

Annexure-I

Policy & Procedure for Withholding and Banning of Business Dealings – Rev 3 dated 29/08/2020

INDEX

| Sl. No. | TOPIC | |
|---------|---|---|
| 1) | Introduction | |
| 2) | Scope | |
| 3) | Definitions | |
| 4) | Withholding of business dealings | |
| | 4.1 | Grounds |
| | 4.2 | Procedure |
| | 4.3 | Notice of Default |
| | 4.4 | Area of Operation |
| | 4.5 | Effect of Withholding |
| | 4.6 | Duration of Withholding |
| | 4.7 | Revocation of Orders |
| 5) | Banning of Business Dealings | |
| | 5.1 | Grounds |
| | 5.2 | Procedure |
| | 5.3 | Show Cause Notice |
| | 5.4 | Speaking Orders |
| | 5.5 | Communication to Agencies |
| | 5.6 | Period of banning |
| | 5.7 | Area of operation |
| | 5.8 | Effect of Banning |
| | 5.9 | Process of reply |
| | 5.10 | Hosting at NTPC Website |
| | 5.11 | Dealing with court cases related to Banning |
| | 5.12 | Appeal |
| | 5.13 | Revocation |
| 6) | Suspension of Business Dealings | |
| 7) | Participation of Agency under Different Name | |
| 8) | Participation of Agency as an Associate/Collaborator/Sub-Vendor & Procurement in Operating Stations | |

Policy & Procedure for Withholding and Banning of Business Dealings

1. Introduction

- 1.1 NTPC Ltd. deals with Agencies, who are expected to adopt ethics of highest standards and a very high degree of integrity, transparency, commitments and sincerity towards the work undertaken. It is not in the interest of NTPC to deal with any Agency, which commits deception, fraud or other misconduct of whatsoever nature in the tendering process and/or execution. NTPC is committed for timely completion of the projects within the awarded value without compromising on quality.
- 1.2 Since banning of business dealings involves civil consequences for an Agency concerned it is incumbent that adequate opportunity of hearing is provided and the explanation, if tendered, is considered before passing any order in this regard keeping in view the facts and circumstances of the case.

2. Scope

- 2.1 NTPC reserves its right to withhold or ban or suspend business dealings with any Agency, if such Agency is found to have committed misconduct or any of its action(s) fall into any such categories as laid down in this policy.
- 2.2 The procedure for (i) Withholding of Business Dealing, (ii) Banning of Business Dealing and (iii) Suspension of Business Dealings with any Agency, has been laid down in these guidelines.
- 2.3 The provisions of this Policy supersede and will have overriding effect on all earlier guidelines, procedures & system circulars issued for the similar purpose.
- 2.4 This policy comes into force from the date of its issuance.
- 2.5 The provisions of this policy will be effective on investigations conducted or misconduct/irregularities noticed on the part of any Agency in all contracts awarded on or after the date of implementation of this policy and in the contracts under execution or contracts not yet closed, on the date of the implementation of this policy. Further, the provisions of this policy shall also be applicable for all ongoing tenders wherein this policy has been made part of the tender documents. For tenders/ Contracts processed prior to issuance of this revision of policy, previous applicable version of the policy for the respective tender/contract shall be applicable.

- 2.6 The provisions of this Banning Policy shall also be applicable for JVs/Subsidiaries of NTPC as well.

3. Definitions

In these Guidelines, unless the context otherwise requires:

- i) **Agency** shall mean Contractor / Supplier / Applicant/ Purchaser / Bidder/ Seller/ Consultant/ Buyer/ NTPC approved Sub-contractor of a Contractor' to whom work has been awarded. It shall include, but not limited to, a public limited company or a private limited company, a firm whether registered or not, any individual, a cooperative society or an association or a group of persons engaged in any commerce, trade industry, or constituents of an unincorporated Joint Venture Company, Proprietor, Individual, Artificial Juridical person etc.
- ii) **Competent Authority and 'Appellate Authority'** shall mean the following :-
- a) **For Company (entire NTPC) wide Banning for Contracts awarded/processed from Corporate Centre for NTPC and its JVs/Subsidiaries of NTPC**
- The CMD shall be the 'Competent Authority' for the purpose of these guidelines. Board of Directors / Sub-committee of the Board of Directors / Group of Directors, nominated for the said purpose shall be the 'Appellate Authority' in respect of such cases.
- b) **For SSC/Region wide Banning for Contracts awarded/processed from Regions**
- The Regional ED shall be the Competent Authority for the purpose of these guidelines. The CMD shall be Appellate authority in respect of such cases.
- c) **For Contracts awarded/processed from individual Projects / Units/ JVs/Subsidiaries**
- The Head of Project/CEO shall be the 'Competent Authority' for the purpose of these guidelines. The Regional Executive Director shall be the 'Appellate Authority' in respect of such cases.
- iii) **'Investigating Department'** shall mean any Department or Unit of NTPC, investigating into the conduct of the Agency and shall include the NTPC Vigilance Department, Central Bureau of Investigation, the State Police or any other department set up by the Central or State Government having powers to investigate.

- iv) **‘List of Enlisted Agencies** –shall mean and include list of Enlisted Parties / Contractors / Suppliers / Bidders, etc.
- v) **State** – includes the Government and Parliament of India and the Government and the Legislature of each of the States and all local or other authorities within the territory of India or under the control of the Government of India.
- vi) **Fraud Prevention Policy** – shall mean the policy related to prevention of fraud displayed on NTPC tender website <http://www.ntpctender.com>.
- vii) **Contractor Performance Feedback and Evaluation System** – The guidelines outlined in relevant NTPC circular for evaluating the Contractor’s performance by the Screening Committee in respect of Contracts awarded by Corporate Contracts Services.
- viii) **Completion of Facilities** shall mean the term ‘**Completion of Facilities**’ as defined in the Contract.
- ix) **Standing Committee** shall mean the following :-
- a) For Contracts awarded/**processed** from Corporate Centre
- A Committee constituted for the purpose of these guidelines and comprising members from CC&M (Convener), Finance and Engineering/Indenting department. Additional member(s) from any other deptt/site/SSC/region as considered appropriate may also be co-opted on case to case basis. The level of the committee members shall be GM and above.
- b) For Contracts awarded/**processed** from SSC/Regions
- A Committee constituted for the purpose of these guidelines and comprising HODs (not below AGM level) from C&M (Convener), Finance and Indenting department. Additional member(s) from any other deptt/site as considered appropriate may also be co-opted on case to case basis.
- c) For Contracts awarded/**processed** from individual Projects / Units
- A Committee constituted for the purpose of these guidelines and comprising HODs (not below AGM level) from C&M (Convener), Finance and Indenting department. Additional member(s) from any other deptt as considered appropriate may also be co-opted on case to case basis.

4. Withholding of business dealings

4.1 Grounds

The business dealing with the Agency may be withheld, if they are found to be in breach of the terms & conditions of the Contract, on account of the reasons attributable to them, which shall include, but not be limited to the following:

if the Agency

- a) Either fails to commence work on the Facilities in terms of contract or suspends the progress of Contract performance.
- b) Fails to achieve the `Completion of Facilities' or execute the contract milestones within time schedule stipulated in the contract
- c) Suspends/stops work on any unfounded pretext including seeking higher compensation.
- d) Fails to conduct the Guarantee test in the time limit stipulated in the contract.
- e) Diverts funds advanced to the Contractor for purpose other than the Contract.
- f) Does not deploy or withdraws the technical staff or equipment considered necessary as per the terms & conditions of contract;
- g) Fails to furnish the required documents / information as required under the terms & conditions of contract;
- h) Does not fulfill the obligations as required under the Contract .
- i) Violates terms & conditions of the contract.
- j) Does not Supply material /supplies material of inferior quality with respect to Technical Specifications under the Contract.
- k) On prima-facie scrutiny, work executed found to be of poor quality beyond acceptable limits stipulated in the Technical Specifications under the Contract.
- l) If a disaster / major failure / accident / collapse of a structure/ system caused during erection or during defect liability period *prima facie* appears to be due to negligence of contractor or design deficiency or poor quality of execution.
- m) Assigns, transfers, sublets or attempts to assign, transfer or sublet the

entire Works or any portion thereof without the prior written approval of the Employer;

- n) Misbehavior or physical manhandling by the Agency or his representative or any person acting on his behalf with any official of the company dealing with the concerned contract.
- o) If NTPC prima-facie of the view that the Agency is guilty of an offence involving corrupt, fraudulent practices including misrepresentation of facts as per NTPC Fraud Prevention Policy, moral turpitude in relation to the business dealings.
- p) If the Central Vigilance Commission, Central Bureau of Investigation or any other Central Government investigation Agency or any other Central Government Department recommends such a course in respect of a case under investigation;
- q) If the security consideration, including questions of loyalty of the Agency to the state, so warrants ;
- r) The finished work either prematurely fails or fails to give the desired output/service during the defect liability period and the Agency fails to rectify it.
- s) On any ground as per which doing business dealings with the Agency is not in the public interest in the opinion of Competent Authority.
- t) If the Agency fails to comply with any of the statutory laws and regulations in force, in totality, even after completion of work.

