



Fraud Prevention Policy
GAIL (India) Limited
(A Government of India Undertaking)



GAIL (India) Limited



FOREWORD

One of the prime objectives of GAIL is to establish a transparent work culture covering best practices and business ethics culminating into formally documented procedures. It is amongst GAIL's first priorities to put in place a corporate and working culture that enhances the value of ethics on the one hand and promotes the individual responsibility on the other. The cornerstone in preventing fraud is creation of an environment that fosters morality, integrity and business conduct. GAIL implemented a formal Fraud Prevention Policy in 2012 to fulfil the above objective. However, the need to revisit the Fraud Prevention Policy was felt in the wake of globalization of Corporate Governance, increasing dependence on Information Technology and changes in the Companies Act, SEBI LODR and DPE guidelines.

I am pleased to release GAIL's Fraud Prevention Policy Rev-01 and am confident that the revised policy shall achieve higher transparency and uniformity in our business activities. This policy will further nurture honest and transparent environment amongst all employees and other stakeholders to actively participate in building GAIL's reputation, resources and enhancing stakeholder's confidence in the company.

I look forward to all my colleagues, employees and stake holder(s) to realize our Company's vision and mission by adhering to the highest standards of Corporate Governance.


Sandeep Kumar Gupta
Chairman & Managing Director



GAIL (India) Limited



FOREWORD

In today's business environment, all organizations are likely vulnerable to fraud risk due to technological advancement, continual increment in business verticals and growing complexity of organizations. Occurrence of Fraud could result in significant financial loss, valuable data/information loss and other long-term business repercussions and also have adverse impact on organization's reputation and brand value. The risk of fraud can be minimized through a combination of prevention, deterrence and detect measures.

GAIL has framed various Policies, Systems and Procedures to guide the employees in dealing and undertaking various transactions within and outside organization in transparent and uniform manner. Further, going forward, GAIL has implemented a "Fraud Prevention Policy (FPP)" in 2012 proactively following the principles of Corporate Governance and for promoting a culture of ethical behaviour and values, awareness and individual's accountability & responsibility towards fraud prevention. However, in view of GAIL's diversified business segments & prevailing globalized business environments, increasing dependency on information technology and changes in Regulatory requirement, viz. DPE guidelines on Corporate Governance, Companies Act and SEBI regulations, the existing FPP needs to be revised to keep abreast of such changes to all employees and other stakeholders.

To keep pace with the changing business environment, I am glad that FPP has been revised (Rev.01) covering all the present business activities of the company and following applicable Regulatory requirements & guidelines.

I am hopeful that the revised "Fraud Prevention Policy" serves a strong and an effective deterrent to fraud and will guide all employees in achieving higher transparency in business activities and foster an ethical environment in the company following the principles of Corporate Governance.

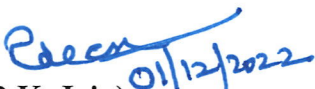

(R.K. Jain) 01/12/2022
Director (Finance)

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DOCUMENT CONTROL

Policy Version No	Approved by	Effective Date
Rev- 01	Board of Directors	01 Dec 2022

1. Administration of Fraud Prevention Policy

- 1.1 **Internal Audit team shall administer** the Fraud Prevention Framework and Policy across GAIL (India) Limited as duly **approved by the Board of Directors** of GAIL (India) Limited [here in after referred as “GAIL” or “Company” or “GAIL (India) Ltd.”]
- 1.2 Head of Department, Internal Audit (“HOD IA”) shall be responsible for administration and distribution of the policy. **Policy shall be revised with the approval of Board as and when required or 03 years, whichever is earlier.** Inputs of Vigilance department shall be taken during revision in the policy.
- 1.3 The **procedural aspects of this policy are provided in the Standard Operating Procedure “SOP” on Fraud Prevention** as attached in Annexure. Internal Audit team shall administer the Standard Operating Procedure across GAIL (India) Limited as duly approved by the Corporate Level Committee “CLC” of GAIL (India) Limited.
- 1.4 **Head of Department, Internal Audit (“HOD IA”) shall be responsible for administration and distribution of the SOP.** Any revision to the SOP shall be incorporated with the **approval of corporate level committee on Fraud Prevention** as and when required.

2. Introduction

- 2.1 GAIL (India) Limited is a Central Public Sector Undertaking (CPSU) under the Ministry of Petroleum & Natural Gas (MoP&NG). Since its inception, GAIL has played a pivotal role in development of Indian energy sector. “Excellence with Ethics” is the mantra of GAIL in conduct of its business.
- 2.2 GAIL has put in place various policies, systems and procedures to guide employees for undertaking various transaction(s) within and outside organisation to conduct the same in a transparent & 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, Service Rules and Integrity Pact with M/s Transparency International India etc.
- 2.3 This fraud prevention policy has been prepared keeping in view GAIL’s diverse business processes and an attempt has been made to prevent, detect and allow for speedy disposal of fraud or suspected fraud. The purpose is to achieve the highest standards of Corporate Governance aligned with the GAIL’s mission.
- 2.4 In the light of the changes in regulatory requirements and keeping in view the approach of GAIL in following Corporate Governance principles proactively, the Fraud Prevention Policy is updated on a regular interval.
- 2.5 The policy statement is given below for implementation from 01 Dec 2022.

