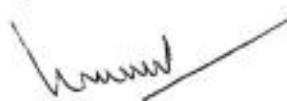
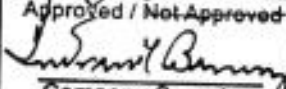


Policy on Vigilance & Whistle Blower Mechanism

Version 2.0

July 2016



Bandhan Bank Ltd.
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1. POLICY ON VIGILANCE

1.1. Preamble

- 1.1.1. Vigilance is a critical part of banking business and endeavors to ensure clean business transactions, professionalism, productivity, promptness and transparent practices and acts as a watchdog to curb opportunities for corruption. This leads to enhancing of staff efficiency and effectiveness and the Bank's overall performance. The following guidelines aim at structuring efficient and effective vigilance system in Bank in the larger interest of all stakeholders.

1.2. Introduction

- 1.2.1. While preventing corruption and malpractices in the Bank is the collective responsibility of all concerned, a Chief of Internal Vigilance (CIV) shall be appointed, who has the over-all responsibility of looking into the acts of misconduct alleged against, or committed by, the employees within its control and to take appropriate punitive action. The CIV is also required to take appropriate preventive measures so as to prevent commission of misconducts/ malpractices by the employees under its control and jurisdiction.
- 1.2.2. The designated Officer shall act as an Advisor to the CEO of the Bank in the discharge of these functions. He shall also act as a liaison officer between the bank and the Police/ SFIO/ other law enforcement authorities.
- 1.2.3. Vigilance functions to be performed by the CIV shall be wide ranging and include collecting intelligence about the corrupt practices committed, or likely to be committed, by the employees of the Bank; investigating or ensuring an investigation is made into verifiable allegations reported to him; processing investigation reports for further consideration of the disciplinary authority of the Bank; referring the matters to the CEO of the Bank for his guidance, taking steps to prevent commission of improper practices/misconducts, etc. Thus, apart from surveillance, detection and taking punitive action, the CIVs' functions shall also include preventive vigilance.

1.3. Acts requiring vigilance investigation

- 1.3.1. The following acts on the part of employees shall invite Vigilance investigation:
1. Demanding and/or accepting gratification other than legal remuneration in respect of an official act or for using his influence with any other official.
 2. Obtaining valuables, without paying or making inadequate payment 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.
 3. 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.
 4. Possession of assets disproportionate to his known sources of income.

5. Cases of misappropriation, forgery or cheating or other similar criminal offences.

1.3.2. Other cases of probable irregularities shall include:

1. Gross or willful negligence;
2. Recklessness in decision making;
3. Blatant violations of systems and procedures;
4. Exercise of discretion in excess, where no ostensible organizational interest is evident;
5. Failure to keep the controlling authority/ superiors informed in time ;

1.3.3. In the above cases, the disciplinary authority shall review the circumstance with the help of the CIV to decide whether there is reasonable ground to doubt the integrity of the officer concerned.

1.4. Preventive vigilance activities of the Bank

1.4.1. The preventive vigilance activities of the Vigilance function shall include the following:

1. study the existing procedure and practices of the Bank with a view to modifying those procedures or practices which provide a scope for corruption and also to find out the causes of delay, the points at which it occurs and devise suitable steps to minimize delays at different stages;
2. review the regulatory functions with a view to see whether all of them are strictly necessary and whether the manner of discharge of those functions and exercise of powers of control are capable of improvement;
3. design proper methods of control over the exercise of discretionary power so as to ensure that such delegated authority is not exercised arbitrarily but in a transparent and fair manner;
4. identify the areas which are prone to corruption and ensure that the employees proven integrity are posted in those areas;

1.5. Association of CIVs with sensitive matters

1.5.1. Employees of the Vigilance department shall not be part of the processing and decision-making processes of the Bank nor be involved in such administrative transactions, which are likely to have clear vigilance sensitivity.

1.6. Submission of reports and returns- Review

1.6.1. The Vigilance department shall compulsorily review all pending matters, such as investigation reports, disciplinary cases and other vigilance complaints/cases in the first week of every month and take necessary steps for expediting action on

those matters.

1.6.2. The CIV shall arrange regular meetings with the CEO to review the vigilance activity and submit a report to the Board on a periodic basis.

1.7. Staff rotation and mandatory leave

1.7.1. The Bank has a policy of job rotation of all employees especially those in sensitive positions, which shall be strictly enforced. As per HR policy, all employees are also required to avail mandatory leave every year. The minimum period for staff rotation and mandatory leave shall apply to the staff at all levels.

