

# **VIGIL MECHANISM POLICY**

## **PREFACE**

As per Section 177(9) of the Companies Act, 2013, a company is required to establish a vigil mechanism for directors and employees to report their genuine concerns or grievances in such manner as may be prescribed.

Rule 2 of the Companies (Meeting of Board and its Powers) Rules, 2014 provides that the company shall oversee the vigil mechanism through the Audit Committee of the Board of the Company and if any of the members of the Committee have a conflict of interest in a given case, they should recuse themselves and the others on the Committee would deal with the matter on hand.

Section 177(10) of the said Act and rule 4 of the said Rules states that the vigil mechanism shall provide adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.

As per rule 5 of the said Rules, in case of repeated frivolous complaints being filed by a director or an employee, the Audit Committee may take suitable action against the concerned director or employee including reprimand.

In compliance of the above requirements, S.P.Apparels Limited (the Company) hereby establishes a Vigil Mechanism and formulated this policy for implementation effective from 1st July, 2014.

## **OBJECTIVES**

The Company hereby commits to adhere to the highest standards of moral, ethical and legal conduct of its businesses and maintain the required standards and for these purposes, the Company encourages its employees who have genuine concerns about suspected misconduct to come forward and express their concerns without any fear of punishment or unfair treatment.

The Vigil Mechanism herein contained aims to provide a channel to the directors and employees to report their genuine concerns about unethical behavior, real or actual or suspected fraud, misuse, misappropriation or violation of codes of conduct or policies.

This mechanism neither releases employees from their duty of confidentiality in the course of their work nor can it be used as a route for raising malicious or unfounded allegations about a personal situation.

## **DEFINITIONS**

- **"Alleged wrongful conduct"** shall mean violation of law, infringement of Company's rules, misappropriation of monies, actual or suspected fraud, substantial and specific danger to public health and safety or abuse of authority.
- **"Associates"** means and includes vendors, suppliers and others with whom the Company has any financial or commercial dealings.

- **"Audit Committee"** means a Committee constituted by the Board of Directors of the Company in accordance with the guidelines of the Companies Act, 2013 as applicable to the Company
- **"Board"** means the Board of Directors of the Company.
- **"Code"** means Code of Conduct for Directors and Employees adopted by the Company.
- **"Director"** means every Director of the Company, past or present.
- **"Employee"** means all the present employees and whole time Directors of the Company.
- **"Protected Disclosure"** means a concern raised by an employee or group of employees of the Company, through a written communication and made in good faith which discloses or demonstrates information about an unethical or improper activity under the title "SCOPE OF THE POLICY" with respect to the Company. It 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.
- **"Subject"** means a person or group of persons against or in relation to whom a Protected Disclosure is made or evidence gathered during the course of an investigation.
- **"Whistle Blower"** is an employee or group of employees who make a Protected Disclosure under this Policy and also referred in this policy as complainant.

### **Guiding Principles**

To ensure that this Policy is adhered to, and to assure that the concern will be acted upon seriously, the Company will:

- Ensure that the Whistle Blower and/or the person processing the Protected Disclosure is not victimized for doing so;
- Treat victimization as a serious matter including initiating disciplinary action on such person/(s);
- Ensure complete confidentiality.
- 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;

### **SCOPE OF THE POLICY**

- This Policy is an extension of the code of conduct being followed in the Company. The Whistle Blowers' role is that of a reporting party with reliable information. They are not required or expected to act as investigators or finders of facts, nor would they determine the appropriate corrective or remedial action that may be warranted in a given case. Whistle Blowers provide

initial information related to a reasonable belief that an improper or unethical practice has occurred.

- Whistle Blowers 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 Chairman of the Audit Committee or the Investigators.
- Protected Disclosure will be appropriately dealt with by the Chairman of the Audit Committee.
- The Policy covers malpractices and events which have taken place/ suspected to take place involving-
  - Leak or suspected leak of Unpublished Price Sensitive Information (UPSI)
  - Are not in line with applicable company policy;
  - abuse of authority;
  - breach of contract;
  - negligence causing substantial and specific danger to public health and safety;
  - manipulation of company data / records;
  - financial irregularities, including fraud, suspected fraud, misappropriation;
  - criminal offence;
  - pilferation of confidential / propriety information;
  - deliberate violation of law / regulation;
  - wastage / misappropriation of Company funds/ assets;
  - breach of employee Code of Conduct or Rules;
- The Policy is a channel to reinforce a robust implementation of the Company's code of conduct. Through this Policy, the Company seeks to provide a procedure for all the directors and employees of the Company to disclose any unethical and improper practice taking place in the Company for appropriate action and reporting.

## **ELIGIBILITY**

All employees and directors of the Company are eligible to make Protected Disclosures under the Policy. The Protected Disclosures will be in relation to matters concerning the Company.