3. Policy Objectives

3.1 The **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.**

3.1.1 The **policy explains GAIL's approach to fraud risk management, documents the roles and responsibilities of the Board / Audit Committee / Functional Directors / Corporate Level Committee / HOD (IA) / Corporate Nodal Officers / Nodal Officers.**

3.1.2 It also outlines the key aspects of the fraud risk management process and identifies the reporting procedures.

3.1.3 This policy shall operate in conjunction with other business and operating / administrative practices.

3.2 The Policy guidelines as enumerated below stipulate as under:

3.2.1 The **"Fraud Prevention" is the responsibility of all – a "culture" is to be created.**

3.2.2 To ensure that management is aware of its responsibilities for detection, prevention and reporting of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs.

3.2.3 To provide a clear guidance to employees and others dealing with GAIL:

- **forbidding them from involvement in any fraudulent activity and**
- **Action to be taken by them where any fraudulent activity is suspected.**

3.2.4 To conduct investigation into fraudulent or suspected fraudulent activities through Vigilance.

3.2.5 To provide assurance that any and all suspected fraudulent activity/ activities will be fully investigated by Vigilance.

3.2.6 To provide training on fraud prevention and identification.

3.2.7 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.

4. Scope of the Policy

- 4.1 The policy applies to fraud or suspected fraud in connection with business transaction(s) with GAIL committed by director(s), employee(s), trainees, apprentice, 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.
- 4.2 The Policy applies to all department and functions across all units of GAIL (India Limited).
- 4.3 The Fraud Prevention Policy will be available in GAIL's web site / important links. The policy will also be available in GAIL's intranet / legal.

5. Definition

5.1 Fraud

5.1.1 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 not legally entitled.

5.1.2 The illustrative list of fraudulent practice (s) is provided in Section 6.

5.2 Nodal Officer

5.2.1 “Nodal Officer” shall not be below the level of Chief Manager (E5) if not available then next level official at Site Office. Corporate Nodal Officer shall not be below the rank of CGM (E8) who will act as overall co-ordinator of the respective Directorate. **The procedure of appointment of Nodal Officer and Corporate Nodal Officer has been laid out in the SOP.**

5.3 Corporate Level Committee (CLC):

5.3.1 **The Corporate Level Committee shall comprise of concerned ED’s / HOD’s of corporate functions and HOD Vigilance – Corporate Office. The committee shall be formed by CMD and headed by Functional Director as appointed by CMD.**

6. Actions Constituting Fraud

- 6.1 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. The list of fraudulent practices given below is only illustrative and not exhaustive:-
- 6.1.1 Forgery or unauthorised alteration of any document or account belonging to the Company.
 - 6.1.2 Forgery or unauthorised alteration of cheque, bank draft, E-banking transaction(s) or any other financial instrument etc.
 - 6.1.3 Misappropriation of funds, securities, supplies or other assets by fraudulent means etc.
 - 6.1.4 Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.
 - 6.1.5 Wilful suppression of facts/deception in matters of appointment, placements, submission of reports to the tender committee, disclosing confidential/proprietary information to unauthorised parties, conflict of interest, etc. as a result of which a wrongful gain(s) is/are made to one and wrongful loss(s) to the others.
 - 6.1.6 Utilizing Company funds for personal or other than official purposes.
 - 6.1.7 Authorizing or receiving payments for goods not supplied or services not rendered.
 - 6.1.8 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.
 - 6.1.9 Financial loss or data loss which impacts the company or its officers occurred via cybercrime, ransomware or social engineering attacks (email phishing, identity theft, etc).**
 - 6.1.10 Transfer of company's related confidential information to personal accounts or unauthorized individuals.**
 - 6.1.11 Sharing of company related confidential information or trade secrets through social media.**
 - 6.1.12 Accepting or seeking anything of material value (bribery and kickbacks) from contractors, vendors, customers, consignment stockist, banks, counterparties, stakeholders or any other person having association with the company.
 - 6.1.13 Profit/loss as a result of activities carried out which results in violation of the Insider Trading Code.**
 - 6.1.14 Any other act that falls under the gamut of fraudulent activity.

