

# AU Small Finance Bank Limited

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## WHISTLE BLOWER POLICY & VIGIL MECHANISM

## Version Control

Document Version	Description of Changes	Date	Prepared / Changed by
1.0	First Version	April, 2017	Risk Department
2.0	Annual Review of Policy	April, 2018	Risk Department

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## 1. Introduction

AU Small Finance Bank (SFB) Ltd (hereinafter referred to as 'the Bank') values reliability, fairness and equality, which form the foundation for all the decisions taken. AU SFB Ltd believes in conducting its affairs in a fair manner to build customer trust and confidence and ensure customer delight.

The Whistle Blower Policy has been formulated as part of corporate governance norms and transparency where the employees, customers, stakeholders or Non-Governmental Organizations (NGOs) are encouraged to refer any Protected Disclosures which have not been resolved or satisfactorily resolved within the usual applicable protocols. The employees may refer any Protected Disclosures covering areas such as corruption, misuse of office, criminal offences, suspected/ actual fraud, failure to comply with existing rules and regulations and acts resulting in financial loss/ operational risk, loss of reputation, etc. detrimental to customers' interest/ public interest.

This policy shall provide a channel to the employees (including directors) and other stakeholders to report to the management about unethical behaviour, actual or suspected fraud or violation of the Codes of conduct or legal or regulatory requirements, incorrect or misrepresentation of any financial statements and reports and such other matters.

## 2. Objectives of the Policy

The following are the objectives of the Whistle Blower Policy:

- Promote a culture of speaking up/ raising red flags on matters relating to breaches/ violations of the Bank's Code of Conduct, fraudulent transactions.
- Provide a platform and mechanism for the employees and relevant stakeholders to voice genuine concerns of grievances about unprofessional conduct without the fear of reprisal to the employee raising the concern.
- Provide a non-threatening environment to employees to discuss matters relating to the Bank's Code of Conduct, suspected unethical behaviours, malpractices, wrongful conduct, frauds, violations of law and questionable accounting or auditing matters.
- Adhere to the highest standards of ethical, moral and legal conduct of business operations.
- Promote clean business transactions, professionalism, productivity, promptness and transparent practices and ensures putting in place systems and procedures to curb opportunities for corruption.
- Provide avenues to employees to raise concerns in confidence and receive feedback on any action taken.
- Institutionalize a mechanism for protection of employees from reprisals or victimization, for whistle blowing in good faith as the Bank strictly follows No Retaliation Policy.
- Provide an assurance to external stakeholders that there is internal cordiality and transparency.
- Treat the violations/ breaches/ non-compliance at various levels of the Bank with vigour and due care and accordingly realign processes and take corrective actions as part of its corporate governance.
- Build a culture of trust and transparency in the Bank

The Policy shall help the Bank to create an environment where employees and relevant stakeholders feel free and secure to raise the alarm where they see a problem. It shall also ensure that whistle blowers are protected from retribution, whether within or outside the Bank.

### **3. Applicability**

The Policy applies to all the Bank's employees working out of corporate office, operating centres and branches in India. The policy shall also apply to any Protected Disclosure made by various stakeholders of the Bank. These stakeholders may fall into any of the following broad categories:

- (I) Employees of the Bank.
- (II) Employees of other agencies deployed for the Bank's activities, whether working from any of the Bank's offices or any other location.
- (III) Contractors, vendors, suppliers or agencies (or any of their employees) providing any material or service to the Bank.
- (IV) Customers of the Bank.
- (V) Shareholders of the Bank.
- (VI) Directors of the Bank.
- (VII) Any other person having an association with the Bank

A person belonging to any of the abovementioned categories can avail of the channel provided by this Policy for raising an issue covered under this Policy.

A copy of the Policy shall be displayed by all Branches/ Offices of the Bank at a prominent place inside the Bank's premises, where customers/ general public frequent as well as the Bank's website.

### **4. Governance Structure**

The Bank shall devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices and make Protected Disclosures.

