



ANTI CORRUPTION COMPLIANCE PROGRAM

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1. INTRODUCTION

Nepal Water & Energy Development Company Pvt. Ltd. (the “**Company**”) is deeply committed to principles of integrity, transparency and accountability. The Company believes that elimination and discouraging certain practices will assist the Company in achieving this commitment. This Anti-Corruption Compliance Program (the “**Compliance Program**”) has been formulated for this purpose.

The Compliance Program contains description of prohibited practices, preventive measures to control such practices, investigation procedures to evaluate breach of the Compliance Program, remedial actions and other governance aspects. The policies and procedures in the Compliance Program is applicable to all the Covered Persons.

Breaching the Compliance Program will give rise to penalties, including in extreme circumstances, possible dismissal in case of Employees and termination of contract in case of the Business Partners.

2. DEFINITIONS

“**Business Partner**” means the Company’s customers, suppliers, agents, joint venture partners, consultants, contractors and any other natural persons or entities having any type of business relationship with the Company.

“**Covered Persons**” means the Company, its Board of Directors and Employees (as defined below), Business Partners or any representative(s) of the Business Partners who are required to comply with the provisions of the Compliance Program.

“**Employees**” means all the individuals (a) employed by the Company through a contract of employment, or (b) appointed or deputed by a shareholder for undertaking any managerial function of the Company.

“**Whistleblower**” is a person who reports, to one or more of the parties specified the Compliance Program, an activity that the person considers as a prohibited activity under the Compliance Program.

3. RULES OF INTERPRETATION

In this document, unless the context requires otherwise, till the date at which an Audit Committee of the Board as required by applicable Shareholders Agreement is formed, any references to the Audit Committee are references to the Board of Directors of the Company.

4. DUTIES OF EMPLOYEES TO REPORT MISCONDUCT

It is the responsibility and duty of every Employee to report any knowledge of actual or attempted Misconduct by another Employee or the Business Partner acting on behalf of the Company and any concerns they may have regarding this Compliance Program. External demands for bribes, contracts, or other benefits should also be reported as per the Compliance Program. Failure to do so will be considered Misconduct.

The Head of Compliance (i.e. the Chief Finance Officer of the Company) shall be responsible for the implementation, supervision, assessment and modification of the Compliance Program.

5. PROHIBITION STATEMENTS

The Covered Persons are specifically prohibited from carrying out the following actions mentioned in this Compliance Program. Performing any such prohibited actions shall be an act of “**Misconduct**”.

5.1. Prohibition of Bribery, Corruption and Fraud

- 5.1.1. The Covered Persons will not engage in any of the following Sanctionable Practices:
- 5.1.2. "SANCTIONABLE PRACTICES" means any Corrupt Practice, Fraudulent Practice, Coercive Practice, Collusive Practice, or Obstructive Practice;
- 5.1.3. "CORRUPT PRACTICE" is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party, including Bribery;
- 5.1.4. “BRIBERY” is the act of promising, offering, or giving an advantage to a person or entity, either directly or indirectly, so that the person or entity perform or refrain from performing, an act in breach of their business or public duties including, without limitation, the following:
 - a. cash or other forms of payment that is used to secure a contract or obtain a license;

- b. improper donations to political parties or related organizations; and
- c. excessive gifts or entertainment intended to influence the recipient to undertake a particular course of action. For the purpose of this program, a bribe may consist of anything of material value, not simply a payment of cash, and may include the provision or receipt of:
 - i. lavish or disproportionate gifts and entertainment;
 - ii. donations with an ulterior motive;
 - iii. payment of travel expenses or accommodation for a customer or official when there is no underlying business purpose for a trip; and
 - iv. use of corporate assets for activities which are unrelated to the business of the Company or approved charitable purposes;

5.1.5. "FRAUDULENT PRACTICE" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;

5.1.6. "COERCIVE PRACTICE" is the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or its property to influence improperly the actions of a party;

5.1.7. "COLLUSIVE PRACTICE" is an arrangement between two or more parties designed to achieve an improper purpose, including to influencing improperly the actions of another party; and

5.1.8. "OBSTRUCTIVE PRACTICE" is:

- a. deliberately destroying, falsifying, altering or concealing of evidence material to an investigation, inquiry or making false statement(s) to investigators in order to materially impede an investigation or inquiry, including (without limitation) those initiated by the Company or its project lenders, into allegations of a Sanctionable Practice or any other corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or inquiry or from pursuing the investigation or inquiry; or
- b. acts intended to materially impede the exercise of stakeholder's statutory rights of access to information.

5.2. Restriction in employment arrangements with public officials

- 5.2.1. Employment or other remunerative arrangements with public officials or with entities or persons associated or related to them, after their resignation or retirement, where such activities or employment relate directly to the functions held or supervised by those public officials during their tenure or those functions over which they were or continue to be able to exercise material influence is strictly prohibited.
- 5.2.2. If the Head of Compliance becomes aware of any such employment or remunerative arrangements, the Head of Compliance shall promptly submit a list of those arrangements to the Chief Executive Officer (CEO) and also report the same to the Audit Committee.

