

# SRG HOUSING FINANCE LIMITED



## WHISTLE BLOWER POLICY/ VIGILMECHANISM POLICY

A Policy to establish Whistle Blower (Vigil) mechanism to oversee the best practices of Corporate Governance and to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to frauds in the Company.

## **I. INTRODUCTION**

Pursuant to provisions of Section 177 of the Companies Act, 2013, every listed company or such class or classes of companies, as may be prescribed shall establish a vigil mechanism for the directors and employees to report genuine concerns. Such a vigil mechanism shall provide for 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.

SRG Housing Finance Limited ("SRGHFL", "the Company") being a responsible public limited company established Whistle Blower (Vigil) mechanism to oversee the best practices of Corporate Governance.

Further, in order to facilitate the development of controls which will aid in the detection and prevention of fraud against the Company this policy is modified to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Board of Directors in their meeting held on 04<sup>th</sup> March, 2016 amended the Whistle Blower/ Vigil Mechanism Policy to be in line with the SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015 and further in their meeting held on 30<sup>th</sup> December, 2017 amended the policy to provide for fraud management provisions in this policy.

## **II. GOVERNING LAWS**

This policy shall be governed by the provisions of Companies Act, 2013 along with the rules framed thereunder and the NHB Directions and guidelines and other applicable laws.

## **III. POLICY OBJECTIVES**

1. To provide a channel to the employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Codes of conduct or policy. The mechanism provides for adequate safeguards against victimization of employees to avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.
2. This 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 against people in authority and / or colleagues in general.
3. To provide for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy ensures and provides for the following:-

- i. That management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs.
- ii. To provide a clear guidance to management including all employees and others dealing with Company forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.
- iii. To conduct investigations into fraudulent activities.
- iv. To provide assurances that any and all suspected fraudulent activity will be fully investigated (subject to verification of ID of the compliant). Genuine informant to be protected for any harassment that may be inflicted on them.
- v. In case any informant is providing wrong information to harass and create unwarranted problem for any employee, such employee needs to be protected to boost the morale and appropriate disciplinary action to be initiated against the informant for providing wrong information as per the applicable rules and in case of outsiders (other than employees) appropriate administrative or legal action is to be taken.

#### IV. SCOPE OF THE POLICY

This Policy covers malpractices and events which have taken place / suspected to have taken place, misuse or abuse of authority, violation of company rules, manipulations, negligence causing danger to health and safety, misappropriation of monies, and other matters or activity on account of which the interest of the Company is affected and formally reported by whistle blowers concerning its employees. The policy also applies to any fraud, or suspected fraud involving employees of the Company (all employees full time, part time, including the management of Company or employees appointed on temporary/contract basis), Agents/DSAs of the Company, Empanelled Advocates, Valuers, FI agencies of the Company, Borrowers/Customers of the Company, as well as representatives of vendors, consultants, service providers or any outside agency (ies) doing any type of business with the Company and directly or indirectly involved in unlawful / illegal or beyond the approved principles and procedures of the Company.

#### V. DEFINITIONS

1. **"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".
2. **"Fraud"** is a willful act intentionally committed by an individual(s) - by deception, suppression, cheating or any other fraudulent or any other illegal means, thereby, causing wrongful gain(s) to self or any other individual(s) and wrongful loss to other(s). Many a times such acts are undertaken with a view to deceive/mislead others leading them to do or prohibiting them from doing a bonafide act or take bonafide decision which is not based on material facts."
3. **"Audit Committee"** means a Committee constituted by the Board of Directors of the Company in accordance provisions of Companies Act, 2013.
4. **"Board"** means the Board of Directors of the Company.
5. **"Company"** means SRG HOUSING FINANCE LIMITED.

6. **“Employee”** means all the present employees including all employees full time, part time, including the management of Company or employees appointed on temporary/contract basis and Directors of the Company.
7. **“Nodal Officer”** means an officer of the Company nominated by the Managing Director (MD) to receive protected disclosures from whistleblowers, maintaining records thereof, placing the same before the Audit Committee for its disposal and informing the whistleblower the result thereof.
8. **“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. However, the Protected Disclosures 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.
9. **“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.
10. **“Whistle Blower”** is an employee or group of employees of the Company (all employees full time, part time, including the management of Company or employees appointed on temporary/contract basis), Agents/DSAs of the Company, Empanelled Advocates, Valuers, FI agencies of the Company, Borrowers/Customers of the Company, as well as representatives of vendors, consultants, service providers or any outside agency (ies) doing any type of business with the Company who make a Protected Disclosure under this Policy and also referred in this policy as Complainant.