4.2 Procedure

(a) For Site/SSC/Regional/Corporate Packages

The concerned department at Site/SSC/Region/Corporate Centre on noticing any non/under performance and/or irregularities and/or misconduct and/or unethical practice as mentioned above, shall refer the matter to Convener of the Standing Committee along with relevant details. The Standing Committee shall analyze the referred case and if considered appropriate, shall put up the proposal for issuing Notice of Default for the purpose of withholding of business dealings with the Agency for approval of the Head of Project (for Site packages)/RED (for SSC/Regional packages)/CMD (for Corporate Packages). The above draft Notice of Default to be issued to the Agency should clearly indicate the charges based on the facts as can be proved.

In case of performance related grounds pertaining to activities at Site, the Standing Committee shall act based on inputs provided by:-

- i) PP&M for Corporate awarded packages on basis of records of PRTs, Exception reports, Weekly progress meetings, Hindrance Register etc.
- ii) TS department at Regions/Site for packages awarded from Regions/SSC/Site respectively

The action for withholding of business dealings shall be initiated in those cases where 30% or more shortfall in work progress is observed with respect to agreed work schedule for the reasons attributable to the Contractor.

In case the Standing Committee recommends waiver of withholding of business dealings with the Agency, the proposal along with reasons thereof shall be put up for approval of the RED (for Site packages)/CMD (for SSC/Regional packages)/CMD (for Corporate packages).

All the above proposals shall be routed through Vigilance department.

Besides the Standing Committee, Vigilance Department of each Project / Unit / Corporate Vigilance may also be competent to initiate the proposal for withholding.

- (b) In cases processed by Vigilance Department, the relevant portion of order of the Competent Authority and the noting will then be extracted from the concerned file and a separate file opened to process this aspect exclusively also bringing out on the file the relevant facts appearing against the Agency leading to provisional decision of the Competent Authority. The case will then be sent to the concerned C&M department to issue a Notice of Default to the Agency concerned, and if any supplementary information is necessary, the same shall be obtained expeditiously by the Vigilance department directly, as found expedient. The cases processed by Vigilance Department including cases of Fraud will not be examined by the Standing Committee.

4.3 Notice of Default

Once the proposal for issuance of Notice of default is approved by the Competent Authority, a 'Notice of Default' duly vetted by legal deptt shall be issued by the Competent Authority himself or by a person authorized for the said purpose to the Agency giving them a period of twenty eight (28) days to remedy the default.

In cases where investigation has been carried out by Vigilance Department or CBI etc., the Notice of default will also be vetted by Vigilance Department before issuance.

If Agency fails to remedy or take adequate steps to remedy the default to the satisfaction of NTPC within the notice period mentioned above, then business dealings shall be withheld with the Agency after approval of the

Competent Authority. The order of such withholding of business dealings shall be communicated to the Agency (after vetting by legal deptt) by the Competent Authority himself or by a person authorized for the said purpose.

4.4 Area of Operation

A decision to withhold business dealings with any Agency for Regional/SSC/Site awarded contracts shall be restricted to such Regions/SSC/Sites only and for Corporate awarded contracts withholding shall apply throughout the Company.

For Regional/SSC/Site wise withholding of any Agency, circular for such withholding shall be issued by respective Regions/SSC/Sites under intimation to RED and ED (CC&M) and also uploaded at intranet of respective Regions/SSC/Sites. However, in case of company wide withholding of any Agency, circular shall be issued by Corporate Contracts and uploaded at intranet of CC&M.

4.5 Effect of Withholding

The Agency, after issue of order of withholding of business dealings, would not be allowed to participate in any future tender enquiry and if the Agency has already participated in any tender process and the price bids are not opened, his techno-commercial bid will be rejected and price bid will be returned unopened. However, where the price bids of Agency have been opened prior to order of withholding, bids of the Agency shall not be rejected.

4.6 Duration of Withholding

Duration of withholding the Agency shall be for a period of one year. Within this period, if the Agency rectifies the reason / ground on which the Agency has been withheld, to the satisfaction of the Competent Authority, then on written representation of the Agency, the Competent Authority can review and, if satisfied, may revoke the order of withholding of business dealing. Provided further that, even till completion of one year of withholding period, if the Agency does not rectify, then the Competent Authority after reviewing the situation may issue order extending the period of withholding for one more year or advise initiation of action for banning of business dealings with Agency in accordance with the procedure prescribed in Para 5.2 below.

4.7 Revocation of Orders

An order for withholding of business dealing passed for a certain specified period, including extension thereof, shall not be revoked automatically. Such

withholding shall be revoked only after order in this respect is issued with the approval of Competent Authority.

5. Banning of business dealings

5.1 Grounds on which Banning of business dealings can be initiated

Banning of business dealings can be initiated against Agency, on following grounds :-

- a) If the Agency fails to accept the award of contract or has abandoned or repudiated the Contract.
- b) If the Contractor is found to be non-performing in execution of contract by the Screening Committee (nominated as per NTPC established 'Contractor Performance Feedback and Evaluation System').
- c) If a disaster / major failure / accident / collapse of a structure / system is caused during erection or during defect liability period due to negligence of contractor or design deficiency or poor quality of execution.
- d) Misbehavior or physical manhandling by the Agency or his representative or any person acting on his behalf with any official of the Company dealing with the concerned contract is established.
- e) If the Director / Owner of the Agency, proprietor or partner of the Agency, is convicted by a court of law for offences involving corrupt and fraudulent practices including moral turpitude in relation to its business dealings with the government or NTPC or NTPC's group companies, during the last five years.
- f) If the proprietor of the Agency have been guilty of malpractices such as bribery, corruption, fraud, substitution of the tenders, interpolations, etc.
- g) If the Agency continuously refuses to return / refund the dues of NTPC or NTPC's group companies, without showing adequate reason and this is not due to any reasonable dispute which would attract proceedings in arbitration or court of Law;
- h) If the Agency employs a public servant dismissed / removed or employs a person convicted for an offence involving corruption or abetment of such offences ;
- i) If business dealings with the Agency have been banned by the Ministry of Power or Government of India and the ban is still in force,

- j) If it is established that Agency has resorted to corrupt, fraudulent practices including misrepresentation of facts;
- k) If the Agency uses intimidation/threatening or brings undue outside pressure on the NTPC or NTPC's group companies, or its official in acceptance / performance of the job under the contract.
- l) If the Agency indulges in repeated and / or deliberate use of delay tactics in complying with contractual stipulations;
- m) If the Agency is found to be involved in cartel formation during bidding.
- n) On willful indulgence by the Agency in supplying sub-standard material with respect to Technical Specifications under the Contract irrespective of whether pre-dispatch inspection was carried out by Company (NTPC) or not;
- o) Based on the findings of the investigation report of CBI/Police against the Agency for malafide/unlawful acts or improper conduct on his part in matters relating to the Company (NTPC) or even otherwise;
- p) If the Agency is declared bankrupt or insolvent or its financial position has become unsound, and in the case of a limited company, it is wound up or liquidated.
- q) Established litigant nature of the Agency to derive undue benefit;
- r) Continued poor performance of the Agency;
- s) If the Agency violates the provisions of the Integrity Pact provided in the Contract.
- t) If the Agency commits fraud as defined under the Fraud Prevention Policy of NTPC.
- u) If the Agency has assigned or transferred the contract or engaged sub-contractor(s) without the prior approval of the Competent Authority in violation of the provisions of the contract.
- v) If the Agency misuses the premises or facilities of the NTPC forcefully occupies, tampers or damages the Company's properties including land, water resources, forests / trees, etc.
- w) If the security consideration, including questions of loyalty of the Agency to the state, so warrants;

(Note: The examples given above are only illustrative and not exhaustive. The Competent Authority may decide to ban business dealing for any good and sufficient reason).

5.2 Procedure

(a) For Site/SSC/Regional Packages where banning is proposed at Site/SSC/Regional level respectively

The concerned department on noticing any non/under performance and/or irregularities and/or misconduct and/or unethical practice as mentioned above, shall refer the matter to Convener of the Standing Committee along with relevant details. The Standing Committee shall analyze the referred case and if considered appropriate, shall put up the proposal for issuing Show Cause Notice for the purpose of banning of business dealings with the Agency for approval of the Competent Authority. The draft Show Cause Notice to be issued to the Agency should clearly indicate the charges based on the facts as can be proved.

In case the Standing Committee recommends waiver of banning of business dealings with the Agency, the proposal along with reasons thereof shall be put up for approval of one level above the Competent Authority.

All the above proposals shall be routed through Vigilance department.

Besides the Standing Committee, Vigilance Department of each Project / Unit / Corporate Vigilance may also be competent to initiate the proposal for banning.

(b) For SSC/Site Packages where Region wide banning is proposed

For SSC/Site cases, if the gravity of the misconduct is such that it would not be in the interest of the concerned Region as a whole to deal with such an Agency, the Competent Authority of the Site may put up his recommendation to RED.