5.3. Gifts, entertainment and hospitality

- 5.3.1. The exchange of reasonable modest gifts and entertainment for fostering good relations with the Business Partners and other stakeholders through legitimate, occasional social interactions is allowed. Such ‘reasonable modest gifts’ might be in the form of:
 - a. modest occasional meals within the limit prescribed in Section 4.3.2 for fostering goods relations;
 - b. consumable items within the limit prescribed in Section 4.3.2 on special occasions such as festivals; and
 - c. promotional items of little value such as pens, calendars or other small items which usually bears the logo of the Company.

However, particular concerns arise when the offering of gifts and entertainment may be connected in some way with an actual or potential business transaction or regulatory approval. Even if the intent is not corrupt, there is still a risk that a recipient or an objective third party may perceive the gift or entertainment to be an attempt to gain an improper advantage. Any gift or entertainment is always unacceptable if :

- a. it is offered or made in exchange for a contract, a permit, an outcome of a business transaction or any other specific benefit.
- b. it is offered to obtain an improper advantage in the conduct of business.
- c. it is in breach of local or international bribery laws.

- d. it would be considered unacceptable if offered by a Business Partner to one of the Company's own Employees.
- e. it would, if it became public, adversely affect the reputation of the Company.

If in any doubt, the concerned Employee shall reach out to the Head of Compliance to enquire about the appropriateness of making any gift or entertainment expenses to any person.

5.3.2. Any gift in cash is never allowed. The maximum value of any gift provided in kind or entertainment to a single individual or institution should not be more than Fifty (50) United States Dollars or equivalent amount during a twelve (12) month period provided that gifts to government officials shall only be allowed if it is in accordance with the applicable law . Moreover, gift should be provided only in case of special occasions such as during festivals. In case of exceptional circumstances, where it is necessary to provide any gift or incur any entertainment expenses exceeding such threshold, a separate approval of CEO is required and it should be separately reported to the Audit Committee along with reasonable explanations.

5.3.3. The Company should ensure that the dealings with the Business Partners are based on objective decisions and are not influenced by gifts or favors.

5.3.4. Furthermore, the Employees should refrain from soliciting or receiving gifts and entertainment including favors, goods, gratuities, money and services that:

- a. may create a sense of obligation;
- b. may influence or be perceived to influence their business judgment; or
- c. may create, or appear to create, a conflict between an Employee's personal interests and those of the Company.

Gifts received by Employees having value exceeding One Hundred (100) United States Dollars or equivalent amount should be immediately surrendered to the Head of Compliance. Furthermore, the Employees shall inform the Head of Compliance of any gifts received irrespective of value of such gifts. If the Head of Compliance considers such gifts as inappropriate, the Head of Compliance may require the Employee to return such gifts.

5.3.5. The Head of Compliance shall maintain separate records of:

- a. any gifts and entertainment expenses incurred, irrespective of the amount, with current or potential Business Partners or other stakeholders;
- b. any gifts and entertainment expenses incurred exceeding the threshold provided in 4.3.2;

- c. any gifts, irrespective of the amount, received by Employees of the Company;
- d. any gifts surrendered by Employees to the Head of Compliance; and
- e. any gifts received by the Employees that the Head of Compliance instructed to return.

Such records shall be regularly updated and reported to the Audit Committee at least on a quarterly basis.

5.4. Prohibition of Facilitation payments

- 5.4.1. Making facilitation payments are strictly prohibited. Facilitation payment is the term used for the payment made in exchange for the service to which the Company has a legal right to receive without making such payments. These are usually relatively small payments to government officials or people on functions to ensure or expedite a routine procedure.
- 5.4.2. Notwithstanding the above prohibition, if such payments are made, the same should be recorded and reported to the Audit Committee within seven (7) working days of the payment.

5.5. Political donations

- 5.5.1. The making of donations for political purposes to any politician, political party or related organization, an official of a political party or candidate for political office in any circumstances either directly or through third parties is prohibited.
- 5.5.2. Notwithstanding the above prohibition, if such payments are made, the same should be recorded and reported to the Audit Committee within seven (7) working days of the payment.

5.6. Charitable donations and social expenses

- 5.6.1. Charitable donations and social expenses are only allowed if they comply with the following conditions:
 - a. the charitable donations and/or social expenses are allowed or required by any of the 'Project Documents' as defined in the Common Terms Agreement executed by the Company. Any limit to such donations or expenses shall be governed by the provisions of such document;
 - b. contribution to any national fund created for the purpose of combatting the effects of any natural disasters including but not limited to earthquake, flood, famine, landslides etc. The

maximum threshold for such contribution shall be Ten thousand (10,000) United States Dollars per natural disaster; and

- c. contribution to any other organizations that fulfills the requirement under Section 4.6.3, provided, donations to a single organization during a period of one (1) year shall not exceed One Thousand (1,000) United States Dollars or equivalent amount. The combined contribution to all organizations during a period of one (1) year shall not exceed Five Thousand (5,000) United States Dollars or equivalent amount. However, the Company shall make reasonable endeavors to minimize such expenses.

Any charitable donations and social expenses that meet the above criteria can only be made after express approval of the Chief Executive Officer. Any charitable donations and social expenses made other than above shall be prohibited.