## VI. ACTIONS CONSTITUTING FRAUD

While fraudulent activity could have a very wide range of coverage, the following are some of the act(s) which constitute fraud. The list given below is only illustrative and not exhaustive:-

- i. Fabrication of Income Documents like Income-tax return, salary slip/balance sheet etc.
- ii. Loan amount disbursed by way of cheque/Demand drafts are encashed by third party/agents etc.
- iii. Title documents being forged – Stamped documents forged by borrower customer/builder.
- iv. Over valuation of the property.
- v. Multiple financing.
- vi. Cancellation of booking of flats/property i.e. collusion between customer and builder.
- vii. Sale of property by loanee without clearing existing loan.
- viii. Mis-representation of end use of loan.
- ix. Sale of property by builder without clearing/repaying Construction Funding Loan availed by them from the company.
- x. Forgery or alteration of any document or account belonging to the Company.
- xi. Forgery or alteration of Cheque or any other financial instrument etc.
- xii. Misappropriation of funds or others assets by fraudulent means etc.
- xiii. Falsifying records such as removing the documents from files and /or replacing it by a fraudulent note etc.
- xiv. Utilizing Company funds for personal purposes.

- xv. Destruction, disposition, removal of records or any other assets of the Company with an ulterior motive to manipulate and misrepresent the facts so as to create suspicion/ suppression/ cheating as a result of which objective assessment/decision would not be arrived at.
- xvi. Any other act that falls under the gamut of fraudulent activity.
- xvii. Coercion in doing any act beyond the principle, procedures, practices of the company.

## VII. REMEDIAL ACTIONS

In line with NHB guidelines, following remedial actions may be taken for the prescribed list of frauds undertaken in Housing Finance.

<b>Point No.1</b>	
Type of Frauds	Fabrication of Income Documents like Income-tax return, salary slip/balance sheet etc.
Severity of fraud	LOW
Modus Operandi	Committed generally by borrowers in connivance with Direct Selling Agent/Agents /Builders.
Mitigating factors	<ul style="list-style-type: none"> <li>▪ Verification of salary slips with employer.</li> <li>▪ Salary amount should be compared with Bank Statement.</li> <li>▪ Cross verification of balance sheet.</li> <li>▪ Personal interview of the borrower plays very important role.</li> </ul>
<b>Point No.2</b>	
Type of Frauds	Loan amount disbursed by way of cheque/Demand drafts are encashed by third party/agents etc.
Severity of fraud	MEDIUM
Modus Operandi	Disbursed amount cheques are collected by the Agents/third parties from the borrower's bank and deposited in fictitious account opened for this purpose and amounts are withdrawn from such bogus account.
Mitigating factors	<ul style="list-style-type: none"> <li>▪ Cheques should be issued in the name of bankers to the Borrowers/Builders with the bank account number on it.</li> <li>▪ Cheque should not be handed over to the agent/seller. Company's Officials can be sent for delivery of cheque to the builders/sellers of property at the registered address mentioned in the title deeds.</li> </ul>
<b>Point No.3</b>	
Type of Frauds	Title documents being forged – Stamped documents forged by borrower customer/builder.
Severity of fraud	HIGH
Modus Operandi	Coloured Xerox copy of various documents are produced including encumbrance certificate, fake stamp papers etc. which are difficult to identify/distinguish from the original one.
Mitigating factors	<ul style="list-style-type: none"> <li>▪ Cersai Report to be checked for property documents.</li> <li>▪ Tracking and sharing of all information among the HFCs and Banks about names of blacklisted builders &amp; developers.</li> <li>▪ In case of large value loans, Company's Officials can approach the Sub-Registrar's Office to verify the genuineness of stamp paper/documents/registration receipts etc.</li> <li>▪ Vetting of Documents from an Independent Advocate.</li> </ul>
<b>Point No.4</b>	
Type of Frauds	Over valuation of the property
Severity of fraud	MEDIUM

