

Ref: NMW/CS/03/2020

27th November, 2020

National Stock Exchange of India Limited
Exchange Plaza, C-1
Block G. Bandra Kurla Complex, Bandra East
Mumbai- 400051

BSE Limited
25th Floor, P J Towers
Dalal Street
Mumbai - 400001

Trading Symbol: NEXTMEDIA

Security Code: 532416

Dear Sirs,

Sub: Intimation of outcome of the Board Meeting held on 27th November, 2020 and disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended (“SEBI LODR”)

This to inform you that the Company had initiated an investigation in respect of a whistleblower complaint received by the Company alleging certain anomalies in practices adopted in the radio business of the subsidiary company viz. Next Radio Limited. The Company had appointed a reputed law firm for undertaking the investigation in this regard.

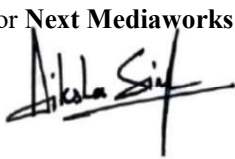
The investigation has since been concluded and the Board of Directors at the meeting held on 27th November, 2020 has taken on record the final investigation report (“Report”) (*enclosed herewith as Annexure A*).

The Company is taking appropriate steps and mitigation measures to address the findings set out in the Report. We also enclose the management response to the findings contained in the investigation report (*Annexure B*).

This is for your information and record.

Thanking you,
Yours faithfully,

For Next Mediaworks Limited



(Diksha Singh)
Company Secretary



Encl:

1. *Final investigation report*
2. *Management comment on the final investigation report*



REPORT OF THE INVESTIGATION TEAM

Project FM

(in respect of the whistleblower complaint received on 6 August 2020)

26 November 2020

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GLOSSARY

B S R/ Statutory Auditor	B S R and Associates, also the statutory auditor of the Company for the FY 2019-20 and onwards
Company/ HTML	HT Media Limited
FY	Financial year
NRL	Next Radio Limited
NMW	Next MediaWorks Limited
Investigation	The investigation undertaken by the Investigation Team in respect of the WB Complaint
Investigation Team	The team investigating the matter, and comprising of the teams from each Khaitan, GT and PWC
Khaitan/ We/ Us	Khaitan & Co., Advocates & Solicitors
PWC	PricewaterhouseCoopers Private Limited
GT	Grant Thornton Bharat LLP
WB Complaint	Whistle blower complaint received vide mail dated 6 August 2020 at 2:17 pm from the WB to the Group CFO of the Company
WB	Whistle Blower, an employee of the Company as on the date of the WB Complaint <i>[Note: In view of the Confidentiality Provisions under the WB Policy of the Company and the provisions of applicable law, the identity of the Whistle Blower is being withheld.]</i>
WB Policy	Whistleblower Policy of the Company

BACKGROUND

A. WB Complaint

1. An email dated 6 August 2020 addressed to Mr Piyush Gupta, the Group CFO of the Company was received from WB, an employee of the Company. WB Complaint was issued by the WB at the time of departure from the Company consequent upon the resignation from the post and serving the notice period mutually agreed between the WB and the Company. The WB Complaint alleged irregularities and potential misconduct in the radio business segment.
2. The Board of Directors of the Company has approved and adopted the Whistleblower Policy. Under the WB Policy, any communication made in good faith that discloses or demonstrates information that may indicate evidence towards unethical behaviour, actual or suspected fraud or violation of the Code of Conduct of the Company by any director or employee of the Company is construed as a whistleblower complaint.

B. The Allegations in the WB Complaint:

The WB Complaint contained the details of the following alleged anomalies / practices in the radio business of the Company:

1. *Practice of pre-billing (i.e. billing and booking revenue for services yet to be consumed/ delivered or burnt) for reporting higher revenue. Such billing remaining unconsumed/ undelivered.*
2. *Debtor ageing management by issuance of credit notes and new invoices to avoid higher provisioning for bad debts and.*
3. *Improper balance confirmation processes to establish audit trails, which largely remained unconfirmed during the confirmation process.*
4. *Internal tracking of pre-billing amounts not reflecting in the system software like SAP.*
5. *Potentially improper credit approvals including forced/ credit approval under protest at the instructions of leadership of the radio business.*