5.6.2. The following due diligence procedures should be conducted before providing any contributions to organizations mentioned in 4.6.1 (c):

- a. the organizations should be non-profit entities registered under Nepalese law with a charitable, benevolent, social or educational objective;
- b. site visit should be conducted by the Employees of the Company to ensure that the activities of the organizations match with their objectives;
- c. it should be ensured that donations and social and community investments do not work primarily to the benefit of a particular government official, politician or party;
- d. if donations are contributed in cash, arrangements should be made that the Company gets a report of the manner in which such donations were utilized by the organization;
- e. any government official or politician or their family members or known associates should not be a member of the Governing Committee of the organization; and
- f. donations and social and community investments must not be made if they either create or have the potential to create impropriety.

5.6.3. The Head of Compliance shall maintain separate records of:

- a. irrespective of the amount, any donation provided or social and community investment provided to any organization; and
- b. any donation provided or social and community investment provided to any organization in excess of threshold mentioned in Section 4.6.1 with reasonable explanation for exceeding the threshold.

Such records shall be regularly updated and reported to the Audit Committee at least on a quarterly basis.

5.7. Sponsorships

- 5.7.1. Sponsorship includes any support of an event, activity, person or organization financially or through the provision of products or services.
- 5.7.2. Sponsorship may not be promised, offered or provided in exchange for a contract, permit or specific regulatory benefit. It must not be offered to obtain an improper advantage in the conduct of business or if it is likely to be perceived as having this intention.
- 5.7.3. Details of any sponsorships provided should be recorded by the Head of Compliance and reported to the Audit Committee on a quarterly basis.

5.8. Actions of Third Parties

- 5.8.1. The reputation of the Company can be damaged by the actions of third parties such as advisers, suppliers, agents, contractors, lobbyists and joint venture partners and the Company may find itself liable for their actions. It is never acceptable for a third party to carry out an act on the Company's behalf which, were it done by the Company directly, would be a breach of the Compliance Program.

[NOTE] The safety of the Employees

Employees must be free to carry out their duties without fear of intimidation or threat of violence. The Compliance Program does not mandate the Employees to compromise their safety or security or that of others in order to comply with the terms of the Compliance Program. Employees must, however, immediately report any incident where they have been threatened or intimidated to carry out an act which may result in a breach of the Compliance Program to the Head of Compliance. After appropriate internal consultation, such incidents must also be reported to the relevant authorities in order to prevent any recurrence.

6. PREVENTIVE MEASURES

6.1. Due diligence of Employees

- 6.1.1. All the Employees, especially those with decision-making authority or in a position to influence business results should be vetted before they are employed to determine if they have engaged in Misconduct or any other acts inconsistent with this Compliance Program.
- 6.1.2. The following due diligence procedures shall be performed before hiring new Employees:
- a. taking a written declaration that they have not been engaged in any activities that come within the purview of Misconduct as per the Compliance Program.
 - b. taking letters of recommendation (if any), from their last employers, to ensure they have not been engaged in any activities that come within the purview of Misconduct as per the Compliance Program. In case of fresh graduates, the letters of recommendation shall be taken from such applicants' professors within the past one year. The letters of recommendation shall clearly include the contact details of the recommender for verification by the Head of Human Resources. The Head of Human Resources shall confirm the contents of the recommendation letter from the recommender through such contact details.
 - c. obtaining of Police Certificates to ensure they have not been previously convicted for any such actions prohibited by the Compliance Program.
 - d. ensuring that the Employees or their immediate family members are not Politically Exposed Persons.
 - e. ensuring that the Employees do not appear in the Sanctions List of Ministry of Home Affairs, Nepal, the United Nations, Office of Foreign Assets Control, the United Kingdom, the World Bank Group, Asian Development Bank, Asian Infrastructure Investment Bank and any of the other lenders of the Company.

6.2. Communication and Training to Employees:

- 6.2.1. The Compliance Program should be clearly communicated to all the Employees through an appropriate training program covering the following aspects:
- a. reporting of any suspected Misconduct under the Compliance Program to the Head of Compliance;

- b. reporting of any concerns regarding any of the clauses of the Compliance Program to the Head of Compliance;
- c. the fact that any failure to report Misconduct deliberately or negligently by any Employees shall itself be considered as an act of Misconduct;
- d. the protection of the identity of the Employee who reports Misconduct;
- e. reporting of external demands for bribes, contracts, or other benefits as per the Compliance Program; and
- f. the procedures to be followed when reporting Misconduct as per the Compliance Program.

6.2.2. Compliance training shall be done at least once every year to keep up with changes in regulation and changes in the Compliance Program itself. Head of Compliance shall determine the timing of the training program considering:

- a. the necessity to train Employees of any recent changes; and
- b. the time gap from the last training, to ensure that the knowledge of Employees regarding the Compliance Program have not been lost due to lack of use.

6.2.3. All the Employees shall be provided a latest copy of the Compliance Program. The Employee shall also be provided the Compliance Program in Nepali language if the Employee requests accordingly.

6.2.4. Moreover, Employees shall be specifically trained on the procedures of reporting Misconduct under the Compliance Program.

