3.1 Staff responsibilities in relation to fraud prevention and identification;
 - 1.3.2 Responsibility of fraud investigation once a fraud has been identified;
 - 1.3.3 Process of reporting on fraud related matters to management;
 - 1.3.4 Reporting and recording process to be followed to record allegation of fraud; and
 - 1.3.5 Requirement of training to be conducted on fraud prevention and identification.
- 1.4 Further, the Companies Act, 2013 has substantively raised the bar on Corporate Governance and introduced stringent provisions to tackle the acts of fraud. The changes in Companies Act, 2013, are directed towards prevention of fraud by bringing in higher Auditor accountability and wider Director and Management responsibility. Section 447 has been enacted under the Act which makes extensive provisions for penalizing fraudulent activities (Annexure I).
- 1.5 The policy statement is given below for implementation with immediate effect.

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2. POLICY OBJECTIVES

- 2.1 Objective of the Policy is to provide a system for detection, prevention and reporting of a fraud detected or suspected; and, handling of such matters pertaining to fraud.
- 2.2 The Policy guidelines as enumerated below stipulate as under:
 - 2.2.1 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.
 - 2.2.2 To provide a clear guidance to employees and others dealing with BCPL forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity;
 - 2.2.3 To conduct investigations into fraudulent or suspected fraudulent activities; and
 - 2.2.4 To provide assurance that any and all suspected fraudulent activity/activities will be fully investigated.
 - 2.2.5 To provide training on fraud prevention and identification.
- 2.3 The above guidelines will not be in conflict with the guidelines issued by the Central Government/ Department of Public Enterprises and Central Vigilance Commission as amended from time to time.
- 2.4 The Policy is expected to ensure and provide for the following:
 - 2.4.1 The 'Fraud Prevention' is the responsibility of all – a 'culture' is to be created.
 - 2.4.2 That the management is fully aware of its responsibilities for detection and prevention of fraud.
 - 2.4.3 Establishing procedures for preventing frauds and/or Detecting fraud when it occurs.
 - 2.4.4 Policy is expected to provide clear guidance to everyone dealing with BCPL:
 - a. forbidding them from involvement in any fraudulent activity and;
 - b. the action to be taken by them-where any fraudulent activity is suspected.

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- 2.4.5 Guidance as to how to conduct investigations in fraudulent activities.
- 2.4.6 To provide assurances to one and all, that any and all suspected fraudulent activity(s) will not be allowed and will be fully investigated.

3. SCOPE OF POLICY

- 3.1 The policy applies to fraud or suspected fraud in *connection with business transaction(s) with BCPL* committed by employee(s), ex-employee(s) working as advisor(s), person(s) engaged on adhoc / temporary/ contract basis, vendor(s), supplier(s), contractor(s), *customer(s)*, lender(s), consultant(s), service provider(s), any outside agency(ies) or their representative(s), employees of such agencies and/or any other parties.

4. DEFINITION

- 4.1 "Fraud" is a willful act committed by an Individual(s)/Entity(ies) - 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 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 bonafide act or take bonafide decision which is not based on material facts.

- 4.2 Section 447 (Punishment of Fraud) of Companies Act, 2013 explains fraud as follows:

"fraud" in relation to affairs of a company or any body corporate, includes

(a) any act,

(b) omission,

(c) concealment of any fact or

(d) abuse of position committed by any person or any other person with the connivance in any manner, -

- *with intent to deceive,*
- *to gain undue advantage from, or*
- *to injure the interests of,*
 - *the company or*
 - *its shareholders or*
 - *its creditors or*
 - *any other person,*

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whether or not there is any wrongful gain or wrongful loss;

- "wrongful gain" means the gain by unlawful means of property to which the person gaining is not legally entitled;*
- "wrongful loss" means the loss by unlawful means of property to which the person losing is legally entitled.*

4.3 "Nodal Officer" shall not be below the level of Senior Manager at Lepetkata, Guwahati, Noida, Duliajan, Lakwa and other locations, if any. Fraud Control Officer shall not be below the rank of DGM and will be posted at Lepetkata Factory & Office Premises.