7. Regulatory requirements around Fraud Risk Management

7.1 Following are the regulatory requirements as amended from time to time which GAIL has to adhere to with respect to Fraud Risk Management:

7.1.1 Department of Public Enterprises guidelines on Corporate Governance.

7.1.2 The Companies Act, 2013.

7.1.3 SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015.

7.1.4 Standards on Auditing (SA's) issued by ICAI.

7.2 Department of Public Enterprises (DPE) guideline on Corporate Governance

7.2.1 Department of Public Enterprises issued revised guidelines on Corporate Governance for Central Public Sector Enterprises on 14.05.2010 and amendment thereof. These guidelines being mandatory in nature, inter alia, stipulate that Board should implement policies and procedures to include:

- Staff responsibilities in relation to fraud prevention and identification.
- Responsibility of fraud investigation once a fraud has been identified.
- Process of reporting on fraud related matters to management.
- Reporting and recording process to be followed to record allegation of fraud.
- Requirement of training to be conducted on fraud prevention and identification.

7.3 The Companies Act, 2013

7.3.1 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.”

7.3.2 Section 143 (12) of the Companies Act, 2013 states “Notwithstanding anything contained in this section, if an auditor of a company in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving such amount or amounts as may be prescribed, is being or has been committed in the company by its officers or employees, the auditor shall report the matter to the Central Government within such time and in such manner as may be prescribed:

Provided that in case of a fraud involving lesser than the specified amount, the auditor shall report the matter to the audit committee constituted under section 177 or to the Board in other cases within such time and in such manner as may be prescribed:

Provided further that the companies, whose auditors have reported frauds under this sub-section to the audit committee or the Board but not reported to the Central Government, shall disclose the details about such frauds in the Board's report in such manner as may be prescribed.”

7.4 SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015

7.4.1 The Audit Committee of the listed entity shall have the following responsibilities with respect to fraud management as per Schedule II Part C Para A (15) of SEBI LODR:

- Review the findings of the internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control system of a material nature and reporting matter to the Board.

7.5 Standards on Auditing (SA's) issued by ICAI

7.5.1 SA 240 issued by The Institute of Chartered Accountants of India (ICAI), "The Auditor's Responsibilities relating to fraud in an audit to financial statements" states that ***"The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management."***

8 Fraud Risk Assessment (Fraud Prevention & Detection) Framework

8.1 FRAUD PREVENTION:

Prevention encompasses an ethical environment, therefore periodic fraud risk assessment and preventive internal control such as authority limits, policies and procedures along with strong tone at the top supported with preventive controls and effectively implemented process serve as strong and effective deterrents for fraud.

8.2 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS IN FRAUD PREVENTION MECHANISM:

8.2.1 Board of Directors

8.2.1.1 The **Board of Directors has overall responsibility of fraud prevention governance and review of fraud risk assessment report as submitted by CLC at least once in year** to ensure that the Company had designed and implemented effective fraud prevention framework.

8.2.2 Audit Committee

8.2.2.1 The **Audit Committee has responsibility of maintaining oversight on the fraud prevention framework, processes and review of adequacy of fraud prevention framework. Audit Committee shall provide guidance and review fraud risk assessment report as submitted by CLC at least once in a year.**

8.2.3 Chairman & Managing Director

8.2.3.1 The Corporate Level Committee shall be formed by CMD and headed by Functional Director as appointed by CMD.

8.2.4 Functional Director

8.2.4.1 **Review of Consolidated Fraud Risk Assessment Report received from Corporate Nodal officer on quarterly basis.**

8.2.4.2 Review and implementation of controls for fraud vulnerabilities in High and Medium risk areas.

8.2.4.3 Any other roles as deemed necessary for Fraud Prevention by Board / Audit Committee.

8.2.5 Corporate Level Committee (CLC):

8.2.5.1 The Corporate Level Committee shall be responsible for overseeing the fraud prevention management at GAIL.

8.2.5.2 Review of Fraud Risk Assessment report on quarterly basis.

8.2.5.3 Review of implementation of controls for fraud vulnerabilities in high risk areas.

8.2.5.4 To put up the agenda and report the findings of Fraud Risk Assessment to the Audit Committee and Board through HOD (IA) on yearly basis.

8.2.5.5 The external auditor shall also be informed of any fraud that could affect the GAIL's financial statements.

8.2.5.6 Any other roles as deemed necessary for Fraud Prevention by Audit Committee.

8.2.6 HOD Internal Audit

8.2.6.1 HOD IA will assume the role of the convener and coordinator for the CLC meetings.

8.2.6.2 HOD IA will prepare the functional directorate-wide fraud risk assessment report based on quarterly reports received from Corporate Nodal Officers. The procedure for the same is provided in SOP.

8.2.6.3 Report the findings of Fraud Risk Assessment to the CLC as per Fraud Risk Assessment Activity Calendar or more, if required.

8.2.6.4 Any other roles as deemed necessary for Fraud Prevention by CLC.

8.2.7 Corporate Nodal Officers

8.2.7.1 Respective Corporate Nodal officer will consolidate fraud risk assessment reports received from Sites/Zonal offices/Corporate Office, prepare a Fraud Risk Assessment Report and put up to the concerned Functional Director on quarterly basis. The procedure for the same is provided in SOP.