6.3. Declaration by Employees:

6.3.1. In addition to such other reporting requirements as may be required under the Personnel policy or any other policy or program of the Company, each Employee shall confirm in writing by 30th June of each calendar year that to the best of its knowledge and belief:

- a. neither the Employee nor any of the Employee's representatives acting on the behalf of the Employees has engaged in any activity, nor entered into any transaction, prohibited by the Compliance Program or any of the laws of Nepal;
- b. the Employee is not involved with any party or person:
 - (i) On the Sanctions List of Ministry of Home Affairs, Nepal, the United Nations, Office of Foreign Assets Control, the United Kingdom, the World Bank Group, Asian

Development Bank, Asian Infrastructure Investment Bank and any of the other lenders of the Company from time to time or any successor website or location; or (ii) convicted, indicted, or subjected to any similar criminal sanction, by any court or governmental body of competent jurisdiction, for engaging in money laundering or any other Sanctionable Practice; and

c. all the projects supported by the Company that the Employee is responsible for are in compliance with their obligations under the Compliance Program.

6.3.2. If any Employee becomes aware of the initiation of any administrative, supervisory or criminal investigation or proceeding involving such Employee or any other Employee, or any of their respective representatives, with regards to money laundering or financing of any Sanctionable Practices, the Employee shall report such investigation or proceeding in accordance with relevant provisions of the Compliance Program.

6.4. Disclosures in the Employment Contract:

6.4.1. Necessary clauses regarding prohibition of Misconduct should be included in the terms of appointment of new Employees as well as renewal of existing Employees.

6.4.2. The clauses to be included shall be determined by the Head of Compliance in co-ordination with the Head of Human Resources.

6.5. Disclosures in Business Partners Contracts:

6.5.1. The Head of Compliance shall monitor execution of any contract with any Business Partner, in coordination with the Admin Team or the concerned department, to ensure that the terms of the contract do not violate any provisions of the Compliance Program of the Company.

6.5.2. All major Business Partners shall be vetted as per the Guidelines on Risk Based Due Diligence of Business Partners.

6.5.3. Business Partners must comply with Compliance Program when acting on behalf of the Company.

- 6.5.4. If any Business Partner has any reservations about the Compliance Program, the Business Partner can raise any concern to the Admin Team, who may coordinate communication between the Head of Compliance and the Business Partner.
- 6.5.5. In order to ensure adherence and compliance with this Compliance Program, the Company shall incorporate a standard clause in the contract with Business Partners. Terms of contract should clearly indicate the right of the Company to terminate the contract in case of prohibited actions under the Compliance Program are conducted by the counter party and may also include penalty provisions in case of any damage incurred by the Company.
- 6.5.6. The Company should encourage its Business Partners to adopt their own anti-corruption compliance program similar to the Compliance Program. If requested by a Business Partner, the Head of Compliance may provide a copy of the Compliance Program to such Business Partner and provide necessary assistance. The Head of Compliance shall always be available to advise Business Partners in case they have any queries regarding the Compliance Program.

6.6. Public disclosure of Compliance Program

- 6.6.1. The Prohibition statements of Compliance Program followed by the Company shall be publicly disclosed through the website of the Company, both in English as well as Nepali.
- 6.6.2. The website shall also contain the contact details of the Head of Compliance to whom any matter related to the Compliance Program can be communicated directly.

7. PROCEDURES FOR REPORTING MISCONDUCT

7.1. Head of Compliance:

- 7.1.1. The main structural framework for implementation and control of the Compliance Program shall be built around a Head of Compliance who shall have a direct reporting line to the Audit Committee.

7.2. Role of Chief Executive Officer (CEO)

- 7.2.1. The CEO is the ultimate decision making authority for further actions to be taken on getting information about a report of Misconduct from Head of Compliance.

7.2.2. The CEO shall be responsible for taking any remedial actions against any Covered Person accused under this Compliance Program (the “**Accused**”). However, if any reporting is obtained against any member of the Board of Directors, the Head of Compliance has to report about such allegation to the Audit Committee instead of the CEO. Thereafter, the Audit Committee shall decide regarding further investigations. Any remedial action against a member of Board of Directors can only be taken through a general meeting of the Shareholders. The Audit Committee can request the Board of Directors to convene an extra-ordinary general meeting for the same.

7.3. Rights and duties – Head of Compliance

- 6.3.1. Rights and duties of the Head of Compliance in relation to the Compliance Program are as follows:
- a. act as a principal person in implementing, supervising, assessing, and when needed, modifying the Compliance Program;
 - b. appoint any existing Employee of the Company for handling compliance related matters and supervise and review such Employee;
 - c. work with the Human Resources & the Admin team of the Company to develop an effective compliance training program, including appropriate introductory training for new Employees as well as ongoing training for all Employees;
 - d. act as a main contact person to whom the Employees and outside parties, including any Business Partners report any misconduct;
 - e. ensure that the content of consultation or the personal information of the Whistleblower is not disclosed;
 - f. process the reports of Misconduct to take further actions;
 - g. ensure proper reporting of violations or potential violations to duly authorized stakeholders as appropriate and/ or required;
 - h. identify new risk areas vulnerable to non-compliance of the Compliance Program and develop corrective actions to mitigate such risks;
 - i. work with Admin Team to communicate the Compliance Program to the Business Partners upon entering into new contract or extending the existing contract;

- j. coordinate with the Admin and the Human Resources team of the Company to include necessary provisions regarding the Compliance Program in the contracts with Employees and the Business Partners;
- k. maintain necessary registers and forms to keep proper record keeping of any Misconduct or perceived Misconduct;
- l. perform periodical reporting to the Audit Committee; and
- m. perform other activities delegated by the Audit Committee or CEO regarding the Compliance Program.