MD BCPL will nominate the Nodal Officer for all the locations and the Fraud Control Officer who will act as overall coordinator for all the sites & offices.

4.4 Competent Authority concerned will notify the name and designation of link Nodal Officer who will discharge the duties and responsibilities of nodal officer during his /her leave.

5. ACTIONS CONSTITUTING FRAUD

5.1 While fraudulent or suspected fraudulent activity could have a very wide range of coverage, the following are some of the act(s) which constitute fraud.

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

- Forgery or unauthorized alteration of any document or account belonging to the Company
- Forgery or unauthorized alteration of cheque, bank draft, E-banking transaction(s) or any other financial instrument etc.
- Misappropriation of funds, securities, supplies or others assets by fraudulent means etc.
- Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.
- Willful suppression of facts/deception in matters of appointment, placements, submission of reports, tender committee recommendations etc. as a result of which a wrongful gain(s) is/are made to one and wrongful loss(s) to the others.

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- vi. Utilizing Company funds for personal or other than official 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.
- x. Conflict of interest.
- xi. Willful inaction in preventing fraud.
- xii. Misrepresentation of facts.

6. NODAL OFFICER RESPONSIBILITIES IN RELATION TO FRAUD PREVENTION AND IDENTIFICATION

6.1 Nodal Officer(s) shall share the responsibility of prevention and detection of fraud and for implementing the "Fraud Prevention Policy" of the Company. It is the responsibility of all Nodal Officer(s) to ensure that complete mechanism in respect of Fraud Prevention Policy is in place within his area of control to :-

- 6.1.1 Familiarize each employee with the types of improprieties that might occur in their area.
- 6.1.2 Educate employees regarding the measures to be taken for prevention and detection of fraud.
- 6.1.3 Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
- 6.1.4 Promote awareness among the employees of ethical principles subscribed to by the Company through CDA Rules/Standing orders.
- 6.1.5 Maintain date wise receipts and forwarding of complaints to the Fraud Control Officer.

7. FRAUD PREVENTION & DETECTION MECHANISM

7.1 Fraud Prevention:

Prevention encompasses an ethical environment, periodic fraud risk assessment and preventive internal control such as authority limits, policies and procedures. A strong tone at the top supported with preventive controls

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along with effectively implemented process serve as strong and effective deterrents for fraud.

A. Culture of Honesty and ethics:

The most effective method of preventive fraud is creation of an ethical and transparent environment that promotes all employees to actively participate in protecting BCPL's reputation, resources and promoting stakeholder confidence in BCPL. This involves:

- i. Disclosure of conflict of interest
- ii. Enforcement of CDA Rules
- iii. Compliance with code of conduct of BCPL
- iv. Compliance with code of Internal Procedures and conduct in dealing with securities of the company
- v. Fraud awareness and training
- vi. Continuous Fraud risk monitoring and control

B. Fraud prevention Mechanism:

Following are fraud preventive mechanism in the company:

- i. Respective Nodal Officers will prepare all fraud risk assessment of their Sites and forward the same to the Fraud Control Officer posted at Lepetkata Office & Factory premises on quarterly basis. The Fraud Control Officer will consolidate fraud risk assessment reports received from all the Sites & Offices and prepare a Fraud Risk Assessment Report on quarterly basis & forward the same to the members of Fraud Risk Management Committee, Director (Finance) & Chief Operating Officer of BCPL.
- ii. Fraud Risk Assessment Report will be reviewed by Fraud Risk Management Committee (FRMC) consisting of HOD (IA), HOD (C&P), HOD (HR), HOD (F&A) & HOD (Legal) on quarterly basis & put up their recommendation to the Audit Committee. The Management of the BCPL or FRMC members may nominate a chairman for the FRMC.
- iii. Incorporation of Fraud prevention Policy in tender/GSA/GTA etc.
- iv. Promotion and implementation of Whistle Blower Policy and other fraud prevention and detection mechanism in the company.
- v. Promotion and implementation of Monitoring systems such as Bill Watch system, File Management System, Tender Monitoring System, E-banking payments/receipts, E-tendering, GEM & Reverse Auctions etc.