8.2.7.2 Maintain repository of consolidated Fraud Risk Register identified for their respective functions.

8.2.7.3 Monitor implementation of controls identified by the respective nodal officers for fraud vulnerabilities for high, medium and low risk areas.

8.2.7.4 Report the findings of Fraud Risk Assessment to the HOD (IA) on quarterly basis.

8.2.8 Nodal Officers

8.2.8.1 Respective Nodal Officers in consultation with OIC will prepare a fraud risk assessment of their Sites /Zonal office and forward the same to their concerned Corporate Nodal officer on quarterly basis. The procedure for the same is provided in SOP.

8.2.8.2 Evaluate existing controls on the basis of nature of risk as per risk assessment and identify if any additional controls are required to be implemented.

8.2.8.3 Identify additional fraud risk vulnerabilities if any and update the fraud risk assessment report.

8.2.8.4 Discuss with stakeholders on status of implementation of controls for high, medium and low risk areas.

8.2.8.5 All the nodal officers to submit the report to their respective Corporate Nodal officers even if there are “NIL” observations as per the format.

8.3 FRAUD DETECTION:

8.3.1 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. Detective controls such as segregation of duties, reconciliation, audits, independent reviews, physical inspection, periodic counts, surprise checks, periodical evaluations system control and surveillance system etc. implemented in GAIL to prevent frauds.

8.3.2 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.

8.4 FRAUD RISK ASSESSMENT FRAMEWORK

8.4.1 Fraud Risk Assessment will have to be carried out covering all functions and business verticals at the Corporate Offices, Zonal Offices, Sites or any other locations. The detailed procedure to conduct Fraud Risk Assessment is provided in the SOP.

8.5 FRAUD RISK ASSESSMENT ACTIVITY CALENDAR:

Activity	Periodicity	Timelines
Submission of Fraud Risk Assessment report by Nodal Officers to Corporate Nodal Officers	Quarterly	Within 15 days of the end of each quarter
Submission of Consolidated Fraud Risk Assessment report by Corporate Nodal Officers to Functional Directors	Quarterly	Within 20 days from the end of each quarter
Review of findings of Fraud Risk Assessment by concerned Functional Directors	Quarterly	Within 25 days from the end of each quarter
Review of findings of Fraud Risk Assessment by CLC	Quarterly	Within 30 days from the end of each quarter
Review by Audit Committee	At least once a year or more, if required	NA
Review by Board	At least once a year or more, if required	NA

9 Reporting on fraud related matter to Management

- 9.1 Complaint Monitoring System is already available in GAIL's web site. Information put in this system is being accessed by Corporate Vigilance Department. The link is as follows: <https://gailonline.com/onlineComplaints.html>
- 9.2 Anonymous and Pseudonymous complaints received will not be entertained.
- 9.3 Complaint shall be accepted through e-mail /telephone / written complaints by the Nodal Officers in line with above guidelines.
- 9.4 The detailed procedure is given in the SOP.

10. Reporting and recording of fraud

- 10.1 Reporting of the fraud/suspected fraud should be in writing.
- 10.2 All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by Nodal Officer(s).
- 10.3 Nodal officer upon receipt of any fraud / suspected fraud shall inform to the concerned authority for appropriate action to ensure that all relevant records documents and other evidence is being immediately protected from being tampered with, destroyed or removed by suspected perpetrators of fraud or by any other official.**
- 10.4 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.

11 . Fraud Investigation and Reporting

Roles and Responsibilities of stakeholders in investigation and reporting of Fraud:

11.1 Board and Audit Committee

11.1.1 Review of quarterly reports on the status of fraud(s) along with action taken thereof.

11.2 Chairman & Managing Director

11.2.1 **Provide approval for investigation of fraud related cases put up by functional director(s) and refer the case to CVO through functional director(s).**

11.3 Functional Director

11.3.1 Put up fraud related cases received from Corporate Nodal Officer for the approval of CMD and subsequently forward approved cases to CVO for investigation.

11.4 Corporate Nodal Officers

11.4.1 Corporate Nodal Officers will take approval of CMD through Functional Director and will refer the case to CVO through Functional Directors.

11.5 Nodal Officers

11.5.1 **Report any fraud/ complaint received to the concerned Corporate Nodal Officer, Functional Director and HOD (IA) of GAIL immediately.**

11.6 HOD (Internal Audit)

11.6.1 HOD IA will prepare the consolidated fraud report based on quarterly reports received from Corporate Vigilance Department for information to Audit Committee and Board.

