



KALPATARU PROJECTS INTERNATIONAL LIMITED
(Formerly Kalpataru Power Transmission Limited)

Third party due diligence Policy

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1. INTRODUCTION

Kalpataru Projects International Limited (KPIL) (Formerly Kalpataru Power Transmission Limited) is committed to the highest standards of ethics and business practices. All KPIL dealings with third party suppliers shall be carried out with the highest standards of integrity and in compliance with all relevant policies, laws and regulations as stated **section 4E**. It is essential that all the third party (ies) share similar values and ethical standards. To achieve this aspiration, it is essential that KPIL only engages Third Parties that are suitable from an anti-bribery perspective. We expect Third Parties with whom we work to comply with bribery and corruption laws and to observe our requirements concerning anti-bribery.

In order to consistently maintain ethical standards across the organization, KPIL has defined a risk-based process to conduct thorough due diligence on the third party (ies) with which it conducts business. This third party due diligence policy shall help mitigate risk(s) of any potential misconduct by the third party (ies) KPIL does business with. Accordingly, before engaging any third party (ies) to conduct business on behalf of KPIL, this Policy must be followed.

2. OBJECTIVE

The purpose of the Third Party Due Diligence (TPDD) policy is to provide guidance to KPIL's internal stakeholder(s) as defined in **section 4C** with respect to the engagement and monitoring of third party (ies) and to ensure that third party (ies) are evaluated systematically to confirm their ability to meet the ethical standards for KPIL.

Due diligence shall serve the purpose of acting as an additional, targeted control in the prevention and detection of bribery risk, and inform the organization's decision on whether to postpone, discontinue, or revise the transactions, projects, or relationships with the respective third party(ies).

The internal stakeholder(s) shall ensure the policy is followed during evaluation and selection of new and pre-existing third parties and while conducting annual monitoring of the respective third party (ies).

3. SCOPE AND APPLICABILITY

This policy shall be applicable to all the internal stakeholder(s) as defined in **section 4C**. All the internal stakeholder(s) who may be involved in any process(es) or activity(ies) related to the third party(ies) as defined in **section 4D**, for the goods or services provided to KPIL shall mandatory follow this Third Party due diligence policy in case of both new and pre-existing third party(ies).

4. DEFINITIONS

A. Anything of Value

"Anything of Value" covers just about any form of benefit, which includes, but is not limited to:

- Cash or cash equivalents, loans, gifts or prizes;
- Employment offers or promises of future employment (to an individual or any of his/her relatives);

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- Favorable terms on a product or service or product discounts;
- Entertainment/hospitality (payment of travel, hotel or restaurant bills, living expenses, or costs of trips or resort stays);
- Use of vehicles or vacation homes;
- Discounted or free tickets to events;
- Services, personal favors, or home improvements;
- Sponsorships
- Political or charitable donations
- Sexual favors/ Adult entertainment
- Opportunity to buy direct shares ("friends and family shares") in a company with a connection to KPIL.

B. Corrupt Practice

Any offering, giving, receiving or soliciting directly or indirectly of 'Anything of Value' to influence improperly the actions of another party. Any other misconduct related to fraud, cartels and other anti-trust/anti-competition offences, collusion, coercive practices or money laundering shall tantamount to a Corrupt practice.

C. Government

Any agency, instrumentality, subdivision or other body of any national, state or local government including government committees or commissions and regulatory agencies or government-controlled businesses, corporations, companies or societies.

Even if a Company is not wholly owned by the State, it may be considered an "instrumentality" of a government if the government exercises substantial control over the Company. State-owned banks, power companies, utilities, universities, banks and hospitals are examples of government instrumentalities. It includes public entities like (a) a municipal state, regional or national government entity or agency thereof; (b) an entity that is wholly or partially owned by a government agency, such as a public hospital; or (c) a public international organization.