Modus Operandi	These frauds are committed to draw higher loan amount by the borrower in connivance with the builders/valuers. The value of the property are inflated by including various expenditure and additional amenities, fixtures, legal charges, society advance, maintenance charges etc. which are non-existing.
Mitigating factors	<ul style="list-style-type: none"> <li>▪ Cersai Report to be checked for property documents.</li> <li>▪ For High Value Properties valuation should be done by two independent valuers.</li> <li>▪ Company should develop in house expertise for valuation of properties.</li> </ul>
<b>Point No.5</b>	
Type of Frauds	Multiple financing
Severity of fraud	HIGH
Modus Operandi	These frauds are extension of the fake documents that are produced to different banks/HFCs
Mitigating factors	<ul style="list-style-type: none"> <li>▪ CERSAI Report to be checked for property documents.</li> <li>▪</li> </ul>
	<p>Tracking &amp; sharing of information among the banks and HFCs about names of black listed builders &amp; developers selling same properties to more than one buyer.</p> <ul style="list-style-type: none"> <li>▪ HFC should insist on the original title deeds of the landed property on which structure is built.</li> <li>▪ Vetting of Documents from an Independent Advocate.</li> </ul>
<b>Point No.6</b>	
Type of Frauds	Cancellation of booking of flats/property i.e. collusion between customer and builder
Severity of fraud	MEDIUM
Modus Operandi	In this case after availing the initial loan amount, the booking is cancelled and the borrower directly take the refund from the builders.
Mitigating factors	Tripartite agreement to be entered between Builder, Borrower and the Company.
<b>Point No.7</b>	
Type of Frauds	Sale of property by loanee without clearing existing loan.
Severity of fraud	MEDIUM
Modus Operandi	Property is sold through duplicate/fake title deeds even though legal title is with the HFC.
Mitigating factors	<ul style="list-style-type: none"> <li>▪ Cersai Report to be checked for property documents.</li> <li>▪ Registered mortgage should be created at Registrar's office.</li> <li>▪ Internal due diligence plays important role to prevent this type of frauds.</li> </ul>
<b>Point No.8</b>	
Type of Frauds	Mis-representation of end use of loan
Severity of fraud	LOW
Modus Operandi	Loan taken for residential housing property. However, commercial property is purchased by availing such loan.
Mitigating factors	In order to ensure end use of loan, HFCs should depute officers for inspection/verification of property, whether it is residential housing property or commercial property.
<b>Point No.9</b>	
Type of Frauds	Sale of property by builder without clearing/repaying Construction Funding Loan availed by them from banks/HFCs
Severity of fraud	MEDIUM
Modus Operandi	Builders/property developers after taking Construction loan from banks/HFCs are selling developed ready flats/Galas/developed plots etc. without knowledge of their financiers & without repaying construction funding loan to them.

Mitigating factors	<ul style="list-style-type: none"> <li>▪ This aspect of construction funding loan whether availed by the developer/builder or not, should be verified at project clearance level by banks/HFCs.</li> <li>▪ Original document should be called for verifications at the time of appraisals of any loans and if originals are not available, then NOC to be taken from the existing lender.</li> </ul>
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## VIII. RECEIPT AND DISPOSAL OF PROTECTED DISCLOSURES/FRAUD

1. Protected Disclosures/Fraud should be reported in writing by the complainant as soon as possible after the whistle blower becomes aware of the same so as to ensure a clear understanding of the issues raised and should either be typed or written in a legible handwriting in English or in Hindi.
2. The Protected Disclosure should be submitted in a closed and secured envelope and should be super scribed as "Protected disclosure under the whistle blower policy". If the complaint is not super scribed and closed as mentioned above it will not be possible for the Audit Committee to protect the complainant and the protected disclosure will be dealt with as if a normal disclosure. In order to protect identity of the complainant, the nodal officer will not issue any acknowledgement to the complainant and the complainants are advised neither to write the name/address of the complainant on the envelope nor to enter into any further correspondence with the nodal officer / audit committee. The audit committee assures that in case any further clarification is required he will getin touch with the complainant.
3. Anonymous / Pseudonymous disclosure shall not be entertained by the Nodal Officer.
4. The Protected Disclosure should be forwarded under a covering letter signed by the complainant. The Nodal Officer/ MD / Chairman of Audit Committee shall detach the covering letter bearing the identity of the whistle blower and process only the Protected Disclosure.
5. All Protected Disclosures should be addressed to the Nodal Officer of the Company Shri. Vinod KumarJain (Managing Director).
6. Protected Disclosure against the Nodal Officer should be addressed to the Managing Director (MD) of the Company and the Protected Disclosure against the MD of the Company should be addressed to the Chairman of the Audit Committee.
7. On receipt of the protected disclosure the Nodal Officer / MD / Chairman of the Audit Committee shall make a record of the Protected Disclosure and also ascertain from the complainant whether he was the person who made the protected disclosure or not before referring the matter to the Audit Committee of SRGHFL for further appropriate investigation and needful action. The record willinclude:
  - a) Brief facts;
  - b) Whether the same Protected Disclosure was raised previously by anyone, and if so, the outcomethereof;

