

## **Directive on Vigilance Mechanism in Mahanagar Gas Ltd (“Company” or “MGL”)**

### **1. PREAMBLE**

Pursuant to the provisions of the Companies Act, 2013, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 Company needs to establish a vigil mechanism for Directors and employees to report genuine concerns in such manner as may be prescribed.

MGL recognizes that having an effective and robust vigilance mechanism in place has emerged as an integral part in managing business organizations today. It ensures an ethical business environment to all stakeholders by ensuring clean and transparent transactions, professionalism and productivity. The vigilance mechanism set-out in this directive lays down appropriate systems and procedures to curb opportunities for any sort of corrupt and unethical practices. This goes a long way to build a sustainable business organization.

The main activities required to drive the vigilance function include:

- Putting systems and procedures in place that plug loopholes thereby eliminating ethical violations;
- Collecting intelligence about corrupt practices committed or likely to be committed by employees, contractors and other stake holders;
- Investigate reported/ perceived allegations to confirm whether a prima-facie case exists;
- Prepare investigation reports and recommend disciplinary actions in consultation with the relevant disciplinary authority to bring the investigation to a logical conclusion.

### **2. APPLICATION**

The Policy shall be effective from the date of approval by the Board, unless specified otherwise

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### 4. PURPOSE

This vigilance directive aims to set-out a structured, efficient and effective vigilance mechanism in the organization to cover both preventive (prevent any act that may be tantamount to unethical practice) and punitive (punish those who have committed an unethical act) approaches in this regard.

### 5. DIRECTIVE

#### 5.1 Main functions of vigilance

Vigilance activities may be broadly divided into three parts, viz.

##### **5.1.1 Preventive vigilance**

This includes the following measures:

- (i) To undertake a study of the existing MGL procedures and practices with respect to scope for corruption, identify gaps and suggest modifications, if any;

- (ii) To introduce a system that creates awareness amongst employees that MGL maintains high standards of ethical conduct and does not tolerate bribery or corruption in any form either directly or by those who work on our behalf. Introduce systems like speak up and duty to report any situation where they have reason to suspect that there has been a breach or potential breach of MGL's Core Business Principles. MGL will not tolerate and will take effective steps to ensure that there is no harassment or any retaliation against anyone who raises an ethical concern or reports a breach;
- (iii) To define "conflict of interest" and develop a system to track and prevent its misuse. As soon as an employee is aware of the conflict of interest they are required to report it to the Head of Finance through their line manager.

#### **5.1.2 Punitive Vigilance:**

This includes the following measures:

- (i) Propagate awareness about whistle blowing and encourage whistle blowers (both from within or outside MGL) to channelize complaints;
- (ii) To receive complaints from all sources and scrutinize them with a view to finding out if the allegations involve a vigilance angle;
- (iii) To investigate and coordinate investigations (preliminary investigation) or cause the same to be converted into specific and verifiable allegations which involve a vigilance angle;
- (iv) To expeditiously process investigation reports to establish or arrive at a conclusion whether there is a prima-facie case;
- (v) Suggest further course of action after investigation and obtaining necessary orders of the MD/ TD for initiating any further action;
- (vi) To keep track and assist in issuing of charge-sheets/ appointment of investigation /enquiry officers where necessary.

#### **5.1.3 Surveillance and detection:**

This includes regular and unscheduled inspections in the sensitive areas in order to detect if there have been instances of corrupt or improper practice by the employees of the MGL.

### **5.2 Vigilance structure and their functioning:**

- 5.2.1** The Managing Director is bestowed with the overall responsibility of vigilance in MGL. He is required to take steps in consultation with the Technical Director and while discharging this responsibility, he may appoint a CVO / allocate the CVO role by an executive order (who will be deemed as the functional head of vigilance). He will be assisted by Head of Department (Security and Vigilance)

in day-to-day functioning. Adequate safeguards against victimization of person should be provided who uses the vigil mechanism process and approaches to the MD/ TD/ Chairperson Audit Committee in appropriate case or exceptional cases. The Audit Committee is responsible for the implementation of Vigil mechanism and it shall be final authority to decide on any complaint. The MGL vigilance set up is placed at Annexure 1.