C. Preliminary Fact-finding Enquiry

1. As per the WB Policy, a whistleblower complaint should be accompanied by credible and relevant material concerning the unethical behaviour, actual or suspected fraud or violation of the Code of Conduct complained of.
2. In view of the gravity of the allegations, a preliminary enquiry was initiated by the Group CFO with the assistance of and facilitation by PWC, (internal auditors of the Company).
3. During the Preliminary Enquiry, it was revealed that the allegations may have substance. Further, during this process, some of the key employees of the radio business of the Company had also made statements admitting to the wrongful conduct complained of in the WB Complaint.
4. In view of the preliminary findings, the Company thereafter, in consultation with the Chairman of the Audit Committee (duly empowered under the WB Policy), engaged the services of M/s Khaitan & Co., Advocates & Solicitors (on 1 September 2020) to further investigate the WB complaint. In order to thoroughly investigate and assess the financial impact, if any, of and to carry out forensic analysis of the relevant data, M/s Khaitan & Co. was authorised to engage the services of PWC (for FY 2019-20)¹ and GT (for FY 2017-18 and FY 2018-2019). These firms were selected on the basis of their respective capabilities of undertaking the forensic auditing based on their industry expertise.
5. The Company also shared the WB Complaint and the initiation of the investigation to B S R and Associates, Chartered Accountants, statutory auditors of the Company.

¹ Since PWC were the auditors in FY 2017-18 & FY 2018-19, it was deemed appropriate to engage a firm different from PWC to avoid any preconceived conflict of interest.

MANDATE OF THE INVESTIGATION TEAM

The scope of the work for the investigation and as reflected in the respective engagement letters is as follows:

Khaitan Team:²

1. Perusal of papers, reports, and other documents in relation to the Investigation.
2. Advising on legal aspects of the WB Complaint.
3. Conducting necessary investigation on the WB Complaint and determining next steps.
4. Conducting necessary forensic audits subject to outcome of preliminary investigation.
5. Coordination and reviewing the work undertaken by PWC and GT teams.
6. Reviewing and validating the observations and conclusions of PWC and GT teams by performing procedures on a sample basis.

Team of forensic professionals from PWC and GT were engaged by Khaitan for the purpose of conducting the forensic review. The assistance was based on the subject matter expertise and the engagement teams were confirmed on the basis of professional qualifications of each individual member of the team.

Their scope of service is as follows:

PWC Team:³

For FY 2019-20:

1. Review of documents (including financial documents and electronic documents), email and company records to ascertain the allegations.

² Engaged by the Company on 1 September 2020.

³ Engaged by Khaitan on 18 September 2020.

2. Forensic disk/ email backup imaging and conducting computer forensics and review.
3. Email analysis (server data) based on key word search terms and nodal search methodology, including email review of identified key personnel.
4. Determine involvement of identified and other employees as well as any other potential issues with respect to the allegations.
5. Determining extent and quantum of impact on the revenue and impact on debtor position.
6. Assisting in conducting interviews.
7. End to end tracking of specific transactions highlighted in the Unconsumed Tracker for Release Orders (ROs) received and subsequent collections/ reversals, on a sample basis.
8. Account reconciliation along with Customer confirmations for balances and unconsumed amounts, on a sample basis to the extent available.
9. Impact on Debtor Positions/Sales including Debtors ageing.
10. Examination of accounting and erroneous reporting of accounts, on a sample basis.

GT Team:⁴

For FY 2017-18 and 2018-19:

1. Review of documents (including financial documents and electronic documents), email and company records to ascertain the allegations.
2. Email analysis (server data) based on key word search terms and nodal search methodology, including email review of identified key personnel (through Relativity software, access being provided by PWC).
3. Determine involvement of identified and other employees as well as any other potential issues with respect to the allegations.
4. Determining extent and quantum of impact on the revenue and impact on debtor position.
5. Assisting in conducting interviews.
6. End to end tracking of specific transactions highlighted in the Unconsumed Tracker for ROs received and subsequent collections/ reversals, on a sample basis.
7. Impact on Debtor Positions/Sales including Debtors ageing, on a sample basis.
8. Examination of accounting and erroneous reporting of accounts, on a sample basis.

