

THE STATE TRADING CORPORATION OF INDIA LIMITED

ANTI - FRAUD POLICY

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ANTI- FRAUD POLICY

1. PREAMBLE

“Fraud” is one of the most undesirable possibilities that exist in all spheres of life. In common parlance, fraud means deception or misrepresentation usually with intent to obtain some wrongful gain. Fraud is one of the risks that any person or organization has to deal with. For a business organization, fraud could cause avoidable financial losses, loss of public goodwill and image and loss of shareholder confidence, among others. All well managed organizations recognise this reality and take steps to deal with this risk in a pro-active manner.

In the light of the foregoing and in keeping with the overall approach of the State Trading Corporation of India Limited (**the Company**) to follow principles of Corporate Governance and to implement “best practices” in all areas proactively, it is considered necessary that an “Anti-Fraud Policy” be formulated, publicised appropriately and implemented by the Company.

Hence this Anti-Fraud Policy (**the Policy**) has been framed and is being issued herewith for implementation in the Company. The Anti-Fraud Policy sets forth to enforce controls and to aid in prevention and detection of frauds in the Company. The intent of the Policy is to promote consistent legal and ethical organizational behavior by assigning responsibility for the development of controls, and providing guidelines for reporting and conduct of investigations of suspected fraudulent behavior.

2. DEFINITIONS

The definitions of some of the key terms used in this Policy are given below. Capitalized terms not defined herein shall have the meaning assigned to them under the Employees’ (Conduct, Discipline and Appeal) Rules, 1975.

- 2.1 **“Audit Committee”** means the Audit Committee of Directors constituted by the Board of Directors of the Company in accordance with the Provisions of the Companies Act, 2013, Guidelines on Corporate Governance for CPSEs issued by Department of Public Enterprises and revised Clause 49 of the Listing Agreement with the Stock Exchanges.
- 2.2 **“Company” or “Corporation” or “STC”** means The State Trading Corporation of India Limited.
- 2.3. **“Disciplinary Action”** means any action that can be taken as per the provisions of STC Employees’ (Conduct, Discipline and Appeal) Rules, 1975.

- 2.4 **“Disciplinary Authority”** means the Disciplinary Authority as defined under STC Employees’ (Conduct, Discipline and Appeal) Rules, 1975.
- 2.5 **“Employee”** means a person in the employment of the Corporation other than the casual, work-charged or contingent staff including any employee whose services are placed at the disposal of a Government owned Company, Corporation, Organization or a local authority, Central or State Govt. or the Railway Department by the Corporation notwithstanding that his salary is drawn from sources other than from the Funds of the Corporation and also including a person on deputation to the Corporation.
- 2.6 **“Fraud”** in relation to affairs of a company 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.
- 2.7 **“Investigating Officer”** means an officer deputed by Nodal Officer for carrying out the preliminary investigation.
- 2.8. **“Nodal Officer”** means an officer not below the level of General Manager designated for the purpose of co-ordination of preliminary investigations.
- 2.9 **“Wrongful gain”** means the gain by unlawful means of property to which the person is not legally entitled.
- 2.10 **“Wrongful loss”** means the loss by unlawful means of property to which the person losing is legally entitled.

3. SCOPE OF POLICY

The Policy is intended to:

- (a) Enable understanding of “Fraud” and its implications and its effects on the Company.
- (b) Create a “Fraud Awareness” and “Fraud Prevention” culture in the Company and to send across a message within the Company and to the public at large that Fraud is not acceptable and shall not be tolerated.
- (c) Enable prevention, detection and reporting system for pro-active tackling of fraud and make efforts to recover fraud losses.

This policy applies to any fraud or suspected fraud in ***The State Trading Corporation of India Limited*** (also called the Corporation), involving

employees (including contractual employees) as well as shareholders, consultants, vendors, suppliers, service providers, contractors, lenders, associates, borrowers, outside agencies and / or any other parties with a business relationship with The State Trading Corporation of India Limited.

Any investigative activity required will be co-ordinated by Nodal Officer without regard to the suspected wrongdoer's length of service, position/ title, or relationship with the Corporation.

4. OBJECTIVES OF THE POLICY

The Objectives of the Policy are as under:-

- (i) To provide a system of detection and prevention of fraud, reporting of any fraud or suspected fraud and appropriate dealing of issues relating to fraud.
- (ii) To ensure that Management is aware of its responsibility for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. The Management is to ensure that procedures and systems exist in the Corporation which minimize the incidence of, and opportunity for fraud and irregularities.
- (iii) To provide a clear guidance to employees and others dealing with STC forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.
- (iv) To ensure that any fraud that is detected or suspected is reported immediately to the Nodal Officer designated under the Policy.
- (v) To provide assurance that any and all suspected fraudulent activity/ activities will be fully investigated.
- (vi) To provide training on fraud prevention and identification.

Note: 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.