(c) For Site/SSC/Regional Packages where Company wide banning is proposed

For Regional/SSC/Site cases, if the gravity of the misconduct is very serious and it would not be in the interest of NTPC as a whole to deal with such an Agency, the Competent Authority of the Site/SSC/Region may put up his recommendation to CMD through RED (for site cases), ED(CC&M) and Chief Vigilance Officer (CVO), NTPC.

(d) For Corporate Packages

The concerned department on noticing any non/under performance and/or irregularities and/or misconduct and/or unethical practice as mentioned

above, shall refer the matter to Convener of the Standing Committee along with relevant details. The Standing Committee shall analyze the referred case and if considered appropriate, shall put up the proposal for issuing Show Cause Notice for the purpose of banning of business dealings with the Agency for approval of the Competent Authority. The draft Show Cause Notice to be issued to the Agency should clearly indicate the charges based on the facts as can be proved.

In case the Standing Committee recommends waiver of banning of business dealings with the Agency, the proposal along with reasons thereof shall be put up for approval of CMD.

All the above proposals shall be routed through Vigilance department.

Besides the Standing Committee, Corporate Vigilance and Screening Committee (under Contractor Performance Feedback and Evaluation System) may also be competent to initiate the proposal for banning.

- (e) In cases processed by Vigilance Department, the relevant portion of order of the Competent Authority and the noting will then be extracted from the concerned file and a separate file opened to process this aspect exclusively also bringing out on the file the relevant facts appearing against the Agency leading to provisional decision of the Competent Authority. The case will then be sent to the concerned C&M department to issue a Show Cause Notice to the Agency concerned, and if any supplementary information is necessary, the same shall be obtained expeditiously by the Vigilance department directly, as found expedient. The cases processed by Vigilance Department including cases of Fraud will not be examined by the Standing Committee.

In cases where the banning is processed in Corporate Centre, arising out of an investigation by Vigilance or CBI etc., these details shall be furnished by the concerned office with minimum time gap.

5.3 Show Cause Notice

Once the proposal for issuance of Show Cause Notice is approved by the Competent Authority, a 'Show Cause Notice' duly vetted by legal department shall be issued by the Competent Authority himself or by a person authorized for the said purpose to the delinquent Agency. The Agency shall be asked to submit the reply of Show Cause Notice within 15 days of its issuance. Further, the Agency shall be given an opportunity for Oral hearing to present its case in person, if it so desires, and the date for Oral Hearing shall be necessarily indicated in the Show Cause Notice.

In cases where investigation has been carried out by Vigilance Department or CBI etc., the show cause notice will also be vetted by Vigilance Department before issuance. Statement containing the imputation of

misconduct or misbehavior may be appended to the Show Cause Notice.

The purpose of issuing the Show Cause Notice is only that the Agencies concerned shall be given an opportunity to explain their stand before any action is taken. All that is required in such cases is that the grounds on which action is proposed to be taken shall be disclosed to the Agency inviting representation and after considering that representation, orders may be passed. Such orders require only the subjective satisfaction of the authority that passed the final orders.

If the Agency requests for inspection of any relevant document in possession of NTPC, necessary facility for inspection of documents may be provided.

In cases processed by Vigilance deptt, oral hearing shall be conducted by a separate committee (constituted on case to case basis) comprising members from C&M and Vigilance deptt. Additional member(s) from any other deptt/site as considered appropriate may also be co-opted on case to case basis.

During the conductance of oral hearing, only the regular employees of Agency will be permitted to represent the Agency and no outsider shall be allowed to represent the Agency on its behalf.

Reply to the Show Cause Notice given by the Agency and their submissions in oral hearing, if any, will be processed by the Standing Committee for obtaining final decision of the Competent Authority in the matter. Further, reply to the Show Cause Notice given by the Agency and submissions in oral hearing, if any, with regards to Vigilance cases shall be processed by a Separate Committee which shall put up its final recommendations to the Competent Authority in the matter.

In case, no reply to Show Cause Notice is received from the Agency within stipulated time, action for processing ex-parte against the concerned Agency shall be initiated."

5.4 Speaking Order

The speaking order for banning the business dealing with the Agency shall be issued (after vetting by legal deptt) by the Competent Authority himself or by a person authorized for the said purpose. In cases where investigation has been carried out by Vigilance Department or CBI etc., the speaking order will also be vetted by Vigilance Department before issuance.

5.5 Communication to Agencies

The decision regarding banning of business dealings taken after the issue of a Show Cause Notice and consideration of representation, if any, in reply thereto, shall be communicated to the Agency concerned along with a

reasoned order. The fact that the representation has been considered shall invariably be mentioned in the communication. Also the fact that if no reply was received to the Show Cause Notice shall invariably be indicated in the final communication to the Agency.

5.6 Period of banning

The period for which the ban would be operative may be mentioned in the order. The banning shall normally be for a period of three years. However, in cases processed under provisions of Integrity pact and Contractor Performance Feedback and Evaluation System, the banning would be operative for a period as specified therein.

In case the information/documents submitted by Agency in competing for the tender found to be false/forged then NTPC, without prejudice to any other rights or remedies it may possess, shall recover from Agency the cost incurred in carrying out physical assessment for establishing veracity of such information/documents. In case Agency refuses to reimburse such cost to NTPC then banning period of Agency shall be extended by another one year.

5.7 Area of Operation

For contracts awarded by SSC/Site, banning shall be restricted to such SSC (including tenders issued from Projects/Sites covered under such SSC)/Site only except where approval has been obtained for Company wide banning.

For contracts awarded by Region, banning shall be restricted to such Region only except where approval has been obtained for Company wide banning.

For contracts awarded by Corporate Centre banning shall apply throughout the Company.

For Regional/SSC/Site wise banning of any Agency, circular for such banning shall be issued by respective Regions/SSC/Sites under intimation to RED and ED (CC&M). However, in case of company wide banning of any Agency, circular shall be issued by Corporate Contracts

5.8 Effect of Banning

The Agency, after issue of the order of banning of business dealings, would not be allowed to participate in any future tender enquiry and if the Agency

has already participated in tender process and the price bids are not opened, his techno-commercial bid will be rejected and price bid will be returned unopened. However, where the price bids of Agency have been opened prior to order of banning, bids of Agency shall not be rejected.

5.9 Process of reply

The Agency shall be separately advised of the decision regarding banning of business, taken in reply to their representation, if any. As regard any further representation from the Agency, business dealings with whom have been banned, the same shall be processed by the concerned C&M department in consultation with Vigilance department, wherever applicable. If any reply is considered necessary to be sent to the Agency, the same shall be sent by the concerned C&M Department.

5.10 Hosting at NTPC website

- a) The names of the Agencies with whom Business Dealings have been banned at Site/SSC/Region/Company level shall be hosted at NTPC website by CC&M (for company wide banning cases) and respective Sites/SSC/Regions (for respective Site/ SSC/Regional cases).
- b) If Government Departments or a Public Sector Enterprises request for more information about the Agency with whom business dealings have been banned, such additional information, as decided, may be given after due approval of the Competent Authority.

5.11 Dealing with court cases related to Banning

The Court cases arising out of the banning orders issued shall be processed by the C&M department of Project/SSC/Region/Corporate Centre, as the case may be, in consultation with the Vigilance and legal department as required.

5.12 Appeal against the Decision of the Competent Authority.

The Agency may file an appeal against the order of the Competent Authority banning of business dealing before Appellate Authority. Such an appeal shall be preferred within one month from the date of receipt of the order of banning of business dealing. Appellate Authority would consider the appeal and pass appropriate order which shall be communicated to the Agency as well as the Competent Authority.

5.13 Revocation of Orders

- a) The banning under 'Contractor Performance Feedback and Evaluation System' shall not be revoked automatically. Such banning shall be revoked only after re-evaluation of the performance of the Agency by the Screening Committee as detailed under the 'Contractor Performance Feedback and Evaluation System'.
- b) In all other cases, an order for banning passed for a certain specified period shall be deemed to have been automatically revoked on the expiry of that specified period and it will not be necessary to issue a specific formal orders of revocation, except that an order of banning passed on account of doubtful loyalty or security consideration shall continue to remain in force until it is specifically revoked.
- c) An order of banning for the reasons mentioned at para 5.1 (e) above may be revoked if, in respect of the same facts, the accused has been wholly exonerated by a Court of Law.

6. Suspension of business dealings

6.1 Procedure for Suspension of Bidder

The suspension of business dealings shall be done with Agency/(ies) which are alleged to have committed fraud. The definition of fraud shall be as defined under the 'Fraud Prevention Policy' of NTPC / Bidding documents for a tender.

The investigation of fraud cases shall be carried out expeditiously.

6.2 Initiation of Suspension

Action for suspension of business dealing with any Agency / (ies) shall be initiated by concerned C&M when

- (i) Vigilance Department based on the facts of the case gathered during investigation by them establish that fraud is alleged to have been committed by the Agency and recommends for necessary action as per policy provision against the Agency.
- (ii) Vigilance Department based on the input from investigating Agency like CBI etc., forward for necessary action as per policy provision against the Agency.