11.7 CVO Vigilance

11.7.1 **CVO will investigate the fraud cases referred to them by CMD through Functional Directors.**

12. Responsibilities of stakeholders to be refrained from any fraudulent act while making business transaction(s) with GAIL

- 12.1 Every director; employee; trainee; apprentice; 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 GAIL is expected and shall be responsible to ensure that there is no fraudulent act committed by them while performing any business transaction(s) with GAIL.
- 12.2 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 (s) as per the procedure.

13. Incorporation of fraud prevention policy in Tender /GSA/GTA and other Service Agreement

- 13.1 **Due amendments shall be made in the “Tender” wherein all the Bidders/Service providers/Vendors/Consultants etc. shall be required to confirm that they would adhere to the Fraud Prevention Policy of GAIL** and shall not indulge themselves or allow others (working in GAIL) 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.
- 13.2 **Concealment of facts regarding their involvement in fraudulent activities in connection with the business transaction(s) of GAIL is liable to be treated as crime and dealt with by the procedures of GAIL as applicable from time to time.**
- 13.3 **Similar clause regarding adherence to the Fraud Prevention Policy of GAIL will be added in Gas Sales Agreement, Gas Transmission Agreement and other service agreement with customers/ consignment stockists, etc.**

14. Information to Audit Committee and Board

14.1 Corporate Vigilance Department (CVD) will forward quarterly report on status of fraud/(s) referred by CMD for investigation along with action taken thereof to Internal Audit department for information to Audit Committee , only if any complaint is received under this policy.

15. Requirement of training on fraud prevention and identification

15.1 Training on fraud prevention and identification shall be included in the training calendar every year and will be imparted to the employees, Nodal officers and CLC members.

15.2 The company shall undertake training programme for its new Board members in the business model of the company including risk profile of the business of company, responsibility of respective Directors and the manner in which such responsibilities are to be discharged. They shall also be imparted training on corporate governance, model code of business ethics and conduct applicable for the respective Directors.

16. Maintaining Confidentiality

16.1 Confidentiality should be maintained of all matters under this Policy, and the same should be disclosed / discussed only to the extent or with those person(s) as required under this policy for completing the process of investigation and keep the papers and other materials in safe custody.



Standard Operating Procedure
for
Fraud Prevention Policy

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1. Introduction

- 1.1 This is the SOP to be read in conjunction with the Fraud Prevention Policy.
- 1.2 The SOP given below for implementation from DD-MM-YYYY.
- 1.3 The SOP will be available in GAIL's web site / important links. The SOP will also be available in GAIL's intranet / legal.

2. Appointment of Nodal Officers

- 2.1 Each Region, Zonal office and business units will have at least 01 Nodal officer and link nodal officer to implement Fraud Prevention policy of GAIL in their units.
- 2.2 Respective ED / Officer –in-Charge not below the level of GM (E7) [Where in OIC is below E7 then successive reporting officer up to E7 and above] shall be the Competent Authority to nominate nodal/link nodal officer(s) for region/zonal office/units under their jurisdiction. In Corporate Office, each Functional Director will nominate one Corporate Nodal Officer and one link nodal officer who will act as overall coordinator of the respective Directorate and implement the said policy in corporate function(s) under their directorate. For this policy corporate nodal officer of HR will cover Law department.
- 2.3 Nodal officer, corporate nodal officer and link nodal officer will be nominated preferably from C&P/HR discipline.
- 2.4 Competent Authority concerned will notify the name and designation of “link Nodal Officer” (at par with Nodal Officer / Corporate Nodal Officer) who will discharge the duties and responsibilities of Nodal officer / Corporate Nodal Officer during his/her absence.

3. Notification of Nodal officers

- 3.1 List of Nodal officers attached to various Sites/Zonal Officers/ Corporate Office would be displayed in the GAIL's web site/intranet.
- 3.2 List of Nodal officers / link Nodal officers shall be reviewed by the respective Functional Director / OIC after annual placement exercise and on superannuation. HOD (IA) shall communicate / coordinate with OIC's / ED's.

4. Responsibilities of Nodal officers in relation to Fraud Prevention Policy Implementation

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:

- 4.1 Familiarise each employee with the types of improprieties that might occur in their area.
- 4.2 Educate employees regarding the measures to be taken for prevention and detection of fraud.
- 4.3 Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
- 4.4 Promote awareness among the employees of ethical principles subscribed to by the Company through CDA Rules/Standing orders.

5. Procedure for conducting Fraud Risk Assessment by Nodal Officers

- 5.1 Respective Nodal Officers in consultation with OIC will carry out the fraud risk assessment of their Sites /Zonal office and forward the same to their concerned Corporate Nodal officer on quarterly basis in the portal.
- 5.2 Nodal Officer shall carry out review of existing fraud risks (**as stated in para 5.1 above**) for their respective Sites /Zonal office and shall evaluate the relevance of existing fraud risks and identify if any additional fraud risks have come into existence or any changes therein due to change in processes, systems, market factors and other changes. Such additional fraud risks or the changes as the case may be shall be incorporated in respective functions, processes and departments. For e.g.