7.2 Fraud Detection:

Detective controls are designed to detect fraudulent activity, as well as errors in various business processes in SAP system implemented in the company. A lack of, or weaknesses, preventive controls increases the risk of fraud and in such cases there is greater burden on detective controls. Some examples of the detective controls are, segregation of duties, reconciliation, audits, independent reviews, physical inspection, periodic counts, surprise checks and periodical evaluations system control and surveillance system etc.

Detective controls are designed considering the fraud risk as such they may need to be flexible, adaptable and continuously changing to meet the various changes in fraud risk.

Whistle Blower policy, Bill Watch System, Tender Monitoring System, File Management System, E-tendering, E-banking payments / receipts, Reverse auction, Surveillance System & Complaint Handling Mechanism are other essential elements of Fraud detection process in the company.

8. RESPONSIBILITY OF ALL STAKEHOLDERS TO BE REFRAINED FROM ANY FRAUDULENT ACT WHILE MAKING BUSINESS TRANSACTION(S) WITH BCPL

8.1 Every employee; ex-employee working as advisor; person engaged on adhoc/temporary/contract basis; vendor; supplier; contractor; bidder; customer; lender; consultant; service provider; any outside agency or their representative; employee of such agency and/or any other party in connection with business relationship with BCPL is expected and shall be responsible to ensure that there is no fraudulent act committed by them while performing any business transaction(s) with BCPL.

8.2 As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place, same should immediately be apprised to Nodal officer as per the procedure.

9. PROCEDURE OF REPORTING ON FRAUD RELATED MATTER TO MANAGEMENT

9.1 The "Fraud Control Officer" shall act as overall coordinator and refer the details of the fraud/suspected fraud to the members of Fraud Risk Management Committee, COO and Director (Finance) of BCPL immediately.

9.2 Fraud Control officer on due recommendation of Fraud Risk Management Committee (FRMC) will take approval from MD BCPL through Director (F)/

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- COO and will refer the case to the CVO for further appropriate investigation and needful action.
- 9.3 This input would be in addition to the intelligence, information and investigation of cases of fraud being investigated by the Vigilance Department of their own as part of their day to day functioning.
- 9.4 After completion of the investigation, due & appropriate action, which could include administrative action, disciplinary action, civil or criminal action, Banning Business or Black listing of the vendors/contractors/suppliers/or closure of the matter if it is proved that fraud is not committed etc. shall be taken as per relevant rules of BCPL depending upon the outcome of the investigation.
- 9.5 The findings of the investigation shall be evaluated by the FRMC and based on the materiality of the case, the same shall be reported to the Audit Committee and the Board.
- 9.6 The FRMC shall also inform the external auditor(s) of any fraud of material nature that could affect the BCPL's financial statements.
- 9.7 Anonymous & 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 BCPL.
- 9.8 Complaint shall be accepted through e-mail/telephone in line with 9.8.
- 9.9 In emergency, such report should be sent immediately to the Fraud Control Officer; and, to COO/ concerned GM who shall forward their instructions to the concerned Nodal Officer(s).

10. INCORPORATION OF FRAUD PREVENTION POLICY IN TENDER/GSA/GTA ETC

- 10.1 Necessary provisions will be incorporated in the tender documents wherein all the Bidders/Service providers/Vendors/Consultants etc. shall be required to certify that they would adhere to the Fraud Prevention Policy of BCPL and shall not indulge themselves or allow others (working in BCPL) to indulge in fraudulent activities and that they would immediately apprise the organization of the fraud/suspected fraud as soon as it comes to their notice.

Concealment of facts regarding their involvement in fraudulent activities in connection with the business transaction(s) of BCPL is liable to be treated as crime and dealt with by the procedures of BCPL as applicable from time to time.

