

Company Secretary's Division

No. SEC-1/245/2014/955

Dated: 31st July, 2014

CIRCULAR

Sub: "Revised Whistle Blower Policy" of REC

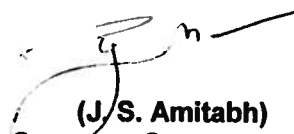
Ref: Circular No. SEC-1/245/2011/2285 dated 5th December, 2011

The Board of Directors, in its 405th Meeting held on 15th July, 2014, has adopted the "**Revised Whistle Blower Policy**" of REC, in compliance with provisions of the Companies Act, 2013 / Rules made thereunder and the revised Clause 49 of Listing Agreement. A copy of the revised Policy, which is effective from 31st July, 2014, is enclosed herewith for information of all concerned.

The Whistle Blower Policy enables directors / employees of REC and/or its subsidiaries to raise concerns regarding any alleged malpractice or wrongdoing, which could affect the business or reputation of the Company. The complaint can be made to the Competent Authority in the manner prescribed under the Revised Policy.

The above policy is independent of the Whistle Blower Policy (PIDPI Resolution) issued by Central Vigilance Commission vide Office Order No. 33/5/2004 dated 17th May, 2004 and incorporated in "Vigilance Hand Book" issued by REC Vigilance Division in October, 2010.

This is issued with the approval of the competent authority.



**(J.S. Amitabh)
General Manager & Company Secretary**

Encl.: a/a.

Distribution:

1. CMD / D(F) / D(T) / Govt. Nominee Director / Part Time Non Official independent Director / CVO, REC
2. All EDs / GMs / AGMs / DGMs at Corporate Office
3. CEO – RECPDCL and CEO – RECTPCL
4. All ZMs / CPMs / Additional Director, CIRE
5. REC Notice Board
6. AGM (IT) – for posting on the intranet / website
7. Chief Manager (Rajbhasha) – for arranging translation into Hindi



Whistle Blower Policy (Updated as on 15th July, 2014)

1. PREFACE

Rural Electrification Corporation Limited (REC), together with its subsidiary companies, is committed to the highest possible standards of ethical practices and moral and legal business conduct. Over the years, REC has put in place various policies, procedures and systems to guide employees within and outside the organization, some of which are 'Information Security Policy', 'Policy for Fraud Prevention' and 'Code of Business Conduct and Ethics for Board Members and Senior Management'. These have been designed to ensure that official dealings and transactions are conducted in an ethical, transparent and uniform manner.

REC has become a listed company after foray into the stock market through its Initial Public Offer (IPO). REC is, therefore, required to comply with Corporate Governance norms prescribed under Clause 49 of the Listing Agreement with Stock Exchanges, as well as under the Companies Act, 2013 and any other statute for the time being in force.

In terms of the requirements under Section 177 of the Companies Act, 2013 read with the relevant Rules and Clause 49 of the Listing Agreement, the Company is required to, *inter-alia*, establish a 'Vigil Mechanism' for Directors and Employees to report their genuine concerns or grievances, about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. As an integral part of such Vigil Mechanism, this Whistle Blower Policy of REC has been updated with a view to empower the Directors and Employees of REC and/or its subsidiary companies, to detect and report any Improper Activity within the Company.

For the sake of clarity, it is specified that this Whistle Blower Policy does not dilute the significance of the overall Vigilance Mechanism of REC. In case any Protected Disclosure made by a Director or Employee under this Policy is perceived to have a vigilance angle, it shall be referred to the Chief Vigilance Officer (CVO) of the Company as per existing practice.