⁴ Engaged by Khaitan on 12 October 2020.

PROCEDURES ADOPTED AND PERFORMED BY THE INVESTIGATION TEAM

In adherence with the process outlined in the WB Policy, the Investigation Team, during the course of Investigation, has undertaken the following activities:

1. Review of the WB Complaint along with all the annexures.
2. Review of the internal policies of the Company – HR Manual, WB Policy and Code of Conduct.
3. Process discussions on a regular basis – internally, with the Company
4. Gathering information, documents and company records relevant to the subject matter of the investigation, aided by the active support of the Company personnel.
5. Undertaking computer forensic procedures for imaging laptops, data extraction and processing for certain identified personnel. *[namely Employee Code 6A20202, Employee Code 6A20209, Employee Code 6A20206, Employee Code 6A20207 and WB]*.
6. Identifying keywords relevant to the subject matter of the investigation and collating emails responsive to the keywords, through e-discovery platform. The identified keywords have been shared with the statutory auditor.
7. Review of the keywords responsive emails for identified personnel *[Employee Code 6A20202, Employee Code 6A20209, Employee Code 6A20206, Employee Code 6A20207 and WB]*. The key statistics in respect of the electronic documents extracted and reviewed are as follows:

#	Custodian	Total e-mails and user files (based on keywords)	
		Reviewed by GT	Reviewed by PWC
1.	<i>Employee Code 6A20202</i>	13,445	17,398
2.	<i>Employee Code 6A20206</i>	11,694	14,083
3.	<i>Employee Code 6A20207</i>	549	14,693
4.	<i>Employee Code 6A20209</i>	2,098	5,437
5.	WB	-	366

8. Conducting interview of the personnel identified as relevant and likely involved in the subject matter of the investigation. List of persons interviewed with their details is as follows:

#	Person interviewed	Date of interview
1.	WB	12 August 2020
2.	<i>Employee Code 6A20202</i>	31 August 2020 and 21 October 2020
3.	<i>Employee Code 6A20203</i>	23 September 2020
4.	<i>Employee Code 6A20204</i>	1 October 2020
5.	<i>Employee Code 6A20205</i>	1 October 2020
6.	<i>Employee Code 6A20206</i>	15 October 2020
7.	<i>Employee Code 6A20207</i>	15 October 2020
8.	<i>Employee Code 6A20208</i>	15 October 2020
9.	<i>Employee Code 6A20209</i>	22 October 2020
10.	<i>Employee Code 6A20217</i>	31 October 2020
11.	<i>Employee Code 6A20218</i>	31 October 2020
12.	<i>Employee Code 6A20210</i>	2 November 2020
13.	<i>Employee Code 6A20211</i>	2 November 2020
14.	<i>Employee Code 6A20212</i>	2 November 2020
15.	<i>Employee Code 6A20213</i>	2 November 2020
16.	<i>Employee Code 6A20214</i>	2 November 2020
17.	<i>Employee Code 6A20215</i>	2 November 2020
18.	<i>Employee Code 6A20216</i>	9 November 2020

9. Periodic Briefing about the ongoing review and status update on the investigation and meetings with the senior management of the Company,
10. Periodic Briefing about the ongoing review and status update on the investigation with the Chairman of the Audit Committee of the Company and to seek guidance and directions.

11. Periodic briefing about the ongoing review and status update on the investigation, including key findings with B S R & Associates, Chartered Accountants, statutory auditors of the Company.
12. Periodic Briefing about the ongoing review and investigation with the members of the Audit Committee and the board of directors of the Company.
13. Evaluating and assessing transaction legitimacy by undertaking the following processes on a sample basis
 - End to end tracking specific transactions highlighted in Unconsumed tracker for Release Orders
 - Review of barter transaction
 - Undertaking balance confirmation exercise with identified customers – including mail communication and telephonic interview with the assistance of the Company
14. Undertaking reconciliation of financial impact as quantified by the Company in relation to the alleged practices on the financial position of the company on an annual and quarterly basis for the past 3 (three) financial years.

