

Vigilance Department

Head Office

Thoothukudi



Version 2.1

PROTECTED DISCLOSURE SCHEME

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1. Preamble:

Tamilnad Mercantile Bank is committed to the highest standards of ethics and integrity. The Bank encourages an open culture in all its dealings between staff, managers, customers and all the people with whom it comes into contact. The Board of Directors (Board) and the Management of the Bank are committed to maintain higher standards of honesty and integrity and to promote and maintain a corporate culture that adheres to these values. In pursuance of this philosophy, the Bank had already put in place a Policy “**Protected Disclosures Scheme**” which the Bank adopted in pursuance of the guidelines issued by the Reserve Bank of India to the Private Sector Banks in India and the requirements under Whistle Blowing / Vigil Mechanism under Sec.177 of The Companies Act, 2013.

There have been a few fraudulent activities in the Bank. A critical analysis of various instances of fraud involving abuse of delegated power, recklessness in decision making etc. reveals that these incidents happened with the knowledge of operational / administrative staff. A few of the frauds were either committed by staff members or officers directly or in collusion with the outsiders. Staff members or officers in the branch where such frauds have been perpetrated were sometimes beneficiaries. In most incidents, they were silent spectators and were reluctant to report for fear of being victimized or their identity not being kept secret. Some of them were not even aware that there is a need for reporting such matters to higher authorities. Peer pressure, fear of harassment and the brandished or pretended connections of the insider - fraudster with the top management of the Bank or sheer ignorance were reasons for the irregularities not getting reported.

With a view to further raise the bar for ethical behavior, the Bank considers it appropriate to provide a channel to its various stakeholders for informing fearlessly, any event of concern to a designated authority in the Bank. A system for reporting suspected activities, illegal or unethical practices, actual or suspected fraud or violations of Bank's Code of Conduct to a Designated Official in a confidential manner is intended to be put in place to encourage reporting without any fear.

While the Bank would like all its stakeholders to help the Bank maintain higher ethical standards by means of this Policy, it considers that the Bank's employees have an important role to play in this regard. Employees will usually be the first to know when someone in the organization is doing something illegal or improper, but often feel worried about voicing their concerns.

It is expected that this Policy will encourage various stakeholders namely, the Bank's directors, employees, customers, suppliers, shareholders, etc. to bring to the notice of the Bank any issue involving compromise / violation of ethical norms, legal or regulatory provisions, etc. without any fear of reprisal, retaliation, discrimination or harassment of any kind.

2. Objective:

The Bank has a responsibility to its stakeholders, customers and public at large to conduct its affairs in compliance with the laws and regulations to which it is subject. Adherence to ethical practices, besides being in compliance with laws and

regulations, instills confidence among employees, customers and others who conduct business with the Bank.

The objective of the Policy is to identify any untoward events at the initial stage itself and to take corrective measures to avoid / limit the damage. The Policy aims at spotting aberrations and dealing with it at the earliest. Vigilant directors, stakeholders, employees and their representative bodies must be able to come forward to report cases of malpractice, fraud, systemic violations, etc. in the interest of the Bank, to maintain its public image and reputation.

3. Whistle Blower:

A director, stakeholder, employee or his representative body making a disclosure, about an improper practice or an untoward event under this policy is commonly referred to as a Whistle Blower. The Whistle Blower's role is that of a reporting party. He/She is not an investigator or fact finder, nor does he/she determine the appropriate corrective or remedial action.

Types of Whistle Blower:

A. Internal:

A Whistle Blower may be within the organization who discloses any illegal, immoral or illegitimate practices to the employer. He/She may be

- An Employee
- Superior Officer or
- Any Designated Officer

B. External:

A Whistle Blower may be outside the organization who discloses any illegal, immoral or illegitimate practices to the company. He/She may be

- Customer
- General Public
- Media
- Any law enforcement agency
- Watchdog agency

4. Coverage and Scope:

The Policy is intended to help persons who have major concerns over any wrongdoing within the Bank to report unlawful conduct, misconduct, malpractices, violation of any legal or regulatory provisions, financial mismanagement, accounting irregularities, etc. It is impossible to give an exhaustive list of the activities that constitute such misconduct / malpractice / violations but, broadly speaking the following acts may be reported:

- Criminal offence (e.g. fraud, corruption or theft) committed / likely to be committed.
- Failure to comply with legal / regulatory obligations.
- KYC / AML related issues.
- Breach of client promise by the Bank.
- Miscarriage of justice occurred / likely to occur.
- Bank funds used in an unauthorized manner.
- Sexual or physical abuse, sexual harassment of a member of staff, service recipient or service provider.
- Discrimination against a member of staff, service recipient or service provider on grounds of sex, caste, religion or disability.
- Actions which endanger the health or safety of employees or the public.
- Any other form of improper action or conduct.
- Information relating to any of the above deliberately concealed or attempts being made to conceal the same.
- Corruption and misuse of office, failure to comply with rules and regulations prescribed by the Bank and any events / acts detrimental to the interest of the Bank, depositors and the public.
- Demanding and / or accepting gratification - other than legal remuneration - in respect of an official act or for using his/her influence with any other official.
- Obtaining valuable thing, without consideration or with inadequate consideration, from a person with whom he/she has or is likely to have, official dealings or his/her subordinates have official dealings or where he/she can exert influence.
- Obtaining for himself/herself or for any other person, any valuable thing or pecuniary advantage, by corrupt or illegal means or by abusing his/her position as an employee.
- Abnormal / suspicious transactions in his/her / dependents' accounts and / or possession of assets disproportionate to his/her declared sources of income and lifestyles not in line with the known sources of income.
- Cases of misappropriation, forgery / cheating or other similar criminal offences.
- Gross or willful negligence; recklessness in decision-making; blatant violations of systems & procedures; exercise of discretionary powers in excess where no ostensible organizational interest is evident; failure to keep the controlling authority/superiors informed in time, misrepresentations in control returns etc.

5. Whistle Blower's Role:

The Whistle Blower's 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.

- a. Whistle Blower should lodge the reports / complaint in an envelope as described in the Policy in confidence and facilitate conduct of a competent investigation.
- b. The envelope addressed to the Chief of Internal Vigilance who is the designated authority under the scheme shall be opened only by the Chief of

Internal Vigilance. If any other employee opens the envelope, such lapses would be viewed seriously.

- c. Confidentiality of whistle blowers shall be maintained. The authority shall keep the identity of the complainant (whistle blower) secret except in the following cases:
 - The complaint turns out to be vexatious, frivolous or ill-motivated 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.
- d. All employees of the Bank have a duty to co-operate with the investigations initiated under the policy.
- e. The motive of a whistle blower is irrelevant for consideration of the validity of the allegations. However, the Bank will be at liberty to take action against the Whistle Blower for intentional filing of a false report or for vexatious / frivolous complaints made under the scheme.
- f. A Whistle Blower will have right to get protection from retaliation. But, this does not extend immunity to him/her in respect of the matters that are the subject of the allegations or an ensuing investigation provided he/she is involved.
- g. A Whistle Blower shall not ventilate to outsiders before exhausting the remedy internally.
- h. The letter / complaint indicating the allegations shall not form a part of management's evidence to be adduced in a domestic enquiry, if any, to be initiated against any staff member in a disciplinary action.
- i. Whistle-blowers should neither conduct any probe on their own nor do they have the right to participate in any investigative activities other than to the extent required by the Investigating Officer/s.
- j. A director or an employee who avail the mechanism may directly represent to the Chairman of the Audit Committee of the Board in exceptional cases through e-mail ID acbtmbho@gmail.com.

6. Procedure for Reporting:

A communication for the purpose of reporting any event / information of concern (The complaint) should be sent in a closed / secured envelope super-scribed "Under Protected Disclosures Scheme" and shall be addressed to the Chief of Internal Vigilance - The General Manager, Information Technology Department, Tamilnad Mercantile Bank, Plot No. 4923, AC-16, 2nd Avenue, Second Floor, Anna Nagar West, Chennai -600 040. The Whistle Blower shall not write the 'from' address on the envelope. The complaint can also be sent by email to gmit@tmbank.in, if the complainant so wishes.

1. The Complaints should contain particulars and may, inter alia, cover the following aspects to the extent possible:
 - a. What wrongdoing is being reported?
 - b. When it occurred?
 - c. Specific location where the wrongdoing occurred.
 - d. How has the individual or firm committed the alleged wrongdoing?
 - e. Why the informant believes the activity to be improper?
 - f. What documentation exists to corroborate the allegations?

