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**Nayara Energy Limited**

Registered Office:

Khambhalia Post, P.O. Box 24, District Devbhumi Dwarka – 361305, Gujarat

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## **Prevention of Corporate Fraud Policy**

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## DOCUMENT CONTROL

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1.0	Introduction of the Policy	Board of Directors	16.04.2021

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## 1) Introduction

- a) Nayara Energy Limited (the 'Company') adheres to high standards of professional and ethical conduct. The Company strives to conduct its business dealings and affairs in a fair and transparent manner, adopting the highest standards of professionalism in compliance with all the applicable laws, rules and regulations.
- b) Prevention of Corporate Fraud Policy (the 'Policy') is established to facilitate the development and implementation of Internal Control Systems that will aid in prevention, detection and investigation of Frauds against the Company.
- c) It is the intent of the Company to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.
- d) This Policy should be read in conjunction with the Company's Ethics Code and other relevant Policies, Procedures and Company Regulations, if any.

## 2) Objectives

It is paramount that the Company has a proactive and effective approach to prevent corporate Fraud and minimize the associated risks. This includes robust policies and procedures, system controls, oversight from the Board of Directors and checks and further, the use of internal audit and external agencies, wherever required. Accordingly, the Policy is aimed at achieving the following objectives:

- i) To create an honest and transparent culture that permeates throughout the organisation and to achieve "zero tolerance" approach towards Corporate Fraud;
- ii) Assigning responsibilities within Nayara Energy Limited for establishing appropriate policies and procedures for preventing and detecting Fraud;
- iii) Identify and implement sufficient and appropriate anti-fraud controls to eliminate or mitigate the risks identified through management reviews, investigation, audits, or during the course of implementation of this Policy;
- iv) Provide guidance to Directors, Employees and Associates familiarizing them with the action(s) that they need to take if they suspect any fraudulent activities; and
- v) Provide reasonable assurances that all fraudulent and suspected fraudulent activities will be investigated to the best of our capabilities.

## 3) Applicability

- a) This Policy shall be binding on Directors, Employees and Associates of the Company. This Policy shall also be applicable to the subsidiaries of the Company after adoption by the Board of Directors of the respective entities.
- b) This Policy applies to any Fraud or Irregularity (including suspected fraud/Irregularity) against the Company, involving Director, Employee or Associate of the Company.

#### 4) Approval of Policy and Amendments thereto

- a) This Policy shall be approved and recognized as valid for Nayara Energy Limited by a resolution of Nayara Board of Directors.
- b) The Policy shall be amended periodically including, but not limited to, happening of the following events:
  - i) changes in applicable legislation or practice of its enforcement;
  - ii) changes in powers of responsible persons or structural units; or
  - iii) identification of insufficient efficiency of measures to counteract fraud, etc.
- c) An explanatory note for rationale of changes to the policy and procedure on the basis of analysis of the current policy and procedure will be provided by the Chief Compliance & Security Officer.

#### 5) Definitions

- a) **Associates:** All persons deployed under manpower supply or secondment agreements with the Company and/or discharging the employee support functions, advisors/consultants on retainer basis except law firms or lawyers/advocates.
- b) **Company:** Nayara Energy Limited.
- c) **Director:** Director means a person appointed under provisions of Companies Act, 2013.
- d) **Employee:** All persons on the rolls of the Company, part time or full time, temporary or permanent.
- e) **Fraud/Corporate Fraud:** As per the Companies Act, 2013 in relation to affairs of a Company or any body-corporate to include 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. Fraud can include but not limited to, intentional misstating or falsifying information in corporate records, financial statements or omitting information required to be disclosed.
- f) **Head of Department ('HoD'):** Business Head, Functional Head or Unit Head as defined in the Delegation of Authority Manual.
- g) **Irregularity:** An irregularity is any activity that does not conform to the normal laws, practices, rules or policies which are applicable.
- h) **Internal Control Systems:** A system of organizational measures, policies, instructions, and control procedures aimed at reducing business process risks, of Nayara Energy culture standards and actions taken by participants of risk management and internal control system to ensure proper conduct of business: to ensure financial stability of the Company, to achieve optimal balance between its value growth, profitability and business process risks, to conduct operations in an orderly and effective manner, to ensure safeguarding of assets, to detect, correct and prevent violations, to comply with applicable legislation and policies and

procedures of the Company, to timely prepare reliable financial statements in order to improve investment attractiveness.