Function	Process	Risk Description	Process Owner
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Contract & Procurement	Vendor Registration	Bank details have not been updated correctly in SAP	Shri XXX
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5.3 The Nodal Officer with respect to the additional / changes to fraud risks identified and stated above shall map the existing controls. The controls shall be considered both from prevention and detection perspective. For e.g.

Risk Description	Existing Control
Bank details have not been updated correctly in SAP	<p>Bank account mapping is conducted along with C&P and Finance team through the online portal.</p> <p>C&P team verifies the account information provided by the bidder along with the cancelled cheque copy and other registration documents (GST, PAN details, partnership deed, etc.) for creation of code.</p> <p>Modification of the bank account numbers is not permissible at sites. It has to be uploaded through online portal and sent to central codification cell for code creation and verification.</p>

5.4 The Nodal Officer shall ensure testing of controls by selection of random samples pertaining to all the fraud risks as stated above to check adequacy and effectiveness of the existing controls. The results of the test of control shall be documented against each fraud risks and existing controls by way of testing results / gaps identified and effectiveness of existing controls (Yes / No). For e.g.

Risk Description	Existing Control	Testing Results / Gaps identified	Effectiveness of existing controls (Yes / No)
Bank details have not been updated correctly in SAP	<p>Bank account mapping is conducted along with C&P and Finance team through the online portal.</p> <p>C&P team verifies the account information provided by the bidder along with the cancelled cheque copy and other registration documents (GST, PAN details, partnership deed, etc.) for creation of code.</p> <p>Modification of the bank account numbers is not permissible at sites. It has to be uploaded through online portal and sent to central codification cell for code creation and verification.</p>	No gaps identified.	Yes

5.5 After testing of controls and identification of gaps (if any), the risks shall be classified based on parameters on likelihood and consequence as per the criteria provided in Annexure D and accordingly Net Risk Rating shall be provided.

Risk Description	Existing Control	Testing Results / Gaps identified	Effectiveness of existing controls (Yes / No)	Net Risk Rating
Excess payment made to administrative contractors	Contracts are mapped in SAP and relevant documents (like PF, ESIC, Attendance sheet, etc, are verified). Finance team will further vet the documents before making any payment to the contractors.	No gaps identified.	Yes	6

5.6 In case the evaluation of test of controls results in inadequate or ineffective existing controls then risk mitigation plan be prepared by way of providing recommendations for additional controls. In case the existing controls are effective, however in order to make the process more robust, additional controls may also be recommended. For e.g.

Risk Description	Existing Control	Testing Results / Gaps identified	Effectiveness of existing controls (Yes / No)	Proposed risk mitigation plan
Excess payment made to administrative contractors	Contracts are mapped in SAP and relevant documents (like PF, ESIC, Attendance sheet, etc, are verified). Finance team will further vet the documents before making any payment to the contractors.	No gaps identified.	Yes	Biometric / Access card to be mandatory for all contractual employees wherever possible.

5.7 Nodal Officer shall be responsible to implement the recommendations approved by the Competent Authority after following due process as per policy / DOP of the company. For e.g.

Risk Description	Existing Control	Proposed risk mitigation plan	Status of implementation of Risk mitigation plan
Excess payment made to administrative contractors	Contracts are mapped in SAP and relevant documents (like PF, ESIC, Attendance sheet, etc, are verified). Finance team will further vet the documents before making any payment to the contractors.	Biometric / Access card to be mandatory for all contractual employees wherever possible.	Implemented

5.8 The format for preparing the Fraud Risk Assessment Report is provided in Annexure A.

- 5.9 All the Nodal Officers to submit the report to their respective Corporate Nodal Officers even if all the controls are effective stating in the fraud risk assessment report against each risk pertaining to that area that all the controls are effective and no changes are required in existing controls.

6. Procedure for consolidating and preparing fraud risk assessment reports and putting up to the concerned Functional Director by Corporate Nodal Officer

- 6.1 Corporate Nodal Officer, post receipt of fraud risk assessment reports from various Nodal Officers within their function shall consolidate all such fraud risk assessment report at corporate level. The format for consolidating the Fraud Risk Assessment Report is provided in Annexure B.
- 6.2 After consolidation of the fraud risk assessment report, the Corporate Nodal Officer shall put up the same to the concerned Functional Director and HOD (IA) on quarterly basis for review.
- 6.3 Corporate Nodal Officer shall maintain repository of consolidated Fraud Risk Assessment Report prepared for their respective functions.
- 6.4 Corporate Nodal Officer shall monitor implementation of controls identified by the respective nodal officers as **stated in para 6.3.**

7. Procedure for consolidating and preparing fraud risk assessment reports and putting up to the concerned CLC by HOD (IA)

- 7.1 HOD (IA) will prepare the functional directorate-wide fraud risk assessment report based on quarterly reports received from Corporate Nodal Officers. The format for consolidating the Fraud Risk Assessment Report is provided in Annexure C.
- 7.2 Report the findings of Fraud Risk Assessment to the CLC as per Fraud Risk Assessment Activity Calendar, if required.