7.4. Reporting process

- 7.4.1. Upon knowledge of any act of Misconduct concerning the Company or its activities, any Whistleblower can report to the Head of Compliance.
- 7.4.2. In order to encourage confidential channels of communication to report Misconduct, the Whistleblower can directly contact the Head of Compliance, without having any responsibility to report their supervisors or team leaders.
- 7.4.3. Communications can be through:
 - a. direct Visit;
 - b. direct Phone calls;
 - c. personal Email; or
 - d. postal Mail.
- 7.4.4. If required, necessary modules might be included in the website of the Company to report any act of Misconduct. In such case, necessary security provisions should be included in the website so that only the CEO, the Managerial Director and the Head of Compliance may have access to such reporting.
- 7.4.5. If the Whistleblower is located at any remote location, the Whistleblower can demand visit by the Head of Compliance at the Whistleblower's location for the purpose of reporting Misconduct.

7.4.6. The contact details of Head of Compliance shall be circulated to all the Employees and shall be included in the contract with Business Partners.

7.5. Whistleblower Protection

7.5.1. The Company shall provide Whistleblower protection in maintaining confidentiality and protection against retaliation.

7.5.2. Protection regarding confidentiality:

- a. Insofar as possible, the confidentiality of the Whistleblower will be maintained. The Whistleblower complaints will only be shared on a need-to-know basis so that an effective investigation under the Compliance Program can be conducted.
- b. However, identity of the Whistleblower may have to be disclosed to conduct a thorough investigation, to comply with the laws of Nepal, and to provide the Accused their legal rights of defense.

7.5.3. Protection against retaliation:

- a. The Company will protect a Whistleblower against any retaliation in the context of a report of a suspected alleged misconduct or for participating in an authorized investigation conducted under the Compliance Program. The retaliation may be in the form of an adverse employment action such as:
 - i. termination;
 - ii. compensation decreases or holding promotion;
 - iii. punitive work assignments; and
 - iv. threats of physical harm.
- b. When established, retaliation constitutes Misconduct in itself and will be subject to appropriate administrative or disciplinary action.
- c. Any Whistleblower who believes he/she is being retaliated against, must report to Head of Compliance immediately.
- d. The Head of Compliance should then:
 - i. receive and acknowledge a retaliation claim;
 - ii. keep a confidential record of all claims received; and

- iii. conduct a preliminary review of the claim to determine if there is a prima facie case that the reporting of the alleged misconduct or the participation in the authorized audit or investigation was a contributing factor in causing the alleged retaliation.
- e. If the Head of Compliance finds that there is a prima facie case of retaliation or threat of retaliation, he/she will refer the matter to the CEO.
- f. The CEO shall take appropriate actions against the individuals responsible for such retaliation.
- g. Whistleblowers must be cautious to avoid baseless allegations. Allegations that are baseless and not made in good faith may result in disciplinary action.

7.5.4. **Additional Protection:**

- a. The Whistleblower is not responsible for investigating the alleged illegal or dishonest activity, or for determining fault or corrective measures; Head of Compliance is charged with these responsibilities.

7.6. **Recording and Evaluation of Report**

- 7.6.1. The Head of Compliance shall record any reports from the Whistleblower in a format prescribed in Annex 1.
- 7.6.2. The Head of Compliance shall also record such reporting in register maintained in a format prescribed in Annex 3. Such register shall be regularly updated and provided to the Audit Committee at least on a quarterly basis.
- 7.6.3. The Head of Compliance also provides a receipt to the Whistleblower in a format prescribed in Annex 2.
- 7.6.4. Each complaint will be evaluated by the Head of Compliance to determine its credibility, materiality and verifiability and whether there is a legitimate basis to warrant an investigation. The following criteria shall be used to determine whether a complaint warrants further investigation.
 - a. credible — there is a reasonable possibility that a violation occurred;

- b. verifiable — practicable options exist to obtain sufficient evidence to determine the truth of the allegations on the balance of probabilities;
- c. material — the matter is of sufficient importance to justify the requirements of investigation and any remedial action.

7.6.5. If the Head of Compliance does not find sufficient information during the initial review of the report to substantiate the report, it will document such findings and notify the CEO. CEO must approve the decision to drop any complaint.

7.6.6. If the Head of Compliance finds sufficient information to substantiate the complaint, the Head of Compliance will document it and refer the same to CEO with a recommendation as to how to proceed.

7.6.7. Where the Head of Compliance's findings indicate that a complaint by a Whistleblower was knowingly and deliberately false, made with a sole intent to harass or cause harm to any Covered Person, the complaint will be treated as a separate act of Misconduct by the Whistleblower.

7.6.8. Irrespective of whether any received complaint is perceived by the Head of Compliance to be credible or not, within 5 Business Days of receipt of an allegation/complaint, the Head of Compliance has to report the complaint to CEO.