2. DEFINITIONS

In this Policy, unless repugnant to the subject or context of its usage, the following expressions shall carry meanings hereunder assigned to them, namely:

- a) **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with the provisions of Section 177 of the Companies Act, 2013 and Rules made thereunder, read with Clause 49 of the Listing Agreement or any other statutory requirement for the time being in force. The Audit Committee shall oversee the Vigil Mechanism of the Company, which includes this Whistle Blower Policy. Wherever any member of the Audit Committee has a conflict of interest in a given case, they should recuse themselves; and the others on the Audit Committee would deal with the matter on hand.
- b) **“Board”** means the Board of Directors of the Company.
- c) **“Complaint”** means an expression of an Improper Activity, made in writing by any Director or Employee of the Company and / or its subsidiary companies or a group of such persons (referred to as **“Complainant”**), in conformity with this Policy.
- d) **“Complainant”** means a Director or Employee of the Company and / or its subsidiary companies or a group of such persons, who have made the complaint under this Policy. Complainant is also referred to in this Policy as **“Whistle Blower”**.
- e) **“Company” or “REC”** means Rural Electrification Corporation Limited [CIN# L40101DL1969GOI005095] and all its offices.
- f) **“Competent Authority”** means Director (Technical) of the Company at present, or any other Functional Director of the Company nominated by the Chairman and Managing Director (‘CMD’) of REC from time to time, for receiving Protected Disclosures under this Policy. In case of conflict of interest of such Functional Director (i.e., such Functional Director being the subject), the CMD shall be the Competent Authority. In case of conflict of interest of CMD (i.e., CMD being the subject), the Chairperson of the Audit Committee shall be the Competent Authority.

- g) **“CMD”** means the Chairman & Managing Director of REC.
- h) **“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.
- i) **“Improper Activity”** means any activity by an employee of the Company that is undertaken in performance of his or her official duty, whether or not that act is within the scope of his or her employment, and that is in violation of any law or the rules of conduct applicable to the employee, including, but not limited to, corruption, malfeasance, bribery, theft, conversion or misuse of the Company's property, misappropriation of monies, fraudulent claim, actual or suspected fraud, willful omission to perform duty, abuse of authority, engaging in any activity that is economically wasteful or involving gross misconduct, incompetence or gross inefficiency or substantial and specific danger to public health and safety.
- j) **“Investigators”** means those persons authorized, appointed, consulted from time to time by the Competent Authority, in connection with conducting investigation into the Protected Disclosure.
- k) **“Motivated Complaint”** means a complaint found to be deliberately false or motivated by revenge, mischief or such other considerations.
- l) **“Policy”** means this Whistle Blower Policy of REC.
- m) **“Protected Disclosure”** means a bona-fide communication of any Improper Activity in relation to the matters concerning the Company, raised by a Director / Employee of the Company and / or its subsidiary companies or a group of such persons, through a written communication and made in good faith. The Protected Disclosure should be factual and not speculative or in the nature of an interpretation / conclusion and should contain as much specific information as possible to allow for proper assessment of the nature and extent of the concern.
- n) **“Subject”** means a person or group of persons against or in relation to whom the Protected Disclosure/Complaint has been made or evidence gathered during the course of investigation.

- o) **“Victimization”** means any act by which the Complainant/Whistle Blower is victimized for making a Complaint in good faith.
- p) **“Whistle Blower”** means a Complainant, who makes a Protected Disclosure under this Policy. Whistle Blower is also referred to in this policy as **“Complainant”**.

3. ELIGIBILITY

All Directors and Employees of REC, together with the Directors and Employees of its subsidiary companies, are eligible to make Complaint / Protected Disclosure under this Policy.

4. SCOPE

This policy is designated to enable Directors and Employees of the Company and / or its subsidiary companies, to report their genuine concerns or grievances about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. This Policy enables them to disclose information which the individual believes to be Improper Activity (as defined in this Policy), including but not restricted to any malpractices and events which have taken place / suspected to have taken place, financial impropriety, manipulations, misuse or abuse of authority, actual fraud or suspected fraud, violation of law and infringement of Company Policies, negligence causing danger to environment, public health and safety, improper conduct or unethical behavior involving moral turpitude, criminal activity or any such other activity, including attempts to conceal any of the above, which could affect the business or reputation of the Company.