6.3 Suspension Procedure:

- a) Once a communication is received from Vigilance Department for considering action against an Agency, the concerned C&M dept. shall put up the proposal for “Suspension of business dealings” and “issuance of Show Cause Notice” for banning of business dealings with Agency for approval of the Competent Authority. After approval of Competent Authority, Suspension Order and Show Cause Notice shall be issued which must include the following:
1. the Agency is put on suspension list
 2. why action should not be taken for banning the Agency for future business dealings.

The proposal for issuance of Suspension Order and Show Cause Notice shall be routed through Legal and Vigilance department.

The case shall be further processed for banning of business dealings with the Agency as per para 5 of the policy for “Withholding & Banning of Business Dealings”.

- b) The Competent Authority to approve the Suspension Order will be same as that for according approval for banning of business dealing with the Agency. The suspension of the Agency shall be considered Site specific /SSC wide/ Region wide / Company wide based on consideration of banning of business dealings with Agency.
- c) The Suspension Order would operate initially for a period not more than six (06) months and is to be communicated to Agency & also to Corporate Vigilance department. The recommendation for banning the Agency shall be concluded within the period of suspension. In exceptional circumstances, period of suspension can be further extended with the approval of the Competent Authority maximum upto three (03) months pending a conclusive decision to put the Agency on banning list. Also, a communication for extension of suspension period by three months shall be communicated to the Agency during the subsistence of suspension order of Six (06) months, failing which the suspension order shall stand revoked.
- d) The Suspension Order shall be issued by the Competent Authority himself or by a person authorized for the said purpose.
- e) The names of the Agencies with whom Business Dealings have been suspended at Site / SSC/ Region / Company level shall be hosted at NTPC Intranet or Contracts website by CC&M (for company wide suspension cases) and intranet of respective Sites /SSC/ Regions (for respective Site /SSC / Regional cases) by concerned C&M deptt. During the period of suspension, no new business dealing shall be held with the Agency however such suspension shall have no impact on existing

Contract(s)/work(s) (if any). The circular for Company wide suspension of business dealing with the Agency shall be issued by Corporate Contracts.

- f) Period of suspension shall be accounted for in the final order passed for banning of business dealings with the Agency.
- g) If it is decided not to ban the Agency after due process, the name of the Agency shall be removed immediately from the suspension list.
- h) The process for putting the Agency on suspension list shall be completed within 30 days from the date of receipt of such intimation from Vigilance Department.
- i) The suspension of Agency shall be automatically revoked on the expiry of the period of suspension.

6.4 Effect of Suspension of business:

The Agency, after issuance of the Suspension Order would not be allowed to participate in any future tender enquiry and if the Agency has already participated in tender process and the price bids are not opened, its techno-commercial bid will be rejected and price bid will be returned unopened. However, where the price bids of Agency have been opened prior to issuance of Suspension Order, bids of Agency shall not be rejected.

7.0 During the banning/withholding/suspension period, if it is found at any stage that Agency has participated in tender enquiry under a different name then such Agency would immediately be debarred from the tender/contract and its Bid Security/Performance Security would be forfeited. Payment, if any, made shall also be recovered.

8.0 Further in case of banning/withholding/suspension following would also be applicable:

(i) Participation of Agency as an Associate/Collaborator of the Main Contractor

Where Stage-I bids have been opened prior to banning/ withholding/ suspension of Agency and such Agency has been proposed as Associate/ Collaborator by any of the bidders, in such cases the tendering process shall not be annulled on this ground and the Agency shall be permitted to continue as Associate/ Collaborator for such bidding.

However where opening of Stage-I bids (Two Stage Bidding) / Envelope-

I Techno-Commercial bids (Single Stage Two Envelope Bidding) has not taken place prior to banning/withholding/suspension of Agency then in such case Agency shall not be permitted to participate as Associate/Collaborator in such bidding.

(ii) Participation of Agency as an approved Sub-Vendor of the Main Contractor

After banning/ withholding/ suspension order, the banned/ withheld/ suspended Agency shall not be allowed to participate as Sub-Vendor in the tenders for supplying/manufacturing equipment (s)/component (s)/service if it has been banned on grounds of supplying sub-standard material / equipment / service.

Further, if the banned/withheld/suspended agency is an approved Sub-vendor under any Contract for such equipment/component/service, the Main Contractor shall not be permitted to place work order/Purchase order/Contract on the banned/withheld/suspended agency as a sub-vendor after the date of banning/withholding/suspension even though the name of the party has been approved as a sub-vendor earlier.

(iii) Procurement of spares/awarding of Contracts in operating stations

There would be no bar on procuring the spares and awarding Contracts towards Annual Maintenance (AMC)/ O&M/ Repair works on Agencies pertaining to the packages for which they have been banned/suspended provided the original Equipment has been supplied/manufactured by such Agency.

9.0 For JVs/Subsidiaries of NTPC

(i) Tenders/Contracts of JVs/Subsidiaries, whose Pre-award and/ or Post award activities are handled by NTPC Corporate Centre

The Tenders/Contracts of JVs/Subsidiaries, whose pre-award and/or post award activities are handled by NTPC Corporate Centre, the cases of non/under performance and/or irregularities and/or misconduct and/or unethical practice observed in such tenders/contracts may be processed in NTPC under the policy and procedures for withholding/ banning/ suspension of business dealings and/or Contractor Performance Feedback System. The Notice of Default or Order for Withholding of business dealings (under Para 4.3)/ Show Cause Notice or Speaking Order for banning of business dealing (under Para 5.3 ,5.4)/ Suspension order for suspension of Business Dealing (Under para 6.3), after approval in NTPC, shall be forwarded to CEO of concerned

JVs/Subsidiaries for issuance of such Notice or Order to the delinquent agency.

Further, the appeal of the Agency against the above Order (under Para 5.12) shall be reviewed by appropriate Appellate Authority in NTPC. Appellate Authority would consider the appeal and pass appropriate order which shall be communicated to the Agency as well as the Competent Authority and CEO of concerned JVs/Subsidiaries.

(ii) The Tenders/Contracts which are handled by JVs/Subsidiaries themselves

The procedure prescribed in the Banning Policy for Sites shall appropriately be used by concerned JVs/Subsidiaries to deal with the cases of non/under performance and/or irregularities and/or misconduct and/or unethical practice observed in tenders/contracts handled by them.

(iii) The Agencies with whom business dealings have been withheld/ banned/ suspended by NTPC at pan NTPC level, the business dealings with such Agencies shall be deemed to be withheld/ banned/ suspended in JVs/Subsidiaries of NTPC as well. Further, for contracts of JVs/Subsidiaries which have been processed at Corporate Centre of NTPC, business dealings withheld/ banned/ suspended with Agencies by JVs/Subsidiaries, shall be applicable to NTPC as well.

(iv) Further, for packages awarded from JVs/Subsidiaries, banning/ suspension of business dealings at pan NTPC level may be proposed under para 5.2 (c) / 6.3 of this banning policy.

(v) Further, Agencies with whom Business Dealings have been banned by JVs/Subsidiaries shall be hosted at websites of concerned JV/Subsidiary and NTPC.

Annexure-II

Policy & Procedure for Withholding and Banning of Business Dealings

INDEX

| Sl. No. | Topic | |
|---------|---|---------------------------|
| 1) | Introduction | |
| 2) | Scope | |
| 3) | Definitions | |
| 4) | Withholding of business dealings | |
| | 4.1 | Grounds |
| | 4.2 | Procedure |
| | 4.3 | Notice of Default |
| | 4.4 | Area of Operation |
| | 4.5 | Effect of Withholding |
| | 4.6 | Duration of Withholding |
| | 4.7 | Revocation of Orders |
| 5) | Banning of Business Dealings | |
| | 5.1 | Grounds |
| | 5.2 | Procedure |
| | 5.3 | Show Cause Notice |
| | 5.4 | Speaking Orders |
| | 5.5 | Communication to Agencies |
| | 5.6 | Period of banning |
| | 5.7 | Area of operation |
| | 5.8 | Effect of Banning |
| | 5.9 | Process of reply |
| | 5.10 | Hosting at NTPC Website |
| | 5.11 | Appeal |
| | 5.12 | Revocation |
| 6) | Suspension of Business Dealings | |
| 7) | Participation of Agency under Different Name | |
| 8) | Participation of Agency as an Associate/Collaborator/Sub-Vendor & Procurement in Operating Stations | |

1. Introduction

- 1.1 NTPC Ltd. deals with Agencies, who are expected to adopt ethics of highest standards and a very high degree of integrity, transparency, commitments and sincerity towards the work undertaken. It is not in the interest of NTPC to deal with any Agency, which commits deception, fraud or other misconduct of whatsoever nature in the tendering process and/or execution. NTPC is committed for timely completion of the projects within the awarded value without compromising on quality.
- 1.2 Since banning of business dealings involves civil consequences for an Agency concerned it is incumbent that adequate opportunity of hearing is provided and the explanation, if tendered, is considered before passing any order in this regard keeping in view the facts and circumstances of the case.

