

THDC INDIA LIMITED

FRAUD PREVENTION POLICY

PREAMBLE

THDC India Limited, as a Schedule 'A' Mini Ratna PSE, is committed to the highest standards of corporate governance, transparency, and ethical conduct. THDCIL already has established systems such as Delegation of Powers, Contract & Project Management Systems, Financial Controls, HR Policies, Conduct Discipline & Appeal Rules, and Vigilance mechanisms. However, such systems need to be complemented with a formal fraud prevention and detection mechanism.

As per Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSE's) issued by Department of Public Enterprises (DPE):

“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 & recording processes to be followed to record allegations of fraud; and*
- (e) Requirements of training to be conducted on fraud prevention and identification.”*

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which deals with the Corporate Governance practices to be followed by listed companies, also describes certain requirements. Regulation 4(2)(d)(iv) read with Regulation 62(J) of SEBI LODR, 2015 provides listed entity/High Value Debt Listed Entities (HVDLE) to devise an effective vigil mechanism/whistle blower policy enabling stakeholders, including individual employees, directors and their representative bodies, to freely communicate to the management their concerns about illegal or unethical practices. Accordingly, the “Whistle Blower Policy” envisages the company to put in place a mechanism for employees to report to the Management about unethical behaviour, actual or suspected fraud or violation of conduct or ethics policy.

Further, Section 177(9) of the Companies Act, 2013 requires that every listed company or such class or classes of companies, as may be prescribed, shall establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed. Further, Statutory Auditors of the Company are required to comment on the Fraud Prevention Policy of the company in their report on the annual accounts of the company given in compliance of the provisions of the Companies Act, 2013.

In the light of the foregoing and keeping in view the approach of THDC India Limited in following Corporate Governance principles proactively, THDC has designed Fraud Prevention Policy to convey the commitment of the board of directors, the audit committee, and senior management to assess, prevent and manage fraud risk. It is intended to be integrated into THDC's philosophy, policies and business plans and be an integral part of the overall risk management.

1. 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 THDC India Limited 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.
- v. Create awareness among senior management, employees, business associates, vendors, customers and others doing business or having dealings with THDC of their responsibilities for prevention, detection and reporting of fraud and for establishing controls and procedures for identification, prevention and detection of fraud.
- vi. Create a culture at THDC that promotes fraud prevention by all stakeholders; including senior management, employees, business associates, vendors, customers and others doing business or having dealings with THDC.
- vii. To protect organization from any kind of frauds resulting in loss and reputation damage by adopting integrated measures for effective and efficient fraud prevention, detection and remedial action.

2. SCOPE OF POLICY:

The policy applies to any fraud, or suspected fraud involving employees of THDC India Limited (all full time, part time or employees appointed on adhoc/temporary/contract basis/trainees/apprentices) as well as representatives of vendors, suppliers, contractors, consultants, service providers or any outside agency (ies) doing any type of business with THDC India Limited.

The policy is intended to cover both internal and external fraud.

This “Fraud Prevention Policy” applies to all business units, corporate entities, departments and functions of THDC including corporate and other offices, projects, JVs, units, services, and institutes.

This policy is an integral part of THDC’s overall Governance framework and should be read and applied in conjunction with other policies and procedures particularly, Code of Conduct for Board Members and Senior Management personnel, Whistle Blower policy and conduct of the employees which is regulated by the Employees’ (Conduct, Discipline and Appeal Rules - 'CDA'), Standing Orders, Risk Management Policy, Information Security Management policy.

3. DEFINITION:

- i. **“Competent Authority”** shall mean the Managing Director of THDCIL and will include any person(s) to whom he may delegate any of his powers as the Competent Authority under this policy from time to time or in conflict of interest, the Chairman of the Audit Committee will act as the Competent Authority for the purpose of this Policy.
- ii. **“Controlling Officer”** shall mean the Authority to whom the employee is reporting administratively.
- iii. **“Nodal Officer”** will be an employee of the Company who shall not be below the rank of E6, appointed by the Competent Authority as per this Policy, who shall be responsible for receiving information on fraud or suspected fraud by Complainant or Reporter.
- iv. **“Complainant or Reporter”** shall mean any employee (full time, part time or employees appointed on adhoc/temporary/contract basis), trainee, apprentice, representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with THDC directly or indirectly, who wish to report to the Company of a fraud or suspected fraud within the purview of this Policy.
- v. **“Fraud”** refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

As per section 447 of the Companies Act, 2013, **“fraud”** in relation to affairs of a company or anybody corporate, includes any act, omission, concealment of any fact or 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, 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.

Many 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. ACTIONS CONSTITUTING FRAUD:

The term fraud could have a wide range of coverage such as, but not limited to forgery, bribery, corruption, deception, embezzlement, misappropriation, false representation, concealment of material facts, theft and collusion. An illustrative list of actions constituting fraud is given below:

- i. Forgery or alteration of any document, record or account belonging to the THDC
- ii. Forgery or alteration of cheque, bank draft, account or any other financial instrument etc.
- iii. Fraudulent financial reporting
- iv. Misappropriation of funds, securities, supplies or other assets by fraudulent means etc.
- v. Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.
- vi. 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.
- vii. Abusing authority, position of trust or fiduciary relationship.
- viii. Utilizing Company funds for personal purposes.
- ix. Authorizing or receiving payments for goods not supplied or services not rendered.
- x. Destruction, disposition, removal of records or any other assets of the Company with an ulterior motive to manipulate and misrepresent the facts.
- xi. Fraudulent alteration, addition or removal of information on the Company's Management Information Systems
- xii. Forging signatures
- xiii. Any other act that falls under the gamut of fraudulent activity.

5. REPORTING OF FRAUD:

- i. Any employee (full time, part time or employees appointed on adhoc/temporary/contract basis), trainee, apprentice, representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with THDC 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 project/region/Corporate Centre. 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 unauthorised 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.
- 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.

- iv. Name of Nodal Officer along with contact details may be displayed on the website/ intranet.
- v. In case the complaint of fraud or suspected fraud relates to Nodal Officer itself then the same shall be reported directly to the Competent Authority.

6. INVESTIGATION PROCEDURE:

- i. The "Nodal Officer" shall, in concurrence with Competent Authority, refer the details of the Fraud/suspected fraud to the Vigilance Department of THDC, 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 Department 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.
- v. The Criminal Proceedings may be initiated by Head of Department/ Engineer-in-Charge / THDC's Authorised Representative, after obtaining approval of Competent Authority to lodge First Information Report (FIR) with the concerned Police Authorities, in case Contractor is found to be involved in fraudulent practices.

7. 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 THDC, 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. 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. 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 THDC 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.

8. ADMINISTRATION AND REVIEW OF THE POLICY:

The Managing Director (MD) shall be responsible for administration, interpretation, application and revision of this policy. The policy will be reviewed and revised as and when needed.