



Whistle Blower Policy of the Bank

Approver	Board of Directors
Approved on	03/03/2017
Policy Owner	Vigilance Department
Review frequency	Annual

Revision History and Approvals

Revision No.	Approval/Amendment date
V.2	July 31, 2018
V.3	September 27, 2019
V.3.1	April 23, 2020
V.4	February 4, 2021
V.5	March 24, 2022
V 6.0	March 14, 2023
V 6.1	December 26, 2023
V 7.0	February 8, 2024

Whistle Blower Policy

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1. Introduction

ESAF Small Finance Bank's (hereinafter referred to as 'the Bank') vision to build a society with equal opportunities, which has complete access to sustainable financial services, so as to help in promoting livelihood opportunities and economic development and to address environmental concerns is the foundation for all the decisions taken. The Bank believes in conducting all affairs of its constituents in a fair and transparent manner by adopting the highest standards of honesty, professionalism, integrity, and ethical behaviour.

The Whistle Blower Policy has been formulated as part of corporate governance norms and transparency where the employees, customers, stakeholders are encouraged to prefer any complaint which have not been resolved or satisfactorily resolved within the usual applicable protocols. The stake holders including employees may refer any complaint covering areas such as corruption, misuse of office, criminal offences, behavioural issues, suspected/actual fraud, failure to comply with existing rules and regulations and acts resulting in financial loss/operational risk, loss of reputation, etc. detrimental to depositors' interest/public interest/bank's interest.

This policy shall provide a channel to the employees (including Directors) and other stakeholders to report to the management about unethical behaviour, actual or suspected fraud or violation of the Codes of conduct or legal or regulatory requirements, incorrect or misrepresentation of any financial statements and reports and such other matters.

2. Regulatory Guidelines

The Policy is formulated primarily in compliance with the following directions:

2.1 Section 177 (9) of the Companies Act, 2013 mandated the establishment of vigil mechanism for all companies, as part of the whistle blower policy, for the Directors and Employees of such companies to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. It also provides that a whistle blower mechanism be provided by such company enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.

2.2 RBI Guidelines No: RBI/2006-2007/328 DO DBS.FrMC.No.BC.5/23.02.011/2006-07 dated April 18, 2007, on introduction of 'Protected Disclosures Scheme for Private Sector and Foreign Banks' is the basic document for the Whistle Blower Policy of the bank.

3. Scope and Coverage

3.1 The complaints under the Scheme would cover areas such as corruption, misuse of office, criminal offences, suspected/actual fraud, failure to comply with existing rules and regulations such as RBI Act 1934, Banking Regulation Act 1949 and acts resulting in financial loss/operational risk, loss of reputation etc. detrimental to depositors' interest/public interest/bank's interest.

3.2 Under the scheme, directors and employees of the bank, customers, stakeholder groups, NGOs, and members of the public can lodge complaints.

3.3 The following nature of complaints are not covered in the policy:

- X Anonymous/pseudonymous complaints.
- X Complaints which are frivolous in nature.
- X Issues relating to personal grievance (increment, promotion etc.)
- X Sexual harassment as it is covered by Policy on Prevention of Sexual Harassment (such complaints if any received will be forwarded to the Internal Compliance Committee (icc@esafbank.com) for further action)

3.4 The Policy intends to cover the following types of complaints:

- ✓ Fraudulent activities or activities in which there is suspected fraud.
- ✓ Intentional or deliberate non-compliance with laws, regulations, and policies
- ✓ Questionable accounting practices including misappropriation of monies.
- ✓ Illegal activities
- ✓ Corruption and deception
- ✓ Misuse/Abuse of authority
- ✓ Violation of Bank rules, manipulations, and negligence
- ✓ Breach of contract
- ✓ Pilferage of confidential/propriety information
- ✓ Deliberate violation of law/regulation
- ✓ Wastage/misappropriation of Bank's funds/assets
- ✓ Malpractices/events causing danger to public health and safety.
- ✓ Immoral/questionable behaviour that can cause reputational risks to the Bank/Brand, etc.

