



## VIGIL MECHANISM AND WHISTLE BLOWER OPERATING GUIDELINES

OF

### PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

#### Document Control

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## **VIGIL MECHANISM AND WHISTLE BLOWER POLICY OPERATING GUIDELINES**

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### **PREAMBLE**

Paras Defence and Space Technologies Limited (the “**Company**”) adopted a Vigil Mechanism and Whistle Blower Policy (the “**Policy**”) as a part of its Fraud Risk Management Framework in the 8 / 2019-20 Meeting of the Board of Directors (the “**Board**”) held on 07<sup>th</sup> March, 2020. The Policy has been reviewed from time to time. The Policy was formulated to provide an opportunity to employees to voice concerns related to unethical or improper practices they may have observed in the Company and to provide appropriate protection to such employees. Based on the requirement under the Policy, operating guidelines were sought to be formulated to operationalize complaint handling, disposal and reporting process. Accordingly, this document lays down the Operating Guidelines (the “**Guidelines**”) in respect of concerns raised under the Policy. The Guidelines would also be suitably applicable to complaints received by senior management (referred to as senior management escalation cases) as detailed herein.

### **1. DEFINITIONS**

#### **1.1 Audit Committee**

Audit Committee as constituted by the Board of Directors of the Company under the Companies Act, 2013.

#### **1.2 Disciplinary Committee**

Unless otherwise constituted by the Managing Director/CEO of the Company in relation to any particular case, a permanent Committee constituted of Chief Risk Officer, the Head of Human Resources, the Head of Legal, Chief Compliance Officer and Head of Investigation of the Company in whatsoever name and designation they hold or be called, shall form and act as the Disciplinary Committee of the Company. The Managing Director/ CEO of the Company may at his discretion reconstitute the permanent Committee at any point of time with any Officer(s) of the Company as deemed appropriate.

#### **1.3 Employee**

The term employee would mean and include every bona-fide employee in the employment of the Company. *For the purpose of this Policy employee includes directors of the Company.*

#### **1.4 Compliance Officer (CO)**

The term Compliance Officer shall mean the officer of the Company appointed by Board of Directors.

## **1.5 Investigators**

Those persons/entities authorized, appointed, consulted or approached by the Company, for carrying out the due diligence on the Whistle Blower complaint / concern and/or to carry out investigation of the Complaint and/or any part/constituent of the same

## **1.6 Policy**

The extant Vigil Mechanism and Whistle Blower Policy of the Company as approved by the Board of Directors in its meeting held on 15<sup>th</sup> May, 2014 and modified from time to time.

## **1.7 Retaliation**

Retaliation is any act, direct or indirect, recommended, threatened or taken against a Whistle-Blower by any person because the Whistle-Blower has made a disclosure pursuant to the Policy. Retaliation includes overt / covert acts of:

- (a) Discrimination;
- (b) Reprisal;
- (c) Harassment; and
- (d) Vengeance.

## **1.8 Subject**

“Subject” means a person against or in relation to whom a Whistle Blower complaint is made.

## **1.9 Whistle Blowing**

Whistle-blowing 'Concern' or 'Complaint' would mean attracting attention of the management by any Whistle Blower with respect to information about any potentially illegal and / or unacceptable practices.

## **1.10 Whistle-Blower**

Any employee who raises a concern about wrongdoing occurring in the organization in accordance with the Policy.

## **1.11 Whistle Blower Complaint**

In accordance with section 2.1 of the Policy, a Whistle Blower complaint (herein also referred to as 'complaint' or 'concern'), is any disclosure of information made confidentially or anonymously, on one or more of the following matters:

- (a) Breach of any law, statute or regulation by the Company;

- (b) Issues related to accounting policies and procedures adopted for any area or item;
- (c) Acts resulting in financial loss or loss of reputation; and
- (d) Misuse of office, suspected/actual fraud and criminal offences.

## **2. CLASSIFICATION OF CONCERNS**

The concerns/complaints will be classified as under, for effective redressal and reporting. The Whistle Blowing procedure is not intended to address personal grievances. Such issues need to be raised with appropriate forum available within the organization.