D. Public/ Government official(s)

It includes a person in any of the following categories:

- An individual elected or appointed to a legislative or administrative position of any municipality, state, province, country, or territory
- Officers and employees of companies under government ownership or control such as state owned banks and hospitals and universities;
- It includes not only individuals such as elected officials, customs and tax inspectors and government procurement officials, but also the employees of Government department;
- Municipalities, Government agencies, State-owned enterprises;
- A political candidate or a political party or party official;
- Any person acting in an official capacity for a government organization, department, or agency or any person(s) or entities specified above including consultants and agents;
- An officer or employee of a public international organization such as the International Monetary Fund, the European Union and the World Bank, United Nations or the World Trade Organization, or any department or agency of such

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organization; or a person acting in a public function, including a director, officer or employee or other agent or representative;

E. Stakeholders

This includes internal stakeholder(s) like KPIL employee(s), officer(s), project trainee(s), temporary/ contractual staff, member(s) of Executive Board. This includes external stakeholder(s) like, consultant(s), vendor(s), any third party(ies) or representative(s) or agent(s), working or acting on its behalf of KPIL and includes each of their employees, partners, directors, trustees and owners.

F. Third party (ies)

Includes any individual or entity acting as a vendor to or supplier of KPIL, acting on behalf of KPIL, under the supervision of KPIL, or jointly with KPIL, engaged in order to market or deliver services, in connection with KPIL's business. Such individuals or entities may include but are not limited to consultant(s), advisor(s), lawyer(s), surveyor(s), retainer(s), specialist valuer(s), academic institution(s), contractor(s), software supplier(s), agent(s), and/or other specialist(s). Third parties are further categorized based on the purpose for which they are engaged. These categories include joint business relationship partner(s), subcontractor(s), commercial associate, vendor(s) or supplier(s).

G. Anti-bribery and anti-corruption (ABAC) laws and regulations

All national/ international laws relating to bribery and corruption that are in place where KPIL and all its stakeholder(s) have or may carry out KPIL related work. Some of the laws and regulations (including amendments of such acts and related guidance issued) which may be applicable to KPIL, but not limited to, as below:

Indian Laws

- The Indian Penal Code, 1860;
- The Prevention of Corruption Act, 1988;
- The Integrity Pacts propounded by the office of the Central Chief Vigilance Commissioner and which Integrity Pacts forms part of the Bids/ Tenders of Public Sector Enterprises in India;
- Prevention of Money Laundering Act, 2002;
- The Benami Transaction (Prohibition) ACT 1988;
- The Competition Act, 2002
- The Whistle Blowers Protection Act 2011;
- The Lokpal and Lokayukta Act 2013;
- Any other laws and regulation(s) being applicable or required due to nature of transaction with the third party (ies).

International Laws

Some examples of the international laws and regulation prohibiting bribery, fraud and corruption are:

- USA : The Foreign Corrupt Practice Act;
- UK : The United Kingdom Bribery Act.

International Organisations/ Conventions

Anti-corruption Ethics and Compliance of Business Policies of:

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- OECD (Organization for Economic Co-operation and Development);
- UNODC (The United Nations office or Drugs and Crime);
- The World Bank;
- Inter- American Convention Against Corruption;
- United Nations Convention Against Corruption;
- Counsel of European Criminal Law convention on Corruption;
- Asian Development Bank;
- Japan International Cooperation Agency;
- African Development Bank.

5. DUE DILIGENCE PROCESS

A. Roles and responsibilities

Any KPIL employee who on-boards / appoints any third party (ies) for procurement of goods / services shall be responsible not only for pre-classifying the third party as high risk and low risk but also to ensure compliance with internal procurement policies and/or SOP's, as applicable, including Group Procurement and Supply Chain Management Policy. All procurement should be undertaken on a competitive basis in which all potential suppliers are treated impartially. All payments to suppliers/vendors should be made against approved purchase orders/schedules/contracts/arrangement. In terms of Company's SOP's, wherever possible, the KPIL employee should endeavor to make procurement decisions only after reverse price auctions. Further, a member of the ABMS committee is required to conduct the due diligence of high risk third party (ies) being appointed.