4. Audit Committee of the Board

The Audit Committee of the Board is responsible for monitoring and reviewing the effectiveness of the vigil mechanism and implementation of the Whistle Blower Policy to provide adequate safeguards against victimization of employees and relevant stakeholders. The details of establishment of vigil mechanism shall be disclosed by the Bank on the website and in the Board's Report to the stakeholders.

5. Nodal Officer, his duties, and responsibilities

5.1 Chief of Internal Vigilance (CIV), the Head of Vigilance Department, will be the Nodal Officer under the Whistle Blower Policy. He is appointed with the concurrence of the Board of Directors of the Bank.

5.2 The CIV of the Bank shall act as a Special Assistant/Advisor to the MD&CEO of the Bank in the discharge of these functions. CIV shall report to the Audit Committee/Board on the Vigilance activities, disciplinary cases and related investigation reports as well as aspects relating to the implementation of the Whistle Blower Policy.

5.3 The CIV shall also act as a liaison officer between the Bank and the Police/Serious Fraud Investigation Office (SFIO)/other law enforcement authorities. The CIV shall collect intelligence about the corrupt practices committed or likely to be committed, by the employees of the Bank, investigate or cause an investigation to be made into verifiable allegations reported to him, process investigation reports for further consideration of the disciplinary authority concerned and report/refer the matters to the MD&CEO of the Bank.

5.4 Nodal Officer shall act upon the complaints received under Whistle Blower Policy and references received from RBI. Ongoing through the complaints/references received from RBI, the Nodal Officer shall decide the manner in which the enquiry/investigation is to be conducted on a case-to-case basis.

5.5 After the enquiry/investigation and on the basis of findings recorded, the reference made by RBI will be replied and if found necessary, further directions may be sought for.

5.6 On the basis of the scrutiny/enquiry conducted and on the basis of the findings, the Nodal Officer will submit the investigation report to the MD & CEO for appropriate action.

5.7 If the findings bring out any loss caused to the bank as a result of the corrupt act/misuse of office by any of the official of the bank, appropriate administrative process may be recommended for recovery of the loss caused to the bank.

5.8 Apart from the disciplinary action or recovery process as stated above if the Nodal Officer is of the opinion that any further action including criminal proceedings is warranted by the facts and circumstances of the case, he may so recommend to the MD & CEO.

5.9 On the basis of the findings, if it deems fit, the nodal officer can also recommend to initiate process for corrective measures for preventing recurrence of such events in future.

5.10 The Nodal Officer shall ensure the utmost of secrecy in all the proceedings in this connection and unless for the explicit act by the complainant himself, no disclosure shall be made of the reference made by RBI.

5.11 Complaints received under Whistle Blower Policy are to be investigated and redressed within 90 days of receipt of the complaint.

6. Guiding Principles

To ensure that this Policy is adhered to and to assure that the concerns raised under this Policy will be acted upon seriously, the Bank will:

6.1 Ensure that the Whistle Blower and/or the person processing the Protected Disclosure is not victimized.

6.2 Ensure complete anonymity of the identity of the Whistle Blower.

6.3 Provide an opportunity of being heard to the persons involved, especially to the subject.

6.4 Provide protection to Whistle Blower under this Policy provided that Protected Disclosure is made in good faith, the Whistle Blower has reasonable information or documents in support thereof and not for personal gain or animosity against the subject.

6.5 Ensure that the Whistle Blowers, who make any Protected Disclosures, which have been subsequently found to be mala fide, frivolous or malicious be liable to Disciplinary Action.

6.6 Take Disciplinary Action for event covered under this Policy or upon victimizing Whistle Blower or any person processing the Protected Disclosure or if anyone destroys or conceals evidence of the Protected Disclosure made/to be made.

