

## **VIGIL MECHANISM**

### **Reason for Applicability to ANUGRAHA VALVE CASTINGS LIMITED [AVCL]:**

As per Sec 177 (9) of Companies Act, 2013 read with Rule No. 7 of Companies (Meetings of Board and its Powers) Rules, 2014, AVCL has borrowed money from Banks in excess of Rs. 50 crores. Therefore, the requirement for AVCL to set up a Vigil Mechanism arisen. There is however no time limit prescribed under the Act for setting up this mechanism. AVCL has Audit Committee constituted consisting of two Independent Directors.

### **Who shall oversee the Vigil Mechanism:**

The Audit Committee, will oversee the Vigil Mechanism to whom the other directors and employees may report their concerns.

### **Objective of establishing Vigil Mechanism:**

This mechanism shall act as a medium for directors and employees to report only "GENUINE" concerns.

### **Benefits of Vigil Mechanism which could be documented in the Vigil mechanism policy:**

- Identification of deviations from Company Policies or Procedures or Standing orders
- Early Detection of frauds and preparedness of the Company with a response plan
- There could be long pending genuine labour grievances which have not been addressed to or masked by the concerned supervisors.
- Enhances the image of the eyes of the external stakeholders of the company
- Acts as an effective governance mechanism
- As per Sub-Section 12 of Section 143, there is a responsibility on the Auditors to report any frauds by officers or employees of the Company. This acts as an effective tool to provide comfort to the auditors to establish that there is an internal mechanism and ongoing Board Review in the Company to detect and prevent any frauds.

### **Role of the Audit Committee:**

- To ensure the employees and directors have direct access to the Nominated Director of the Audit Committee.
- To provide for adequate safeguards against victimisation of employees and director who avail the benefits of vigil mechanism. To ensure non-disclosure of information regarding the whistle blower and ensuring his personal safety.
- To ensure there is no conflict of interest
- To disclose the availability of such a mechanism on the website of the Company

- To disclose the availability of such mechanism in the Board's report and also report frauds as and when detected and measures adopted by the Company to prevent/curb future frauds.
- Can include in the agenda of every Board Meeting, an Item for discussion, to report whether activation of vigil mechanism arose between the two Board Meetings. This ensures that the Board is well informed of the progress with respect to the mechanism and any additional action can be taken if necessary.

### **Power of the Audit Committee**

In case of repeated frivolous complaints (subject to thorough investigation) being filed by a director or an employee, the Audit Committee may take suitable action against the concerned director or employee including reprimand.

### **Status of AVCL with respect to establishing Vigil Mechanism:**

Approved at the board meeting held on 20/08/2022

### **Action Plan for AVCL:**

- To host the details of vigil mechanism on its website
- Can display boards at all the units, discussion rooms and all prominent locations in company establishments to create awareness of how the employees can make effective use of this mechanism. Such boards can provide information as stated in an example below:

To report any frauds, deviations or unethical activities you may call or email the designated director. Identification of the person disclosing the information will be held strictly confidential.

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