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10.2 Similar clause regarding adherence to the Fraud Prevention Policy of BCPL will be added in Gas Purchase Agreement/ Product Marketing Agreement and other service agreement etc. with customers/ consignment stockiest etc.

10.3 In respect of existing Purchase Orders/Work Orders/ Service Contracts/ Gas Purchase Agreements etc., the said exercise would be completed within Six months (06 months) time from the implementation of this policy.

11. NOTIFICATION OF NODAL OFFICERS

11.1 List of Nodal officers attached to various Sites/ Corporate Office would be displayed in the BCPL's web site/intranet.

11.2 Necessary provisions will be incorporated in the Tender documents /GSA /GTA/ other agreements etc which will redirect the stake holders to refer BCPL website for the requisite information and also to see the detailed Fraud Prevention Policy.

12. REPORTING AND RECORDING PROCESS TO BE FOLLOWED TO RECORD ALLEGATION OF FRAUD

12.1 Reporting of the fraud should be in writing.

12.2 In case the complainant is either not willing to or not able to furnish a written statement of fraud but is in a position to give sequential and specific transaction(s) of fraud/suspected fraud, then the Nodal Officer should record such details in writing as narrated by the complainant and also maintain the confidentiality about the identity of the complainant.

12.3 Nodal officer shall forward the complaint concealing the identity of the complainant. Name of the complainant can be revealed on the requirement of Directors/CVO.

12.4 All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by Nodal Officer(s).

12.5 Nodal officer 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.

12.6 After completion of the investigation, due & appropriate action, which could include administrative action, disciplinary action, civil or criminal action or

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closure of the matter if it is proved that fraud is not committed etc. depending upon the outcome of the investigation shall be undertaken.

13. INFORMATION TO AUDIT COMMITTEE

13.1 Fraud Risk Management Committee will forward quarterly report on status of fraud (s) approved by MD for investigation along with action taken thereof to Audit Committee for information.

14. REQUIREMENT OF TRAINING TO BE CONDUCTED ON FRAUD PREVENTION AND IDENTIFICATION

14.1 Training on fraud prevention and identification shall be included in the training calendar every year and will be imparted to employees and Nodal Officers.

14.2 Special training to Nodal Officers & Fraud Control Officer for implementation of Fraud Prevention Policy in the company would be imparted with the help of GAIL.

14.3 Employees should be targeted by means of training programs (either special training sessions or by inclusion in induction training or sectoral training modules). Regular circulars, newsletters etc are also to be resorted to.

14.4 Customers and the public should be sensitized by means of advertisements, detailed do's and don'ts published on website or in posters and flyers or other communications.

15. ADMINISTRATION AND REVIEW OF THE POLICY

15.1 The Managing Director, BCPL shall be responsible for administration, interpretation and implementation of the policy and shall be assisted by FRMC. Any revision of the policy shall be carried with the approval of Board through Audit Committee.

Annexure I

Provisions related to "Fraud" in Companies Act, 2013

PUNISHMENT FOR FRAUD	Section 447 defines the punishment for fraud, as below: 1. For Fraud involving an amount of at least ten lakh rupees or one percent of the turnover of
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	the company, the Criminal Liability will be as follows: • <u>Criminal Liability - Imprisonment</u> Minimum: 6 months (3 years in case public interest is involved) Maximum: 10 years 2. Where the fraud involves an amount less than ten lakh rupees or one percent of the turnover of the company, whichever is lower, and does not involve public interest, Criminal Liability will be as follows: Maximum : 5 year AND • <u>Civil Liability - Fine/ Penalty</u> Minimum: Amount equivalent to fraud; Maximum: 3 times of amount involved in fraud in case of 1 above. Maximum Amount: Fifty Lakh in case of 2 above. It is important to note that penalty is <u>non compoundable</u>.
ACTS AMOUNTING TO FRAUD	The Companies Act, 2013 provides that a person will be held guilty of fraud in the following distinct circumstances#: • Furnishing of false information at the time of incorporation of Company by promoters, first Directors or any other person - Sec 7(5)&(6) • Managing the affairs of the nonprofit company fraudulently - Sec 8(11) • Misrepresenting any material information in prospectus - Sec 34 • Inducing any person fraudulently to invest money -

