

VIGIL MECHANISM



*PUNJAB STATE POWER
CORPORATION LIMITED*

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Corporate Identity Number: U40109PB2010SGC033813

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Introduction:

Good governance is an integral part of the existence of a company. It inspires and strengthens public confidence by ensuring the company's commitment to higher goals, customer satisfaction and profits. This objective is achieved by adopting transparent procedures and practices, having in place effective machinery to address the concerns of all stakeholders, keeping shareholders informed about developments in the company and ensuring effective control over the affairs of the company.

Punjab State Power Corporation Limited (PSPCL) is committed to the highest possible standards of openness, probity, and accountability. In line with that commitment we expect directors and employees that we deal with, to come forward and voice genuine concerns.

Keeping this in mind and to facilitate this process, the Company has formulated a Vigil Mechanism Framework to enable directors and employees to report genuine concerns.

The Vigil Mechanism Framework is a structured process, which encourages and facilitates directors and employees to report without fear, any wrongdoings or any unethical or improper practice which may adversely impact the image, credibility and/or the financials of the company, through an appropriate forum. The objective is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal accounting controls, or fraudulent reporting of financial information and anti-social conduct.

In other words, if directors and/or employees observe any wrongdoing that may adversely affect the company's image or financials they should assist in rectifying it by reporting it to the management for appropriate action.

Section 177 (9) of the Companies Act, 2013 read with Companies (Meeting of Board and its Powers) Rules 2014 mandates the following classes of companies to constitute a vigil mechanism

- Every listed company;
- Every other company which accepts deposits from the public;
- Every company which has borrowed money from banks and public financial institutions in excess of Rs. 50 crores.

Definitions

The definitions of some of the key terms used in this Policy are given below. Capitalised terms not defined herein shall have the meaning assigned to them under the Code.

- a. **“Associates”** means and includes vendors, suppliers and others with whom the Company has any financial or commercial dealings.
- b. **“Audit Committee”** means the Audit Committee of Directors constituted by the Board of Directors of the Company in accordance with Section 177 of the Companies Act, 2013.
- c. **“Employee”** means every employee of the Company (whether working in India or abroad), including the directors in the employment of the Company.
- d. **“Code”** means the PSPCL Code of Conduct.
- e. **“Company”** means PSPCL

- f. **“Director”** means every Director of the Company, past or present.
- g. **“Investigators”** mean those persons authorised, appointed, consulted or approached by the Vigil Committee/Chairman of the Audit Committee and includes the auditors of the Company and the police.
- h. **%Good faith+** means an employee shall be deemed to be communicating in ~~g~~good faith if there is a reasonable basis for communication of unethical and improper practices or any other alleged wrongful conduct. Good faith shall be deemed to be lacking when the employee does not have personal knowledge on a factual basis for the communication or where the employee knew or reasonably should have known that the communication about the unethical and improper practices or alleged wrongful conduct is malicious, false or frivolous.
- i. **“Protected Disclosure”** means any communication made in good faith that discloses or demonstrates information that may evidence unethical or improper activity.
- j. **“Subject”** means a person against or in relation to whom a Protected Disclosure has been made or evidence gathered during the course of an investigation.
- k. **“Whistleblower”** is a director or an employee, who finds that another director or employee or an outsider is engaged in a conduct which may inappropriately affect the image, credibility or financials of the Company and who may, without expecting any reward in return, report the matter to the management as per the guidelines given below. Such a person is known as a ~~W~~vigilant Person/Whistleblower (hereinafter referred as ~~W~~Whistleblower) and the matter so reported by any employee or director of the company shall be considered to be under ~~W~~IGILANCE
- l. **%Vigil Committee+** will be consisting of Chief Engineer/HRD, Company Secretary and Chief Financial Officer, for the purpose of receiving all the complaints under this Policy and ensuring appropriate action. In the first instance, the Board shall appoint this Vigil Committee. The Audit Committee shall have the authority to change the Vigil Committee from time to time.

3. Coverage of the vigil mechanism

All employees, directors, vendors, suppliers, dealers and consultants, including auditors and advocates who are associated with PSPCL can raise concerns regarding malpractices and events which may negatively impact the company.

- a. Inaccuracy in maintaining the Company's books of account and financial records
- b. Financial misappropriation and fraud
- c. Procurement fraud
- d. Conflict of interest
- e. False expense reimbursements
- f. Misuse of company assets & resources
- g. Inappropriate sharing of company sensitive information
- h. Corruption & bribery
- i. Insider trading
- j. Unfair trade practices & anti-competitive behaviour
- k. Non-adherence to safety guidelines

- l. Sexual harassment
- m. Child labor
- n. Discrimination in any form
- o. Violation of human rights
- p. Any favours regarding fixing or change of seniority, etc,
- q. Violations of the Code of Conduct
- r. Forgery or alteration of documents
- s. Unauthorized alteration or manipulation of computer files
- t. Fraudulent financial reporting

All matters not covered under this mechanism can be reported directly to your Head of Deptt. (HOD) or CE/HRD.