#### **4.1 Audit Committee**

The Bank shall have an Audit Committee which reviews the effectiveness of the vigil mechanism and implementation of the Whistle Blower Policy to provide adequate safeguards against victimization of employees and relevant stakeholders. The details of establishment of Vigil mechanism shall be disclosed by the Bank on the website, if any, and in the Board's Report to the stakeholders.

In case of repeated frivolous Protected Disclosures being filed by a director or an employee or any other stakeholders, the Audit Committee or the director nominated to play the role of Audit Committee shall take suitable action against the concerned director or employee.

The independent directors shall ascertain and ensure that the Bank has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use.

#### 4.2 Disciplinary Committee

Chairman	Independent Director-Female
Members	<p>Managing Director &amp; Chief Executive Officer Executive Director Independent Director</p> <p>Note: Whistle Blower related matters will be chaired by an independent director and for Prevention of Sexual Harassment Related Matters female Independent Director shall chair the meeting.</p>
Invitees	<p>Chief of Digital Banking, Analytics and HR Chief Risk Officer Chief Vigilance Officer</p>
Frequency	Half Yearly (not with a gap of more than six months)
Quorum	2 members present with at least 1 non-executive director and executive director
Responsibilities	<ul style="list-style-type: none"> <li>• Review whistle blower policy.</li> <li>• Review Code of Conduct.</li> <li>• Review and approve material to create awareness of rights of women employees.</li> <li>• Review the Report on the sexual harassment cases received for the period and action taken for the same.</li> <li>• Advice on any open complaint received.</li> <li>• Review the disclosures to be included in the annual report.</li> <li>• Any other matters related to the reputation risk of the organisation.</li> </ul>
Process Owner & Governance Policy	<ul style="list-style-type: none"> <li>• Chief of Digital Banking, Analytics and HR for HR &amp; Chief Vigilance Officer for Whistle Blower</li> <li>• Whistle Blower Policy, Protection of women against Sexual Harassment Policy &amp; Code of Conduct</li> </ul>

#### 4.3 Chief Vigilance Officer (CVO)

The Chief Vigilance Officer of the Bank shall act as a Special Assistant/ Advisor to the Managing Director (MD) of the Bank in the discharge of the vigilance functions. The CVO shall report to the Audit Committee on the vigilance activities, disciplinary cases and related investigation reports as well as aspects relating to the implementation of the Whistle Blower Policy. The CVO shall investigate the Protected Disclosures of the following nature:

- Demanding and/or accepting gratification other than legal remuneration in respect of an official act or for using his influence with any other official.
- Obtaining valuable thing, without consideration or with inadequate consideration from a person with whom he has or is likely to have official dealings or his subordinates have official dealings or where he can exert influence.
- Obtaining for himself or for any other person any valuable thing or pecuniary advantage by corrupt or illegal means or by abusing his position as an employee.
- Possession of assets disproportionate to his known sources of income.
- Cases of misappropriation, forgery or cheating or other similar criminal offences.
- Failure to comply with legal/ regulatory obligations.
- Any act leading to loss of reputation of the Bank or detrimental to the interest of the depositors.
- Information relating to any of the above deliberately concealed or attempt being made to conceal the same.

The CVO shall also act as a liaison officer between the Bank and the law enforcement authorities. The CVO shall collect intelligence about the corrupt practices committed, or likely to be committed, by the employees of the Bank; investigate or cause an investigation to be made into verifiable allegations reported to him; process investigation reports for further consideration of the disciplinary authority concerned and report/ refer the matters to the MD of the Bank for advice wherever necessary, taking steps to prevent commission of improper practices/misconducts, etc. Thus, the CVOs' functions can broadly be divided into three parts, viz.

- (i) Preventive vigilance
- (ii) Punitive vigilance
- (iii) Surveillance and detection.