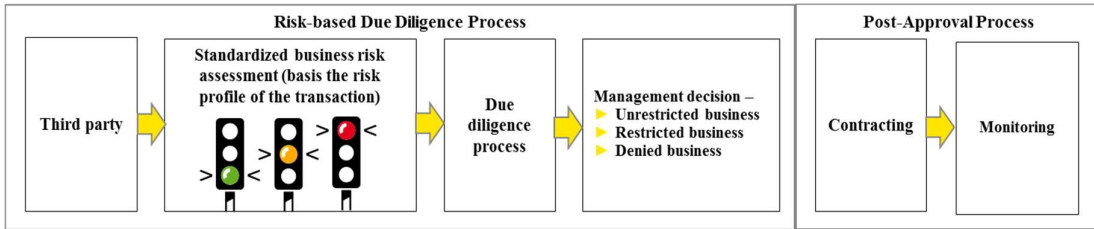
Further the head of the ABMS committee is required to monitor the completeness of the due diligence procedure. Further, a consultant/ third party can also be appointed to undertake due diligence procedures on behalf of KPIL.

Misconduct related to fraud, cartels and other anti-trust/anti-competition offences, collusion, coercive practices or money laundering shall tantamount to a Corrupt practice and KPIL strictly prohibits such practices across its Business functions. KPIL Internal Stakeholders and External Stakeholders should refrain from such kind of misconducts and in case if they become aware of same, it should be immediately reported to the ABMS Committee. The Procurement function should ensure that KPIL Vendor's / third parties do not form any kind of cartel or engage in anti-competitive behavior while securing work from KPIL.

B. Approach

The following risk based due diligence and post-approval processes must be implemented to ensure that the risk is adequately managed:

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C. Pre-classification of third party

- Before the commencement of the due diligence, the Third Party (existing and new) must be pre-classified as “low” or “high” risk;
- Generally, all third parties who directly or indirectly interact with government authorities on behalf of KPIL shall be classified as “high” risk;
- Also, below stated factors (including but not limited to) may also be considered to assess “high” risk third party(ies):
 - Third party(ies) known to have been investigated for or convicted of, or currently under investigation relating to, bribery of a government official or individual in private sector, or relating to corruption, money laundering or fraud;
 - Third party(ies) is a government run or sponsored company/ agency/ society and/ or have direct interaction(s) with government or government official(s);
 - Third party(ies) states that they have a ‘personal or family relation’ or ‘close relative’ working with a government or government official;
 - Third party(ies) known to have been owned/controlled by a current or former public official or their relatives.
(A person shall be categorized as a former public official for a period of three years from the date of cessation as public official.)
 - Any third party to whom KPIL proposes to make a charitable contribution
 - Third party making unusually large or frequent political contribution(s); and/ or;
 - Other factors such as geography, the type of services provided, and background of Third Party shall also be considered in assessing the risk level of third parties.

D. Risk mitigating procedures

Risk classification	Due diligence procedures to be performed
Low	<ul style="list-style-type: none"> • Fill vendor registration & information form (Refer separate excel for annexures); • Obtain ABAC Declaration, wherever feasible
High	<ul style="list-style-type: none"> • All low risk due diligence activities as stated above and; • Keyword based desktop searches on negative news (negative legal news, bribery & corruption related cases, bankruptcy, fraud, cartels and other anti-trust/anti-competition offences, collusion, coercive practices or money laundering, unusual and/ or large donations/ sponsorship(s) made to any political party(ies));

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	<ul style="list-style-type: none"> • These research activities (screenshots) shall be documented and attached with these forms; • • Fill vendor evaluation form (Annexure 7.1) duly approved by Chief Ethics Officer; • Obtain ABAC Declaration (Mandatory) • Agreements containing ABAC clauses signed during onboarding
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- If a third party does not clear the due diligence process due to red flags or refuses to follow the risk mitigation/due diligence procedure including cases where such third party is specifically requested/approved by a customer, the Company should decide not to onboard such third party. In exceptional scenarios and with written justification, the Company may decide to onboard such third party only after complying with below process:

- Perform additional due diligence by way of obtaining D&B / Reference check Report(s), wherever available
- Desktop Search on negative news (negative legal news, bribery & corruption related cases, bankruptcy, fraud, cartels and other anti-trust/anti-competition offences, collusion, coercive practices or money laundering, news on unusual and/ or large donations/ sponsorship(s) made to any political party(ies) etc.)
- Obtaining performance track record of the third party etc.
- Fill Vendor Evaluation Form (Annexure 7.1) duly approved by the Chief Ethics Officer

The Chief Ethics Officer may require further scrutiny by way of Interviews/Site visits or review by external experts considering the circumstances or risk profile.

