



Memorandum of Understanding

Between

Neyveli Lignite Corporation Limited

And

Transparency International India

For

***Implementation of
Integrity Pact Programme***

December, 29 - 2007
Neyveli



Memorandum of Understanding
Between
NEYVELI LIGNITE CORPORATION LIMITED
And
TRANSPARENCY INTERNATIONAL INDIA
For
Implementation of
INTEGRITY PACT PROGRAMME



1. **Considering** that bribery and corruption is widespread Social and Economic crime, which undermines good governance and economic development in India and corrodes the moral fiber of our society.
2. **Considering** that all companies and major organizations within India share a common responsibility to combat bribery and corruption in all forms and manifestations.
3. **Recognizing** that achieving progress in this area requires sustained efforts not only at national level but also on individual Company or Government department level.
4. **Welcoming** the efforts of **Transparency International India (TII)** and other non-governmental organizations as well as business organization such as **Neyveli Lignite Corporation Limited (NLC)**.
5. **NLC** is a premier Public Sector Organization engaged in various activities in Mining and Power Generation in India. **NLC** conducts its business in highest ethical standards. It does business with a number of domestic and international Bidders, Contractors and Vendors of goods and services (Counter parties). **NLC** is committed to fostering the most ethical and corruption free business environment. **NLC** values its relationships with all Counter parties and deals with them in a fair and transparent manner
6. **Integrity Pact** is a tool developed by Transparency International, which ensures that all activities and transactions between a Company or Government Departments and their Suppliers are handled in a Fair, Transparent and Corruption Free manner.

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7. **NLC** and **TII** have developed attached Integrity Pact Program in consultation with Central Vigilance Commission (**CVC**) and **NLC** is implementing this Program within its Organization. Based on the experience gained in implementing the Integrity Pact Program in **NLC** and other organizations this Program may be further refined to improve its effectiveness.
8. **NLC** is committed to implement the Integrity Pact Program whole-heartedly both in letter and in spirit.
9. **TII** pledges to support **NLC** in this regard and provide it with advice and resources within its means to ensure successful implementation of Integrity Pact Program and achievement of its objectives.
10. In case **NLC** and **TII** have differences concerning the implementation of the Integrity Pact Program they undertake to resolve them through dialogue and discussion. In case such differences cannot be resolved either party can terminate this Memorandum of Understanding by giving thirty days notice in writing to the other party and make such termination public only after it has taken effect. This Memorandum of Understanding will remain in effect unless terminated according to the above provision.
11. This MOU shall be governed by the Laws of India. The civil courts having ordinary original civil Jurisdiction over Neyveli shall have exclusive jurisdiction to try any aspects relating to this MOU.
12. The Parties to this MOU are entitled to review the implementation of Integrity Pact annually.

FOR NEYVELI LIGNITE CORPORATION LTD.

FOR TRANSPARENCY INTERNATIONAL INDIA


S. JAYARAMAN 29/12/07
Chairman cum Managing Director
Neyveli Lignite Corporation Limited,
Neyveli.


ADMIRAL (RETD.) R.H. FAHILIANI
Chairman
Transparency International India, 29/12/07
New Delhi.

INTEGRITY PACT PROGRAM

I INTRODUCTION

Neyveli Lignite Corporation Limited (hereinafter referred as PRINCIPAL) is a premier Public Sector Organization engaged in various activities in Mining and Power Generation in India and conducts its operations in accordance with the highest ethical standards.

It does business with a number of domestic and international Bidders, Contractors and Vendors of goods and services (hereinafter referred as Counter parties). PRINCIPAL is committed to fostering the most ethical business relationship with all Counter parties and deals with them in a fair and transparent manner.

In order to achieve these goals, PRINCIPAL is implementing the Integrity Pact Program in cooperation with Central Vigilance Commission (CVC) and Transparency International (TI).

This Program will cover Tenders / Contracts valued at Rs. _____ or above, which cover approximately _____% of the total contracts issued by PRINCIPAL by value.

Following are the details of Integrity Pact Program:

- Commitments and Obligations of the PRINCIPAL
- Commitments and Obligations of Counter parties
- Violation and Consequences
- Independent Monitor
- Implementation Guidelines
- Periodic Review and Evaluation

II. COMMITMENT AND OBLIGATIONS OF PRINCIPAL

- a) PRINCIPAL is committed to have most ethical and corruption free business dealings with Counter parties.
- b) PRINCIPAL values its relationship with all Counter parties and will deal with them in a transparent manner with equity and fairness.
- c) PRINCIPAL and/or its Associates (Officers, Directors, Agents, Consultants, Advisors, etc.) will not seek or take bribes or any undue benefit directly or indirectly for themselves or for third parties.

- d) PRINCIPAL will exclude all of Associates who may be prejudiced or have a Conflict of Interest in dealings with Counter parties.
- e) PRINCIPAL will honour its commitments and make due payments to Counter parties in a timely manner.
- f) PRINCIPAL will initiate action and persue it vigorously whenever corruption or unethical behaviour occurs or is suspected to have occurred.

III. **COMMITMENTS AND OBLIGATIONS OF THE 'COUNTERPARTY'**

- a) The Counter party, directly or indirectly (through agent, consultant, advisor, etc.) will not pay any bribes or give illegal benefit to anyone in dealings with the PRINCIPAL.
- b) The Counter party will not bring any Political, Governmental or Diplomatic influence to gain undue advantage in its dealing with PRINCIPAL.
- c) The Counter party will not engage in collusion, Price-Fixing, or enter into any undisclosed agreement or understanding whether formal or informal with other Counter parties or take any actions to restrict competitiveness in dealing with the PRINCIPAL.
- d) The Counter party will not pass on to any third party any of the PRINCIPAL'S confidential information unless authorized by the PRINCIPAL.
- e) The Counter party will promote and observe best ethical practices within its organization.
- f) The Counter party will promptly inform the Independent Monitor (of PRINCIPAL) if he receives demand for a bribe or illegal payment / benefit and
 - ii) if comes to know of any unethical or illegal practice in the PRINCIPAL organization
 - iii) if it makes any payment to any PRINCIPAL Associate.
- g) It will disclose to the PRINCIPAL promptly all payments he has made or intends to make to agents, brokers or any intermediaries in connection with the contract with PRINCIPAL.
- h) The Counter party will not make any false or misleading allegations against the PRINCIPAL or its Associates.
- i) The Counter party will not induce any third person to commit offence as it outlined above.

IV. **VIOLATIONS & CONSEQUENCES**

- a) If a Counter party commits a violation of its Commitments and Obligations under the Integrity Pact Program the Principal shall be entitled to forfeit the Earnest Money Deposit / Bid Security and Performance Bond. In addition, the PRINCIPAL may terminate the current contract and business relationship with that Counter party.
- b) PRINCIPAL may also ban and exclude the Counter party from future dealings until the Independent Monitor is satisfied that the Counter party will not commit violations in future.
- c) PRINCIPAL may initiate criminal proceedings against the violating Counter party.
- d) The Counter party will be liable to damages as determined by the Independent Monitor.

V. **INDEPENDENT MONITOR**

- a) PRINCIPAL will appoint Independent Monitor to oversee Integrity Pact Program implementation and effectiveness of the Integrity Pact Program.
- b) He will be appointed on the terms similar to those of the Chairman of the Audit Committee of the Board of Directors of the PRINCIPAL.
- c) The Independent Monitor will be a person of impeccable integrity, knowledgeable of PRINCIPAL's business and experienced in commercial activities.
- d) The major goal of the Independent Monitor will be to implement Integrity Pact Program to prevent corruption and to ensure probity, transparency and ethical practices in the commercial activities of the PRINCIPAL.
- e) The Independent Monitor will not have administrative or enforcement responsibilities. He may co-ordinate with other anti-corruption agencies, such as CVC.
- f) The Independent Monitor will have access to all Associates and internal records of the PRINCIPAL. He will also have access to Counter parties records and information regarding its dealing with the PRINCIPAL.
- g) The Independent Monitor will have the right to attend any meetings between the PRINCIPAL and the Counter parties.

- h) If the Independent Monitor observes or suspects an irregularity, he will inform the Chairman of PRINCIPAL and its Board of Directors.
- i) The Independent Monitor can be removed from his office before the expiry of his tenure only with the approval of Board of the Principal.

VI **IMPLEMENTATION GUIDELINES**

To implement the Integrity Pact Program the PRINCIPAL shall do the following

- (a) Select and appoint an Independent Monitor or a panel of Independent Monitors.
- (b) Get appropriate authorization from its Board of Directors and commitment from all Senior Level executives/officials of Principal to implement the program.
- (c) Develop detailed implementation plans and finalize the Integrity Pact document in consultation with the Independent Monitor
- (d) Notify to all senior staff members, its major Shareholders and major suppliers Principal's plans to implement Integrity Pact program
- (e) Display the information on the PRINCIPAL's website and disclose this initiative to the media.
- (f) Enter into a Memorandum of Understanding with Transparency International India.

VII. **PERIODIC REVIEW & EVALUATION**

It is recommended that PRINCIPAL shall periodically review the effectiveness of Integrity Pact Program by the following:

- a) The Independent Monitor and senior leadership of PRINCIPAL conduct an annual self-assessment of Integrity Pact Program effectiveness with Transparency International India (TII) and identify areas / ways to improve it.
- b) The Independent Monitor shall submit an annual report on the progress / effectiveness of Integrity Pact Program to the Board of Directors of PRINCIPAL.
- c) The Principal may conduct an annual review of the effectiveness of the Program in co-ordination with CVC and TII.