7.6.9. The Head of Compliance shall accept all complaints, irrespective of their source, including complaints from anonymous or confidential sources.

7.7. Further Actions

7.7.1. After receipt of Form as prescribed in Annex 1 from the Head of Compliance, CEO shall review the complaint along with recommendation of the Head of Compliance

7.7.2. CEO, depending upon the severity of the allegation, may either instruct the Head of Compliance to further investigate the allegations or delegate a third party (e.g. an auditor or legal counsel) (the "**Investigator**") for reporting back after due investigations.

7.7.3. CEO should ensure that the Investigator does not have a conflict of interest in the investigations.

7.8. Roles and Responsibilities of Investigator

7.8.1. To conduct independent and objective investigations (using such internal or external resources as they may determine appropriate) of Sanctionable Practices and money- laundering;

7.8.2. To submit investigative findings to CEO, which shall be dealt with as stipulated in these procedures.

7.8.3. In the conduct of investigations, to coordinate with the Head of Compliance as appropriate;

7.8.4. Examine and determine the veracity of allegations of integrity violations and misconduct;

7.8.5. Maintain objectivity, impartiality and fairness throughout the investigative process and conduct its activities competently and with the highest levels of integrity. In particular, the Investigator shall discharge duties independently from the day to day operations of the Company and shall be free from improper influence and fear of retaliation. The Investigator may use such internal or external resources as considered necessary to carry out the investigation;

7.8.6. If the Investigator has a real perceived or apparent conflict of interest in an investigation, the Investigator should promptly declare such actual or potential conflict to CEO; and

7.8.7. To assess allegations and conduct investigations under these procedures promptly and thoroughly and present its report along-with appropriate evidences to CEO along with necessary recommendations.

7.9. Process of investigation:

7.9.1. The planning and conduct of an investigation and the resources allocated to it should take into account the gravity of the allegation and the possible outcome(s).

- 7.9.2. The Investigator shall, wherever possible, seek corroboration of the information in its possession.
- 7.9.3. Interviews may be conducted in the language of the person being interviewed, where appropriate. A translator may be used if necessary.
- 7.9.4. The Investigator may engage external parties to assist in the investigations with approval from CEO.
- 7.9.5. Investigation / Inquiry findings and conclusions should be properly documented and comprehensive report(s) should be submitted to CEO.
- 7.9.6. The Investigator shall submit all record and information to the Head of Compliance. If the Head of Compliance deems it appropriate, the record and information, either unedited or after making necessary changes, shall be forwarded to the Head of Human Resources for placement thereof in personnel files of the Accused to be maintained for a minimum of five (5) years from receiving the report; however, care should be taken that the identity of the Whistleblower is not disclosed.
- 7.9.7. Appropriate measures should be taken to prevent the unauthorized disclosure of investigation proceedings.
- 7.9.8. In cases where the presence of the Accused at office premises of the Company might hinder investigations, CEO can instruct Head of Human Resources for temporary suspension of the Accused till the investigation is concluded; provided, it is highly likely that the investigation will be successfully concluded and evidence of accusations will be presented to CEO within a period of six (6) months.
- 7.9.9. Full and unrestricted access to information and records (including e-mails) relating to the relevant Company activities should be provided to the Investigator. All files, records, books, data, papers and any other materials related to the relevant Company activities, as and when deemed necessary should be examined.
- 7.9.10. If the Investigator is required to disclose any information relating to an investigation to any stakeholders under prevailing laws, it shall require such recipients to protect the confidentiality

of such information and use it only for the purpose for which the information has been disclosed.

- 7.9.11. The case shall be examined from both inculpatory and exculpatory information.
- 7.9.12. To be more transparent and as part of the disciplinary proceedings, the Accused shall be given an opportunity to explain conduct of the Accused and present information on one's behalf.
- 7.9.13. After concluding investigation, Investigator shall report findings along with recommendation to CEO.

7.10. Access to Investigation Record and Information

- 7.10.1. The Investigator shall ensure that all information and records associated with an investigation, including the identity of Covered Persons that are the subject of the investigation and of the Covered Persons providing testimony or evidence, are kept confidential with adequate physical, electronic and procedural controls. The Investigator shall ensure that the circulation of information regarding an investigation is only to those with a need-to-know. Depending on the nature of the case, the Investigator may disclose certain evidence to the subject of an investigation in a manner that considers the need to protect the Whistleblowers and witnesses.
- 7.10.2. Only CEO, Managerial Director (MD) and the Head of Compliance may have access to information and records in relation to each case and may determine whether such information and records may be shared unedited or redacted with other Employees. Information and records may only be shared with other Employees if CEO is satisfied.

7.11. Duty of Employees in investigation:

- 7.11.1. The Covered Person have a duty to cooperate fully in any screening or investigation when requested by the Investigator to do so. Such cooperation includes, but is not limited to:
 - a. being available to be interviewed and replying fully and truthfully to all questions asked;
 - b. providing the Investigator with any items requested that are within the control of the Covered Person, including, but not limited to, electronic documents and data;
 - c. cooperating in any testing required by the Investigator;

- d. preserving and protecting confidentiality of all information discussed and/or secured during the investigation; or
- e. a Covered Person who is the Accused must allow his or her financial information to be provided directly to the Investigator. Upon the Investigator's request, the Accused must provide written authorization addressed to his or her bank to this effect, waiving any privacy or confidentiality rights the subject may otherwise have related to the information to be disclosed.