4. Eligibility

All Employees and directors of the Company are eligible to make Protected Disclosures under the Policy. The Protected Disclosures may be in relation to matters concerning the Company.

5. Disqualifications

- a. While it will be ensured that genuine Whistleblowers are accorded complete protection from any kind of unfair treatment as herein set out, any abuse of this protection will warrant disciplinary action.
- b. Protection under this Policy would not mean protection from disciplinary action arising out of false or bogus allegations made by a Whistleblower knowing it to be false or bogus or with a *mala fide* intention.
- c. Whistleblowers, who make three or more Protected Disclosures, which have been subsequently found to be *mala fide*, frivolous, baseless, malicious, or reported otherwise than in good faith, will be disqualified from reporting further Protected Disclosures under this Policy. In respect of such Whistleblowers, the Company/Audit Committee would reserve its right to take/recommend appropriate disciplinary action.

6. Role & Responsibility of the Vigil Committee

Role of the Committee

The Management of the Company is empowered to form a Vigil Committee, as defined herein. The Committee will meet once in a quarter or earlier, if need arises. The Vigil Committee may form a separate Regional Committee, as it may consider appropriate, which will function as per the Vigil policy herein and as per the applicable local regional laws.

Responsibilities

- a. Receiving and acknowledging complaints
- b. Sorting / Screening/ Short listing Investigation through appropriate delegation/ agencies/appointing investigators
- c. Recommend course of action based on investigation to management
- d. Prevention and redressal of whistleblower harassment
- e. Any other related responsibility as decided by the management
- f. The decision on the course of action on the whistleblower's complaint as taken by the Committee shall be final.

7. Procedure

- a. All Protected Disclosures concerning financial/accounting matters should be addressed to the Chairman of the Audit Committee of the Company for investigation.
- b. In respect of all other Protected Disclosures, those concerning the Vigil Committee and employees at the levels of Superintending Engineers (SE) and above should be addressed to the Chairman of the Audit Committee of the Company and those concerning other employees should be addressed to the Vigil Committee of the Company.
- c. The contact details of the Chairman of the Audit Committee and of the Vigil Committee of the Company is as under:

**Chairman- Audit Committee
Punjab State Power Corporation Limited,
PSEB Head Office, The Mall,
Patiala-147001**

**Vigil Committee O/O CE/HRD,
Punjab State Power Corporation Limited,
PSEB Head Office, The Mall,
Patiala-147001**

- d. If a protected disclosure is received by any executive of the Company other than Chairman of Audit Committee or the Vigil Committee, the same should be forwarded to the Company's Vigil Committee or the Chairman of the Audit Committee for further appropriate action. Appropriate care must be taken to keep the identity of the Whistleblower confidential.
- e. Protected Disclosures should preferably be reported in writing so as to ensure a clear understanding of the issues raised and should either be typed or written in a legible handwriting in English, Hindi or in Punjabi.
- f. The Protected Disclosure should be forwarded under a covering letter which shall bear the identity of the Whistleblower. The Chairman of the Audit Committee / Vigil Committee, as the case may be shall detach the covering letter and forward only the Protected Disclosure to the Investigators for investigation.
- g. Protected Disclosures should be factual and not speculative or in the nature of a conclusion, and should contain as much specific information as possible to allow for proper assessment of the nature and extent of the concern and the urgency of a preliminary investigative procedure.
- h. The Whistleblower must disclose his/her identity in the covering letter forwarding such Protected Disclosure. Anonymous disclosures will not be entertained as it would not be possible to interview the Whistleblowers.

8. Investigation

- a. All Protected Disclosures reported under this Policy will be thoroughly investigated by the Vigil Committee / Chairman of the Audit Committee of the Company who will investigate / oversee the investigations under the authorization of the Audit Committee. If any member of the Audit Committee has a conflict of interest in any

given case, then he/she should recuse himself/herself and the other members of the Audit Committee should deal with the matter on hand..