- c) Whether the same Protected Disclosure was raised previously on the same subject;
  - d) Details of actions taken by nodal officer/ MD for processing the complaint.
  - e) Findings of the Audit Committee;
  - f) The recommendations of the Audit Committee / other action(s).
8. The Audit Committee if deems fit may call for further information or particulars from the complainant.
9. Further the contact details of the Nodal Officer for this policy, Managing Director and Chairman of the Audit Committee is mentioned in the Annexure-1 to this policy. . Further, the Company Secretary of the Company is authorized to amend the contact details of above persons from time to time based upon the change in the constitution/ resignation and/or appointment of the persons specified in the annexure and update on website immediately.

#### **IX. INVESTIGATION**

1. All protected disclosures under this policy will be recorded and thoroughly investigated. The Audit Committee (AC) may investigate and may at its discretion consider involving any other Officer of the Company for the purpose of investigation.
2. The decision to conduct an investigation taken AC is by itself not an accusation and is to be treated as a neutral fact finding process.
3. Subject(s) will normally be informed in writing of the allegations at the outset of a formal investigation and have opportunities for providing their inputs during the investigate
4. on. ument(s) shall have a duty to co-operate with the AC or any of the Officers appointed by it in this regard to the extent that such cooperation will not compromise self-incrimination protections available under the applicable laws.
5. Subject(s) have a responsibility not to interfere with the investigation. Evidence shall not be withheld, destroyed or tampered with and witness shall not be influenced, coached, threatened or intimidated by the subject(s).
6. Unless there are compelling reasons not to do so, subject(s) will be given the opportunity to respond to material findings contained in the investigation report. No allegation of wrong doing against a subject(s) shall be considered as maintainable unless there is good evidence in support of the allegation.
7. Subject(s) have a right to be informed of the outcome of the investigations.
8. The investigation shall be completed normally within 90 days of the receipt of the protected disclosure and is extendable by such period as the AC deems fit and as applicable.

#### **X. DECISION AND REPORTING**

1. Audit Committee along with its recommendations will report its findings to the Managing Director through the nodal officer within 15 days of receipt of report for further action as deemed fit. Copy of above decision shall be addressed to the Audit Committee, the Nodal Officer, the complainant and the subject.
2. In case the subject is a nodal officer of the Company, the protected disclosure shall be addressed to the Managing Director who, after examining the protected disclosure shall forward the matter to the audit committee. The audit committee after providing an



opportunity to the subject to explain his position and after completion of investigation shall submit a report along with its recommendation to the MD. Copy of the above decision shall be addressed to the Audit Committee, the Nodal Officer, the complainant and the subject.

3. In case the Subject is the MD of the Company, the Chairman of the Audit Committee after examining the Protected Disclosure shall forward the protected disclosure to other members of the Audit Committee if deemed fit. The Audit Committee shall appropriately and expeditiously investigate the Protected Disclosure.
4. If the report of investigation is not to the satisfaction of the complainant, the complainant has been right to report the event to the appropriate legal or investigating agency.
5. A complainant who makes false allegations of unethical & improper practices or about wrongful conduct of the subject to the nodal officer or the Audit Committee shall be subject to appropriate disciplinary action in accordance with the rules, procedures and policies of the Company.

#### **XI. BASELESS / MALICIOUS ALLEGATION:**

- i. The nodal officer shall carry out preliminary investigation. If it appears to the Nodal Officer that a complaint has no basis or it is not a matter to be pursued under this Policy, it may be dismissed at that stage and the decision documented.
- ii. Malicious allegation by the Complainant/reporter may result in disciplinary action against him/her.

#### **XII. RESPONSIBILITY FOR FRAUD PREVENTION**

i. Every employee (full time, part time, including the management of Company or employees appointed on temporary/contract basis), Agents/DSAs of the Company, Empanelled Advocates, Valuers, FI agencies of the Company, Borrowers/Customers of the Company, as well as representatives of vendors, consultants, service providers or any outside agency (ies) doing any type of business with the Company, is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control.

