

National Aluminium Company Ltd

Fraud Prevention Policy

1. BACKGROUND:

Over the years NALCO has implemented various policies and procedures, systems to guide NALCO employees within and outside the organization for efficient functioning in a transparent manner. Most of these have been formalized in the form of policy documents. These systems have been designed to ensure that officials dealing and undertaking transactions conduct the same in a transparent & uniform manner. The Fraud Prevention Policy is also forming a part of internal control mechanism of the Company.

Clause 49 of the listing Agreement, which deals with the Corporate Governance practices to be followed by listed companies, also describes certain requirements. These requirements interalia also include “Whistle Blower Policy” in addition to Fraud Prevention Policy . This policy envisages the companies to put in place a mechanism for employees to report to the Management about unethical behavior, actual or suspected fraud or violation of conduct or ethics policy.

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 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 the approach of NALCO in following Corporate Governance principles proactively, it is appropriate that a Fraud Prevention Policy is formulated and implemented.

The policy statement is given below for implementation with immediate effect:

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 management including all employees and others dealing with NALCO 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 (subject to verification of ID of the compliant). Genuine informant to be protected for any harassment that may be inflicted on them.

- v. In case any informant is providing wrong information to harass and create unwarranted problem for any employee, such employee needs to be protected to boost the morale and appropriate disciplinary action to be initiated against the informant for providing wrong information as per the applicable conduct rules and in case of outsiders (other than employees) appropriate legal action is to be taken.

3. SCOPE OF POLICY :

The policy applies to any fraud, or suspected fraud involving employees of NALCO(all employees full time, part time including the management of NALCO or employees appointed on adhoc/temporary/contract basis) as well as representatives of vendors, suppliers, contractors, consultants, service providers or any outside agency (ies) doing

any type of business with NALCO directly or indirectly involved in unlawful / illegal or beyond the approved principles and procedures of NALCO.

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 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."

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 a wrongful gain(s) is made to one and wrongful loss(s) is caused to the 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.

x. Coercion in doing any act beyond the principle, procedures, practices of the company leading to disruption in normal activities having direct or indirect bearing in business activities.

6. REPORTING OF FRAUD :

i. Any employee(full time, part time or employees appointed on adhoc/temporary/contract basis), representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with NALCO 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 in every Unit/Regional Office/Corporate Office. If, however, there is shortage of time such report should be made to the immediate controlling officer 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. All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by Nodal Officer(s) to be nominated, failing which it may lose significance and cause loss and damage to the company.

iii. Officer receiving input about any suspected fraud/nodal officer(s) 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" shall, refer the details of the Fraud/suspected fraud *to the Vigilance Department of NALCO*, for further appropriate investigation and needful action.

ii. *This input would be in addition to the intelligence, information and investigation of cases of fraud being investigated by the Vigilance Deptt. of their own as part of their day to day functioning.*

iii. After completion of the investigation, due & appropriate action, which 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. Vigilance Department shall apprise "Nodal Officer" 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, adhoc, temporary, contract), representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with NALCO, 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 controlling officers 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 controlling officers to ensure that there are mechanisms in place within their area of control to:-

- a. Familiarise 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. Due amendments shall be made in the general conditions of contracts of the organization wherein all bidders/service providers/vendors/consultants etc. shall be required to certify that they would adhere to the Fraud Prevention Policy of NALCO 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 Chairman and Managing Director of the company shall be responsible for the administration, interpretation, application and revision of this policy. The policy will be reviewed and revised as and when needed.