

**Karvy Stock Broking Limited**

# **VIGIL MECHANISM**

## VIGIL MECHANISM

(Pursuant to the Section 177 of the Companies Act, 2013)

### 1. Preamble:

The Company has adopted the Code of Ethics & Business Conduct, which lays down the principles and standards that should govern the actions of the Company and its employees. Any actual or potential violation of the Code, howsoever insignificant or perceived as such, would be a matter of serious concern for the Company. The role of the employees in pointing out such violations of the Code cannot be undermined. Accordingly, this Vigil Policy (“the Policy”) has been formulated with a view to provide a mechanism for employees of the Company to raise concerns of any violations of legal or regulatory requirements, incorrect or misrepresentation of any financial statements and reports, etc.

### 2. Objectives:

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. To maintain these standards, the Company encourages its employees who have concerns about suspected misconduct to come forward and express these concerns without fear of punishment or unfair treatment. This policy aims to provide an avenue for employees to raise concerns of any violations of legal or regulatory requirements, incorrect or misrepresentation of any financial statements and reports, etc.

### 3. Purpose:

The Vigil policy intends to cover serious concerns that could have grave impact on the operations and performance of the business of the Company. The policy neither releases employees from their duty of confidentiality in the course of their work, nor is it a route for taking up a grievance about a personal situation.

### 4. Scope and Applicability:

All directors, officers and employees of KSBL are eligible to make Protected Disclosures under the Policy.

The Policy covers malpractices and events which have taken place/ suspected to take place involving:

- a) Abuse of authority. b) Breach of contract.
- c) Negligence causing substantial and specific danger to public health and safety.
- d) Manipulation of company data/records.

- e) Financial irregularities, including fraud or suspected fraud or Deficiencies in Internal Control and check or deliberate error in preparations of Financial Statements or Misrepresentation of financial reports.
- f) Any unlawful act whether Criminal/ Civil.
- g) Pilferation of confidential/propriety information. h) Deliberate violation of law/regulation.
- i) Wastage/misappropriation of company funds/assets.
- j) Breach of Company Policy or failure to implement or comply with any approved Company Policy.
- k) Policy should not be used in place of the Company grievance procedures or be a route for raising malicious or unfounded allegations against colleagues.

## 5. Definitions

5.1 “Audit Committee”: means the Audit Committee constituted pursuant to the provisions of the Section 177(1) of the Companies Act, 2013.

5.2 “Company” means, “Karvy Stock Broking Limited”

5.3 “Disciplinary Action” means any action that can be taken on the completion of /during the investigation proceedings including but not limiting to a warning, imposition of fine, suspension from official duties or any such action as is deemed to be fit considering the gravity of the matter.

5.4 “Ethical Behavior”: Being in accordance with the accepted principles of right and wrong of that govern the conduct of a profession including but not restricted to financial impropriety and accounting malpractices.

5.5 “Good Faith”: An employee shall be deemed to be communicating in 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 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.

5.6 “Nodal Officer or Investigation Committee”: means an officer or Committee of persons who is/are nominated/ appointed to conduct detailed investigation of the disclosure received from the Vigil blower and recommend disciplinary action. Presently, Nodal Officer of the Company is Head – HR. The Committee, if appointed, should include Senior Level Officers of HR, Internal Audit / Finance and a representative of the Division/ Department where the alleged malpractice has occurred.

5.7 “Policy”: means, vigil policy

5.8 “Professional Behavior”: Exhibiting a courteous, conscientious and generally businesslike manner at the workplace that strives to maintain a positive regard to others while avoiding excessive display of the deep feeling.

5.9 “Protected Disclosure”: The reporting of any such unethical activity or violation to the Committee by a Vigil blower as defined above made in good faith would constitute a protected disclosure.

5.10 “Subject Employee”: means an employee against or in relation to whom a protected disclosure is made under this policy.