### **2.1 Whistle-Blower Complaints**

Complaints including anonymous / pseudonymous in nature, made to the Chairman, Audit Committee or the Chief Compliance Officer and which qualify/meet all the conditions stated in the Policy and reiterated under para 1.11 herein, shall be referred to as Complaints under the Policy. These cases are reported to Audit Committee under Whistle-blower reporting. The operating guidelines are entirely applicable to whistle-blower complaints.

### **2.2 Senior Management Escalation cases**

Complaints which are received by senior management and which otherwise qualify / meet all other conditions stated under the Policy and reiterated under para 1.11 herein, and which have been brought to the attention of Chief Compliance Officer by senior management, shall be classified as "Senior Management Escalation cases". These cases will be investigated in accordance with para 3 to 6 below and will be reported to Audit Committee separately under Senior Management escalation category. Specifically, para 7.1 and 7.2 of the operating guidelines would not be applicable to such cases.

### **2.3 Other complaints**

The Company has laid down a Code of Business Conduct & Ethics (code of conduct) and a policy on sexual harassment at workplace. Complaints/concerns related to employee discrimination, gender related harassment etc. if falling under ambit of Code of Conduct and the policy on sexual harassment, would be considered under this category and referred to Human Resource Function for investigation and necessary action. These operating guidelines are not applicable to such cases.

### **2.4 Complaint against the Head of Investigation /Members of the Disciplinary Committee**

In the event of receipt of Complaint against the Head of Investigation, the Complaint shall be forwarded to the Chief Compliance Officer and in the event of Complaint against any Member of Disciplinary Committee; the

Complaint shall be forwarded to the Managing Director/CEO immediately after its receipt. Managing Director/CEO or Chief Compliance Officer shall upon receipt of such Complaint may have the same investigated through any person, function or entity in the mode and manner as they deem expedient and in the event of such concern or violation being found to be true and existing, the Managing Director/CEO or Chief Compliance Officer of the Company may direct / prescribe appropriate remedial / disciplinary action as they might deem fit proper.

### **3. COMPLAINT GOVERNANCE STRUCTURE**

#### **3.1 Audit Committee**

The Board of Directors of Company has empowered the Audit Committee to review functioning of the Policy.

#### **3.2 Investigating Officer / team**

The Chief Compliance Officer may appoint one or more investigators/ investigating team for carrying out the due diligence and investigate the complaint received. For specific cases, a Committee / group of executives or external agency may also be specifically appointed as warranted by the gravity and seriousness of the complaint. Investigation team will be independent of the group against which concern is raised. Investigators have a duty of fairness, objectivity, thoroughness, ethical behavior, and observance of legal and professional standards. Investigators are required to adopt an approach of fact-finding and analysis. Investigators shall derive their authority and access rights from the Audit Committee or from Chief Compliance Officer when acting within the course and scope of their investigation.

#### **3.3 Reporting to the Audit Committee**

##### **3.3.1 Reporting frequency**

On a quarterly basis, Chief Compliance Officer will provide details of the complaints received, as well as complaints under investigation, during the period, to the Audit Committee. Details would include gist of the complaint, investigation status and actions taken. Further, action will also be taken by Chief Compliance Officer based on the feedback received from members of the Audit Committee. All complaints received, status of investigations / actions thereto, will be reported at the subsequent quarterly Audit Committee Meeting.

##### **3.3.2 Contents to be reported**

A quarterly report on Whistle Blower complaints will be submitted to the Audit Committee, containing following information:

- (a) MIS of Complaints received and action taken during reporting quarter and status of pending cases which were received during previous quarters;

- (b) Case wise information including details of action taken on directions of the Committee; and
- (c) Such other details as desired by the Committee.

### **3.4 Review of complaints**

A senior official designated by Chief Compliance Officer will monitor and review the progress, status of investigation, investigation reports and compliance of closure related actions on regular basis.