- b. The Vigil Committee / Chairman of the Audit Committee may at its discretion, consider involving any Investigators for the purpose of investigation.
- c. The decision to conduct an investigation taken by the Vigil Committee / Chairman of the Audit Committee is by itself not an accusation and is to be treated as a neutral fact-finding process. The outcome of the investigation may not support the conclusion of the Whistleblower that an improper or unethical act was committed.
- d. The identity of a Subject will be kept confidential to the extent possible given the legitimate needs of law and the investigation.
- e. Subjects will normally be informed of the allegations at the outset of a formal investigation and have opportunities for providing their inputs during the investigation.
- f. Subjects shall have a duty to co-operate with the Vigil Committee / Chairman of the Audit Committee or any of the Investigators during investigation to the extent that such co-operation will not compromise self-incrimination protections available under the applicable laws.
- g. Subjects have a right to consult with a person or persons of their choice, other than the Vigil Committee / Investigators and/or members of the Audit Committee and/or the Whistleblower. Subjects shall be free at any time to engage counsel at their own cost to represent them in the investigation proceedings.
- h. Subjects have a responsibility not to interfere with the investigation. Evidence shall not be withheld, destroyed or tampered with, and witnesses shall not be influenced, coached, threatened or intimidated by the Subjects.
- i. Unless there are compelling reasons not to do so, Subjects will be given the opportunity to respond to material findings contained in an investigation report. No allegation of wrongdoing against a Subject shall be considered as maintainable unless there is good evidence in support of the allegation.
- j. Subjects have a right to be informed of the outcome of the investigation. If allegations are not sustained, the Subject should be consulted as to whether public disclosure of the investigation results would be in the best interest of the Subject and the Company.
- k. The investigation shall be completed normally within 45 days of the receipt of the Protected Disclosure

9. Protection

- a. No unfair treatment will be meted out to a Whistleblower by virtue of his/her having reported a Protected Disclosure under this Policy. The Company, as a policy, condemns any kind of discrimination, harassment, victimization or any other unfair employment practice being adopted against Whistleblowers. Complete protection will, therefore, be given to Whistleblowers against any unfair practice like retaliation, threat or intimidation of termination/suspension of service, disciplinary action, transfer, demotion, refusal of promotion, or the like including any direct or indirect use of authority to obstruct the Whistleblower's right to continue to perform his/her duties/functions including making further Protected

Disclosure. The Company will take steps to minimize difficulties, which the Whistleblower may experience as a result of making the Protected Disclosure. Thus, if the Whistleblower is required to give evidence in criminal or disciplinary proceedings, the Company will arrange for the Whistleblower to receive advice about the procedure, etc.

- b. A Whistleblower may report any violation of the above clause to the Chairman of the Audit Committee, who shall investigate into the same and recommend suitable action to the management.
- c. The identity of the Whistleblower shall be kept confidential to the extent possible and permitted under law. Whistleblowers are cautioned that their identity may become known for reasons outside the control of the Vigil Committee / Chairman of the Audit Committee (e.g. during investigations carried out by Investigators).
- d. Any other Employee or Director assisting in the said investigation shall also be protected to the same extent as the Whistleblower.

10. Investigators

- a. Investigators are required to conduct a process towards fact-finding and analysis. Investigators shall derive their authority and access rights from the Vigil Committee / Audit Committee when acting within the course and scope of their investigation.
- b. Technical and other resources may be drawn upon as necessary to augment the investigation. All Investigators shall be independent and unbiased both in fact and as perceived. Investigators have a duty of fairness, objectivity, thoroughness, ethical behaviour, and observance of legal and professional standards.
- c. Investigations will be launched only after a preliminary review which establishes that:
 - i. the alleged act constitutes an improper or unethical activity or conduct, and
 - ii. either the allegation is supported by information specific enough to be investigated, or matters that do not meet this standard may be worthy of management review, but investigation itself should not be undertaken as an investigation of an improper or unethical activity.

11. Decision

If an investigation leads the Vigil Committee / Chairman of the Audit Committee to conclude that an improper or unethical act has been committed, the Vigil Committee / Chairman of the Audit Committee shall recommend to the management of the Company to take such disciplinary or corrective action as the Vigil Committee / Chairman of the Audit Committee deems fit. It is clarified that any disciplinary or corrective action initiated against the Subject as a result of the findings of an investigation pursuant to this Policy shall adhere to the applicable personnel or staff conduct and disciplinary procedures.

12. Reporting

The Vigil Committee shall submit a report to the Audit Committee on a regular basis about all Protected Disclosures referred to him/her since the last report together with the results of investigations, if any.

13. Retention of documents

All Protected Disclosures in writing or documented along with the results of investigation relating thereto shall be retained by the Company for a minimum period of seven years.

14. Amendment

The Company reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification will be binding on the Employees and directors unless the same is notified to the Employees and directors by replacing the Policy with amended one on website of the Company.