The role of CVO will be as follows:

- (1) Custodian of the “Business Principles & Core Ethical values” in MGL;
- (2) Responsible for ensuring that “practicing and exhibiting ethical culture” is a way of life in MGL among all its employees, associates, contracts and stakeholders;
- (3) Drive all activities arising out of preventive and punitive vigilance in MGL through the activities as detailed in 5.2 above. These activities will be performed in consultation of MD/TD and an external agency will be hired to assist MGL as and when necessary.

**5.2.2** To facilitate the functioning of CVO, three to four Vigilance Coordinators will be nominated by the MD in consultation with TD. This role will be in addition to their regular day-to-day departmental role. Each Vigilance Coordinator will sign a NDA before commencement of his task as Vigilance Coordinator. Vigilance Coordinators will act as a link between their department and the CVO. The duties and responsibilities of Vigilance Coordinators are given in Annexure - 2. The CVO will utilize the services of the Vigilance Coordinators to make the vigilance function more effective.

**5.2.3** In special/ unusual circumstances, the CVO may obtain the services of the Vigilance Coordinators irrespective of the knowledge of the Head of Finance/Head of Department of the Coordinator depending upon the confidentiality of the job / investigation.

### **5.3 Effectiveness of the MGL Vigilance system**

**5.3.1** MGL intends to make the vigilance function more effective. MGL will encourage more emphasis on preventive vigilance aspect so that the system itself addresses the issue of ethics to a great extent. MGL expects a sense of honesty and responsibility among its employees. Ownership of the vigilance function will not rest merely with the officials involved in vigilance function; it will traverse across the length and breadth of MGL as a part of its system.

**5.3.2** The management and vigilance mechanism will be sensitive enough to differentiate between the negative consequences arising out of bonafide intentions and those arising out of malafide intentions. There will be a robust vigilance system in place for prompt investigation, followed by a disciplinary procedure ensuring that the guilty is brought to books by imposing suitable punishment to act as a deterrent for others. In doing so there is

a risk of adverse publicity. However, an impartial and adept vigilance mechanism will serve to enshrine the culture of integrity within the organization and enhance its reputation and standing in the eyes of the stakeholders, corporate and business world.

#### **5.4 What constitutes a vigilance angle?**

Vigilance angle is obvious in the following acts although not limited to these:

- 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 items, 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/ inheritance.
- Cases of misappropriation, forgery or cheating or other similar criminal offences.
- Any case that may construe to be violation of ethics directive of MGL.

#### **5.5 Reports**

The following reports shall be submitted by the CVO:

- **Monthly Reports:**

Monthly reports of the work done on vigilance matters will be furnished by the 5th day of the following month to MD/TD.

- **Quarterly Reports to Audit Committee:**

Quarterly status/ progress reports on the complaints will be furnished to the Audit Committee following the quarter ending, March, June, September and December.

- **Yearly Reports to MGL Board:**

Annual report of the previous year shall be furnished to the MGL board by 30th of April of the succeeding year after approval of Audit Committee.

- **Follow up Record:**

Follow up record of each case shall be maintained by CVO.

## **5.6 Complaints**

### **5.6.1 Regular Complaints**

For the purpose of this directive “Complaint” means and include a written complaint with reference to unethical behavior, actual or suspected fraud, violation of any of the other MGL guidelines/policies/codes of conduct, by an employee or an associate.

Receipt of information about corruption, unethical practice or misconduct on the part of employees and any other stakeholders including contractors or their representatives from whatever source, would be termed as a complaint. Information about corruption, malpractice or misconduct on the part of any stakeholders may flow to the administrative authority from the following sources. The sources indicated herein are only indicative and not exhaustive. Complaints may be received from any other source also.