5.11 Unethical Alleged Activities shall mean and include the following:

- Violation of any law or regulations, policies including but not limited to corruption, bribery, Theft, fraud, coercion and willful omission.
- Rebating of Commission/benefit or conflict of interest.
- Procurement frauds.
- Mismanagement, Gross wastage or misappropriation of company funds/assets.
- Manipulation of Company data/records.
- Misappropriating cash/company assets;
- Providing any confidential or proprietary information related to any stream (for example R&D, Finance, Marketing, IT, Supply Chain, Human Resources and farmers or Customers/Vendors relation etc).
- Unofficial use of Company’s property/human assets.
- Activities violating the Company policies. (Including Code of Conduct)
- A substantial and specific danger to public health and safety.
- An abuse of authority or fraud
- An act of discrimination.

The above list is illustrative and should not be considered as exhaustive.

5.12 “Vigil blower”: An employee who exposes or makes a disclosure of the unethical and improper practices within an organization in the hope of stopping it.

## **6. Reporting Allegations of Unethical Activities:**

The procedure for reporting and dealing with disclosures is given in annexure 1.

## **7. Procedure to Investigate Alleged Unethical Activities:**

The following investigation process shall be adhered to in case the compliant or protected disclosure is filed:

7.1 The Nodal Officer in consultation with CMD will determine whether the concern or complaint actually pertains to a compliance or ethical violation through majority within 10 business days of receipt of the complaint.

7.2 If the Nodal Officer decides that the complaint is not valid, the rationale for the decision shall be communicated to the complainant.

7.3 If the Nodal Officer determines that the complaint is a valid compliance violation, an Investigation Committee (identified by the Audit Committee) shall investigate the alleged violation.

7.4 Investigation Committee shall file a report of the findings to the Audit Committee along with any supporting evidence.

7.5 The Investigation Committee will take all reasonable efforts to ensure that the investigation process is completed within 30 days from the day of the receipt of complaint. If not, it shall justify the need for extension to the Audit Committee.

7.6 The Audit Committee will make a decision based on the findings reported by the Investigation committee.

7.7 Prompt, appropriate and corrective action will be taken by the Audit Committee against the accused.

7.8 It is the discretion of the Audit committee to inform the decision/action taken on the complainant.

## **8. Documentation and Reporting:**

8.1 The investigation report will be filed in the format attached in Annexure - II.

8.2 All documentation pertaining to the complaint including but not restricted to the investigation report, corrective action taken and evidence will be maintained for a period of 3 years by the Nodal Officer.

8.3 All complaints received will be kept confidential and will be shared only on a 'Need to

Know' basis.

8.4 The Nodal Officer shall submit a report to the Audit Committee on a quarterly basis which includes number of complaints received, accepted and status of pending complaints.

## **9. Roles and Responsibilities:**

### **9.1. Roles and Responsibility of Vigil blower:**

9.1.1 Vigil blowers provide initial information related to a reasonable belief that an unethical activity has occurred.

9.1.2 Vigil blower must provide all factual corroborating evidence, as is available/possible, to enable commencement of an investigation. An investigation will not be undertaken without verifiable support.

9.1.3 Vigil blowers have a responsibility to be candid with the Nodal Officer and Investigation committee. The person should be prepared to be interviewed by the Investigation Committee.

9.1.4 Vigil blowers are not to act on their own in conducting any investigation.

9.1.5 The Vigil blowers will not be immune to disciplinary action if he is found guilty of or is a party to the allegations.

### **9.2 Roles and Responsibility Investigation Participant:**

9.2.1 All employees who are interviewed, asked to provide information or otherwise participate in an investigation have a duty to fully cooperate with the investigators.

9.2.2 Participants should refrain from discussing or disclosing the investigation or their testimony with anyone not connected to the investigation. In no case should the participant discuss with the investigation subject the nature of evidence requested or provided or testimony given to investigators unless agreed to by the investigators.

9.2.3 Requests for confidentiality by participants will be honored to the extent possible within the legitimate needs of law and the investigation.

9.2.4 Participants are entitled to protection from retaliation for having participated in an investigation.

**10. Vigil blower Protection:**

10.1 The identity of the Vigil Blower, subject employee and any other Employee assisting the inquiry/ investigation, shall be kept confidential at all times, except during the course of any legal proceedings, where a disclosure/statement is required to be filed.