8. Procedure for Nodal Officers to report Fraud

- 8.1 The “Nodal Officer” shall act as co-ordinator and upon receipt of complaint, refer the details of the fraud/suspected fraud to the concerned Corporate Nodal Officer, Functional Director and HOD (IA) immediately. If any of the members have a conflict of interest in a given case, such person/s will recuse themselves and the other members would deal with the matter on hand.
- 8.2 The Nodal Officer shall maintain date wise receipts and forwarding of fraud related cases/ complaints to concerned corporate nodal officer, Functional Director and HOD (IA).
- 8.3 Reporting of the fraud/suspected fraud shall be in writing. 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. **Nodal officer shall forward the complaint concealing the identity of the complainant to corporate nodal officer.**
- 8.4 Corporate Nodal officer will take approval of CMD through concerned Functional Director and will refer the case to CVO through concerned Functional Director for further investigation and needful action.
- 8.5 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.

Annexure D: Guidance for Risk Rating Criteria

The risk rating criteria is based on likelihood and consequence of the event. The standard will be based on the following

a) Criteria for Likelihood

Likelihood					
Rare	Unlikely	Possible	Likely	Almost Certain	
Is expected to occur only in exceptional or extreme circumstances	Could occur at some time but unlikely in the foreseeable future	Not unusual and might occur in the foreseeable future	May probably occur in most circumstances	Already happen or is expected to occur in most circumstances	Qualitative measure
Less than once in 5 years	Once in 3 years up to once in 5 years	Once in 3 years up to once per year	Once per year up to once per month	Once per month or more	Frequency
Less than 10% chance of occurrence	10% up to 33% chance of occurrence	33% up to 66% chance of occurrence	66% up to 90% chance of occurrence	90% or greater chance of occurrence	Probability

b) Criteria for Consequence

	Consequence					
	People, Safety & Health	Environment	Regulatory & Governance	Reputation	Financial	Operations & Systems
Critical	Multiple fatalities	Persistent severe environmental impact affecting extensive areas & requiring serious mitigation response for an extended time	Material breach of external regulations liable of loss of critical operational / business license	International negative media attention Long-term impact on company brand name	Material financial loss impacting financial viability and strategy execution of the Group	Business disruption at Group level Power/system disruption: Severe impact on large community requiring full scale response for an extended time
Major	Fatality	Severe environmental impact affecting extensive areas & requiring serious mitigation response	Material breach of external regulations liable of substantial fines imposed	National-wide negative media attention or public dissatisfaction Short term impact on company brand name at national level	Major financial loss impacting the Group business plans and financial results	Business disruption at BU level Power/system disruption: Material impact on large community requiring full scale response
Moderate	Multiple lost time injuries	Moderate environmental impact affecting the site and/or surrounding areas & requiring moderate/serious mitigation response	Non-compliance noted by regulatory body with prosecution instituted	Territory-wide / state-wide negative media attention or public dissatisfaction Short term impact on company brand name at territory / state level	Moderate financial impact to the Group	Business disruption at Dept Level under a BU Power/system disruption: Significant impact on small community
Minor	One lost time injury	Minor environmental impact affecting site and/or surrounding areas	Non-compliance noted by regulatory body with	Local media attention or public concern	Minor financial impact to the Group	Business disruption limited to specific plant or process

	Consequence					
	People, Safety & Health	Environment	Regulatory & Governance	Reputation	Financial	Operations & Systems
		& requiring little or no mitigation response	issuance of warning			Power/system disruption: Minor impact on small community
Insignificant	Injury without lost time e.g. first aid	Nil	Minor non-compliance to regulatory requirement, internal rules or procedures	Nil	Immaterial financial impact to the Group	Power/system disruption: Minimal impact on small community

c) Heat Map

	Likelihood				
Consequence	1- Rare	2-Unlikely	3- Possible	4- Likely	5-Almost certain
5- Critical	Low	Medium	High	High	High
4- Major	Low	Medium	High	High	High
3- Moderate	Low	Low	Medium	High	High
2- Minor	Low	Low	Low	Medium	Medium
1- Insignificant	Low	Low	Low	Low	Low

d) Net Risk rating

Level of Risk	Description of Risk	Net Risk rating (Likelihood * Consequences)
High Risk	Review of the risk once every 6 month	=> 12
Medium Risk	Review of the risk once every 12 months	Between 8 to 11
Low Risk	Review of the risk once every 24 months	< 8