7.12. Right of NWEDC Employees in investigation

- 7.12.1. Any Covered Person who is the Accused may request to be represented by a third party (including legal counsel) at own cost during interviews conducted as part of an investigation so long as such request does not delay or impede the investigation. Both the Accused and witnesses may consult, at their own expense, with legal counsel so long as such consultation does not result in undue delay of the investigation process.

7.13. Failure to cooperate

- 7.13.1. If the Covered Person does not comply with any obligation to cooperate, the Investigator may draw an adverse inference from such refusal. In such cases, the Investigator may refer the matter to CEO for appropriate disciplinary action.
- 7.13.2. Failure to cooperate shall include:
 - a. not responding in a timely and complete manner to investigations,
 - b. failure to provide relevant documents or other relevant evidence that the Investigator may request unless any of the exceptions set out in below apply,
 - c. destroying or concealing evidence or misrepresenting facts during, or otherwise inhibiting, an investigation;

7.14. Verdict

- 7.14.1. CEO must carefully evaluate the report containing the findings and recommendations of Investigator and may take necessary actions against the Covered Persons accused (the "**Sanctioned Party**"), subject to the provisions mentioned in Clause 6.2.2.

- 7.14.2. In determining the appropriate recommendation for sanction, CEO shall consider the following factors:
- a. the recommendation of the Investigator;
 - b. the severity of the misconduct;
 - c. the magnitude of the harm caused by the Misconduct;
 - d. interference by the Sanctioned Party in investigation proceedings;
 - e. the Sanctioned Party's past history of Misconduct;
 - f. mitigating circumstances, including whether the Sanctioned Party played a minor role in the Misconduct, took voluntary corrective action or cooperated in the investigation or resolution of the case;
 - g. the period of temporary suspension already served by the Sanctioned Party; and
 - h. any other factor that the CEO as the case may be, reasonably deems relevant to the Sanctioned Party's culpability or responsibility in relation to the Misconduct.
- 7.14.3. If CEO is not satisfied with the report, findings and recommendation of Investigator, CEO can require re-investigation.

7.15. Remedial Action

- 7.15.1. After receiving instructions from CEO, the Head of Human Resources takes necessary actions against the Employee or the Business Partner.
- 7.15.2. Further, the details of Misconduct and actions taken under the Compliance Program may be circulated to all the existing Employees to raise awareness regarding the Compliance Program. However, the identity of Whistleblower should be kept confidential.
- 7.15.3. The Head of Compliance shall assess the nature of the Misconduct and consider if any corrective actions or steps are to be taken by the Company (including amendment of this Compliance Program) to prevent further or similar Misconduct and other breaches of the Compliance Program. If required, the Head of Compliance shall share a report of its findings with the CEO and the Audit Committee.

7.16. Appeal

- 7.16.1. If the Sanctioned Party perceives that Investigator has not declared a conflict of interest in the investigation, or that a conflict of interest has not been managed appropriately, the Sanctioned Party may request CEO for a re-investigation of the matter.
- 7.16.2. In case of re-investigation as mentioned in Clause 6.16.1 or if Whistleblower or Accused is not satisfied with the Investigation results, the Whistleblower or the Accused can file for re-appeal using form prescribed in Annex 4.
- 7.16.3. If the Accused is an Employee of the Company, the Accused may also exercise the appeal rights under the prevailing labor laws of Nepal.

7.17. Coordination with auditors

- 7.17.1. The Head of Compliance ensures that the audit procedures and programs of external or internal auditors of the Company have specific sections devoted to assuring the adherence of the Compliance Program.
- 7.17.2. If as a result of any external or internal audit, any information about potential misconduct is obtained, the investigative procedures as mentioned above shall be followed by the Head of Compliance.

8. REMEDIAL ACTIONS

8.1. Employees:

The personnel program in the Operation Manual has prescribed various penalty provisions for the Employees. Depending upon the severity, the following remedial measures may also be taken against the Employees for the following actions in connection with the breach of the Compliance Program:

- 8.1.1. **Warning:**
 - a. non-compliance of any order, instruction or direction of his/her senior at work; and
 - b. misbehavior with coworkers, contractor, consultant or their Employees;

- 8.1.2. **Salary Deduction:** The Company may deduct amount equal to 1 (one) day's salary for any of the following acts:
- a. Refusing to acknowledge the letter of action for any misconduct issued by the employer.
- 8.1.3. **Termination of Employment:** The Company may remove the Employee from service of the Company for any of the following acts:
- a. accepting or giving bribes or undertaking any other form of serious Misconduct under the Compliance Program;
 - b. submission of false and forged qualification documents at the time of appointment; **and**
 - c. in case prevailing law prescribes for dismissal of service for any misconduct, act of such misconduct.

8.2. Business Partners

- 8.2.1. If as a result of above investigations, the Head of Compliance concludes that the Business Partners have violated the Compliance Program, then, the Head of Compliance can report to CEO along with its recommendation for a remedial measure.
- 8.2.2. CEO may then initiate any actions necessary, including termination of contract provided that the contract can only be terminated by the same authority who approved the contract in the first place.
- 8.2.3. If the contract with Business Partners contain penal provisions in case of any damage to the Company, the Company may also initiate for seeking penalties from the Business Partners.