- The due diligence process is required to be repeated at regular intervals including, but not limited to:
 - Contract renewal;
 - Significant amendment to contract (e.g. nature of transaction/scope of services/amount of remuneration);
 - Change of control as communicated by the third party or change identified during the annual due diligence process in third party(ies); and
 - Every three years for low-risk parties; and every year for high risk parties.
- If an existing third party(ies) hasn't supplied/ provided services for two years and if there is any change in place, personnel or infrastructure, the third party(ies) shall be subject to re-evaluation process of third party due diligence.
- It is suggested that agreements containing ABAC clauses are signed during onboarding of low risk third parties as well.

E. Monitoring of third party(ies)

- a. The individual team member of respective business units/ functions shall update the Vendor Master File (VMF) with the risk category of the vendor:
 - i. All existing vendors must be categorized as “low” or “high” risk’
 - ii. VMF shall be updated with the risk category of the vendors being added.

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- b. The individual business unit heads shall monitor third party(ies) based on potential noncompliance(s) and red flag(s) related to anti bribery anti corruption procedures.
- c. Promptly report any violation of KPIL’s ABAC policies and procedures to the Head of Anti Bribery Management System (ABMS).
- d. Where appropriate disqualify/ terminate the third party(ies) as per **section 4D**.
- e. Based on the risk evaluation of third party(ies), the Head of the ABMS Committee shall ensure that below activities are conducted on an annual basis by the member of the ABMS committee

#	Activities	Low risk	High risk
1.	Obtain annual vendor sign-off on ABAC declaration (Annexure 7.2)	✗	✓
2.	To ensure PO/ contracts include ABAC related clauses	✗	✓
3.	Undertake risk mitigating procedures (Refer section 5)	✗	✓
4.	Vendor focus awareness on ABAC related issues	✗	✓

- f. For select high risk third parties, KPIL may undertake review of select transactions and invoices.
- g. For guidance on the third party due diligence process such as risk classification of vendors, selection of third party (ies), potential red flags identified, etc. employees are requested to consult with the ABMS committee.

F. Disqualification of third party(ies)

A third party (ies) may be blacklisted in cases including, but not limited to:

- a. Non-compliance with KPIL’s Code of Conduct and ABAC policies and procedures;
- b. Infringement of ethical standards in business dealings;
- c. Resorting to malpractices that resulted in or might have resulted in loss to KPIL;
- d. Using KPIL’s assets/ rights/ names etc. to the third party (ies)’s own advantage;

For blacklisting these third party (ies), the business unit head has to obtain approval from the ABMS Committee

A blacklisted third party (ies) may be registered again only after obtaining approval from ABMS Committee

G. Documentation

It is the responsibility of the identified member of the ABMS committee to evaluate prospective/ existing third party (ies) in a methodical, transparent and documented manner, including but not limited to the following:

- a. Risk categorization of existing and new vendors;
- b. Vendor registration & information form (Refer separate excel for annexures), vendor evaluation form and Third party ABAC declaration form;
- c. Third party due diligence document(s) in electronic format and original paper format where applicable; This would include results of searches performed, annual compliance declaration, training records, etc.
- d. Disqualification of third party (ies) and deletion from the approved third party (ies) list and contract termination.

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The document(s) shall be readily made available for reference as required.

6. PENALTY

Any failure on the part of any employee to comply with this Policy shall be reported to the ABMS Committee. Looking at the gravity of the non-compliance, the ABMS Committee shall decide on the penalties which may include wage freeze, suspension, reprimand and severance from employment. However, in all such cases the ABMS Committee shall provide an opportunity of being heard to the concerned employee.