1.8. Complaints

1.8.1. Any information received, from any source, about corruption, malpractice or misconduct on the part of an employee of the Bank, shall be considered as a complaint. Information about corruption, malpractice or misconduct on the part of employees may flow to the administrative authority/the Police/ SFIO/ RBI from any of the following sources:

1. Complaints received from employees of the organisation or from the public;
2. Departmental inspection reports and stock verification surveys;
3. Scrutiny of annual property statements;
4. Scrutiny of transactions reported under the Conduct Rules;
5. 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;
6. Audit reports of the accounts of the bank;
7. Complaints and allegations appearing in the press etc;
8. Source information, if received verbally from an identifiable source, to be reduced in writing; and
9. Intelligence gathered by agencies like CBI, local bodies etc.

1.8.2. In addition, the CIV shall also devise and adopt appropriate methods to collect information about any malpractice and misconduct among the employees. Anonymous/ pseudonymous complaints received by the Vigilance department shall be dealt with on merit.

1.9. Investigation agency for conducting investigations

1.9.1. Once it has been decided that a complaint received needs investigation, it shall be necessary to decide whether the allegations should be inquired internally or whether a police investigation is necessary. Guidelines in this respect as contained in the RBI/2015-16/75; DBS. Co. CFMC. BC. No.

1/23.04.0001/2015-16 on Frauds - Classification and Reporting' dated July 1, 2015 are as follows:

1.9.2. In reporting of frauds such as unauthorised credit facilities extended by the bank for illegal gratification, negligence and cash shortages, cheating, forgery, etc. and in dealing with cases of fraud/embezzlement, the intention of the Bank shall not only be the necessity of recovering expeditiously the amount involved, but shall also be motivated by public interest and the need for ensuring that the guilty persons do not go unpunished.

1.9.3. Therefore, as a general rule, the following cases should invariably be referred to the State Police:

1. Cases of fraud involving an amount of ` 1 lakh and above, committed by outsiders on their own and/or with the connivance of bank staff/officers.
2. Cases of fraud committed by bank employees, when it involves bank funds exceeding ` 10,000/-.
3. Fraud cases involving amounts of ` 100 lakh and above should also be reported to the Director, Serious Fraud Investigation Office (SFIO), Ministry of Company Affairs, Government of India, Second Floor, Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi 110 003. Details of the fraud are to be reported to SFIO in FMR 1 Format.

1.10. Review of cases entrusted to Police/ SFIO

1.10.1. No review shall ordinarily be required to be made by the Bank of a case registered by the Police. If, however, there are special reasons for discussion/review, the Police should invariably be associated with it.

1.11. Action against persons making false complaints

1.11.1. If a complaint against an employee is found to be malicious, vexatious or unfounded, it shall be considered seriously whether action shall be taken against the complainant for making such a false complaint.

1.12. Close liaison between the law enforcement authorities and the administrative authorities

1.12.1. There is a need for close liaison and co-operation between the CIV of the Bank and the police authorities/ SFIO during the course of an inquiry and investigation and the processing of individual cases as both the police authorities/ SFIO and the CIV, receive information about the activities of the officer from diverse sources. Such information could be crosschecked at appropriate intervals to keep all concerned fully appraised with the latest developments through periodical meetings between the CIV and the Officers of the Police/ SFIO.

2. WHISTLE BLOWER MECHANISM (WBM)

2.1. PREAMBLE

2.1.1. The Bank is committed to conduct all its business operations and transactions by maintaining the highest ethical, moral and legal standards. To maintain these standards, the Bank encourages its employees, all stakeholders and members of general public who have concerns about suspected misconduct to come forward and express these concerns without fear of retaliation or unfair treatment.

2.1.2. This policy aims at putting in place a detailed Protected Disclosure Mechanism based on RBI directions ("Protected Disclosures Scheme for Private Sector and Foreign Banks") and in compliance of whistleblowing/vigil mechanism under Companies Act 2013 and Companies (Meetings of Board and its powers) Rules, 2014.

2.2. OBJECTIVE

This policy aims to provide an avenue to raise concerns on ethical, legal or regulatory violations and promptly addressing them while assuring the confidentiality and protection of the whistleblower against any form of retaliation.

2.3. SCOPE AND COVERAGE

The complaints / disclosures under the Scheme would cover the areas such as corruption / malpractices, misuse of office, criminal offences, suspected / actual fraud, failure to comply with existing rules & regulations such and acts resulting in financial loss / operational risk, loss of reputation, etc. detrimental to the interest of the Bank, the depositors and the public.

These guidelines are applicable to all the employees, including those who are associated with the Bank on contractual or temporary basis. The coverage also extends to vendors, consultants, advisors or any other person associated, with the Bank in any capacity like customers, shareholders and members of public or otherwise.