- (i) Complaints received from MGL employees (direct and indirect), contractors, suppliers or from the public;
- (ii) Complaints received from PNGRB, stake holders (GAIL & BG);
- (iii) Departmental inspection reports and stock verification surveys;
- (iv) Scrutiny of annual property statements;
- (v) 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.;
- (vi) Audit reports;
- (vii) Complaints and allegations appearing in the press etc.;
- (viii) Source information, received verbally from an identifiable source shall be reduced in writing;
- (ix) Intelligence gathered by agencies like local bodies, police, etc.; and
- (x) Ordered by the competent authority. Normally MD takes a decision in consultation with TD.

### **5.6.2 Anonymous Complaints:**

All anonymous complains will also be scrutinized and disposed appropriately. The vigilance committee will carry out a discrete preliminary investigation and apply its own judgment to decide whether to pursue the case or not. As a general rule no action will be taken on anonymous or pseudonymous complaints received.

Vigilance Committee (consisting of CVO, HOD - Vigilance, Vigilance Co-ordinators), as may be constituted by MD in consultation with TD, within five working days, will carry out a discrete preliminary investigation and issue a report

to MD and TD to confirm whether or not the complaint has any merit or is it to be classified as False, and approval to further pursue the case that has merit.

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 office or authority, and with the complainant's consent.

## **5.7 Complaints Register**

- (i) The CVO will maintain a vigilance complaint register and allocate a unique id to each complaint that is required to be registered.
- (ii) Every complaint, irrespective of its source, and for which approval for investigation / enquiry has been taken from MD (who is required to take a decision in consultation with TD) will be entered in the prescribed format in the complaints register chronologically as it is received or taken notice of.

## **5.8 Investigation and Enquiry**

The dictionary meaning of the words “investigation” and “enquiry” is same. However for the purpose of administrative convenience, the two are differentiated.

**5.8.1 Investigation** will mean the preliminary fact finding/ pre charge-sheet activity by any alleged / complained act of ethical violation. This is done in order to ascertain whether the allegations are true and have sufficient grounds to determine that a prima facie case exists. Based on the allegations made in the complaint, the information and evidences provided by the complainant, it would be decided whether **investigation** has to be conducted. The decision for investigation needs to be taken within two weeks of receipt of the complaint by CVO in consultation with MD/TD.

There may be a need to engage a specialized external agency depending on intricacies and seriousness of the case on approval of Audit Committee at a cost to establish facts before initiating Disciplinary Proceedings.

The CVO will prepare a self-contained “**Investigation report**” including the complete argument and evidences available, report of external agency, if any to suggest if there is a prima-facie case. This report will be submitted to the MD and TD. The CVO should keep all connected documents in his possession safely and confidentially, as this becomes helpful if departmental action has to be taken against the employee/ officer. This will be done through the vigilance coordinators of the department of the delinquent employee. If the documents cannot be handed over to HOD Vigilance as the same are in use for day to day work, the photocopies of the same should be handed over to the vigilance coordinator of the department by the person handling such document. **However, in any case, the original papers are not to be handed over to the Investigation/ Enquiry officer only photocopies of the documents will be provided.** The originals should be kept in safe custody by the Vigilance Co-

ordinator of the concerned department. In case the document is in daily use, it should be kept in safe custody by the person handling the same. The originals are to be handed over to the Disciplinary Authority as and when asked for initiating the disciplinary action.

Sequel to the investigation report, the MD in consultation with TD will consider the report and decide on further course of action - i) whether the case is to be disposed without any further action, ii) disposed after necessary counseling at this stage or iii) to proceed with further Disciplinary Proceeding (Departmental Enquiry).