## **4. INVESTIGATION PROCESS**

**4.1** Investigations will be launched immediately after a preliminary view taken by the Chief Compliance Officer on whether:

- (a) the alleged act constitutes an improper activity; and
- (b) the allegation is supported by information specific enough to be investigated or in cases where the allegation is not supported by specific information, it is felt that the concerned matter is worthy of review.

### **4.2 Assigning cases to investigators**

Based on the merits of the complaint, Chief Compliance Officer will assign it to appropriate investigator/s listed in para 3.2 above. Investigator/ investigating team being an independent group would be primarily responsible for investigation of the Whistle Blower complaints. The investigators shall submit their report to Chief Compliance Officer in a time bound manner.

### **4.3 Investigations and Role of Investigators**

#### **4.3.1 Investigation**

- (a) Investigation shall commence post instructions from the Chief Compliance Officer;
- (b) The identity of the subject(s) and the Whistle Blower will be kept confidential;
- (c) Subject(s) shall have a duty to co-operate with the Investigator(s) during investigation; and
- (d) Subject(s) have a responsibility not to interfere with the investigation. Evidence shall not be withheld, destroyed or tampered with, and witnesses shall not be influenced, threatened or intimidated by the subject(s).

#### **4.3.2 Role of Investigator(s)**

All Investigators shall perform their role in an independent and unbiased manner; Investigators have a duty of fairness, objectivity, thoroughness, ethical behaviours and observance of professional standards.

Cases can be assigned to

(a) *Internal Fraud Control Team:*

Based on the merits of the complaint, Chief Compliance Officer may assign the complaints/concerns to appropriate investigator/ investigating team. The investigator/ investigating team member will submit their report to Chief Compliance Officer in a time bound manner.

(b) *External Investigator/s:*

Based on the merits of the complaint, Chief Compliance Officer may assign the complaints / concerns to appropriate external investigator/s. External investigator may seek support from independent units / departments for on field investigation where ever required. The external investigator/s shall submit their report to Chief Compliance Officer in a time bound manner.

(c) *Special Committee / groups for Whistle Blower investigation:*

In specific cases Chief Compliance Officer may constitute Special Committee / Groups with requisite skills / expertise to investigate in to the complaint / concern. The Special Committee / Group shall submit its report to the Chief Compliance Officer in a time bound manner. Investigators will maintain confidentiality about identity of Whistle Blower as specified in para 7.2. The Special Committee / Group shall also maintain confidentiality about the investigation process and about the investigation findings.

(d) *Investigation by External Agencies:*

External technical and other resources may be drawn upon as necessary to augment the investigation. Chief Compliance Officer will decide on the appointment of external agencies, depending on the nature of investigation. In case of appointment of external agency, Chief Compliance Officer will keep Audit Committee informed through quarterly reporting. Investigating agency, including investigators working for the agency, shall be bound to maintain confidentiality about identity of the Whistle Blower as outlined in para 7.2.

#### **4.4 Disciplinary Action**

In case of genuine complaints, Chief Compliance Officer will convene a meeting of the Disciplinary Committee and share a copy of investigation report (without disclosing the source of complaint). Based on investigation findings, the Disciplinary Committee would determine action against

concerned within rules and regulation of the Company. The Human Resource Function will be responsible for implementation of any HR action against Subject. Based on the action taken by Human Resource Function, the Chief Compliance Officer may decide to treat a complaint as closed.

#### **4.5 Filing of police complaint**

In case of criminal breach of trust, fraud or such activity is detected during the course of investigation, falling within ambit of criminal proceedings, and if required under prevalent law / regulations, Company will initiate filing of a police complaint. Responsibility of filing police complaint will be with investigator/ investigating team.

#### **4.6 Recovery of fraud losses / misappropriation**

In case of any loss to the Company, respective Business / Operations group will initiate recovery proceedings with the involvement of Human Resource Function and Corporate Legal Function, and take suitable legal recourse as may be necessary.