2.4. INCIDENTS/CIRCUMSTANCES WARRANTING A REPORT UNDER WHISTLE BLOWER MECHANISM

Any incident that may lead to financial loss or reputational risk to the Bank, as detailed under Point No. 3, may be reported by any person covered under these guidelines. Some of examples of incidents which may be reported under this policy are:

- Misappropriation
- Criminal breach of trust
- Fraudulent encashments through forged instruments
- Manipulation of the books of accounts/records of the Bank
- Opening of fictitious accounts
- Conversion of property
- Unauthorized sanction of credit facilities including adhoc facilities/temporary

- overdrafts/cheques or bills purchases.
- Cash shortage.
- Negligence
- Cheating
- Forgery
- Engaging in any trade or business outside the scope of the employment without the consent of the appropriate authority
- Unauthorized disclosure of information regarding the affairs of the bank or any of its customers or any other person connected with the business of the Bank which is confidential or the disclosure of which would be prejudicial to the interest of the Bank
- Drunkenness or riotous or disorderly behavior or indulgence in betting or gambling or speculation that would affect the image of the Bank
- Willful damage or attempt to cause damage to the property of the Bank or any of its customers
- Abetment or instigation of any act that would be prejudicial to the interest of the Bank
- Excessive indebtedness
- Any other malpractice
- Misuse of power/abuse of authority
- Fraud of any nature
- Unethical professional conduct
- Carelessness
- Corruption/bribery
- Engaging in any antinational activities
- Money laundering
- Any other violation of Bank's Code of Conduct & Ethics

2.5. THE SALIENT FEATURES OF THE WBM

- 2.5.1. Anonymous / Pseudonymous complaints / disclosures will not be entertained
- 2.5.2. The Bank will keep the identity of the complainant (whistleblower) confidential, except in the following cases :
 - The complaint turns out to be vexatious or frivolous and action has to be initiated against the complainant.
 - The complainant himself / herself has made the details of the complaint public
 - Under compulsions of law.
- 2.5.3. The Bank will be at liberty to take action against the complainant in cases where motivated / vexatious complaints are made under the this policy, by using its own policy / the law enforcement agencies as the Bank deems fit.
- 2.5.4. The Bank will conduct an enquiry / investigation and the complainant will be informed of the action taken within a period of three months. The complainant will be informed even in cases where it is revealed through enquiry / investigation that the complaint is without substance.

- 2.5.5. The Bank may issue letters of appreciation or consider other forms of recognition in case of genuine complaint/s proved subsequently on investigation, depending on the magnitude of the loss / damage detected / avoided.

2.6. PROCEDURE FOR LODGING COMPLAINTS UNDER THE WBM

- 2.6.1. The Chief of Internal Vigilance (CIV) in the Bank will be the Nodal Officer to receive complaints under the policy.
- 2.6.2. The complaint should be sent in a closed / secured envelope.
- 2.6.3. The envelope should be addressed to the Chief of Internal Vigilance, Bandhan Bank Ltd., Head Office : DN-32, Sector-V, Salt Lake City, Kolkata-700 091, Ph.: 033 66090909. The envelope should be super scribed "Complaint under Whistleblower Policy / Protected Disclosures Scheme".
- 2.6.4. Complaints can be made through e-mail also, with the subject line as "Complaint under Whistleblower Policy / Protected Disclosures Scheme" at E-mail id: whistleblower@bandhanbank.com.
- 2.6.5. In both the cases, either hard copy of the complaint or through e-mail, the Bank will ascertain from the complainant whether he/she was the person who made the complaint.
- 2.6.6. The complainant shall give his / her name and address in the beginning or at the end of the complaint or in an attached letter. In case of an employee making such complaint, employee number should also be furnished.
- 2.6.7. The text of the complaint should be carefully drafted so as not to give any details or clue to the complainant's identity. The details of the complaint should be specific and verifiable.
- 2.6.8. In order to keep confidentiality of the identity of the complainant, no acknowledgement will be issued upon receipt of complaint.
- 2.6.9. The complainant need not enter into any further correspondence with the Bank in their own interest to protect the confidentiality of the identity of the complainant. The Bank assures that, subject to the facts of the case being verifiable, it would take necessary action, as provided under the policy. If any further clarification is required, the Bank will get in touch with the complainant at the address / phone number / e-mail ID given in the complaint.
- 2.6.10. The complainant should ensure that the issue raised by him involves any of the incident/circumstances, as detailed under Point No. 4, detrimental to the interest of the Bank or the customers or the shareholders or the employees or the public at large. The complainant shall study all the relevant verifiable facts and understand the significance of the matter and thereafter having satisfied of the misdeed or wrongful act make the complaint.
- 2.6.11. Any complaint to be made under WBM against the Chief of Internal Vigilance, or any employee in the grade of Executive Director or above, should be addressed

directly to the Chairman, Audit Committee of the Directors, Bandhan Bank Ltd., Head Office: DN-32, Sector-V, Salt Lake City, Kolkata-700 091 or whistleblower.acb@bandhanbank.com.