## **DISQUALIFICATIONS**

- While it will be ensured that genuine Whistle Blowers are given complete protection from any kind of unfair treatment as herein set out, any abuse of this protection will attract disciplinary action.
- Protection under this Policy would not mean protection from disciplinary action arising out of false or bogus allegations made by a Whistle Blower knowing it to be false or bogus or with a mala fide intention.
- Whistle Blowers, 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, will be disqualified from reporting further Protected Disclosures under this Policy. In respect of such Whistle Blowers, the Company / Audit Committee would reserve its right to take/recommend appropriate disciplinary action.

## **PROCEDURE**

- All Protected Disclosures should be reported in writing by the complainant as soon as possible, not later than 30 days after the Whistle Blower becomes aware of the same and should either be typed or written in a legible handwriting in English or in Tamil.
- The Protected Disclosure should be submitted under a covering letter signed by the complainant in a closed and secured envelope and should be superscribed as “Protected disclosure under the Vigil Mechanism / Whistle Blower policy” or sent through email with the subject “Protected disclosure under the Vigil Mechanism / Whistle Blower policy”. If the complaint is not superscribed and closed as mentioned above, the protected disclosure will be dealt with as if a normal disclosure.
- The contact details of the Chairman of the Audit Committee are as under:

Name and address details:

Mr.V.Sakthivel, Chairman of the Audit Committee,  
S.P.Apparels Limited  
39-A, Extension Street,  
Kaikattipudur, Avinashi - 641 654  
Tirupur District  
E-mail id: [vigilance@s-p-apparels.com](mailto:vigilance@s-p-apparels.com)

- In order to protect the identity of the complainant, the Chairman of the Audit Committee will not issue any acknowledgement to the complainants and they are not advised neither to write their name / address on the envelope nor enter into any further correspondence with the Chairman of the Audit Committee.
- Anonymous / Pseudonymous disclosure shall not be entertained by the Chairman of the Audit Committee.
- On receipt of the protected disclosure the Chairman of the Audit Committee shall detach the covering letter bearing the identity of the Whistle Blower and process only the Protected Disclosure.

## **INVESTIGATION**

- The Audit Committee may at its discretion, consider involving any Investigator(s) for the purpose of investigation.
- All Protected Disclosures reported under this Policy will be thoroughly investigated by the Investigator(s) appointed by the Audit Committee who will investigate the matter under the authorisation of the Audit Committee.
- The decision of the Audit Committee to conduct an investigation, by itself is 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 a Subject will be kept confidential to the extent possible keeping in mind the legitimate needs of law and the investigation.
- Subjects will normally be informed of the allegations at the outset of a formal investigation and given opportunities for providing their inputs during the investigation. This will be after conclusion of the initial review and findings which prima facie establish a need for a formal investigation.
- Subjects shall have a duty to co-operate with the Audit Committee or any of the Investigator(s) during investigation to the extent that such co-operation sought does not merely require them to admit guilt.

- Subjects have a right to consult with a person or persons of their choice, other than the Investigator(s) and/or members of the Audit Committee and/or the Whistle Blower.
- 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 wrongdoing 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 Company.
- The investigation shall be completed normally within 45 days of the receipt of the Protected Disclosure.

## **PROTECTION**

- No unfair treatment will be meted out to a 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 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/ her duties / functions including making further Protected Disclosure.
- The Company will take steps to minimize difficulties, which the Whistle Blower may experience as a result of making the Protected Disclosure. Thus, if the Whistle Blower is

required to give evidence in criminal or disciplinary proceedings, the Company will arrange for the Whistle Blower to receive advice about the procedure, etc.

- The identity of the Whistle Blower shall be kept confidential to the extent possible and permitted under law. Whistle Blowers are cautioned that their identity may become known for reasons outside the control of the Audit Committee (e.g. during investigations carried out by Investigator(s)).
- Any other employee assisting in the said investigation shall also be protected to the same extent as the Whistle Blower.

### **DECISION AND REPORTING**

- If an investigation leads to a conclusion that an improper or unethical act has been committed, the Chairman of the Audit Committee shall recommend to the Board of Directors of the Company to take such disciplinary or corrective action as it 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.
- A quarterly report with number of complaints received under the Policy and their outcome shall be placed before the Audit Committee and the Board.
- A complainant who makes false allegations of unethical & improper practices or about alleged wrongful conduct of the Subject to the Audit Committee shall be subject to appropriate disciplinary action in accordance with the rules, procedures and policies of the Company.

### **RETENTION OF DOCUMENTS**

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

### **SECRECY/ CONFIDENTIALITY**

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



## **ACCESS TO CHAIRMAN OF THE AUDIT COMMITTEE**

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

## **COMMUNICATION**

A Vigil Mechanism/ Whistle Blower policy cannot be effective unless it is properly communicated to employees. Hence, employees are informed through by publishing in notice board and the website of the Company.

## **AMENDMENT**

The Company 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 in writing.

The Vigil Mechanism policy has been revised and approved at the Board Meeting held on 23.05.2019.