5. COMPLIANCE

- (i) Each employee working in the Company and every individual/organisation/entity dealing with the Company shall endeavour in every possible manner to comply with the norms laid down in this Policy. Non-compliance shall be deemed violation of terms and conditions of employment /engagement or terms and

conditions of contract (as the case may be) and shall be dealt with as per the Company's disciplinary procedures/terms of engagement or terms of the particular contract(s) or the law as applicable and appropriate.

- (ii) All employees/officers are responsible to bring to notice of their supervising officers/management about any fraud detected as soon as it comes to their notice. It is the responsibility of officers to ensure that in respect of their areas of responsibility, all reasonable necessary steps are taken for prevention of fraud and all possible necessary action is taken in case of suspicion of commission of a fraud or detection of an actual fraud.

6. ACTIONS CONSTITUTING FRAUD

The terms fraud or suspected fraud will include but shall not be limited to:-

- (i) Forgery or unauthorized alteration of any document or account belonging to or submitted to the Corporation.
- (ii) Forgery or unauthorized alteration of a cheque, bank draft, E-banking transaction(s) or any other financial instrument, financial document and personal claims, etc.
- (iii) Misappropriation of funds, securities, supplies, or other assets, etc.
- (iv) Willful suppression of facts/ deception in matters of appointments, placements, tender committee recommendations, submission of reports, etc. as a result of which a wrongful gain(s) is made to one and /or wrongful loss(s) is caused to the others.
- (v) Falsifying records such as pay roll, removing the documents from files/ or replacing it by a fraudulent note etc.
- (vi) Utilizing company funds for personal or other than official purposes.
- (vii) Authorizing or receiving payments for goods not supplied or services not rendered.
- (viii) Destruction, disposition, removal of records or any other assets of the Corporation with an ulterior motive to manipulate or misrepresent the facts or to create suspicion/ suppression/ cheating as a result of which objective assessment/ decision may not be arrived at.
- (ix) Impropriety in the handling or reporting of money or financial transactions.

- (x) Profiteering as a result of insider knowledge of company activities.
- (xi) Disclosing confidential and proprietary information to unauthorized and/or outside parties.
- (xii) Accepting or seeking anything of material value from contractors, vendors, and persons providing services/ materials to the company in contravention of STC's Conduct, Discipline and Appeal Rules.
- (xiii) Any similar or related inappropriate conduct.

7. OTHER INAPPROPRIATE CONDUCT

Suspected improprieties concerning an employee's moral, ethical, or behavioral conduct, shall fall outside the scope of Anti-Fraud Policy.

If there is any question as to whether an action constitutes fraud or not, the Nodal Officer may be contacted for guidance.

8. NODAL OFFICER'S RESPONSIBILITIES IN RELATION TO FRAUD PREVENTION AND IDENTIFICATION

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

- (i) Familiarize each employee with the types of improprieties that may occur in their area.
- (ii) Educate employees regarding the measures to be taken for prevention and detection of fraud.
- (iii) Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
- (iv) Promote awareness among the employees of ethical principles subscribed by the Company through CDA Rules/ Standing orders.
- (v) Maintain date wise receipts of the complaints and complaints taken up for preliminary investigation etc.

9. REPORTING PROCEDURE:

An employee, vendor, contractor, associate, borrower, lender or other person having business relationship with the Corporation, on discovery of fraud or suspected fraud must report it to the designated Nodal Officer.

In case of urgency, such report could also 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.

In case the Nodal Officer is suspected of being involved in the alleged fraud, the matter shall be reported to the CMD

The Nodal Officer shall maintain the confidentiality about the identity of the reporting individual and under no circumstances would discuss it with any unauthorized person. The complainant/individual providing information concerning fraud or suspected fraud shall be provided protection against any possible victimization or retaliation.

The Nodal Officer will act expeditiously upon receiving any report of fraud or suspected fraud and ensure that all relevant records and documents and other evidences are taken into custody or protected from being tampered with, destroyed or removed by the suspected persons/ officials.

The Nodal Officer would advise the reporting individual:-

- (i) Not to contact the suspected individual in an effort to determine facts or demand restitution.
- (ii) To observe strict confidentiality and not to discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Nodal Officer.

10. (A) INVESTIGATION OF FRAUD/SUSPECTED FRAUD:

It will be the primary responsibility of Nodal Officer to conduct the preliminary investigation. He/ She may, if considered necessary, appoint a serving or retired public servant as investigating officer to carry out the preliminary investigation. However, no fresh investigation shall be carried out in a matter already under investigation. The employee who reports the suspected fraud should not

attempt to conduct investigation personally. He or she should not interview or interrogate any person related to the suspected fraud.

The Nodal Officer or any other employee involved in the investigations of suspected fraud shall keep the content of investigative activity strictly confidential. Investigation results shall not be disclosed to or discussed with anyone other than those who have a legitimate need to know this.

The Nodal Officer shall make every effort to protect the rights and the reputations of everyone involved in a report of suspected fraud, including the individual who in good faith alleges perceived misconduct, as well as the alleged violator(s).