FINDINGS OF THE INVESTIGATION

Based on the procedures conducted, documents reviewed, data analyzed and interviews of the relevant personnel, each of the allegations contained in the WB Complaint was established to be correct.

#	Whistle blower allegations	Investigation conclusion	Investigation findings
1.	Practice of pre-billing (i.e. billing and booking revenue for services yet to be consumed/ delivered or burnt) for reporting higher revenue. Such billing remaining unconsumed/ undelivered.	Affirmative	<ul style="list-style-type: none"> The allegation was established through analysis of financial records and digital evidence gathered through forensic procedures undertaken and responses received during interviews.
2.	Debtor ageing management by issuance of credit notes and new invoices to avoid higher provisioning for bad debts.	Affirmative	<ul style="list-style-type: none"> The allegation was established through analysis of digital evidence gathered through forensic procedures undertaken and responses received during interviews.
3.	Improper balance confirmation processes to establish audit trails, which largely remained unconfirmed during the confirmation process.	Affirmative	<ul style="list-style-type: none"> The allegation was established through analysis of digital evidence gathered through forensic procedures undertaken, responses received during interviews and sample confirmation responses from customers.
4.	Internal tracking of pre-billing amounts not reflecting in the system software like SAP.	Affirmative	<ul style="list-style-type: none"> The allegation was established through analysis of digital evidence gathered through forensic procedures undertaken and responses received during interviews.
5.	Potentially improper credit approvals including forced/ credit approval under protest at the instructions of leadership of the radio business.	Affirmative	<ul style="list-style-type: none"> The allegation was established through analysis of digital evidence gathered through forensic procedures undertaken and responses received during interviews.

Based on procedures performed as identified above, the Investigation did not reveal existence of personal profiteering or siphoning of funds or embezzlement or misappropriation of funds or corruption or similar financial indiscipline. Further, the Investigation Team is of the view that the alleged practices are restricted to pure money segment of the radio business and thus, is restricted only to the radio business of the Company and the personnel working in the said business division. Some of the members of the senior management of the radio business were found to be aware of and were monitoring the said

trackers, containing the details of the invoices being burned or adjusted against future orders. In our view it would be safe to assume that they had prior knowledge of the same. Further, during the conduct of the investigations, certain other anomalies and practices were disclosed by the employees of the radio business. These issues, if proved to exist in the radio business of the Company, could have impact on the financial statements of the Company. The investigation team was accordingly directed by the Chairman of the audit committee of the Company to investigate further on these aspects of radio business. These additional anomalies in the practices were found to be followed by certain employees of the radio business of the Company. The financial impact set out hereinbelow includes the impact on account of adoption of certain practices by the employees of the radio business.

FINANCIAL IMPACT ON REVENUE

Since the allegations contained in the WB Complaint were found to be conclusive, a financial impact analysis was also carried out. While the investigation was initiated pursuant to the provisions of the WB Policy of HTML, the radio business of the HT Group is also operated through other group entities NRL and NMW. The analysis of financial impact was therefore undertaken during the fact-finding investigation itself. The financial impact is restricted only to the existence of the alleged practices identified in the radio division pure money segment.

The financial impact on the revenue of each of the entities is set out below:

Financial impact on revenue for HTML (including HTME):

Financial year	Net prebilled revenue during the FY (a)	Change in deferred revenue correctly recognized in books (b)	Overstated revenue (c) = (a) - (b)	Total revenue (d)	Total pure money revenue (per RCS invoicing)	% Overstated revenue (c)/(d) * 100	Cumulative overstated revenue
2017-18	5.2	0.0	5.2	175.6	37.3	2.97%	5.2
2018-19	6.0	(0.0)	6.0	194.0	59.7	3.10%	11.2
2019-20	18.3	0.2	18.2	165.2	78.0	11%	29.4
2020-21 ⁵	(1.2)	(0.0)	(1.2)	11.3	3.4	-	28.2

⁵ Till 31 August 2020.

Financial impact on revenue for NRL:

Financial year	Net prebilled revenue during the FY (a)	Change in deferred revenue correctly recognized in books (b)	Overstated revenue (c) = (a) - (b)	Total revenue (d)	Total pure money revenue (per RCS invoicing)	% Overstated revenue (c)/(d) * 100	Cumulative overstated revenue
2019-20	5.6	1.2	4.4	56.2	19.3	7.86%	4.4
2020-21 ⁶	(0.1)	(0.1)	(0.1)	4.8	1.9	-	4.3

⁶ Till 31 August 2020.