2. Scope

- 2.1 NTPC reserves its right to withhold or ban or suspend business dealings with any Agency, if such Agency is found to have committed misconduct or any of its action(s) fall into any such categories as laid down in this policy.
- 2.2 The procedure for (i) Withholding, (ii) Banning and (iii) Suspension of Business Dealings with any Agency, has been laid down in these guidelines.
- 2.3 The provisions of this Policy supersede and will have overriding effect on all earlier guidelines, procedures & system circulars issued for the similar purpose.
- 2.4 This policy comes into force from the date of its issuance.
- 2.5 The provisions of this policy will be effective on investigations conducted or misconduct/irregularities noticed on the part of any Agency in all contracts awarded on or after the date of implementation of this policy and in the contracts under execution or contracts not yet closed, on the date of the implementation of this policy. Further, the provisions of this policy shall also be applicable for all ongoing tenders wherein this policy has been made part of the tender documents.
- 2.6 The provisions of this Banning Policy shall also be applicable for JVs/Subsidiaries of NTPC as well.

3. Definitions

In these Guidelines, unless the context otherwise requires:

i) **Agency** shall mean Contractor / Supplier / Applicant/ Purchaser / Bidder/ Seller/ Consultant/ Buyer/ NTPC approved Sub-contractor of a Contractor to whom work has been awarded. It shall include, but not limited to, a public limited company or a private limited company, a firm whether registered or not, any individual, a cooperative society or an association or a group of persons engaged in any commerce, trade industry, or constituents of an unincorporated Joint Venture Company, Proprietor, Individual, Artificial Juridical person etc.

ii) **Competent Authority and 'Appellate Authority'** shall mean the following :-

a) **For Company (entire NTPC) wide Banning for Contracts awarded/processed from Corporate Centre for NTPC and its JVs/Subsidiaries of NTPC**

The CMD shall be the 'Competent Authority' for the purpose of these guidelines. Board of Directors / Sub-committee of the Board of Directors / Group of Directors, nominated for the said purpose shall be the 'Appellate Authority' in respect of such cases.

b) **For SSC/Region wide Banning for Contracts awarded/processed from Regions**

The Regional ED shall be the Competent Authority for the purpose of these guidelines. The CMD shall be Appellate authority in respect of such cases.

c) **For Contracts awarded/processed from individual Projects / Units/ JVs/Subsidiaries**

The Head of Project/CEO shall be the 'Competent Authority' for the purpose of these guidelines. The Regional Executive Director shall be the 'Appellate Authority' in respect of such cases.

iii) **'Investigating Department'** shall mean any Department or Unit of NTPC, investigating into the conduct of the Agency and shall include the NTPC Vigilance Department, Central Bureau of Investigation, the State Police or any other department set up by the Central or State Government having powers to investigate.

iv) **'List of Enlisted Agencies** –shall mean and include list of Enlisted Parties / Contractors / Suppliers / Bidders, etc.

- v) **State** – includes the Government and Parliament of India and the Government and the Legislature of each of the States and all local or other authorities within the territory of India or under the control of the Government of India.
- vi) **Fraud Prevention Policy** – shall mean the policy related to prevention of fraud displayed on NTPC tender website <http://www.ntpctender.com>.
- vii) **Contractor Performance Feedback and Evaluation System** – The guidelines outlined in relevant NTPC circular for evaluating the Contractor's performance by the Screening Committee in respect of Contracts awarded by Corporate Contracts Services.
- viii) **Completion of Facilities** shall mean the term 'Completion of Facilities' as defined in the Contract.
- ix) **Standing Committee** shall mean the following :-
- a) For Contracts awarded/**processed** from Corporate Centre
- A Committee constituted for the purpose of these guidelines and comprising members from CC&M (Convener), Finance and Engineering/Indenting department. Additional member(s) from any other deptt/site/SSC/region as considered appropriate may also be co-opted on case to case basis. The level of the committee members shall be GM and above.
- b) For Contracts awarded/**processed** from SSC/Regions
- A Committee constituted for the purpose of these guidelines and comprising HODs (not below AGM level) from C&M (Convener), Finance and Indenting department. Additional member(s) from any other deptt. /site as considered appropriate may also be co-opted on case to case basis.
- c) For Contracts awarded/**processed** from individual Projects / Units
- A Committee constituted for the purpose of these guidelines and comprising HODs (not below AGM level) from C&M (Convener), Finance and Indenting department. Additional member(s) from any other deptt. as considered appropriate may also be co-opted on case to case basis.

4. Withholding of business dealings

4.1 Grounds

The business dealing with the Agency may be withheld, if they are found to be in breach of the terms & conditions of the Contract, on account of the reasons attributable to them, which shall include, but not be limited to the following:

if the Agency

- a) Either fails to commence work on the Facilities in terms of contract or suspends the progress of Contract performance.
- b) Fails to achieve the 'Completion of Facilities' or execute the contract milestones within time schedule stipulated in the contract
- c) Suspends/stops work on any unfounded pretext including seeking higher compensation.
- d) Fails to conduct the Guarantee test in the time limit stipulated in the contract.
- e) Diverts funds advanced to the Contractor for purpose other than the Contract.
- f) Does not deploy or withdraws the technical staff or equipment considered necessary as per the terms & conditions of contract;
- g) Fails to furnish the required documents / information as required under the terms & conditions of contract;
- h) Does not fulfill the obligations as required under the Contract .
- i) Violates terms & conditions of the contract.
- j) Does not Supply material /supplies material of inferior quality with respect to Technical Specifications under the Contract.
- k) On prima-facie scrutiny, work executed found to be of poor quality beyond acceptable limits stipulated in the Technical Specifications under the Contract.
- l) If a disaster / major failure / accident / collapse of a structure/ system caused during erection or during defect liability period *prima facie* appears to be due to negligence of contractor or design deficiency or poor quality of execution.

- m) Assigns, transfers, sublets or attempts to assign, transfer or sublet the entire Works or any portion thereof without the prior written approval of the Employer;
- n) Misbehavior or physical manhandling by the Agency or his representative or any person acting on his behalf with any official of the company dealing with the concerned contract.
- o) If NTPC prima-facie of the view that the Agency is guilty of an offence involving corrupt, fraudulent practices including misrepresentation of facts as per NTPC Fraud Prevention Policy, moral turpitude in relation to the business dealings.
- p) If the Central Vigilance Commission, Central Bureau of Investigation or any other Central Government investigation Agency or any other Central Government Department recommends such a course in respect of a case under investigation;
- q) If the security consideration, including questions of loyalty of the Agency to the state, so warrants ;
- r) The finished work either prematurely fails or fails to give the desired output/service during the defect liability period and the Agency fails to rectify it.
- s) On any ground as per which doing business dealings with the Agency is not in the public interest in the opinion of Competent Authority.
- t) If the Agency fails to comply with any of the statutory laws and regulations in force, in totality, even after completion of work.

4.2 Procedure

- (a) For Site/SSC/Regional/Corporate Packages

The concerned department at Site/SSC/Region/Corporate Centre on noticing any non/under performance and/or irregularities and/or misconduct and/or unethical practice as mentioned above, shall refer the matter to Convener of the Standing Committee along with relevant details. The Standing Committee shall analyze the referred case and if considered appropriate, shall put up the proposal for issuing Notice of Default for the purpose of withholding of business dealings with the Agency for approval of the Head of Project (for Site packages)/RED (for SSC/Regional packages)/CMD (for Corporate Packages).

In case the Standing Committee recommends waiver of withholding of business dealings with the Agency, the proposal along with reasons thereof

shall be put up for approval of the RED (for Site packages)/CMD (for SSC/Regional packages)/CMD (for Corporate packages).

All the above proposals shall be routed through Vigilance department.

Besides the Standing Committee, Vigilance Department of each Project / Unit / Corporate Vigilance may also be competent to initiate the proposal for withholding.

4.3 Notice of Default

Once the proposal for issuance of Notice of default is approved by the Competent Authority, a 'Notice of Default' duly vetted by legal deptt shall be issued by the Competent Authority himself or by a person authorized for the said purpose to the Agency giving them a period of twenty eight (28) days to remedy the default.

If Agency fails to remedy or take adequate steps to remedy the default to the satisfaction of NTPC within the notice period mentioned above, then business dealings shall be withheld with the Agency after approval of the Competent Authority. The order of such withholding of business dealings shall be communicated to the Agency (after vetting by legal deptt) by the Competent Authority himself or by a person authorized for the said purpose.

4.4 Area of Operation

A decision to withhold business dealings with any Agency for Regional/SSC/Site awarded contracts shall be restricted to such Regions/SSC/Sites only and for Corporate awarded contracts withholding shall apply throughout the Company.