If Nodal Officer determines that a report submitted by the Investigating Officer deputed by Nodal Officer for carrying out preliminary investigation is not credible or is not a report of fraud, he/she shall document this determination. The Nodal Officer's documentation shall include support for the determination.

If the preliminary investigation substantiates the fraudulent activities, the Nodal Officer will prepare an incident report and send it to the Director of the concerned Division/ Branch for approval for sending it to Vigilance/ Personnel Division for further investigation.

After completion of the investigation by the Vigilance/ Personnel Division, due and appropriate action which could include administrative action, disciplinary action, reporting to the Board/ Audit Committee, 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 taken with the approval of the Disciplinary Authority.

Vigilance/ Personnel Division shall maintain constant co-ordination with the "Nodal Officer" and shall apprise him/her of the results of the investigation undertaken by them.

(B) TIME LIMITS FOR THE PRELIMINARY AND DETAILED INVESTIGATION

The following are the time limits for completing the preliminary and final investigation of report of fraud/ suspected fraud:-

(i) Preliminary Investigation

The Nodal Officer will complete the preliminary investigation and submit the investigation report not later than 30 days from the date of report of fraud/ suspected fraud. In case Nodal Officer is not able to complete and submit the investigation report in 30 days, he has to record the reasons for delay and may seek an extension for 10 days from Director (in-charge of Personnel). However, under the exceptional

circumstances the extension beyond forty days period may be permitted by CMD.

(ii) Approval of Functional Director

The Functional Director will accord the approval for detailed investigation by Vigilance/ Personnel Division normally in 10 days from the date of receipt of preliminary investigation report.

(iii) Detailed Investigation

The Vigilance/ Personnel Division will complete the detailed investigation and submit investigation report within three months from the date of submission of Preliminary Report or such extended period as CMD may permit, to the Nodal Officer.

11. DISCIPLINARY ACTION:

Failure to comply with this policy would attract the disciplinary action in the following may:-

- (i) An employee who is engaged in any form of fraud is subject to disciplinary action.
- (ii) An employee who suspects or discovers fraudulent activity and fails to report the same as required by this policy or an employee who intentionally reports false or misleading information is subject to disciplinary action.
- (iii) If an employee of the Division/ Branch in which fraud is committed does not pass to the Nodal Officer or immediate controlling officer a report of suspected fraud by another employee or any other person, he/ she will be subject to disciplinary action.

12. FRAUD PREVENTION

The Management shall ensure detection and prevention of fraud by establishing procedures, checks and controls to prevent fraud and detect fraud if and when it occurs.

In addition to the above, the Management will be responsible to –

- (a) Educate employees with the types of improprieties that might occur in their area,
- (b) Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization,

- (c) Promote employee awareness of ethical principles subscribed to by the Company.

Amendments shall be made in the general conditions of contracts/ agreements of the Corporation wherein all bidders/ service providers/ vendors/ consultants etc. shall be required to certify that they would adhere to Anti-Fraud Policy of STC and not indulge or allow anybody else working in the Corporation to indulge in fraudulent activities and would immediately apprise the Corporation of the fraud/suspected fraud as soon as it comes to their notice. ***In case of failure to do so, the Corporation may debar them for future transactions.***

This condition shall form part of documents both at the time of submission and execution of agreements and contracts with suppliers and service providers etc.

The Corporation will arrange participation of employees in training programmes, seminars and workshops on detection and prevention of fraud.

13. RECOVERY OF FRAUD LOSS

Upon detection of a fraud, the Division or Branch Offices concerned should make every effort possible to recover the loss amount involved. Loss mitigation action will include recovery from concerned employee/customer/outsider and initiating legal action like filing of recovery suits, wherever feasible.

14. MIS REPORT

- (i) Information relating to all frauds proved in the detailed investigation shall be placed before the Audit Committee of Directors by the Nodal Officer.
- (ii) All administrative frauds of Rs. 1.00 Lakh & above and Trade frauds of Rs. 1.00 crore & above proved in the detailed investigation will be reported to the Board by the Nodal Officer.”

15. CREATING AWARENESS – AMONG EMPLOYEES AND ASSOCIATES ETC.

- (i) The Policy recognises that proper awareness is the main pillar of fraud prevention effort. The Company shall aim at continuously educating its employees, associates, and customers etc. on fraud prevention and enlist support and participation in fraud prevention.
- (ii) This Anti-Fraud Policy document shall be published on the website of the Company.
- (iii) Employees should be targeted by means of training programs (either special training sessions or by inclusion in induction training or sectoral

training modules).Regular circulars, newsletters etc. will also be resorted to for dissemination of information in this regard.

16. ADMINISTRATION OF THE POLICY:

Director (in-charge of Personnel) of the Corporation is responsible for administration, interpretation, application and periodical review of this policy. However, the decision of Chairman and Managing Director shall be final in the case of differences in the interpretation of any of the clauses in the Policy.

Further, the CMD is empowered to approve any amendment/ revision in the policy recommended by the Director (in-charge of Personnel).