- i) **Policy:** For the purposes of this Policy, means Prevention of Corporate Fraud Policy
- j) **Third Party:** Includes all entities and individuals, other than Director, Employee, Associate and Subsidiaries of Nayara Energy Limited, with whom the Company has or may have contractual relationships. Without prejudice to the generality of the expression, Third Parties may include (but not limited to) consultants, agents, sales representatives, distributors, customs clearance agents, franchisees, vessel owners, dealers, traders, vendors, channel partners, contractors and suppliers, lawyers, tax advisers, introducers of business, brokers, lobbyists, bid participants and other professionals.

## 6) Key Principles

### a) Top level commitment

- i) Senior management of the Company, including members of Board of Directors, Chief Executive Officer ('CEO'), other Management Committee ('MC') members and Heads of Department ('HoD') have adopted a 'zero tolerance' approach to any form of Fraud/Corporate Fraud within the Company.
- ii) The CEO shall be responsible for supervising the implementation of this Policy, including providing proposals to update this Policy and relevant Procedures.
- iii) The Chief Compliance & Security Officer ('CCSO') shall lead in developing measures aimed at detecting, preventing and combating Fraud, including developing amendments to this Policy and getting approval from Board of Directors. The CCSO shall develop a report on the implementation, and operational effectiveness of procedures for assessment for management of risk of Fraud and internal control system to combat Fraud and forward it to the CEO for consideration.
- iv) Regular assessments for risk of Fraud shall be conducted as per the Prevention of Corporate Fraud Procedures.

### b) Zero Tolerance towards Corporate Fraud

- i) The Company is committed to prevent and deter any form of Corporate Fraud or fraudulent business practices and promotes fair dealing with all Third Parties. Directors, Employees and Associates must conduct business with honesty and integrity with Third Parties.
- ii) The Company considers any manifestations of Corporate Fraud unacceptable, regardless of the amount of damage caused to the Company, and takes active measures to counteract Corporate Fraud in its activities.
- iii) The Company shall investigate every case of reasonable suspicion or incident of Irregularity or Fraud related to the Company. Refer clause 7(f) titled "Investigation and Disciplinary Measures" for further details.

**c) Segregation of incompatible/conflicting duties**

The Company shall maintain segregation of incompatible/conflicting duties and shall not allow consolidation of job functions relating to the implementation of a process and monitoring/evaluation of that process. This endeavour shall be undertaken in order to minimize opportunities to commit and conceal fraudulent activities. The Company shall additionally consider carrying out job rotations where similar roles are available in multiple locations.

**d) Due Diligence**

The Company shall conduct due diligence regarding Third Parties and prospective hires (i.e. background verification) as regards their approach and history with respect to ethical practices before deciding whether to commence or continue business/employment relations.

**e) Communication and training**

- i) To create awareness, this Policy shall be hosted on the Company's intranet and also freely published on the official website of Nayara Energy Limited.
- ii) The Company will impart necessary trainings to all new hires and periodic refresher trainings to its existing Directors, Employees and Associates to maintain and reinforce an appropriate ethical culture.

**f) Regular assessment for risk of Fraud**

The Company shall identify, assess and periodically reassess risks of Fraud within its areas of operations. When identifying the risk, the Company shall take into account all available information on its existing and planned activities.

**g) Reporting of Irregularities or Fraudulent Activities**

If any Director, Employee or Associate becomes aware of any actual or suspected Irregularity or fraudulent activity or receives any such complaint, he shall immediately report the same by using the reporting mechanisms as detailed in the Hotline Whistle-Blower Policy. Further, the Company urges/encourages its Third Parties, to report any instances of actual or suspected violations of this Policy via our Hotline as detailed in the Hotline Whistle-Blower Policy.