In case of other irregularities like gross or wilful negligence; recklessness in decision making; blatant violations of systems and procedures, exercise of discretion in excess, where no ostensible organizational interest is evident, failure to keep the controlling authority/ superiors informed in time, the Chief People Officer and CVO shall carefully study the case and weigh the circumstances to arrive at a conclusion whether there is reasonable ground to doubt the integrity of the officer concerned.

## 5. Scope

This Policy intends to cover Protected Disclosures that could have grave impact on the operations and performance of the business of the Bank. Receipt of information about corruption, malpractice or misconduct on the part of employees, from whatever source, would be termed as a Protected Disclosure. Protected Disclosures may be received from any of the following sources:

- Protected Disclosures received from employees of the organisation or from the public.
- Departmental inspection reports.
- Scrutiny of Protected Disclosures reported under the Code of Conduct.
- Reports of irregularities in accounts detected in the routine audit of accounts, e.g. tampering with records, over-payments, misappropriation of money or materials, etc.
- Audit reports of the accounts of the Bank.
- Protected Disclosures and allegations appearing in the press, etc.
- Source information, if received verbally from an identifiable source, to be reduced in writing.
- Intelligence gathered by agencies like CBI, local bodies etc.

Under the Policy, employees and relevant stakeholders of the Bank having sufficient grounds for a concern can lodge Protected Disclosures. It is impossible to give an exhaustive list of the activities that

constitute such misconduct/ malpractice/ violations but, broadly speaking we would expect the following acts to be reported:

The Policy intends to cover the following types of Protected Disclosures:

- Fraudulent activities or activities in which there is suspected fraud
- Intentional or deliberate non-compliance with laws, regulations and policies
- Questionable accounting practices including misappropriation of monies
- Illegal activities
- Corruption
- Deception
- Misuse/ Abuse of authority
- Violation of Bank rules, manipulations and negligence
- Breach of contract
- Pilferage of confidential/propriety information
- Deliberate violation of law/regulation
- Wastage/ misappropriation of Bank's funds/assets
- Malpractices/ events) causing danger to public health and safety.

The following nature of Protected Disclosures shall not be covered in the policy:

- Protected Disclosures those are frivolous in nature.
- Issues relating to personal grievance (increment, promotion, etc.)
- Sexual harassment as it shall be covered by Policy on Prevention of Sexual Harassment.

## 6. Guiding Principles

To ensure that this Policy is adhered to, and to assure that the concerns raised under this Policy will be acted upon seriously, the Bank will:

- Ensure that the Whistle Blower and/or the person processing the Protected Disclosure is not victimized
- Ensure complete confidentiality of the identity of the Whistle Blower
- Not attempt to conceal evidence of the Protected Disclosure
- Take disciplinary action, if any one destroys or conceals evidence of the Protected Disclosure made/to be made
- Provide an opportunity of being heard to the persons involved, especially to the subject
- Provide protection to Whistle Blower under this Policy provided that Protected Disclosure is made in good faith, the Whistle Blower has reasonable information or documents in support thereof and not for personal gain or animosity against the subject
- Ensure that the Whistle Blowers, who make any Protected Disclosures, which have been subsequently found to be mala fide, frivolous or malicious be liable to Disciplinary Action.
- Take Disciplinary Action for event covered under this Policy or upon victimizing Whistle Blower or any person processing the Protected Disclosure or if any one destroys or conceals evidence of the Protected Disclosure made/to be made.



- Ensure that any other Director/ Employee or other stake holders assisting in the said investigation or furnishing evidence, is protected to the same extent as the Whistle Blower.

## 7. Procedure

### 7.1 Lodging of Protected Disclosures

The Protected Disclosure shall be submitted in a closed and secured envelope and shall be super scribed as “Protected Disclosure under the Whistle Blower policy”. Alternatively, the same can also be sent through email with the subject “Protected Disclosure under the Whistle Blower policy” at [Whistleblower@aubank.in](mailto:Whistleblower@aubank.in) . If the Protected Disclosure is not super scribed and closed as mentioned above, it will not be possible for the Audit Committee to protect the Whistle Blower and the Protected Disclosure will be dealt with as if a normal disclosure. The Whistle Blower Protected Disclosures may also be conveyed through phone, SMS, mobile applications or any other modes as permitted by the Bank from time to time at [7073585858](tel:7073585858).