6.7 Ensure that any employee or stake holders assisting in the said investigation or furnishing evidence, is protected to the same extent as the Whistle Blower.

7. Protected Disclosure

7.1 Protected Disclosures should be reported in writing 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.

7.2 All Protected Disclosures should be addressed to Chief of Internal Vigilance of the Bank. The contact details are as under:

Chief of Internal Vigilance, ESAF Small Finance Bank, ESAF Bhavan, Mannuthy PO, Thrissur -680651. Email whistle.blower@esafbank.com

The Chairman of the Audit Committee can also be directly accessed in appropriate or exceptional cases. The contact details are as under:

Chairman of the Audit Committee, ESAF Small Finance Bank, ESAF Bhavan, Mannuthy PO, Thrissur -680651. Email pdschairman@esafbank.com

7.3 Protected Disclosure against the MD & CEO, Key Management Personnel and Chief of internal Vigilance should be addressed to the Chairman of the Audit Committee. The contact details of the Chairman of the Audit Committee are as under:

Chairman of the Audit Committee, ESAF Small Finance Bank, ESAF Bhavan, Mannuthy PO, Thrissur -680651. Email pdschairman@esafbank.com

7.4 Escalation (if any) should be addressed to **The Chief General Manager, Reserve Bank of India, Department of Banking Supervision, Fraud Monitoring Cell, Third Floor, World Trade Centre, Centre 1, Cuffe Parade, Mumbai 400 005**. The envelope should be superscribed "Complaint under Protected Disclosures Scheme for Banks".

7.5 The Protected Disclosure may be forwarded by email or by way of a covering letter which shall bear the identity of the Whistle Blower. The Protected Disclosure shall be submitted in a closed and secured envelop and shall 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 to protect the Whistle Blower and the complaint will be dealt with, as if, a normal disclosure. In order to protect the identity of the Whistle Blower, no acknowledgement will be issued by the Bank.

7.6 Anonymous disclosures may not be entertained.

8. Secrecy / Confidentiality

8.1 The Whistle Blower, the Subject, the managerial personnel (s) and everyone involved in the process shall:

- ✓ Maintain complete confidentiality/ secrecy of the matter under this Policy.
- ✓ Not discuss the matters under this Policy in any informal/social gatherings/ meetings
- ✓ Discuss only to the extent or with the persons required for the purpose of completing the process and investigations.
- ✓ Not keep the papers unattended anywhere at any time
- ✓ Keep the electronic mails/files under password.

8.2 If anyone is found not complying with the above, he/she shall be held liable for such Disciplinary Action as is considered fit by the Audit Committee.

9. Reporting

Chief of Internal Vigilance shall submit a report to the Audit Committee on all the Protected Disclosures, together with results of investigations, Disciplinary Actions recommended and implemented. He is responsible to submit the half yearly review to the Board.

10. Record Retention

All Protected Disclosures, documents along with the results relating Chief of Internal Vigilance of the Bank for a minimum period of 5 (five) years or as mentioned in applicable law, if any.

11. Amendment

This Policy may be amended from time to time by the Board on the recommendation of the audit committee.

12. Owner of the Policy

Vigilance Department of the Bank is owner of the Whistle Blower Policy.

13. Staff Empowerment

Employees should be encouraged to report fraudulent activity in an account, along with the reasons in support of their views to the Chief of Internal Vigilance under the Whistle Blower Policy of the bank, who may if require institute a scrutiny through the FMCE. The FMCE may 'hear' the concerned employee in order to obtain necessary clarifications. Protection should be available to such employees under the whistle blower policy of the bank so that the fear of victimisation does not act as a deterrent.

14. Awareness to employees

All the employees of the bank will be provided with a copy of the Whistle Blower Policy against proper acknowledgement. In case of newly recruited employees, they will be provided with a copy of the policy at the time of entering into the service of the bank.

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