**h) Monitoring & supervision**

The Company shall monitor the implemented procedures for preventing and combating Fraud in terms of their efficiency and shall supervise compliance therewith.

**i) Investigation of violations**

The Company shall investigate, as appropriate all reasonably substantiated reports of Fraud, Irregularity or other violations of this Policy in accordance with the Hotline Whistle-Blower Policy to prevent and combat fraud and bring to justice those responsible for those violations, as per applicable law and/or policies of Nayara Energy Limited. The Company shall not tolerate retaliation of any kind against any individual for reporting any actual or suspected Irregularity or Fraud.

## 7) Key Activities

### **a) Engaging Third Parties**

- i) To minimize the risk of Fraud associated to interactions with Third Parties and to emphasize the need to act firmly within ethical and legal boundaries, the Company shall undertake on-boarding, diligence and monitoring of Third Party interactions as per the Third Party Due Diligence Policy.
- ii) Directors, Employees or Associates who recommend or appoint Third Parties should avoid, to the best possible extent appointing a Third Party which is suspected of Fraud. There should be no unmitigated conflict of interest of Directors, Employees or Associates involved in decision making relating to the concerned Third Party.

### **b) Background Verification Process**

To pre-empt, identify and/or mitigate the risk of Fraud perpetration, the Company will conduct background verification for all new full time recruits across divisions and levels as per the Background Verification Process.

### **c) Regular Assessment for risk of Fraud**

- i) The Company acknowledges the need for mitigation and management of risk of Fraud and Irregularities notwithstanding probability of its occurrence and possible impact. All Directors, Employees and Associates are responsible for prevention and detection of Fraud. The Company expects them to be vigilant against all types of Frauds that might occur within their area of responsibility.
- ii) The Company shall regularly undertake assessment for risk of Fraud, which shall:
  - (1) identify risks of Fraud and Irregularities the Company might reasonably anticipate;
  - (2) analyse, assess and prioritize the identified risks of Fraud/Irregularities/vulnerable areas; and
  - (3) evaluate the suitability and effectiveness of the existing mitigating controls.
- iii) Within the course of identification and analysis of risk of Fraud and Irregularities, it is crucial to identify high risk business processes, functions and areas to implement appropriate entity and process level controls/procedures/measures.
- iv) Consequently, corrective and preventive actions will be recommended by HoDs in consultation with the Compliance & Security Department. The respective HoDs will be responsible for implementing aforesaid corrective and preventive actions.
- v) The risk of Fraud Assessment shall be reviewed:
  - (1) on a regular basis and reassessed on a periodic basis so that changes and new information can be properly assessed based on timing and frequency as prescribed by the Company; or
  - (2) in the event of a significant change to the structure or activities of the Company.



**d) Reporting of Irregularity and Fraud**

All Directors, Employees and Associates are expected to be vigilant towards risk and any indication of fraud that might occur within their area of operations. Nayara Energy is committed to adhere to high standards of ethical, moral and legal conduct of business operations, including the measures against corporate fraud, as well to manage conflict of interest situations. Nayara Energy has set up Hotline Whistle-Blower channels to report any actual or suspected Irregularities and Frauds, i.e. any such matters may be reported using any one of the following hotline whistle-blower channels:

- (1) Web Interface: Visit [whistleblower.nayaraenergy.com](http://whistleblower.nayaraenergy.com)
- (2) Toll Free Hotline Telephone line and Interactive Voice Recording (IVR) System: Call our toll free number - 1800 266 2800.
- (3) Email: write to us at [hotline@nayaraenergy.com](mailto:hotline@nayaraenergy.com).
- (4) Post/Letter: Send a letter via post to our Corporate Office addressed to our Chief Compliance & Security Officer
- (5) In person: Meet our Chief Compliance & Security Officer in person at our Corporate Office

For more details, refer to the Hotline Whistle-Blower Policy.