5. REPORTING A PROTECTED DISCLOSURE

- 5.1. All Protected Disclosures should be reported in writing by the Complainant as soon as possible after becoming aware of the same, so as to ensure a clear understanding of the issues raised. The Complaint should either be typed or written in a legible handwriting in Hindi or English. The Protected Disclosure should be attached to a letter bearing the identity of the Complainant, i.e. his/her name, location.
- 5.2. The Protected Disclosure should not be merely speculative in nature but should be based on actual fact. The Protected Disclosure made should not be in the nature of a

conclusion and should contain as much specific information as possible to allow for proper conduct of the inquiry/ investigation.

- 5.3. The Protected Disclosure should be submitted in a closed and sealed envelope addressed to the Competent Authority, which should be super scribed as “**Protected Disclosure under the Whistle Blower Policy**”. If the envelope is not super-scribed and sealed as mentioned above, it will not be possible to protect the Complainant and the Protected Disclosure will be dealt with as a normal disclosure.
- 5.4 In order to protect the identity of the Complainant, the Competent Authority will not issue any acknowledgement to the Complainant, unless so desired expressly by the Complainant. The Complainants are advised to neither write their names / address on the envelope, nor to enter into any further correspondence with the Competent Authority. The Competent Authority shall assure that in case any further clarification is required, he will get in touch with the Complainant.
- 5.5. Anonymous / Pseudonymous disclosure shall not be entertained.
- 5.6. The Protected Disclosure should be forwarded under a covering letter signed by the Complainant. The Competent Authority shall detach the covering letter bearing the identity of the Whistle Blower and process only the Protected Disclosure.
- 5.7. All Protected Disclosures should be addressed to the appropriate Competent Authority, as specified below:-
- 5.7.1 In general, all Protected Disclosures should be addressed to the Director (Technical) of the Company at the following address:-

Director (Technical)
Rural Electrification Corporation Limited
Core-4 SCOPE Complex
7 Lodhi Road, New Delhi – 110 003

Provided that the CMD may nominate in future, at his discretion, any other Functional Director in the above capacity from time to time; and details of such change in nomination will be published on the Intranet and on the Website of the Company or in such other manner as may be deemed fit.

5.7.2 In case of conflict of interest of the said Functional Director (i.e., such Functional Director being the subject), the Protected Disclosures should be addressed to the CMD at the following address:-

**Chairman & Managing Director
Rural Electrification Corporation Limited
Core-4 SCOPE Complex
7 Lodhi Road, New Delhi – 110 003**

5.7.3 In case of conflict of interest of the CMD (i.e., CMD being the subject), and in all exceptional cases, the Protected Disclosures should be addressed to the Chairperson of the Audit Committee at the following address:-

**Chairperson of the Audit Committee
Rural Electrification Corporation Limited
Core-4 SCOPE Complex
7 Lodhi Road, New Delhi – 110 003**

5.8. On receipt of the Protected Disclosure, the Competent Authority shall make a record of the Protected Disclosure and also ascertain from the Complainant whether he was the person who made the Protected Disclosure or not. He shall also carry out initial investigation either himself or by involving any other Officer of the Company or an outside agency, before referring the matter, with approval of the CMD, as the case may be, to the Audit Committee of the Company for further appropriate investigation and needful action. The record will include:

- a) Brief facts;
- b) Whether the same Protected Disclosure was raised previously by anyone, and if so, the outcome thereof;
- c) Whether the same Protected Disclosure was raised previously on the same subject;
- d) Details of actions taken by the Competent Authority for processing the complaint
- e) Findings of the Audit Committee
- f) The recommendations of the Audit Committee thereon.

5.9 The Audit Committee, if deems fit, may call for further information or particulars from the Complainant.

6. INVESTIGATION

- 6.1** The Competent Authority shall determine whether the circumstances warrant an investigation. If so, reasons for such determination shall be recorded in writing and necessary directions will be given to investigators to investigate the complaint.
- 6.2** The investigation shall be fair and objective, and shall be undertaken by a person or persons who have no conflict of interest with either the Complainant or with the Subject.
- 6.3** All employees of the Company are duty bound to co-operate with the investigator to the extent that their cooperation will not compromise self-incrimination protection afforded under the law.
- 6.4** Subject will normally be informed of the allegations at the outset of a formal investigation, and will have opportunity for inputs during investigation.
- 6.5.** Subject will have a right to consult with a person or persons of their choice, other than the Competent Authority and/or members of the Audit Committee and/or the Whistle Blower.
- 6.6.** Subject will have a responsibility not to interfere with the investigation. Evidence shall not be withheld, destroyed or tampered with and witness shall not be influenced, coached, threatened or intimidated by the subject.
- 6.7** Subject will not be entitled to any form of legal representation in form of advocate during investigation.
- 6.8** The investigation shall be completed within 60 (sixty) days from the date of order of investigation given by the Competent Authority or such extended period as the Competent Authority may permit for reasons to be recorded. The period fixed for the investigation is the essence, since action, if any, to be taken on the Complaint will depend on the investigation, and speedy action is the essence of this Policy.
- 6.9** The Investigator will submit a report on the investigation to the Competent Authority, which shall mark the completion of the investigation, unless the Competent Authority requires any further investigation into any specific aspect and fixes the time within which the further investigation is to be completed.

6.10 Unless there are compelling reasons not to do so, subject will be given the opportunity to respond to material findings contained in the investigation report. No allegation of wrong doing against a subject shall be considered as maintainable unless there is good evidence in support of the allegation.

6.11 Subject will have a right to be informed of the outcome of the investigations. 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.

6.12 The Complainant and the Subject have the right to be informed of the outcome of the investigation.

7. ACTION

7.1 If the Competent Authority is of the opinion that the investigation discloses the existence of Improper Activity which warrants disciplinary action against Subject or any other person, needful action shall be taken depending upon the level of improper activity. In such case, the Competent Authority shall recommend, with approval of the CMD, as the case may be, to the Audit Committee, to take such disciplinary or corrective action as is deemed 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 rules and disciplinary procedures.

7.2 In case the Subject is the CMD, the Chairperson of the Audit Committee, after examining the Protected Disclosure, shall forward the Protected Disclosure to other members of the Audit Committee if deemed fit. The Audit Committee shall appropriately and expeditiously investigate the Protected Disclosure.

7.3 If the Competent Authority is satisfied that the complaint is frivolous, false, motivated or vexatious, and particularly if repeated frivolous complaints are being filed by a Director or Employee, the Audit Committee may take suitable disciplinary action including reprimand, against such Director or Employee.

7.4 The Competent Authority shall take such other remedial action as deemed fit to remedy the Improper Activity mentioned in the Complaint or to prevent the re-occurrence of such improper activity.

7.5 If the Competent Authority is of the opinion upon investigation, that no further action on Complaint is warranted, he shall so record in writing and also inform Complainant in writing.

8. GRIEVANCES

8.1 If the Complainant feels aggrieved with the disposition of his or her Complaint, or if the Complainant or Subject feels that protection, which either of them is entitled to, has not been provided or has been disregarded, the Complainant or Subject, as the case may be, may make a representation in writing of his or her grievance to:-

8.1.1 The CMD of the Company, who will take such action in the matter as considered necessary to redress the grievance.

8.1.2 If the Complainant or Subject feels aggrieved with the action taken by the CMD on a representation made as above, he/she may make a representation in writing of his or her grievance to the Chairperson of the Audit Committee of the Company, who shall take or direct such action on the representation as is deemed fit.

8.2 The decision of the Chairperson of the Audit Committee shall be final and binding on the Complainant and on the Subject.

9. PROTECTION

9.1 No unfair treatment will be meted out to a Complainant / Whistle Blower 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 Complainant / Whistle Blower. Adequate safeguards and complete protection will, therefore, be given to Complainant / Whistle Blower against any unfair practice like retaliation, threat or intimidation of termination/suspension of service, disciplinary action, transfer, demotion, refusal of promotion, or the likes, including any direct or indirect use of authority to obstruct the Complainant's right to continue to perform his duties/ functions including making further Protected Disclosures. The Company will take steps to minimize difficulties, which the Complainant may experience as a result of making the Protected Disclosure. In case, the Complainant / Whistle Blower is required to give evidence in a criminal or disciplinary proceeding in connection with

the matter reported by him/her, the Company will arrange for the Whistle Blower to receive advice about the procedure etc.

9.2 A Whistle Blower may report any violation of the above Clause to the Chairperson of the Audit Committee, who shall investigate into the same and recommend suitable action to the management.

9.3 The identity of the Whistle Blower shall be kept confidential to the extent possible and permitted under law. RECL will keep the Complainant's identity confidential, unless:

- the person agrees to be identified;
- identification is necessary to allow investigators to investigate or respond effectively to the report;
- identification is required by law; and
- the person accused of violations is entitled to the information as a matter of legal right in disciplinary proceedings.

9.4 In the event of the identity of the Complainant being disclosed, the Audit Committee is authorized to initiate appropriate action as per extant rules against the person or agency making such disclosure.

9.5 In the event that a complaint made in good faith is subsequently found to be untrue, no action would be initiated against the Complainant. However, action will / may be taken against the Complainant making baseless allegations. Provided however that the complainant before making a complaint has reasonable belief that an issue exists and he has acted in good faith. Any complaint not made in good faith, as assessed by the Audit Committee, shall be viewed seriously and the Complainant shall be subject to disciplinary action as per extant Rules.

9.6 Any other Employee assisting in the said investigation shall also be protected to the same extent as the Complainant.

10. ACCESS TO CHAIRPERSON OF THE AUDIT COMMITTEE

The Whistle Blower shall have direct access to the Chairperson of the Audit Committee in exceptional cases and the Chairperson of the Audit Committee is authorized to prescribe suitable directions in this regard.

11. SECRECY/ CONFIDENTIALITY

The Complainant, the Subject, the Competent Authority and everyone involved in the process shall:-

- maintain complete confidentiality / secrecy of the matter;
- not discuss the matter in any informal / social gathering / meetings;
- discuss only to the extent or with the persons required for the purpose of completing the process and investigation;
- not keep the papers unattended anywhere at any time; and
- keep the electronic mails/ files under password.

12. REPORTING

12.1 A Quarterly Report with the number of complaints received under the Policy and their outcome shall be placed before the Audit Committee by the HR Division.

12.2 A Half-yearly Report with the number of complaints received under the Policy and their outcome shall be placed before the Board of Directors by the HR Division.

13. ADMINISTRATION AND REVIEW OF THE POLICY

The CMD shall be responsible for the administration, interpretation and application of this Policy.

14. AMENDMENT

This Policy can be changed, modified at any time by the Board of Directors of the Company.

15. RETENTION OF DOCUMENTS

All Protected Disclosures in writing along with the results of investigation relating thereto shall be retained by HR Division of the Company, in safe custody for a minimum period of eight years or such other period as specified by any other law in force, whichever is more.

16. CRIMINAL ACTIVITY

If there is evidence of criminal activity, the Company will ensure that any internal investigation does not hinder a formal police investigation.

17. NOTIFICATION

17.1 A Whistle Blower policy can be effective only when it is properly communicated to its Directors and Employees. Directors and Employees of REC and / or its subsidiaries shall be informed about this Whistle Blower Policy by publishing the same on the Intranet and on the Website of the Company or in such other manner as may be deemed fit.

17.2 All Departmental Heads are required to notify & communicate the existence and contents of this Policy to their respective departments.

17.3 The new employees shall be informed about this Policy by the HR department.

18. ANNUAL AFFIRMATION

The CMD of the Company shall annually affirm that he has not denied any Director / Employee of REC and/or its subsidiaries, access to the Competent Authority and that he has provided adequate safeguards and protection to the Complainants / Whistle Blowers from adverse personnel action. Such affirmation shall form part of the Corporate Governance Report as attached to the Annual Report of the Company.