For Regional/SSC/Site wise withholding of any Agency, circular for such withholding shall be issued by respective Regions/SSC/Sites under intimation to RED and ED (CC&M) and also uploaded at intranet of respective Regions/SSC/Sites. However, in case of company wide withholding of any Agency, circular shall be issued by Corporate Contracts and uploaded at intranet of CC&M.

4.5 Effect of Withholding

The Agency, after issue of order of withholding of business dealings, would not be allowed to participate in any future tender enquiry and if the Agency has already participated in any tender process and the price bids are not opened, his techno-commercial bid will be rejected and price bid will be returned unopened. However, where the price bids of Agency have been opened prior to order of withholding, bids of the Agency shall not be rejected.

4.6 Duration of Withholding

Duration of withholding the Agency shall be for a period of one year. Within this period, if the Agency rectifies the reason / ground on which the Agency has been withheld, to the satisfaction of the Competent Authority, then on written representation of the Agency, the Competent Authority can review and, if satisfied, may revoke the order of withholding of business dealing. Provided further that, even till completion of one year of withholding period, if the Agency does not rectify, then the Competent Authority after reviewing the situation may issue order extending the period of withholding for one more year or advise initiation of action for banning of business dealings with Agency in accordance with the procedure prescribed in Para 5.2 below.

4.7 Revocation of Orders

An order for withholding of business dealing passed for a certain specified period, including extension thereof, shall not be revoked automatically. Such withholding shall be revoked only after order in this respect is issued with the approval of Competent Authority.

5. Banning of business dealings

5.1 Grounds on which Banning of business dealings can be initiated

Banning of business dealings can be initiated against Agency, on following grounds :-

- a) If the Agency fails to accept the award of contract or has abandoned or repudiated the Contract.
- b) If the Contractor is found to be non-performing in execution of contract by the Screening Committee (nominated as per NTPC established 'Contractor Performance Feedback and Evaluation System').
- c) If a disaster / major failure / accident / collapse of a structure / system is caused during erection or during defect liability period due to negligence of contractor or design deficiency or poor quality of execution.
- d) Misbehavior or physical manhandling by the Agency or his representative or any person acting on his behalf with any official of the Company dealing with the concerned contract is established.
- e) If the Director / Owner of the Agency, proprietor or partner of the Agency, is convicted by a court of law for offences involving corrupt and fraudulent

practices including moral turpitude in relation to its business dealings with the government or NTPC or NTPC's group companies, during the last five years.

- f) If the proprietor of the Agency have been guilty of malpractices such as bribery, corruption, fraud, substitution of the tenders, interpolations, etc.
- g) If the Agency continuously refuses to return / refund the dues of NTPC or NTPC's group companies, without showing adequate reason and this is not due to any reasonable dispute which would attract proceedings in arbitration or court of Law;
- h) If the Agency employs a public servant dismissed / removed or employs a person convicted for an offence involving corruption or abetment of such offences ;
- i) If business dealings with the Agency have been banned by the Ministry of Power or Government of India and the ban is still in force,
- j) If it is established that Agency has resorted to corrupt, fraudulent practices including misrepresentation of facts;
- k) If the Agency uses intimidation/threatening or brings undue outside pressure on the NTPC or NTPC's group companies, or its official in acceptance / performance of the job under the contract.
- l) If the Agency indulges in repeated and / or deliberate use of delay tactics in complying with contractual stipulations;
- m) If the Agency is found to be involved in cartel formation during bidding.
- n) On willful indulgence by the Agency in supplying sub-standard material with respect to Technical Specifications under the Contract irrespective of whether pre-dispatch inspection was carried out by Company (NTPC) or not;
- o) Based on the findings of the investigation report of CBI/Police against the Agency for malafide/unlawful acts or improper conduct on his part in matters relating to the Company (NTPC) or even otherwise;
- p) If the Agency is declared bankrupt or insolvent or its financial position has become unsound, and in the case of a limited company, it is wound up or liquidated.
- q) Established litigant nature of the Agency to derive undue benefit;
- r) Continued poor performance of the Agency;

- s) If the Agency violates the provisions of the Integrity Pact provided in the Contract.
- t) If the Agency commits fraud as defined under the Fraud Prevention Policy of NTPC.
- u) If the Agency has assigned or transferred the contract or engaged sub-contractor(s) without the prior approval of the Competent Authority in violation of the provisions of the contract.
- v) If the Agency misuses the premises or facilities of the NTPC forcefully occupies, tampers or damages the Company's properties including land, water resources, forests / trees, etc.
- w) If the security consideration, including questions of loyalty of the Agency to the state, so warrants;

(Note: The examples given above are only illustrative and not exhaustive. The Competent Authority may decide to ban business dealing for any good and sufficient reason).

5.2 Procedure

(a) For Site/SSC/Regional Packages where banning is proposed at Site/SSC/Regional level respectively

The concerned department on noticing any non/under performance and/or irregularities and/or misconduct and/or unethical practice as mentioned above, shall refer the matter to Convener of the Standing Committee along with relevant details. The Standing Committee shall analyze the referred case and if considered appropriate, shall put up the proposal for issuing Show Cause Notice for the purpose of banning of business dealings with the Agency for approval of the Competent Authority

In case the Standing Committee recommends waiver of banning of business dealings with the Agency, the proposal along with reasons thereof shall be put up for approval of one level above the Competent Authority.

All the above proposals shall be routed through Vigilance department.

Besides the Standing Committee, Vigilance Department of each Project / Unit / Corporate Vigilance may also be competent to initiate the proposal for banning.

(b) For SSC/Site Packages where Region wide banning is proposed

For SSC/Site cases, if the gravity of the misconduct is such that it would not

be in the interest of the concerned Region as a whole to deal with such an Agency, the Competent Authority of the Site may put up his recommendation to RED.

(c) For Site/SSC/Regional Packages where Company wide banning is proposed

For Regional/SSC/Site cases, if the gravity of the misconduct is very serious and it would not be in the interest of NTPC as a whole to deal with such an Agency, the Competent Authority of the Site/SSC/Region may put up his recommendation to CMD through RED (for site cases), ED(CC&M) and Chief Vigilance Officer (CVO), NTPC.

(d) For Corporate Packages

The concerned department on noticing any non/under performance and/or irregularities and/or misconduct and/or unethical practice as mentioned above, shall refer the matter to Convener of the Standing Committee along with relevant details. The Standing Committee shall analyze the referred case and if considered appropriate, shall put up the proposal for issuing Show Cause Notice for the purpose of banning of business dealings with the Agency for approval of the Competent Authority.

In case the Standing Committee recommends waiver of banning of business dealings with the Agency, the proposal along with reasons thereof shall be put up for approval of CMD.

All the above proposals shall be routed through Vigilance department.

Besides the Standing Committee, Corporate Vigilance and Screening Committee (under Contractor Performance Feedback and Evaluation System) may also be competent to initiate the proposal for banning.

5.3 Show Cause Notice

Once the proposal for issuance of Show Cause Notice is approved by the Competent Authority, a 'Show Cause Notice' duly vetted by legal department shall be issued by the Competent Authority himself or by a person authorized for the said purpose to the delinquent Agency. The Agency shall be asked to submit the reply of Show Cause Notice within 15 days of its issuance. Further, the Agency shall be given an opportunity for Oral hearing to present its case in person, if it so desires, and the date for Oral Hearing shall be necessarily indicated in the Show Cause Notice.

In cases where investigation has been carried out by Vigilance Department or CBI etc., the show cause notice will also be vetted by Vigilance

Department before issuance. Statement containing the imputation of misconduct or misbehavior may be appended to the Show Cause Notice.

The purpose of issuing the Show Cause Notice is only that the Agencies concerned shall be given an opportunity to explain their stand before any action is taken. All that is required in such cases is that the grounds on which action is proposed to be taken shall be disclosed to the Agency inviting representation and after considering that representation, orders may be passed. Such orders require only the subjective satisfaction of the authority that passed the final orders.

If the Agency requests for inspection of any relevant document in possession of NTPC, necessary facility for inspection of documents may be provided.

In cases processed by Vigilance deptt, oral hearing shall be conducted by a separate committee (constituted on case to case basis) comprising members from C&M and Vigilance deptt. Additional member(s) from any other deptt/site as considered appropriate may also be co-opted on case to case basis.

During the conductance of oral hearing, only the regular employees of Agency will be permitted to represent the Agency and no outsider shall be allowed to represent the Agency on its behalf.

Reply to the Show Cause Notice given by the Agency and their submissions in oral hearing, if any, will be processed by the Standing Committee for obtaining final decision of the Competent Authority in the matter. Further, reply to the Show Cause Notice given by the Agency and submissions in oral hearing, if any, with regards to Vigilance cases shall be processed by a Separate Committee which shall put up its final recommendations to the Competent Authority in the matter.

In case, no reply to Show Cause Notice is received from the Agency within stipulated time, action for processing ex-parte against the concerned Agency shall be initiated

5.4 Speaking Order

The speaking order for banning the business dealing with the Agency shall be issued (after vetting by legal deptt) by the Competent Authority himself or by a person authorized for the said purpose. In cases where investigation has been carried out by Vigilance Department or CBI etc., the speaking order will also be vetted by Vigilance Department before issuance.