### **5. CATEGORIZATION OF COMPLAINTS**

#### **5.1 Categorization of cases for reporting to the Audit Committee**

Based on conclusion of investigation, complaints will be categorized in three categories as follows:

- (a) Genuine: Allegations substantially proven. In case of genuine complaint, action will be initiated as suggested in para 4 above and will be reported to the Committee.
- (b) Could not be proven: Allegations could not be proven due to lack of evidence, incomplete information and lapse of substantial time between occurrence of the event and complaint. In case of complaints which could not be proven, no action would be taken and as such, the status will be reported to Audit Committee accordingly.
- (c) False Alarms: Allegations investigated and proven "False". In false alarm cases, if the investigators find proof that complaint was made with malicious intent and if identity of the complainant is known or is traced by the investigators, the Disciplinary Committee may decide appropriate penal action against the complainant within the parameters of Company's Code of Conduct.

The reporting template to Audit Committee will include MIS as specified in para 3.3 above, categorized as specified above.

### **6. CLOSURE OF COMPLAINT**

#### **6.1 Criteria for closure of complaint**



False alarms and complaints which could not be proven will be considered as “Closed” immediately on conclusion of investigation and briefed to that effect to the Chief Compliance Officer. Closure status would be approved by Chief Compliance Officer. In case of genuine complaints, a case will be considered as “Closed” once following actions, as applicable and appropriate have been taken:

- (a) Action against person / persons against whom charges were proven;
- (b) Initiation of recovery of the losses suffered due to fraud, if any;
- (c) Police complaint being filed; and
- (d) Appropriate reporting to various authorities as required.

In case of false alarm cases, closure is independent of action taken based on recommendation of Disciplinary Committee.

Only after confirmation of compliance with the above requirements, a case will be reported as “Closed” to the Audit Committee.

## **7. PROTECTION UNDER WHISTLE BLOWER POLICY**

**7.1** Any employee who makes a disclosure or raises a concern under the Policy will be protected if the employee:

- (a) Discloses the information in good faith;
- (b) Believes it to be substantially true;
- (c) Does not act maliciously nor makes false allegations; and
- (d) Does not seek any personal or financial gain.

### **7.2 Confidentiality and discretion**

**7.2.1** Strict confidentiality about identity of complainant will be maintained for complaints / concerns under the Policy. Confidentiality will be maintained during investigation as well as post investigation. The identity of the complainant will not be revealed unless the complainant himself has made the details of the complaint either public or disclosed his identity to any other authority. The identity of the Whistle Blower will be kept confidential to the extent possible given the legitimate needs of law / regulation and the investigation process.

**7.2.2** Employees may send communications on an anonymous basis. If an employee opts to disclose his or her identity, the same will be kept confidential and the recipient shall not disclose the same. Disclosure of name by Complainant would not have any impact on the complainant's performance appraisal, career progression, assignment of work or any other matter related to employment with the Company.

### **7.3 Protection offered under policy**

The Company, as a policy, condemns any kind of discrimination, harassment, victimization or any other unfair employment practice being adopted against Whistle Blowers. Complete protection will, therefore, be given to Whistle Blowers 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 Whistle Blower from continuing to perform his duties/functions including raising further concerns. The Company will take steps to minimize difficulties, which the Whistle Blower may experience as a result of raising the concern.

### **7.4 Retaliation**

Whistle Blower will not in any way be liable to disciplinary action or loss of benefits, rights or prospects as a result of his / her action. Retaliation shall not be permissible against any Whistle-blower and the Company will not tolerate any attempt on the part of anyone to apply any sanction or disadvantage or to discriminate against any person who has reported concern.

### **7.5 Recourse in the event of retaliation**

Employee affected by the retaliation can approach Chief Compliance Officer for reporting the retaliation. On reporting or disclosure of retaliation, the remedies available to a Whistle-blower against whom there has been retaliation shall be determined by the Disciplinary Committee based upon the findings and recommendations of the investigators. The remedies shall be updated to the Audit Committee.

### **7.6 Action against employee/s involved in the act of retaliation**

In case of proven retaliations, Company will take punitive actions against the respective employee involved in retaliation. Such actions may include transfers, demotions, penalties and termination. Further, the Company as a matter of general deterrence may publicly inform all employees about the penalty and disciplinary action imposed for misconduct arising from retaliation.