- g. Other witnesses (if any) to the alleged wrongdoing.
2. The Whistle Blower should give his/her name, staff no.(if applicable), designation, department / office / branch, etc. and address for communication in the beginning or at the end of the complaint or in an attached letter. After receiving the complaint letter, the complainant's name and address will not be disclosed in Note prepared by the Bank. Anonymous / pseudonymous complaints will not be entertained.
3. The Whistle Blower should ensure that the issue raised relates to dishonest action / practice detrimental to the interest of the Bank / its customers / shareholders / employees / public at large. He/She should study all the relevant facts and understand the significance of the matter and thereafter, having satisfied himself/herself of the misdeed / wrongful act, make the complaint.
4. Copies of documents that may help in establishing the veracity of the complaint may preferably be attached
5. If one has any personal interest in the matter, it must be disclosed at the outset in the forwarding letter / email message.

7. Process of Handling Reports:

- The Chief of Internal Vigilance will personally open all the emails or postal / courier mails pertaining to the matters reported under this Policy. He shall maintain a Register containing brief particulars of the Reports received under this Policy. He shall assign a Unique Reference Number (URN) to each Report. All communications pertaining to a Report will bear the URN.
- He will examine the same and decide on the steps to be initiated and investigation.
- On his instruction, complaints under the Scheme received shall be discreetly enquired into immediately by the Vigilance Department. Either as a result of the discreet inquiry or on the basis of the complaint itself, if the Bank is of the opinion that the matter requires to be investigated further, the Managing Director & Chief Executive Officer, with the recommendation of the Chief of Internal Vigilance, will permit investigation by the Vigilance Department.
- Any reference or complaint made to any Senior Management executive of the Bank of the nature covered under the ambit of this policy will be forwarded by the concerned executive to the Chief of Internal Vigilance and handled in the manner as described above.
- An annual review will be put up to the Audit Committee of the Board and the Board of Directors on the Reports received by the Bank under this Policy.

8. Protection Available to the Whistle Blower:

1. All those who are associated in the process of receiving, processing and investigating the complaints under the Scheme, shall maintain strict confidentiality of the Whistle-blower's identity at all points in time.
2. Under no circumstances a genuine complainant will be victimized or harassed by the Bank or any of its Officials. They will be safeguarded from any adverse, personal, vindictive action.
3. If any person is aggrieved by any action of the Bank or its Officials on the ground that he/she is victimized due to filing of the complaint or disclosure,

he/she may file an application before the Managing Director & CEO seeking protection. Managing Director & CEO will take such action, as deemed fit.

4. In the event of the identity of the complainant under the Scheme being disclosed, the Managing Director & CEO will be referring for appropriate disciplinary action against the person(s) making such disclosure. Managing Director & CEO may also direct such person(s) to suitably compensate the complainant.
5. Protection under the Scheme would not mean protection from disciplinary action arising out of false / bogus / malicious allegations / complaint made by the Whistle Blower.

9. Recognition:

The Bank will issue letters of appreciation signed by Managing Director & CEO or consider other forms for recognizing the effort in case of genuine complaint proved subsequently on investigation, depending on the magnitude of the loss / damage detected / avoided. The recognition will not be made public.

10. Punishment:

1. Any staff member who knowingly makes false / vexatious / frivolous / ill-motivated allegations to the Chief of Internal Vigilance shall be subject to disciplinary action. An opportunity of hearing will, however, be given by the Bank to the complainant before taking such action.
2. However, the decision on reference to disciplinary proceedings shall vest with the MD & CEO.

11. Dissemination:

1. The Bank will put in place appropriate measures to advise all staff members of the existence of this Policy as adopted by the Board and amended from time to time. The Policy will also be published on the Bank's website and intranet.
2. In order to percolate the importance of Whistle Blowing, Staff Training College shall take up this as an input in the training sessions.
3. Branch Managers shall also discuss the item in their Branch Meetings and make all the staff members aware of their responsibilities under the policy.

12. Responsibility of Board:

The Board of Directors of TMB has 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 yearly basis. HO Vigilance Department is responsible for submitting a review report to Audit Committee of the Board on yearly basis.

13. Validity and Review of the Policy:

The policy shall be in force for a period of one year from 1st April 2017 to 31st March 2018 and shall be reviewed for further period before 31st March 2018.