5.5 Communication to Agencies

The decision regarding banning of business dealings taken after the issue of a Show Cause Notice and consideration of representation, if any, in reply thereto, shall be communicated to the Agency concerned along with a reasoned order. The fact that the representation has been considered shall invariably be mentioned in the communication. Also the fact that if no reply was received to the Show Cause Notice shall invariably be indicated in the final communication to the Agency.

5.6 Period of banning

The period for which the ban would be operative may be mentioned in the order. The banning shall normally be for a period of three years. However, in cases processed under provisions of Integrity pact and Contractor Performance Feedback and Evaluation System, the banning would be operative for a period as specified therein.

In case the information/documents submitted by Agency in competing for the tender found to be false/forged then NTPC, without prejudice to any other rights or remedies it may possess, shall recover from Agency the cost incurred in carrying out physical assessment for establishing veracity of such information/documents. In case Agency refuses to reimburse such cost to NTPC then banning period of Agency shall be extended by another one year.

5.7 Area of Operation

For contracts awarded by Site/SSC, banning shall be restricted to such Site/SSC(including tenders issued from Projects/Sites covered under such SSC) only except where approval has been obtained for Company wide banning.

For contracts awarded by Region, banning shall be restricted to such Region only except where approval has been obtained for Company wide banning.

For contracts awarded by Corporate Centre banning shall apply throughout the Company.

For Regional/SSC/Site wise banning of any Agency, circular for such banning shall be issued by respective Regions/SSC/Sites under intimation to RED and ED (CC&M). However, in case of company wide banning of any Agency, circular shall be issued by Corporate Contracts

5.8 Effect of Banning

The Agency, after issue of the order of banning of business dealings, would not be allowed to participate in any future tender enquiry and if the Agency has already participated in tender process and the price bids are not opened, his techno-commercial bid will be rejected and price bid will be returned unopened. However, where the price bids of Agency have been opened prior to order of banning, bids of Agency shall not be rejected.

5.9 Process of reply

The Agency shall be separately advised of the decision regarding banning of business, taken in reply to their representation, if any. As regard any further representation from the Agency, business dealings with whom have been banned, the same shall be processed by the concerned C&M department in consultation with Vigilance department, wherever applicable. If any reply is considered necessary to be sent to the Agency, the same shall be sent by the concerned C&M Department.

5.10 Hosting at NTPC website

The names of the Agencies with whom Business Dealings have been banned at Site/SSC/Region/Company level shall be hosted at NTPC website by CC&M (for company wide banning cases) and respective Sites/ SSC/ Regions (for respective Site/SSC/ Regional cases).

5.11 Appeal against the Decision of the Competent Authority.

The Agency may file an appeal against the order of the Competent Authority banning of business dealing before Appellate Authority. Such an appeal shall be preferred within one month from the date of receipt of the order of banning of business dealing. Appellate Authority would consider the appeal and pass appropriate order which shall be communicated to the Agency as well as the Competent Authority.

5.12 Revocation of Orders

- a) The banning under 'Contractor Performance Feedback and Evaluation System' shall not be revoked automatically. Such banning shall be revoked only after re-evaluation of the performance of the Agency by the Screening Committee as detailed under the 'Contractor Performance Feedback and Evaluation System'.
- b) In all other cases, an order for banning passed for a certain specified period shall be deemed to have been automatically revoked on the expiry of that

specified period and it will not be necessary to issue a specific formal orders of revocation, except that an order of banning passed on account of doubtful loyalty or security consideration shall continue to remain in force until it is specifically revoked.

- c) An order of banning for the reasons mentioned at para 5.1 (e) above may be revoked if, in respect of the same facts, the accused has been wholly exonerated by a Court of Law.

6. Suspension of business dealings

6.1 Procedure for Suspension of Bidder

The suspension of business dealings shall be done with Agency/(ies) which are alleged to have committed fraud. The definition of fraud shall be as defined under the 'Fraud Prevention Policy' of NTPC / Bidding documents for a tender.

The investigation of fraud cases shall be carried out expeditiously.

6.2 Initiation of Suspension

Action for suspension of business dealing with any Agency / (ies) shall be initiated by Concerned C&M when

- (i) Vigilance Department based on the facts of the case gathered during investigation by them establish that fraud is alleged to have been committed by the Agency and recommends for necessary action as per policy provision against the Agency.
- (ii) Vigilance Department based on the input from investigating Agency like CBI etc., forward for necessary action as per policy provision against the Agency.

6.3 Suspension Procedure:

- a) Once a communication is received from Vigilance Department for considering action against an Agency, the concerned C&M dept. shall put up the proposal for "Suspension of business dealings" and "issuance of Show Cause Notice" for banning of business dealings with Agency for approval of the Competent Authority. After approval of Competent Authority, Suspension Order and Show Cause Notice shall be issued which must include the following:

1. the Agency is put on suspension list

2. why action should not be taken for banning the Agency for future business dealings.

The proposal for issuance of Suspension Order and Show Cause Notice shall be routed through Legal and Vigilance department.

The case shall be further processed for banning of business dealings with the Agency as per para 5 of the policy for “Withholding & Banning of Business Dealings”.

- b) The Competent Authority to approve the Suspension Order will be same as that for according approval for banning of business dealing with the Agency. The suspension of the Agency shall be considered Site specific /SSC wide/ Region wide / Company wide based on consideration of banning of business dealings with Agency.
- c) The Suspension Order would operate initially for a period not more than six (06) months and is to be communicated to Agency & also to Corporate Vigilance department. The recommendation for banning the Agency shall be concluded within the period of suspension. In exceptional circumstances, period of suspension can be further extended with the approval of the Competent Authority maximum upto three (03) months pending a conclusive decision to put the Agency on banning list. Also, a communication for extension of suspension period by three months shall be communicated to the Agency during the subsistence of suspension order of Six (06) months, failing which the suspension order shall stand revoked.
- d) The Suspension Order shall be issued by the Competent Authority himself or by a person authorized for the said purpose.
- e) The names of the Agencies with whom Business Dealings have been suspended at Site / SSC/ Region / Company level shall be hosted at NTPC Intranet or Contracts website by CC&M (for company wide suspension cases) and intranet of respective Sites /SSC/ Regions (for respective Site /SSC / Regional cases) by concerned C&M dept. During the period of suspension, no new business dealing shall be held with the Agency however such suspension shall have no impact on existing Contract(s)/work(s) (if any). The circular for Company wide suspension of business dealing with the Agency shall be issued by Corporate Contracts.
- f) Period of suspension shall be accounted for in the final order passed for banning of business dealings with the Agency.
- g) If it is decided not to ban the Agency after due process, the name of the Agency shall be removed immediately from the suspension list.

- h) The process for putting the Agency on suspension list shall be completed within 30 days from the date of receipt of such intimation from Vigilance Department.
- i) The suspension of Agency shall be automatically revoked on the expiry of the period of suspension.

6.4 Effect of Suspension of business:

The Agency, after issuance of the Suspension Order would not be allowed to participate in any future tender enquiry and if the Agency has already participated in tender process and the price bids are not opened, its techno-commercial bid will be rejected and price bid will be returned unopened. However, where the price bids of Agency have been opened prior to issuance of Suspension Order, bids of Agency shall not be rejected.

7.0 During the banning/withholding/suspension period, if it is found at any stage that Agency has participated in tender enquiry under a different name then such Agency would immediately be debarred from the tender/contract and its Bid Security/Performance Security would be forfeited. Payment, if any, made shall also be recovered.

8.0 Further in case of banning/withholding/suspension following would also be applicable:

(i) Participation of Agency as an Associate/Collaborator of the Main Contractor

Where Stage-I bids have been opened prior to banning/withholding/suspension of Agency and such Agency has been proposed as Associate/Collaborator by any of the bidders, in such cases the tendering process shall not be annulled on this ground and the Agency shall be permitted to continue as Associate/Collaborator for such bidding.

However where opening of Stage-I bids (Two Stage Bidding) / Envelope-I Techno-Commercial bids (Single Stage Two Envelope Bidding) has not taken place prior to banning/withholding/suspension of Agency then in such case Agency shall not be permitted to participate as Associate/Collaborator in such bidding.

(ii) Participation of Agency as an approved Sub-Vendor of the Main Contractor

After banning/withholding /suspension order, the banned/withheld/suspended Agency shall not be allowed to participate as Sub-Vendor in

the tenders for supplying/manufacturing equipment (s)/component (s)/service if it has been banned on grounds of supplying sub-standard material/equipment/service.

Further, if the banned/withheld/suspended agency is an approved Sub-vendor under any Contract for such equipment/component/service, the Main Contractor shall not be permitted to place work order/Purchaseorder/Contract on the banned/withheld/suspended agency as a sub-vendor after the date of banning/withholding/suspension even though the name of the party has been approved as a sub-vendor earlier.