The Chief Vigilance Officer shall issue acknowledgement to the Whistle Blower by way of a Protected Disclosure number. The CVO shall ensure that in case any further clarification is `required he will get in touch with the Whistle Blower.

The Bank shall entertain anonymous/ pseudonymous Protected Disclosures based on merit. The Bank however, encourages the Whistle Blower to reveal his name while lodging the Protected Disclosure. The whistle blower should lodge a Protected Disclosure if it meets the following norms:

- The disclosure of information is in the Bank’s interest.
- The facts of the Protected Disclosure must be substantially true.
- The Protected Disclosure must not be made with any mala fide intent or for personal gain or should not be in the nature of false allegations.

The Protected Disclosure shall be forwarded under a covering letter signed by the Whistle Blower. The CVO or the Chairman of the Audit Committee or MD as the case may be, shall detach the covering letter bearing the identity of the Whistle Blower and process only the Protected Disclosure.

All Protected Disclosures shall be addressed to the CVO of the Bank or to the Chairman of the Audit Committee or MD in exceptional cases.

### 7.2 Receipt of Protected Disclosure

On receipt of the Protected Disclosure the Chief Vigilance Officer shall maintain and preserve records of the Protected Disclosure and also ascertain from the Whistle Blower whether he was the person who made the Protected Disclosure or not. The record will include:

- Brief facts
- whether the same Protected Disclosure was raised previously on the same subject and if so, the outcome thereof
- Details of actions taken by Chief Vigilance Officer or MD for processing the Protected Disclosure
- Findings of the Audit Committee, the recommendations of the Audit Committee/ other action(s).

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

### **7.3 Investigation Report & Appeal**

All Protected Disclosures reported under this Policy will be thoroughly investigated by the Chief Vigilance Officer of the Bank who will investigate / oversee the investigations under the authorization of the Audit Committee. The Chairman of Audit Committee or Chief Vigilance Officer may at its discretion consider involving any investigators for the purpose of investigation.

The decision to conduct an investigation taken into a Protected Disclosure by itself is not an acceptance of the accusation by the Authority. It is to be treated as a neutral fact-finding process because the outcome of the investigation may or may not support accusation; unless there are compelling reasons not to do so, Subjects will be given reasonable opportunity for hearing their side during the investigation. No allegation of wrong doing against a subject shall be considered as maintainable unless there is good evidence in support of the allegation.

The subject shall have right to access any document/ information for their legitimate need to clarify/ defend themselves in the investigation proceedings.

The Chief Vigilance Officer shall normally complete the investigation within 7 to 90 days of the receipt of Protected Disclosure, depending on the severity and the impact of the Protected Disclosure.

Based on a thorough examination of the findings, the Chief Vigilance Officer shall submit a report to the Chairman of 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. Where an improper practice is proved which would result in suggested disciplinary action, including dismissal, if applicable, as well as preventive measures for the future. All discussions would be documented and the final report will be prepared.

If the report of investigation is not to the satisfaction of the Whistle Blower, the Whistle Blower has the right to report the event to the appropriate legal or investigating agency.

### **7.4 Decision**

If an investigation leads the Chief Vigilance Officer or Chairman of the Audit Committee to conclude that an improper or unethical act has been committed, the Chief Vigilance Officer or Chairman of the Audit Committee shall recommend to the Disciplinary Committee of the Bank to take such disciplinary or corrective action as he may deem fit. 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.

If the report of investigation is not to the satisfaction of the Whistle Blower he/she has the right to report the event to the appropriate legal or investigating agency. A Whistle Blower who makes false allegations of unethical & improper practices or about alleged wrongful conduct of the subject to the Chief Vigilance Officer or the Audit Committee shall be subject to appropriate disciplinary action in accordance with the rules, procedures and policies of the Bank.