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	Sec 36 • Making of applications for acquisition of any securities in fictitious names – Sec 38(1) • Issue of duplicate shares of company with intent to defraud or deceive – Sec 46(5) • Transfer of any shares by Depository or Depository Participant with intent to defraud, deceive any person – Sec 56(7) • Concealment of name or misrepresenting the amount of claim knowingly of any creditor – Sec 66(10) • Failure to repay deposit with intent to defraud depositor -Sec 75(1) • Furnishing of false statement, mutilation, destruction of secretarial documents – Sec 229 • Conducting business to defraud its creditors, members or any other person – Sec 213 (proviso) <i>#the list is not exhaustive</i>
REPORTING OF FRAUD	By Auditor: In course of performing his duties, if an auditor of a company, in the course of the performance of his duties, has reason to believe that an offence of fraud, which involves or is expected to involve individually an amount of rupees one crore or above, is being or has been committed against the company by its officers or employees, the auditor shall report the matter as follows: 1. to the Board or Audit Committee, as the case may be, immediately but not later than two days of his knowledge of the fraud, seeking their reply or observations within forty-five days; 2. on receipt of such reply or observations, the auditor shall forward his report and the reply or observations of the Board or Audit Committee along with his comments (on such reply or observations of the Audit Committee)

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to the Central Government within fifteen days from the date of receipt of such reply or observations;

3. in case the auditor fails to get any reply or observations from the Board or the Audit Committee as the case may be within the stipulated period of forty-five days, he shall forward his report to the Central Government along with a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he has not received any reply or observations;

In case of a fraud involving lesser than the amount specified above, the auditor shall report the matter to Audit Committee constituted under section 177 or to the Board immediately but not later than two days of his knowledge of the fraud and he shall report the matter specifying the following:-

- (a) Nature of Fraud with description;
- (b) Approximate amount involved; and
- (c) Parties involved.

The following details of each of the fraud reported to the Audit Committee or the Board under sub-rule (3) during the year shall be disclosed in the Board's Report:-

- (a) Nature of Fraud with description;
- (b) Approximate Amount involved;
- (c) Parties involved, if remedial action not taken; and
- (d) Remedial actions taken.

By Third Party: Even a third party/ stakeholder can report a fraud directly to the Central Government (SFIO – Serious Fraud Investigation Office) immediately but not later than thirty days of his knowledge or information regarding fraud

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	with a copy to the vigil committee constituted as per Whistle Blower policy or in case the company has not constituted any such committee, to the Board. • The Audit Committee or Board or vigil committee shall forward a reply on such actions within 15 days from the date of receiving such complaint • If no reply is received by Audit Committee or Board or vigil committee within 15 days, then person concerned can report such Fraud to Ministry of Corporate Affairs in form ADT-4 with detailed report on fraud in sealed envelope.
FEW OTHER FACTS ON FRAUD	• Responsibility of reporting fraud is not only with the Directors, KMP or other officers of the company, but even the external stakeholders, like – Statutory Auditor, Cost Auditor, Internal Auditor, Secretarial Auditor, creditors, depositors, etc also have the responsibility to report on fraud. • Raising of money/ credit limits by any Company through bank financing means on the basis of false projections or financial statements will also amount to fraud, as it involves public interest (since the banking institution has accepted deposits from public) and would be liable to punishment of minimum 3 years • Any other instance that has not been covered under the specific provisions of Fraud as defined under Section 447, but involves the attributes of malafide intention to deceive for being fraud (as covered under Sec 447) will also attract punishment as provided under Sec 447. • Making any false statement in any Returns, Reports or Certificates or any other Secretarial documents may lead to fraud (refer Sec 448)

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