(iii) Procurement of spares/awarding of Contracts in operating stations

There would be no bar on procuring the spares and awarding Contracts towards Annual Maintenance (AMC)/ O&M/ Repair works on Agencies pertaining to the packages for which they have been banned/suspended provided the Equipment has been supplied/manufactured by such Agency.

9.0 For JVs/Subsidiaries of NTPC

(i) Tenders/Contracts of JVs/Subsidiaries, whose Pre-award and/ or Post award activities are handled by NTPC Corporate Centre

The Tenders/Contracts of JVs/Subsidiaries, whose pre-award and/or post award activities are handled by NTPC Corporate Centre, the cases of non/under performance and/or irregularities and/or misconduct and/or unethical practice observed in such tenders/contracts may be processed in NTPC under the policy and procedures for withholding/banning of business dealings and/or Contractor Performance Feedback System. The Notice of Default or Order for Withholding of business dealings (under Para 4.3)/Show Cause Notice or Speaking Order for banning of business dealing (under Para 5.3 ,5.4)/ Suspension order for suspension of Business Dealing (Under para 6.3), after approval in NTPC, shall be forwarded to CEO of concerned JVs/Subsidiaries for issuance of such Notice or Order to the delinquent agency.

Further, the appeal of the Agency against the above Order (under Para 5.12) shall be reviewed by appropriate Appellate Authority in NTPC. Appellate Authority would consider the appeal and pass appropriate order which shall be communicated to the Agency as well as the Competent Authority and CEO of concerned JVs/Subsidiaries.

(ii) The Tenders/Contracts which are handled by JVs/Subsidiaries themselves

The procedure prescribed in the Banning Policy for Sites shall appropriately be used by concerned JVs/Subsidiaries to deal with the cases of non/under performance and/or irregularities and/or misconduct and/or unethical practice observed in tenders/contracts handled by them.

(iii) The Agencies with whom business dealings have been withheld/ banned/ suspended by NTPC at pan NTPC level, the business dealings with such Agencies shall be deemed to be withheld/banned/suspended in JVs/Subsidiaries of NTPC as well. Further, for contracts of JVs/Subsidiaries which have been processed at Corporate Centre of NTPC, business dealings withheld/banned/suspended with Agencies by JVs/Subsidiaries, shall be applicable to NTPC as well.

(iv) Further, for packages awarded from JVs/Subsidiaries, banning /suspension of business dealings at pan NTPC level may be proposed under para 5.2 (c) / 6.3 of this banning policy.

(v) Further, Agencies with whom Business Dealings have been banned by JVs/Subsidiaries shall be hosted at websites of concerned JV/Subsidiary and NTPC.

Fraud Prevention Policy

Back Ground

Over the years NTPC has put in place various policies and procedures, systems to guide NTPC employees within and outside the organisation. Most of these have been formalised in the form of policy documents. These systems have been designed to ensure that officials dealing and undertaking transactions conduct the same in a transparent & uniform manner. Few examples are Delegation of powers, Project and Contracts Management system, Finance and Human Resource Systems, Code of Conduct for Directors and Senior Management Personnel, Conduct, Discipline and Appeal Rules for employees, Service Rules etc. Clause 49 of the listing Agreement, which deals with the Corporate Governance practices to be followed by listed companies, also describes certain requirements. These requirements inter alia include "Whistle Blower Policy". This policy envisages the companies to put in place a mechanism for employees to report to the Management about unethical behavior, actual or suspected fraud or violation of conduct or ethics policy.

Further, statutory auditors of the company are required to comment on the Fraud Prevention Policy of the company in their report to the Comptroller and Auditor General of India (C&AG) on the annual accounts of the company given in compliance of the provisions of Section 619(3) of the Companies Act, 1956.

In the light of the foregoing and keeping in view the approach of NTPC in following Corporate Governance principles proactively, it is appropriate that a Fraud Prevention Policy is formulated and implemented.

The policy statement is given below for implementation with immediate effect:

POLICY OBJECTIVES :

The "Fraud Prevention Policy" has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy will ensure and provide for the following :-

To ensure that management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs.

To provide a clear guidance to employees and others dealing with NTPC forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity.

To conduct investigations into fraudulent activities.

To provide assurances that any and all suspected fraudulent activity will be fully investigated.

SCOPE OF POLICY :

The policy applies to any fraud, or suspected fraud involving employees of NTPC (all full time, part time or employees appointed on adhoc/temporary/contract basis) as well as representatives of vendors,

suppliers, contractors, consultants, service providers or any outside agency (ies) doing any type of business with NTPC.

DEFINITION OF FRAUD :

"Fraud" is a wilful act intentionally committed by an individual(s) - by deception, suppression, cheating or any other fraudulent or any other illegal means, thereby, causing wrongful gain(s) to self or any other individual(s) and wrongful loss to other(s). Many a times such acts are undertaken with a view to deceive/mislead others leading them to do or prohibiting them from doing a bonafide act or take bonafide decision which is not based on material facts."

ACTIONS CONSTITUTING FRAUD :

While fraudulent activity could have a very wide range of coverage, the following are some of the act(s) which constitute fraud.

The list given below is only illustrative and not exhaustive :-

Forgery or alteration of any document or account belonging to the Company

Forgery or alteration of cheque, bank draft or any other financial instrument etc.

Misappropriation of funds, securities, supplies or others assets by fraudulent means etc.

Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.

Wilful suppression of facts/deception in matters of appointment, placements, submission of reports, tender committee recommendations etc. as a result of which a wrongful gain(s) is made to one and wrongful loss(s) is caused to the others.

Utilizing Company funds for personal purposes.

Authorizing or receiving payments for goods not supplied or services not rendered.

Destruction, disposition, removal of records or any other assets of the Company with an ulterior motive to manipulate and misrepresent the facts so as to create suspicion/suppression/cheating as a result of which objective assessment/decision would not be arrived at.

Any other act that falls under the gamut of fraudulent activity.

REPORTING OF FRAUD :

Any employee(full time, part time or employees appointed on adhoc/temporary/contract basis), representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with NTPC as soon as he / she comes to know of any fraud or suspected fraud or any other fraudulent activity must report such incident(s). Such reporting shall be made to the designated Nodal Officer(s), nominated in every project/region/Corporate Centre. If, however, there is shortage of time such report should be made to the immediate controlling officer whose duty shall be to ensure that input received is immediately communicated to the Nodal Officer. The reporting of the fraud normally should be in writing. In case the reporter is not willing to furnish a written statement of fraud but is in a position to give sequential and specific transaction of fraud/suspected fraud, then the officer receiving the information/Nodal Officer should record such

details in writing as narrated by the reporter and also maintain the details about the identity of the official / employee / other person reporting such incident. Reports can be made in confidence and the person to whom the fraud or suspected fraud has been reported must maintain the confidentiality with respect to the reporter and such matter should under no circumstances be discussed with any unauthorised person.

All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by Nodal Officer(s) to be nominated.

Officer receiving input about any suspected fraud/nodal officer(s) shall ensure that all relevant records documents and other evidence is being immediately taken into custody and being protected from being tampered with, destroyed or removed by suspected perpetrators of fraud or by any other official under his influence.

INVESTIGATION PROCEDURE :

The "Nodal Officer" shall, refer the details of the Fraud/suspected fraud to the Vigilance Department of NTPC, for further appropriate investigation and needful action.

This input would be in addition to the intelligence, information and investigation of cases of fraud being investigated by the Vigilance Deptt. of their own as part of their day to day functioning.

After completion of the investigation, due & appropriate action, which could include administrative action, disciplinary action, civil or criminal action or closure of the matter if it is proved that fraud is not committed etc. depending upon the outcome of the investigation shall be undertaken.

Vigilance Department shall apprise "Nodal Officer" of the results of the investigation undertaken by them. There shall be constant coordination maintained between the two.

RESPONSIBILITY FOR FRAUD PREVENTION :

Every employee(full time, part time, adhoc, temporary, contract), representative of vendors, suppliers, contractors, consultants, service providers or any other agency(ies) doing any type of business with NTPC, is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to the concerned as per the procedure.

All controlling officers shall share the responsibility of prevention and detection of fraud and for implementing the Fraud Prevention Policy of the Company. It is the responsibility of all controlling officers to ensure that there are mechanisms in place within their area of control to :-

Familiarise each employee with the types of improprieties that might occur in their area.

Educate employees about fraud prevention and detection.

Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.

Promote employee awareness of ethical principles subscribed to by the Company through CDA Rules;

Due amendments shall be made in the general conditions of contracts of the organization wherein all bidders/service providers/vendors/consultants etc. shall be required to certify that they would adhere to the Fraud Prevention Policy of NTPC and not indulge or allow anybody else working in their organization to indulge in fraudulent activities and would immediately apprise the organization of the fraud/suspected fraud as soon as it comes to their notice.

These conditions shall form part of documents both at the time of submission of bid and agreement of execution of contract.

ADMINISTRATION AND REVIEW OF THE POLICY :

The Chairman and Managing Director shall be responsible for the administration, interpretation, application and revision of this policy. The policy will be reviewed and revised as and when needed.