### **7.5 Confidentiality**

Every effort will be made to protect the identity of the Whistle Blower, subject to legal constraints except in cases where the Whistle Blower turns out to be vexatious or frivolous and action has to be initiated against the Whistle Blower. In the event of the identity of the Whistle Blower being disclosed, the Bank can initiate appropriate action against the person making such disclosure.

### **7.6 Protection**

The Bank, 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's right to continue to perform his duties / functions including making further Protected Disclosure.

A Whistle Blower 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 Disciplinary Committee.

## **8. Record Keeping**

All documentation pertaining to the Protected Disclosure including the investigation report, corrective action taken and evidence will be maintained for a period of 8 years or such other period as specified by any other law in force, whichever is more.

## **9. Reporting Requirement**

The Chief Vigilance Officer shall report the following to the Board:

- Areas in the Bank that are most prone to corruption and the officers-in-charge of such departments.
- Furnish a report of vigilance activities in the Bank on a periodic basis
- The details of establishment of Vigil mechanism shall be disclosed by the Bank in the website, if any, and in the Board's Report.

The CVO who is an independent authority shall provide inputs to the HR department who shall lay down internal policy on staff matters such as rotation of staff in general and in respect of sensitive desks as well as the inputs received from the Risk and Compliance Departments. These sensitive positions so identified shall be reported to the Board.

The Chief Vigilance Officer shall submit a report to the Audit Committee, every quarter, containing the summary of all Protected Disclosures/Protected Disclosures received from Whistle blowers, Protected Disclosures/ reports that have been taken up for investigation, corrective actions recommended, status of implementation of corrective action and reason for delay, if any. The following are the reporting requirements to the Audit Committee

- The details of establishment of Vigil mechanism shall be disclosed by the Bank in the website, if any, and in the Board’s Report.
- Whistle blower policy, and affirmation that no personnel has been denied access to the Audit Committee.

## 10. Policy Review and Updates

The Board approved policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.

## 11. Policy Amendment Authority

Key owners responsible for Policy amendments

Policy Owners	Role
1. Chief Risk Officer	Responsible for implementation of Policy
2. Chief Vigilance Officer	Responsible for ensuring the policy is reviewed annually

## 12. Policy Authorisation

This Policy has been approved by the Board of Directors of AU Small Finance Bank Limited

## 13. Regulatory References

- Companies Act, 2013.
- Securities and Exchange Board of India (SEBI) Notification Listing Obligations and Disclosure Requirements) Regulations, 2015
- Introduction of ‘Protected Disclosures Scheme for Private Sector and Foreign banks’ dated April 18, 2007
- Internal Vigilance in Private Sector/ Foreign Banks dated May 26, 2011

## 14. Annexures

### Annexure 1 - Key Definitions

1. **Audit Committee:** A Committee constituted by the Board of Directors of the Bank in accordance guidelines of Listing Agreement and Companies Act, 2013.

2. **Protected Disclosure:** 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
  
3. **Subject:** a person against or in relation to whom a Protected Disclosure has been made or evidence gathered during the course of an investigation
  
4. **Whistle Blower:** a person making a Protected Disclosure under this Policy. The Whistle Blower shall include a present employee or an ex-employee/ anonymous outsider who may provide information about his/ her employer/ ex-employer to the Disciplinary Committee of the Bank without any fear of retaliation of any kind.  
 The Whistle Blower is not expected to prove the truth of an allegation, the Whistle Blower needs to demonstrate that there are sufficient grounds for concern and expected to provide the complete details/evidences in his possession.
  
5. **Chief Vigilance Officer:** an officer of the Bank nominated by Competent Authority to conduct detailed investigation under this policy and to receive Protected Disclosure from Whistle blowers, maintain record thereof, placing the same before the Audit Committee for its disposal and informing the Whistle blower the results thereof.

Approving Authority	Board of Directors
Date of Approval/ Review	26 <sup>th</sup> April 2018