2.7. PROCEDURE FOR MAINTENANCE OF RECORDS

- 2.7.1. The CIV will maintain a register of such complaints noting the serial number of the complaint and date of receipt. The complaint shall be brought to the attention of the Managing Director & Chief Executive Officer immediately on receipt.
- 2.7.2. Complaints, if any, received under the policy, other than by the Vigilance Department shall be forwarded to the Vigilance Department with a covering letter in duplicate to serve as acknowledgement for the recipient Department, marked 'Confidential - Complaint under Whistleblower Mechanism / Protected Disclosures Scheme'.

2.8. PROCEDURE FOR ENQUIRY

- 2.8.1. Complaints under the scheme received by the CIV shall be discreetly enquired into immediately. Either as a result of the discreet inquiry or on the basis of verifiable evidences provided in the complaint itself, if the Bank is of the opinion that the matter requires to be investigated further, the Managing Director & Chief Executive Officer, at his discretion, will get it investigated by the Vigilance or other related Department/s.
- 2.8.2. Either as a result of the discreet enquiry, or on the basis of complaint itself without any inquiry, if the Bank is of the opinion that the matter requires to be investigated further, it will call for the comments / response from the concerned official of the Bank.
- 2.8.3. After obtaining the response of the concerned official and / or on the basis of an independent scrutiny conducted by the Bank, if the allegations are substantiated, the Bank shall take appropriate action against the officials concerned as per the Bank's disciplinary procedure. If the perpetrator is an outsider, the Bank will initiate suitable steps against him.
- 2.8.4. If warranted by the facts and circumstances of the cases, Bank may recommend to the appropriate law enforcement authority / agency for initiation of criminal proceedings.,
- 2.8.5. Bank shall take corrective measures to prevent recurrence of such events in future.
- 2.8.6. Bank may initiate any other action that it deems fit.

2.9. PROTECTION AVAILABLE TO THE COMPLAINANT

- 2.9.1. The system evolved herein shall be in addition to any of the existing grievances redressal mechanism in place. However, confidentiality of identity of the complainant shall be observed, only if the complaint is received under this policy.

2.9.2. In case the complainant is an employee of the Bank, the Bank will ensure that the complainant is not subjected to any retaliation, which includes discrimination, reprisal, harassment or vengeance in any manner. The employee will not be at the risk of losing the job or suffer in any other manner like demotion, refusal of promotion etc. The Bank shall not tolerate harassment or victimization of anyone raising a complaint under the policy.

2.9.3. Whistleblowers, who make any protected disclosures which have been subsequently found to be malafide or malicious or where they themselves may be involved in the infraction in any capacity, shall be liable to be prosecuted under Bank's Code of Conduct & Ethics.

2.9.4. If any person is aggrieved by any action on the ground that he is victimized due to filing of the complaint or disclosure, he may file an application before the Managing Director & CEO seeking redressal in the matter.

2.9.5. In the event of the identity of the informant being disclosed in spite of directions to the contrary, the Bank shall initiate appropriate action against the person or agency making such disclosure.

2.10. ANOYMOUS COMPLAINTS

While making a complaint it is desired and expected that the complainant mentions details about himself / herself, which will be dealt with in strict confidentiality. In the event of receipt of an anonymous complaint, it becomes difficult to ascertain the veracity of the complaint, investigate and draw conclusions about it. Hence, the Bank shall make discreet inquiries to ascertain if there is any basis for proceeding further with the complaint.

2.11. RESPONSIBILITY OF BOARD OF DIRECTORS

The Board of Directors of the Bank have the responsibility for proper implementation of this "Protected Disclosure Scheme" in the Bank. The Audit Committee of the Board is authorized by the Board to monitor and review the functioning of the scheme in the Bank on a quarterly basis.

Annexure I – Glossary

Term	Description
CBI	Central Bureau of Investigation
CEO	Chief Executive Officer
CIV	Chief of Internal Vigilance
RBI	Reserve Bank of India
SFIO	Serious Fraud Investigation Office

Annexure II – RBI Circulars Referred for this Policy

Sr. No.	Circular Reference Number	Description
1	RBI/2010-11/554; DBS.CO.FrMC .BC.No.9/23.04.001/2010-11 dated May 26, 2011	RBI Circular on Internal Vigilance in Private Sector/foreign Banks
2	RBI circular no. RBI/2014-15/85; DBS.CO.CFMC.BC.No.1/ 23.04.001/2014-15 dated July 01, 2014	RBI Circular on Frauds – Classification and Reporting
3	RBI/2006-2007/328 DO DBS .FrMC No. BC 5 /23.02.011 /2006-07 Dated April 18, 2007	Introduction of 'Protected Disclosures Scheme for Private Sector and Foreign banks'

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