As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to the concerned authority as per the procedure.

ii. All the Top managerial personnel, Managers of the respective department, Branch Managers, Area Managers shall share the responsibility of prevention and detection of fraud and for implementing the Fraud Management Policy of the Company. It is the responsibility of all the officers to ensure that there are mechanisms in place within their area of control to:-

- a. Familiarize each employee with the types of improprieties that might occur in their area.
- b. Educate employees about fraud prevention and detection.
- c. Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
- d. Promote employee awareness of ethical principles subscribed to by the Company as per the prevailing policy.

iii. Due amendments shall be made in the general conditions of contracts/agreements of the Company wherein all service providers/ vendors/ consultants etc. shall be required to certify that they would adhere to the Fraud Management Policy of Company and not indulge or allow anybody

else working in their organization to indulge in fraudulent activities and would immediately apprise the organization of the fraud/ suspected fraud as soon as it comes to their notice.

### **XIII. SECRECY / CONFIDENTIALITY**

The complainant, Nodal officer, Members of Audit committee, the Subject and everybody involved in the process shall:

1. Maintain confidentiality of all matters under this Policy;
2. Discuss only to the extent or with those persons as required under this policy for completing the process of investigations;
3. .Not keep the papers unattended anywhere at any time;
4. Keep the electronic mails / files under password.

### **XIV. PROTECTION**

1. No unfair treatment will be met 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 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.
2. 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 management.
3. The identity of the Whistle Blower shall be kept confidential to the extent possible and permitted under law. The identity of the complainant will not be revealed unless he himself has made either his details public or disclosed his identity to any other office or authority. In the event of the identity of the complainant being disclosed, the audit committee is authorized to initiate appropriate action as per extant regulations against the person or agency making such disclosure. The identity of the Whistleblower, if known, shall remain confidential to those persons directly involved in applying this policy, unless the issue requires investigation by law enforcement agencies, in which case members of the organization are subject to subpoena.
4. Any other Employee assisting in the said investigation shall also be protected to the same extent as the Whistle Blower.
5. Provided however that the complainant before making a complaint has reasonable belief that an issue exists and he has acted in good faith. Any complaint not made in good faith as assessed as such by the audit committee shall be viewed seriously and the complainant shall

be subject to disciplinary action as per the CDA Rules / certified standing orders of the Company. This policy does not protect an employee from an adverse action taken independent of his disclosure of unethical and improper practice etc. unrelated to a disclosure made pursuant to this policy.

**XV. 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.

**XVI. COMMUNICATION**

A whistleblower policy cannot be effective unless it is properly communicated to employees. Employees shall be informed through by publishing in notice board and the web site of the company.

**XVII. RETENTION OF DOCUMENTS**

All Protected disclosures documented along with the results of Investigation relating thereto, shall be retained by the Nodal Officer for a period of 5 (five) years or such other period as specified by any other law in force, whichever is more.

**XVIII. ADMINISTRATION AND REVIEW OF THE POLICY**

The Managing Director shall be responsible for the administration, interpretation, application and review of this policy. The Managing Director also shall be empowered to bring about necessary changes to this Policy, if required at any stage with the concurrence of the Audit Committee.

**XIX. ANNUAL AFFIRMATION**

The Company shall annually affirm that it has provided protection to the complainant from unfair adverse personal action. The affirmation shall also form part of Corporate Governance report which is attached to the Annual report of the Company.

**ANNEXURE-1**

<b>Name and Address Nodal officer</b>	<b>Name and Address of Managing Director</b>	<b>Name and Address of Chairman of Audit Committee</b>
Mr. Ashok Modi CFO 321, S.M. Lodha Complex Near Shastri Circle Udaipur Rajasthan 313001 <a href="mailto:ashok@srghousing.com">ashok@srghousing.com</a>	Mr. Vinod Kumar Jain Managing Director 321, S.M. Lodha Complex Near Shastri Circle Udaipur Rajasthan 313001 <a href="mailto:vinodjain@srghousing.com">vinodjain@srghousing.com</a>	Mr. Nishant Badala 321, S.M. Lodha Complex Near Shastri Circle Udaipur Rajasthan 313001 <a href="mailto:nishantbadala@ymail.com">nishantbadala@ymail.com</a>