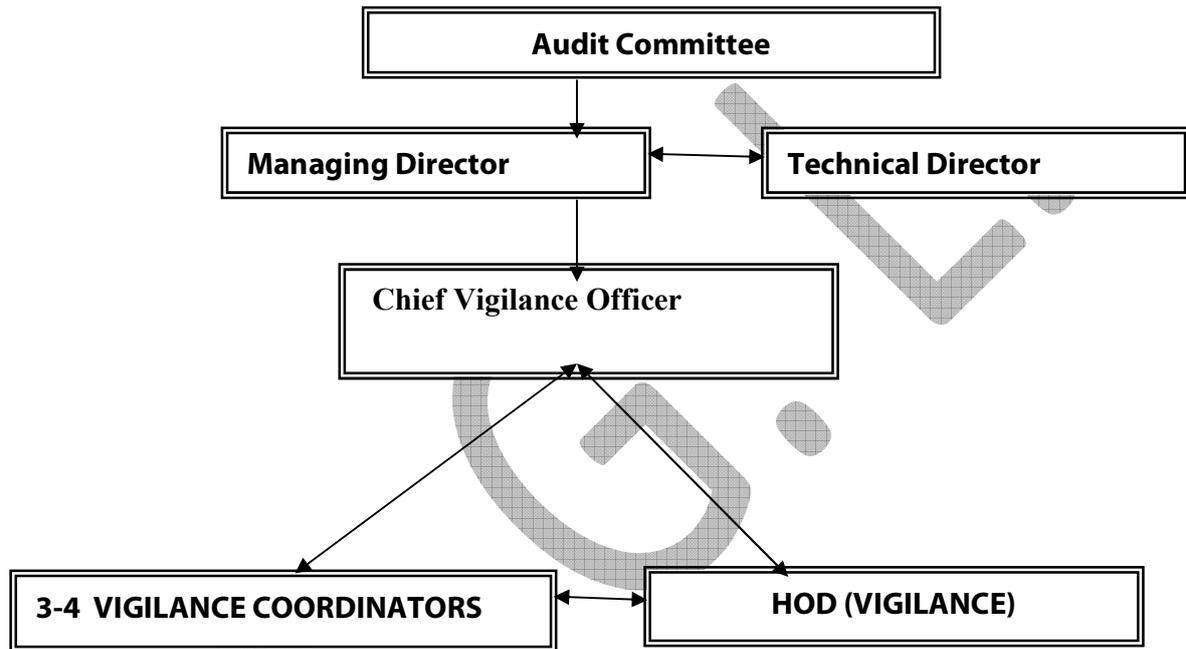
**5.8.2 Enquiry** will mean detailed fact establishing exercise in line with the Disciplinary Procedure of the company that follows issuance of the charge sheet/ memorandum of charges and covers the complete proceedings from the time the charge sheet is issued till the appropriate order is issued to close the case.

The decision to conduct Enquiry will need to be taken within four weeks of the Investigation report.

## **5.9 Action against Person making False Complaints**

- (1) Malicious, vexatious or unfounded complaint will be discouraged.
- (2) If an employee lodges false complaint against his superior or colleague, appropriate action will be initiated against such employee depending on the motive of false complaint and the allegations made by him in the complaint by treating this act as an act of misconduct as per MGL Disciplinary Procedure.

**STRUCTURE OF VIGILANCE FUNCTION IN MGL**



## **Roles and responsibilities of Vigilance Coordinators**

Following are the roles and responsibilities of Vigilance Coordinators. However these are not limited to the points listed below and may include any other activities which might be directed by CVO in the best interest of the company on vigilance matters:

- 1) Act as link between CVO and the department of the vigilance coordinator.
- 2) Represent the department in all vigilance related matter / issues / initiatives.
- 3) Coordinate all vigilance related activities when asked by CVO.
- 4) Act as management representative when ever asked for by CVO/ disciplinary authority during the conduct of independent enquiry involving employees / contractors / issues related to his department.
- 5) Act as management representative when ever asked for during the conduct of departmental enquiry related to employees of his department.
- 6) Assist CVO or his representative in collecting evidence / documents during vigilance investigation related to employees / contractors / issues related to his department.
- 7) Ensure safe custody of all evidence collected during vigilance investigation related to employees / contractors / issues related to his department.
- 8) Assist CVO in carrying out awareness initiatives on Vigilance.
- 9) Any other task related to Vigilance given by CVO.

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