**e) Auditing**

Periodic audits should be conducted to assess the process design and effectiveness of internal controls with respect to mitigating risk of Fraud. The scope and frequency of the audit will depend largely on the results of risk assessment and previous audit findings.

**f) Investigation and Disciplinary Measures**

- i) As an outcome of any investigation conducted under the Hotline Whistle-Blower Policy, if a Fraud or Irregularity is established, the Director/Employee/Associate breaching the rules will be subject to disciplinary actions as laid out in the Disciplinary Policy and other consequences/liabilities as per law. In case of violation(s) of applicable legislation or Fraud committed by Third Parties, suitable action may be considered in light of legal recourse available, including the option to terminate the contract, if any.
- ii) The Company shall require indemnification in each case when a person/persons guilty of or involved in fraud is identified.
- iii) Damage caused by a Director, Employee or Associate, subject to grounds for it, shall be indemnified, regardless of the disciplinary, administrative or criminal liability for action/inaction, which caused damage to the Company within the established norms of applicable legislation and in accordance with relevant policies and procedures establishing a mechanism for indemnification for losses and damage caused to the Company.

**g) Confidentiality**

The Company, as required by the Hotline Whistle-Blower Policy, endeavours to protect the identity and anonymity of any individual who reports a complaint alleging actual or suspected

violation(s) of this Policy. Hence in case of a reported concern, it shall be handled with appropriate confidentiality in accordance with the Hotline Whistle-Blower Policy.

**h) Interaction and Coordination**

The Company shall coordinate the actions of all Members of the Board of Directors, Management Committee and other members of Senior Management Team, to combat fraud. The Company shall interact with government authorities, local government bodies and law enforcement bodies in the process of combatting fraudulent activities.

**i) Managing External Relations**

Any communication/disclosure that necessitates an interaction with media or any other party shall be managed as required, in accordance with the Media & Communication Policy and with prior consultation of the CEO.

**j) Accounting & Book Keeping**

Company shall strictly adhere to the requirements of applicable legislation and the rules for preparing/compiling accounts (financial statements) and other reports. All financial statements prepared by the Company shall be prepared within the framework of current internal financial controls over financial reporting including all internal documents under which accounting function operates (accounting manuals, SOPs, similar capturing process and SoD in accounting processes) of the Company governed by Chief Accounting and Transformation Officer (CATO). CATO needs to ensure robustness of all process documents regulating accounting processes and financial reporting. The Chief Governance and Control Officer (CGCO) shall have main facilitative role and shall be responsible for effectiveness of Enterprise risk Management System (ERM) and process and ensuring overall effectiveness of Financial and Operational controls. The annual financial statements are audited in compliance with the Companies Act, 2013. Performance of business operations without reflecting them in accounts, deliberate distortion of accounting data or confirming primary accounting documents, as well as drawing up and submitting accounting records/documents that are not documented business operation items, and submitting of deliberately distorted accounts (financial statements) to relevant authorities and/or Board of Directors/Board Committees shall be regarded as corporate fraud and shall be investigated in accordance with the Hotline Whistle-Blower Policy. The use of forged documents and submission of distorted managerial and other reporting to relevant authorities and/or Board of Directors/Board Committees shall also be regarded as Corporate Fraud and shall be investigated in accordance with the Hotline Whistle-Blower Policy.

**8) Miscellaneous**

- a) In this Policy wherever context permits singular shall mean plural and the plural shall mean singular, masculine gender shall mean feminine gender and vice-versa.
- b) This Policy shall be read along with the Ethics Code.
- c) This Policy can be changed, modified or amended at any time by the Board of Directors of Nayara Energy Limited. However, if any difficulty arises in giving effect to the provisions of this Policy, the CEO may, in writing, make such provisions, as appear to it to be necessary or expedient for removing the difficulty.

- d) For any clarifications on this Policy, please approach the Chief Compliance & Security Officer by writing to [ccso@nayaraenergy.com](mailto:ccso@nayaraenergy.com).
- e) Any violation of this Policy shall be deemed to be a misconduct and will be dealt with the provisions of Disciplinary Policy of the Company and applicable laws.

Internet Version