### **7.7 Action against false, malicious complaint**

While it will be ensured that genuine Whistle Blowers are accorded complete protection from any kind of unfair treatment as set out in the Policy, any abuse of this protection by a complainant will warrant disciplinary action. Protection under this Policy would not mean protection from disciplinary action arising out of false or bogus allegations made by a Whistle Blower knowing it to be false or bogus or with a malicious intention. Action shall be determined by the Disciplinary Committee based upon the findings and recommendations of the investigators.

## **8. RESPONSE TO WHISTLE BLOWER**

### **8.1 When and who to be responded**

If Complainant has disclosed his identity and provided his communication details on which he / she can be communicated, then written response for receipt of complaint and initiation of action, as deemed fit by Chief Compliance Officer will be sent. In case of anonymous / pseudonymous complaints, no communication will be sent as security of the communication points cannot be assured. While communicating with the Complainant, due care will be taken about secrecy and protection as specified under section 7 above. Communication made with the Complainant will necessarily contain date of receipt of complaint and gist of the complaint. However the Company will have sole discretion to inform the Complainant about actions initiated.

## **9. PROCESS CHANGES**

Any process changes resulting from Complaint, to be routed to Process Excellence Group for change / implementation.

## **10. EMPLOYEE AWARENESS**

### **10.1 Display of Policy**

Paras Defence and Space Technologies Limited Whistle Blower policy will be displayed on the Paras Defence and Space Technologies Limited intranet.

### **10.2 Periodicity of reiteration**

The Policy will be reiterated to all employees at least every six months. Communications will be sent through email and records of the same will be maintained under record retention policy.

## **11. RECORD RETENTION POLICY**

To provide protection to whistle blowers and to maintain secrecy about identity of the complainant, records collected during investigation; including complaint copy needs to be preserved with strict controls by the investigation team. Further, to avoid leakage of information and to avoid misuse of the information, data maintenance and retrieval need to be under proper controlled environment.

### **11.1 List of Documents to be maintained**

- (a) Copy of complaint in hard form that can be filed and preserved;
- (b) Copy of the complaint in soft form that can be provided through email whenever required;

- (c) Records collected during investigation including, electronic data and documents;
- (d) Reports submitted by the investigators;
- (e) Final reports submitted to concerned Business / Operations group;
- (f) Audit Committee reports / reviews;
- (g) Backup of Committee papers;
- (h) Any communication to / from Business Group, Operations Group, Human Resources Function, Disciplinary Committee etc.;
- (i) Records of action taken;
- (j) Notes / details submitted to Audit Committee; and
- (k) Any other working papers relevant to the case.

## **11.2 Format of records**

Records will be maintained in hard copy form, wherever possible, as these could be required for scrutiny by authorities / regulators. Bulky records such as business data will be stored in soft form in the computer system and CD's / Hard Disk. Records collected by the investigators will be maintained in secured form which can be retrieved as and when required. All the physical files along with records, CD's etc. will be stored in the corporate office in a separate storage.

## **11.3 Record retention period**

All records will be maintained as per the Company's extant Document Retention Policy, currently defined as 8 years.

## **11.4 Data, record retrieval process**

- 11.4.1 Records maintained under the policy can be retrieved only with prior approval of Chief Compliance Officer. Chief Compliance Officer may delegate approval process to a senior official from investigating team.
- 11.4.2 In case of retrieval of records for Law Enforcement agencies and regulators, requests will be routed through Chief Compliance Officer for handing over records to external agencies / persons.

## **12. REVIEW OF OPERATING GUIDELINES**

### **12.1 Review of Operating Guidelines**

- 12.1.1 The aforesaid guidelines will be reviewed annually or more frequently if required, to ensure their continuing suitability and effectiveness.

12.1.2 In the event of any change in the policy, impacting employees, such change will be communicated to all employees immediately.

Date: 07<sup>th</sup> March, 2020