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7. ANNEXURES

7.1 Vendor evaluation form

Kalpataru Projects International Limited

Vendor Evaluation Form

Preparer details*	
Particulars	Description
Document reference number	
Name and designation	
Mobile Number	
E-mail Address	

Vendors details*	
Particulars	Description
Name of the vendor	
Vendor code (To be obtained from finance team)	
Products and/ or services to be provided by vendor	
Expected duration of relation with vendor (in months)	
Does the vendor appear in blacklisted vendor list of KPIL	
Reason(s) for appointment of the vendor other than lowest bidding quotation, if any	
Do you have any reason(s) to believe that third party may have engaged in any fraudulent, unethical, illegal or inappropriate activity(ies)	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, why?
Completeness of vendor registration & information form duly completed by third party (Attach a copy of the questionnaire)	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is the validation performed on information provided in vendor questionnaire?	
Other relevant document(s) collected from third party, if received (Attach a copy of document(s))	
Risk profile of third party	HIGH

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Proposed vendor status <i>(Approved or disqualified/ terminated or pending)</i> <i>(To be filled by preparer)</i>	
Reason for disqualification/ termination/ pending (to be filled by Compliance committee member)	

**All fields are mandatory*

By signing below I certify that I have performed such procedures and inquiries as necessary to ensure that the answers provided in this document are accurate and complete to the best of my knowledge and belief.

Prepared by

Reviewed by

 (To be signed by business head/ function head)

 (To be signed by ABMS committee member)

Name:
 Designation:
 Date:

Name:
 Designation:
 Date:

Approved by

 Chief Ethics Officer
 Date:

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7.2 Third party ABAC declaration

(On third party's letterhead)

To,

KPIL Business head/ Function head,

Subject: Declaration for anti-bribery and anti-corruption policy ('ABAC Policy')

In addition to Vendor Registration & Information Form (Refer separate excel for annexures), this is to confirm that:

- We have been provided with the copy of KPIL's ABAC policy and have read and understood the letter and spirit of the same
- We are responsible for performing the agreed/ to be agreed services openly and honestly, guided by high ethical standards in accordance with all the applicable legislations;
- We agree to comply by ABAC policy and related policies & procedures and to all the changes which might occur time to time; at all times during the term of our association with your organization
- We agree that we have not directly or indirectly paid, offered or promised to pay or authorized the payment of, and shall not directly or indirectly pay, offer or promise to pay or authorize the payment of any monies or anything of value for whatever reason or purpose before or during the course of our association, conducting KPIL's business and representing KPIL in any capacity
- We acknowledge and agree, on becoming aware of, to report any suspicious activity, event, and occurrence that may amount to be a bribe being offered, promised, requested, given and accepted (either involving us or another person/ company); immediately to the compliance committee
- We shall promptly notify KPIL if, at any time during the term of the Contract/Purchase Order, there is any material change in circumstances or knowledge relevant to the warranties set out in the ABAC clause
- We agree not to engaged in any business relationships with KPIL employee(s) or official(s) working on behalf of KPIL other than for the services proposed to be performed
- We agree that at the request of KPIL, and at least annually, we will certify that we have not, and to our knowledge no other person, including but not limited to our officers, directors, every employee, representatives, agents or any third party acting on our behalf has made, offered to make, or agreed to make any loan, gift, donation or the payment, directly or indirectly, whether in cash or kind to or for the benefit of any government official, political party, party official or candidate for political office, KPIL employee, officials working on behalf of KPIL in order to secure or retain business;
- We agree to cooperate in manner required with respect to ABAC procedures
- We are fully aware that if found that we have wilfully kept secret, the knowledge about such practices, or are found involved in any bribery related case; we shall not only be immediately disqualified/ terminated but would also not be able to deal with your organization going forward
- We represent and warrant that if we are not in any way associated with any government body, political party(ies), or have reason to know of any such payment, offer or agreement to make a payment to a government official, political party, party official or candidate for political office, KPIL employee, officials working on behalf

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of KPIL in connection to KPIL business. In any such circumstance we shall keep the KPIL compliance committee informed

- We agree that KPIL may at any time or when it has reason to believe that a breach of any of the representations and warranties given herein has occurred or may occur, can audit, or have a third party audit of our activities and records, employees, agents, affiliates and any other third party acting on our behalf. We agree to fully cooperate in the audit conducted by or on behalf of KPIL;
- We further represent and warrant to KPIL that by entering into the agreement for the performing of services for KPIL, neither we nor any of our officers, directors, agents, affiliates or any other third party acting on our behalf will be in breach of any contract, law, regulation or other obligations;

We confirm that the person whose name appears below and who has signed and attested to the disclosures, representations and warranties herein, is duly authorized to execute this document on its behalf.

Authorized signatory

Name:

Designation:

Date: