

MEMORANDUM OF UNDERSTANDING

BETWEEN

CENTRAL COALFIELDS LIMITED

AND

TRANSPARENCY INTERNATIONAL INDIA

11th AUGUST 2008

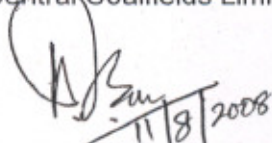
NEW DELHI

MEMORANDUM OF UNDERSTANDING
BETWEEN
CENTRAL COALFIELDS LIMITED (CCL)
AND
TRANSPARENCY INTERNATIONAL INDIA (TII)

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 Central Coalfields Limited (CCL).
5. **CCL** is a premier Public Sector Organization engaged in various activities in Coal Sector in India. CCL 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 (Counterparties). CCL is committed to fostering the most ethical and corruption-free business environment. CCL values its relationship with all Counterparties 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.
7. **CCL and TII** have developed attached Integrity Pact programme in consultation with Central Vigilance Commission (CVC) and CCL is implementing this programme within its organization. Based on the experience gained in implementing the Integrity Pact Programme in CCL and other organizations this programme may be further refined to improve its effectiveness.

8. **CCL** is committed to implement the Integrity Pact Programme wholeheartedly both in letter and in spirit.
9. **TII** pledges to support CCL in this regard and provide it with advice and resources within its means to ensure successful implementation of Integrity Pact Programme and achievement of its objectives.
10. In case CCL and TII have differences concerning the implementation of the Integrity Pact Programme, 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.

Central Coalfields Limited



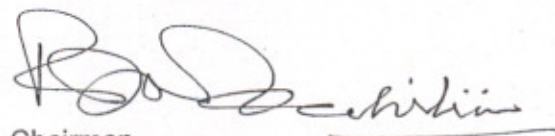
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11 Aug 08

INTEGRITY PACT PROGRAMME

I. INTRODUCTION :

Central Coalfields Limited (CCL) is a premier Public Sector Organization engaged in various activities in Coal Sector in India. CCL 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 (Counterparties). CCL is committed to fostering the most ethical and corruption free business environment. CCL values its relationships with all Counterparts and deals with them in fair and transparent manner.

In order to achieve these goals, CCL is implementing the Integrity Pact Programme in cooperation with Central Vigilance Commission (CVC) and Transparency International India (TII). As part of this initiative CCL will, consultation with CVC and TII appoint external Independent Monitors who will help CCL implement the Integrity Pact Programme.

Following are the details of CCL's Integrity Pact Programme:-

- Commitments and Obligations of CCL
- Commitments and Obligations of Counterparties
- Violation and Consequences
- Independent Monitor
- Implementation Guidelines
- Periodic Review and Evaluation

II. COMMITMENTS AND OBLIGATIONS OF CCL :

- CCL is committed to have most ethical and corruption-free business dealings with counterparties.
- CCL values its relationship with all counterparties and will deal with them in a fair and transparent manner
- CCL and/or its Associates (employees, agents, consultants, advisors, etc.) will not seek or take bribes / undue benefits directly or indirectly for themselves or for third parties.
- In competitive tender as well as in general procurement, CCL will deal with counterparties with equity, reason and fairness.
- CCL will exclude all Associates who may be prejudiced or have a conflict of interest in dealings with counterparties.
- CCL will honour its commitments and make due payment to Counterparties in timely manner
- CCL will initiate action and pursue it vigorously whenever corruption or unethical behavior occurs.

III. COMMITMENTS AND OBLIGATIONS OF THE 'COUNTERPARTY' :

- The Counterparty directly or indirectly (through Agent, Consultant, Advisor etc) will not pay any bribe or give illegal benefit to anyone to gain undue advantage in dealing with CCL.
- The Counterparty will not engage in collusion, price fixing, etc. with other Counterparts.
- The Counterparty will not pass CCL's confidential information to any third party unless authorized by CCL.
- The Counterparty will promote and observe best ethical practices within its Organization.
- The Counterparty will inform the Independent Monitor –
 - i) If he receives demand for a bribe or illegal payment/benefit
 - ii) If he comes to know of any unethical or illegal payment/benefit
 - iii) If he makes any payment to any CCL Associate
- The counterparty will not make any false or misleading allegations against the CCL or its associates.

IV. VIOLATIONS & CONSEQUENCES :

- a) If a counterparty commits a violation of its Commitments and Obligations under the Integrity Pact Programme during bidding process, he shall be liable to compensate CCL by way of liquidated damages amounting to a sum equivalent to 3% of the value of the offer or the amount equivalent to Earnest Money Deposit / bid Security, whichever is higher.
- b) In case of violation of the Integrity Pact whereby after award of the Contract, CCL terminates or is entitled to terminate the contract, CCL shall be entitled to demand and recover from the Contractor liquidated damage equivalent to 5% of the contract value or the amount equivalent to Security Deposit / Performance Bank Guarantee, whichever is higher.
- c) CCL may ban and exclude the Counterparty from future dealings until the independent Monitor is satisfied that the Counterparty will not commit any future violation.
- d) CCL may initiate criminal proceedings against the violating Counterparty.
- e) The counterparty will be liable to damages as determined by the independent Monitor.

V. INDEPENDENT MONITOR :

- 1) CMD, CCL is the authority to appoint Independent Monitor(s) to oversee Integrity Pact Programme implementation and effectiveness. The process for their appointment shall be similar to Outside Expert Committee (OEC). For this purpose, a panel of independent Monitors may be constituted by CCL in consultation with Transparency International (TI) and the same may be referred to CVC for clearance. It will be voluntary, non-salaried position of 3 year term. Independent Monitor will have status / benefits similarly to those of Chairman of Audit Committee of Board / status of the independent Director of CCL.
- 2) The independent Monitor will be a person of impeccable integrity, conversant with CCL's business and experienced in commercial activities.
- 3) The major goal of the independent Monitors will be to oversee the implementation of the Integrity Pact Programme to prevent corruption, bribes and any other unethical practices in CCL.
- 4) The independent Monitors will not have any administrative or enforcement responsibilities. He will coordinate his efforts with other anti-corruption institutions such as CVC. He may engage services of outside agencies such as accounting firms, law firms etc. at CCL's expense, if required, in discharge of his responsibilities.
- 5) The independent Monitors will have access to all offices and internal records of CCL. He will also have access to Counterparty's records and information regarding its dealings with CCL.
- 6) The independent Monitors will have the right to attend any meetings between CCL and the Counterparties.
- 7) If the independent Monitor observes or suspects an irregularity, he will inform the Chairman of CCL and Chairman of the Audit Committee of its Board of Directors. Once the independent Monitor is satisfied that an irregularity has taken place, he may inform the Board of CCL.
- 8) The independent Monitor can be removed from his office by CCL only by an open and transparent process and such decision will have to be ratified by the Board of CCL.

VI. IMPLEMENTATION GUIDELINES :

To implement the Integrity Pact Programme the following general guidelines are suggested:

- a) To select and appoint independent Monitors in consultation with CVC and TI.
- b) To get commitment from all Senior Level Executives / officials of CCL to implement the Programme. It should be recognized that there may be the resistance to Integrity Pact Programme.

- c) To develop detailed implementation plan and finalise the Integrity Pact document in consultation with the independent Monitors.
- d) To notify all senior staff members, Board of Directors, any other oversight body of the Organization and major suppliers of CCL's plan to implement the Integrity Pact Programme, which is to be included in CCL's website and disclosed to the media.

VII. PERIODIC REVIEW & EVALUATION :

It is recommended that CCL periodically review the effectiveness of Integrity Pact Programme by all or some of the following –

- 1) The independent Monitors and senior leadership of CCL do an annual self-assessment of Integrity Pact Programme effectiveness and identify areas/ ways to improve.
- 2) The independent Monitor to submit an annual report on the progress/ effectiveness of Integrity Pact Programme to the Board of Directors of CCL.
- 3) CCL may conduct an annual 360 degree review (by an outside agency) with senior executives, junior executives, suppliers and competitors on effectiveness of Integrity Pact Programme in reducing corruption.
- 4) CCL will meet with CVC and TI on an annual basis to review the effectiveness of Programme.