9. PERIODIC RISK ASSESSMENT AND AUDIT

9.1. Periodic Risk Assessment

- 9.1.1. The Head of Compliance shall conduct and quarterly update an assessment of the corruption risks the Company faces based on its business and operations, size, business sector, locations of operations, and other relevant factors. The results of such risk assessment shall be reported

to the Audit Committee and also shall be utilized in the development and modification of adequate internal policies and procedures.

9.2. Audit

- 9.2.1. The Head of Compliance shall ensure that the audit procedures and programs of internal auditors of the Company have specific sections devoted to assuring the adherence of the Compliance Program. The internal audit report should contain separate sections detailing about effectiveness of Compliance Program independently of the Head of Compliance. Such report should be provided to the Audit Committee on a periodic basis.

10. REPORTING TO AUDIT COMMITTEE

10.1. Reporting of Misconduct, investigation and actions

- 10.1.1. The Head of Compliance should submit a report to Audit Committee, on a quarterly basis, a report in the format prescribed in Annex 3, which shall contain the following details:
- a. Date of Receipt;
 - b. Name of the Whistleblower (This is not required if the compliant was made anonymously);
 - c. Name of the Accused;
 - d. Details of Report;
 - e. Results of Processing;
 - f. Results of filing an appeal (if applicable);
 - g. Results of re-investigation(If applicable);
 - h. Results of taking remedial measures; and
 - i. Any other matters if applicable.

10.2. Protection of Whistleblowers

The Head of Compliance should report about all the steps taken to protect the Whistleblower.

10.3. Other activities under the Compliance Program

- 10.3.1. The Head of Compliance shall ensure that appropriate records regarding the following matters be maintained:

- a. details of any Misconduct identified under Section 2;
- b. manner in which the Misconduct was identified (for e.g. through Employees or audit);
- c. remedial actions taken after identification of such Misconduct; and
- d. details of any arrangement with public officials under Section 4.2, allowable Gifts, entertainment and hospitality under Section 4.3., Facilitation payments under Section 4.4, Political donations under Section 4.5, Charitable donations and social expenses under Section 4.6. and Sponsorships under Section 4.7. provided by the Company during such reporting period.

Additionally, such records shall be reported by the head of Compliance to the Audit Committee on a quarterly basis.

10.4. Culture of Compliance

10.4.1. The Head of Compliance shall submit a separate report to the audit committee regarding effectiveness of culture of compliance such as:

- a. Experiences of Employees appointed in the compliance function;
- b. Training new Employees regarding the Compliance Policy and updating existing Employees about any changes in the Compliance Policy;
- c. Other than reporting of Misconduct under the Compliance Policy, any other type of communication by the Employees or outside parties to the Head of Compliance such as:
 - i. Problems encountered with the existing Compliance Policy and how it was addressed;
 - ii. Suggestions for improvement of the existing Compliance Policy and response to such suggestions; and
 - iii. Any queries by Employees regarding any provisions of the Compliance Policy and manner in which such queries were handled; and
- d. Communication to existing Employees about actions taken against any Covered Persons due to non-adherence of Compliance Policy (with particular care that the identity of any Whistleblower is not disclosed during such communication).

[Annex 1]

Report Form		
Control No.	Date of Receipt	Date of Processing
Whistleblower	Name	Registration No.
	Organization	Contact
	Address	
A person who performed misconduct	Name	
	Position	
	Contact	
	Address	
	Corporation/Association	Name Address Name of Representative
Purpose and reasons for reporting		
Details of Misconduct		

How was the misconduct identified	
Time of Misconduct	
Location of misconduct	
External parties involved	
Evidences	
Remarks	
I hereby report as above.	
○○○	To _____ Reported by _____ YYYY/MM/DD (Sign. or Seal) (Optional)

[Annex 2]

Receipt	
Control No	20 Report No _____
Date of Receipt	20 . . .
Title of Report	
Reporter	
I hereby receive the report on improper solicitation and receipt of graft as above.	
YYYY/MM/DD	
Signature	
○○○ Dept Person in charge	

[Annex 3]

Report Filing Register

Control No.	Date of Receipt	PIC	Whistleblower	Accused	Title of Report	Results of Processing	Results of filing an appeal (if applicable)	Results of re-investigation(If applicable)	Results of taking measures	Remark
			Name	Name		Date of Processing	Date of Application	Date of Processing	Date of taking measures	
			Organization Address	Organization (Address)		Details	Date of Processing	Details	Details	
			Position	Position		Remarks	Details	Remarks	Remarks	

[Annex 4]

Application for filing an appeal to investigation results			
Control No.	Date of Receipt	Date of Processing	
I am hereby filing an appeal to the investigation results regarding ○○○ in relation to my report no..... for the following reasons.			
Title of Report			
Control No.		Date of Receipt	
Investigation Results		Results Notification Date	
Applicant	Name		
	Contact		
	Address		
Purpose and reasons for filing an appeal			
			YYYY/MM/DD
Applicant		(Sign or Seal)	
○○○	To		