

# KARNATAKA STATE FINANCIAL CORPORATION

## Annexure-I

### WHISTLEBLOWER POLICY & VIGIL MECHANISM

#### **Preface**

Karnataka State Financial Corporation (KSFC) believes in the conduct of its corporate affairs in a fair and transparent manner by adopting professionalism, honesty, integrity and ethical behaviour. Since the outstanding listed non-convertible debt instruments of the Corporation was more than the threshold limit of Rs.500.00 crores as on 31/03/2021, it is classified as a High Value Debt Listed Entity. Hence, Regulations 16 to 27 of the SEBI (LODR) Regulations, 2015 which deal with Corporate Governance are applicable to the Corporation from September 2021 to March 2023 on 'comply or explain' basis and thereafter on mandatory basis. Regulation 22 mandates for adoption of a Board approved Whistle Blower Policy/Vigil Mechanism in the Corporation before the end of March 2023. Regulation 22 provides for directors and employees to report to the management instances of unethical behaviour, actual or suspected fraud/corruption or violation of the Corporation's code of conduct or ethics policy. Accordingly, Corporation has adopted this Whistle Blower Policy and Vigil Mechanism.

#### **Policy**

This Whistle Blower Policy provides a framework to promote responsible and secure whistle blowing. Accordingly, this Whistleblower Policy ("the Policy") and Vigil Mechanism as part of this Policy has been formulated with a view to provide a mechanism for directors, employees as well as other stakeholders of the Corporation to approach the Whistle Officer/ Chairman of the Audit Committee of the Corporation. The Audit Committee shall review the functioning of the whistleblower mechanism, at least once in a financial year. The Whistleblower Policy & Vigil Mechanism will be displayed on the website of the Corporation. The policy neither releases directors and 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. This policy is in addition to the provisions of the KSFC Staff Regulations, 1965, Services (Conduct) Regulations, 2004, Services (C C & A) Rules, 2003 which are applicable to all the employees of the Corporation. If there is any contradiction in the provisions of this Whistleblower Policy and Vigil Mechanism, the provisions of KSFC Staff Regulations, 1965, Services (Conduct) Regulations, 2004, Services (C C & A) Rules, 2003 will prevail.

## Definitions

The definitions of some of the key terms used in this Policy are given below:

- **‘Audit Committee’** means the Audit Committee of Directors constituted by the Board of Directors of the Corporation under Section 18(3) of the State Financial Corporations Act, 1951 and Regulation 18 of the SEBI(LODR) Regulations, 2015.
- **‘Employee’** means every employee of the Corporation.
- **‘Whistle Officer’** is the Whistle Officer of KSFC. The Executive Director-I of the Corporation is designated as the Whistle Officer. Any subsequent change in the Whistle Officer will be made by the Audit Committee on the recommendation of the Managing Director of the Corporation.
- **‘Director’** means the director of the Corporation, past and present.
- **‘Investigator/s’** mean those person/s authorised, appointed, consulted or approached by the Whistle Officer/Chairman of the Audit Committee.
- **‘Protected Disclosure’** means any communication made in good faith that discloses or demonstrates information that may evidence unethical or improper activity.
- **‘Stakeholders’** means and includes shareholders, bondholders, other investors, lenders and customers of the Corporation.
- **‘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.
- **‘Whistleblower’** means an employee or director or any stakeholder making a protected disclosure under this policy.
- **‘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.
- **‘Protected Disclosure’** means a concern raised by a written communication made in good faith that discloses or demonstrates information that may evidence unethical or improper activity. Protected Disclosures should be factual and not speculative in nature.

## Scope

- The whistleblower’s role is that of a reporting party with reliable information. He is not required or expected to act as an investigator or finders of facts, nor would he determine the appropriate corrective or remedial action that may be warranted in a given case.
- whistleblowers should not act on their own in conducting any investigative activities, nor do they have a right to participate in any investigative activities other than as requested by the Whistle Officer (WO) or the Chairman of the Audit Committee or the Investigators.
- Protected Disclosure will be appropriately dealt with by the WO or the Chairman of the Audit Committee, as the case may be.

## Coverage of Policy

All Employees, Directors and stakeholders of the Corporation are eligible to make Protected Disclosures under the Policy. The Protected Disclosures may be in relation to matters concerning the Corporation. The Policy covers malpractices and events which have taken place/ suspected to take place involving:

- Abuse of Authority.
- Manipulation of Corporation's data/records.
- Financial irregularities including fraud including suspected fraud.
- Any unlawful act whether criminal or civil.
- Pilferage of confidential/ propriety information.
- Deliberate violation of laws/regulations.
- Wastage/ mis-appropriation of Corporation's funds/assets.
- Any other un-ethical/biased/favored/imprudent event.
- Breach of Employee Code of Conduct or Staff Regulations.
- Governance weaknesses.

However, the policy should not be used for raising malicious or unfounded allegation against the colleagues.

## Disqualifications

- While it will be ensured that genuine Whistle Blowers are accorded complete protection from any kind of unfair treatment as herein set out, any abuse of this protection 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 whistleblower knowing it to be false or bogus or with a *mala fide* intention.
- The Corporation would reserve its right to take/recommend appropriate disciplinary action against 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.

## Procedure

- Protected Disclosures concerning the Whistle Officer, Executive Directors and Directors of the Corporation and employees should be addressed to the Chairman of the Audit Committee and concerning all other employees should be addressed to the Whistle Officer. The addresses of these persons will be published in the web site of the Corporation.

- The Protected Disclosures should contain details like
  - (a) Name, address and contact details of the whistleblower
  - (b) Brief description of the malpractice, giving 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 “Whistle Blower” and addressed to the Whistle Office.
- The Protected Disclosure should be forwarded under a covering letter which shall bear the identity of the whistleblower. The Chairman of the Audit Committee / WO, as the case may be shall detach the covering letter and forward only the Protected Disclosure to the Investigators for investigation.
- 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.
- Concerns expressed anonymous will not be usually investigated but subject to the seriousness of the issue raised in investigation may be initiated independently.

## **Investigation**

- All Protected Disclosures reported under this Policy will be thoroughly investigated by the WO /Chairman of the Audit Committee of the Corporation 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.
- The Whistle Officer/ Chairman of the Audit Committee may at his/her discretion, consider involving any investigators for the purpose of investigation.
- Protected Disclosures involving or relating to the Whistle Officer will be investigated by an officer to be decided by the Managing Director.
- The decision to conduct an investigation taken by the Whistle Officer/ 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 Whistle Blower that an improper or unethical act was committed.
- The identity of the Subject will be kept confidential to the extent possible given the legitimate needs of law and the investigation.

- 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.
- Subjects shall have a duty to co-operate with the WO / 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.
- Subjects have a right to consult with a person or persons of their choice, other than the WO /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.
- 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.
- 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 wrong doing against a Subject shall be considered as maintainable unless there is good evidence in support of the allegation.
- 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 Corporation.
- Investigators are required to conduct a process towards fact-finding and analysis. Investigators shall derive their authority and access rights from the Competent Authority when acting within the course and scope of their investigation.
- Investigators have a duty of fairness, objectivity, thoroughness, ethical behavior, and observance of legal and professional standards.
- Investigations will be launched only after a preliminary review which establishes that:
  - (a) the alleged act constitutes an improper or unethical activity or conduct, and
  - (b) either the allegation is supported by information specific enough to be investigated, or matters that do not meet this standard may be worth of management review.

## **Protection**

- No unfair treatment will be meted out to a whistleblower by virtue of his/her having reported a Protected Disclosure under this Policy. KSFC, 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 duties/ functions including making further Protected Disclosures. The Corporation will take steps to minimize difficulties, which the whistleblower may experience as a result of making the Protected Disclosure.

- The identity of the whistleblower shall be kept confidential to the extent possible given the legitimate needs of the investigation and permitted under law.
- Any other employee assisting in the said investigation shall also be protected to the same extent as the whistleblower.
- If any person is aggrieved by any action on the ground that he/she is being victimized due to the fact that he/she had filed a complaint or disclosure, he/she may before the Competent Authority seek redressal wherein the Competent authority may give suitable directions to the concerned person.

### **Decision**

If an investigation leads the Whistle Officer/ Chairman of the Audit Committee to conclude that an improper or unethical act has been committed, he/she shall advise the management of the Corporation to take such disciplinary action under the provisions of KSFC Staff Regulations or any other law in force for the time being.

### **Reporting**

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

### **Retention of documents**

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

### **Secrecy/ Confidentiality**

The Whistleblower, the Subject, the Whistle Officer and everyone involved in the process shall:

- maintain complete confidentiality/ secrecy of the matter;
- not to 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 to keep the papers unattended anywhere at any time; and
- keep the electronic mails/ file under password.

## **Amendment**

The Corporation 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 unless the same is notified to the Employees in writing and / or published in its website.

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