10.2 KSBL, as a policy, strongly condemns any kind of discrimination, harassment or any other unfair employment practice being adopted against the Vigil blowers for disclosures made under this policy. No unfair treatment shall be vetted out towards the Vigil Blower by virtue of his/her having reported a disclosure under this policy and the Company shall ensure that full protection has been granted to him/her against:

10.2.1 Unfair employment practices like retaliation, threat or intimidation of termination/suspension of services, etc.

10.2.2 Disciplinary action including transfer, demotion, refusal of promotion, etc.

10.2.3 Direct or indirect abuse of authority to obstruct the Vigil blower's right to continue performance of his duties/functions during routine daily operations, including making further disclosures under this policy. However, action will be taken against Vigil blowers making baseless allegations.

**11. Disciplinary Action when allegations are proved:**

11.1 In case the Protected Disclosure is proved, as per the findings of the Committee, Disciplinary action may be taken up to and including termination and also ensure preventive measures to avoid reoccurrence of the matter.

11.2 In case the Protected Disclosure is not proved, the matter shall be extinguished.

11.3 During the investigation period or at any time thereafter, if any employee is found to be (a) retaliating against the complainant; (b) coaching witnesses; or (c) tampering with evidence, then it would lead to severe disciplinary action including termination of employment.

11.4 In exceptional cases, where the Vigil Blower is not satisfied with the outcome of the investigation and the decision, he or she can make a direct appeal to the Chairman of the Audit Committee.

**12. Action on false information/complaints given:**

An employee, who knowingly makes false allegations of unethical & improper practices or alleged wrongful conduct, shall be subject to disciplinary action, up to and including termination of employment, in accordance with Company rules, policies and procedures. Further, this policy may not be used as a defense by an employee against whom an adverse personnel action has been taken independent of any disclosure of information by him and for legitimate reasons or cause under Company rules and policies.

**13. Amendments to this policy:**

This policy may be amended or modified at any time for the time being in force in consultation with the Audit Committee.

## PROCEDURE FOR REPORTING & DEALING WITH DISCLOSURES

### 1. How should a Disclosure be made and to whom?

A Disclosure should be made in writing. Letters can be submitted by hand-delivery, courier or by post addressed to the Nodal Officer appointed by the Company. Emails can be sent to the email id.

Whilst, a disclosure should normally be submitted to the Nodal Officer, it may also be submitted directly to the Chairman of the Audit Committee, when the Vigil blower feels it necessary under the circumstances. However, disclosures against any senior level employees should be sent directly to the Chairman and Managing Director of the Company.

### 2. Is there any specific format for submitting the Disclosure?

While there is no specific format for submitting a Disclosure, the following details MUST be mentioned:

(a) Name, address and contact details of the Vigil blower (add Employee ID if the Vigil blower is an employee).

(b) Brief description of the Malpractice, giving the names of those alleged to have committed or about to commit a Malpractice. Specific details such as time and place of occurrence are also important.

(c) In case of letters, the disclosure should be sealed in an envelope marked "Vigil Blower" and addressed to the Nodal Officer OR CMD, depending on position of the person against whom disclosure is made.

### 3. What will happen after the Disclosure is submitted?

(a) The Nodal Officer shall acknowledge receipt of the Disclosure as soon as practical (preferably within 07 days of receipt of a Disclosure), where the Vigil blower has provided his/her contact details.

(b) The Nodal Officer will proceed to determine whether the allegations (assuming them to be true only for the purpose of this determination) made in the Disclosure constitute a Malpractice by discussing with the Chairman and Managing Director.

**Investigation report**

To

The Chairman

Audit Committee

1. Nature of Complaint received:

2. Background:

Brief paragraph to set scene i.e. individuals involved, working arrangements etc.

3. Outline process:

Describe actions taken to investigate.

4. Employee(s) Response: Explanation given.

5. Supplementary Evidences:

Brief details of any witness statement(s) or corroborative evidence (if available).

6. Findings and Evaluation:

Identify whether the investigation has revealed evidence of misconduct. If so, identify the alleged misconduct (i.e. what rules or standards relating to his/her employment are the employee is alleged to have broken?). The investigating officer should not come to a conclusion about whether or not the employee has actually committed the alleged offence. This is for the hearing officer to determine (if it is decided the case should progress to hearing) after a full hearing of all the evidence, including the employee's response to the allegations.

7. Appendices:

Include all information relevant to the investigation (i.e. witness statements and copies of any relevant documentation)