Annexure E: Summary of Roles and Responsibility Matrix

Activities	Board	Audit Committee	Corporate Level Committee	HOD – IA	CVO	Functional Director	Corp Nodal Officers	OIC	Nodal Officers
Policy									
Fraud prevention policy	✓	✓							
Implementation of anti-fraud controls		✓	✓						
Fraud Risk Assessment									
Conducting Fraud Risk Review							✓	✓	✓
Monitoring of implementation of Controls			✓			✓	✓		✓
Review of the Fraud Risk Assessment report	✓	✓	✓			✓			
FRA Reporting process									
Quarterly Report to Corporate Nodal Officer									✓
Quarterly Report to Functional Director							✓		
Quarterly Report to HOD – IA							✓		
Quarterly Report to CLC				✓					
Reporting to Board and Audit Committee			✓	✓					
Fraud / Suspected Fraud									
Approval of CMD and report to CVO						✓	✓		
Quarterly Report to HOD (IA)					✓				
Report to Board and Audit Committee				✓					

Annexure F: References

Particulars	Section
A. The Companies Act, 2013	
Definition of Fraud	<ul style="list-style-type: none"> 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. <p>“wrongful gain” means the gain by unlawful means of property to which the person gaining is not legally entitled;</p> <p>“wrongful loss” means the loss by unlawful means of property to which the person losing is not legally entitled.</p>
Duty of the Board of Directors (under section 134 of the Act)	<ul style="list-style-type: none"> 134 (3)(n): a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;
	<ul style="list-style-type: none"> 134(5)(c): The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
	<ul style="list-style-type: none"> 134 (5)(e): the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively. <p>Explanation.—For the purposes of this clause, the term —internal financial controls means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;</p>
Duty of the Auditors (under section 143 of the Act)	<ul style="list-style-type: none"> 143 (12): Notwithstanding anything contained in this section, if an auditor of a company in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving such amount or amounts as may be prescribed, is being or has been committed in the company by its officers or employees, the auditor shall report the matter to the Central Government within such time and in such manner as may be prescribed:

Particulars	Section
	<p>Provided that in case of a fraud involving lesser than the specified amount, the auditor shall report the matter to the audit committee constituted under section 177 or to the Board in other cases within such time and in such manner as may be prescribed:</p> <p>Provided further that the companies, whose auditors have reported frauds under this sub-section to the audit committee or the Board but not reported to the Central Government, shall disclose the details about such frauds in the Board's report in such manner as may be prescribed.</p>
	<ul style="list-style-type: none"> 143 (15): If any auditor, cost accountant or company secretary in practice do not comply with the provisions of sub-section (12), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.
<p>Duty of Audit Committee (under section 177 of the Act)</p>	<ul style="list-style-type: none"> 177(4)(vii) of the Act has cast a specific duty on the Audit Committee to regularly undertake evaluation of internal financial control and risk management systems.
<p>B. Department of Public Enterprise Guidelines on corporate governance.</p>	
<p>Training of Directors</p>	<ul style="list-style-type: none"> Para 3.7 of DPE guidelines states that "The company concerned shall undertake training programme for its new Board members (Functional, Government, Nominee and Independent) in the business model of the company including risk profile of the business of company, responsibility of respective Directors and the manner in which such responsibilities are to be discharged. They shall also be imparted training on corporate governance, model code of business ethics and conduct applicable for the respective Directors."
<p>Role of Audit Committee</p>	<ul style="list-style-type: none"> Para 4.2.9 of DPE guidelines states the role of Audit Committee which is "Reviewing the findings of any internal investigations by the internal auditors/auditors/agencies into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board." Similar provisions have been made in Schedule II Part C Para A (15) of SEBI LODR.
<p>C. Standards on Auditing (SA's) issued by ICAI</p>	
<p>SA 240</p>	<ul style="list-style-type: none"> SA 240 issued by The Institute of Chartered Accountants of India (ICAI), "The Auditor's Responsibilities relating to fraud in an audit to financial statements" states that "<i>The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.</i>"

Abbreviations

BOD	Board of Directors
CMD / C&MD	Chairman and Managing Director
CLC	Corporate Level Committee
CPSU	Central Public Sector Undertaking
CVC	Central Vigilance Commission
CVD	Corporate Vigilance Department
CVO	Chief Vigilance Officer
DOP	Delegation of Power
DPE	Department of Public Enterprises
FRA	Fraud Risk Assessment
GAIL	GAIL (India) Limited
HOD	Head of Department
HOD (IA)	Head of Department (Internal Audit)
ICAI	Institute of Chartered Accountants of India
LODR	Listing Obligations and Disclosure Requirements
MoP&NG	Ministry of Petroleum & Natural Gas
OIC	Officer in Charge
PSE	Public Sector Enterprise
SEBI	The Securities and Exchange Board of India
SOP	Standard Operating Procedure