NEXT STEPS

In accordance with the provisions of the WB Policy and the Code of Conduct of the Company, this report will be placed before the respective Audit Committees of the three companies. The Audit Committee will be required to make recommendations to the Board of Directors including disciplinary action that may be required to be taken against persons involved in the wrongdoings complained in the WB Complaint.

NEXT MEDIAWORKS LIMITED

Management action taken and progress -

The Holding Company engaged a reputed law firm, who in turn engaged two leading accounting firms to undertake investigation of a named whistleblower complaint (“WB Complaint”) received by the holding company relating to its radio business and that of the radio business of the subsidiary Company. The WB Complaint alleged certain anomalies in practices adopted in the radio business of the Holding Company and that of subsidiary Company. A thorough investigation, including forensic analysis was conducted by the investigation team. A final report was submitted to the Audit Committee and the Board of Directors on 26th & 27th November 2020 respectively.

Based on the investigation findings and ascertainment of the alleged practices being limited to the pure money segment of the radio business, the Management has undertaken certain actions – remedial and otherwise, to improve and augment internal control mechanism that can detect and prevent re-occurrence of any anomalous practices. Further, the Company has taken special initiatives to strengthen governance mechanism. All the initiatives being undertaken by the Company have been briefly listed out below along with the progress on the said action:

1. Restatement of financial statements

Since the investigation findings suggest impact on the financials of the subsidiary Company, the consolidated financial statements of the Company for the financial year 2019-20 have been revised and restated based on the impact assessment on the revenue assessed for the period under investigation. The statutory auditors have carried out the requisite auditing procedures in respect of the revised and restated financial statements and issued an unmodified audit opinion for the financial year 2019-20. The revised financial statements have been approved by the Board on recommendation of Audit Committee, and disclosed to the Stock exchanges, shareholders and are in public domain.

2. Actions against the Company’s personnel identified as responsible for the misdemeanor

The Company has a zero-tolerance policy towards non-compliance and unethical practices. The Company and its subsidiary company have taken strict action(s) against the personnel whose involvement has been established during the investigation. The Company has adopted top down approach in terms of taking action against the identified personnel, commensurate to the role, fiduciary responsibility and responsibility attributed during the investigation. The key leadership personnel have since exited the Company. In case of a few individuals in the middle / senior management cadre, the subsidiary Company has adopted a strict approach by issuing strong warnings, effected job rotation and implemented freeze on their emoluments and increments for the financial year 2020-21. In respect of the employees in the lower cadre, who were identified during the investigation procedures, the subsidiary Company has given them strict warnings. The Company has also initiated initiatives to

refresh its Code of Conduct & Whistle Blower policy with detailed awareness and training programs for employees and other stakeholders.

3. Further strengthening internal control framework and centralized revenue assurance function

The Holding Company has appointed a reputed professional expert to review and further strengthen the Risk Control Matrix (RCMs) and Internal Control Framework (ICFR) testing on a group level. Alongside this, the Company is also implementing the central revenue assurance function oversee revenue controls and processes and is in the process of setting up a detailed charter and functional structure.

4. Strengthening governance and communication around Whistleblower (WB) and Code of Conduct (COC) process

The Company is committed to strengthening governance by emphasizing on its core values, ensuring strict adherence to the COC and providing an environment conducive for whistleblowing. Accordingly, the Company is taking three-point actions:

a. *Redrafting internal policies*

COC and WB policy have been reviewed and revised recalibrating the risk matrix in view of the learnings from the investigation. As a part of the revamp, the Company has *inter alia* set up a dedicated email for WB complaints on group level.

b. *Awareness on internal policies*

The Company will share the revised COC and WB policy with all employees by effectively employing multiple communication channels like official mail and word of mouth trickling top down. The executives in leadership positions will be required to discuss issues concerning adherence to the Code of Conduct and address townhall meetings of the respective teams specifically dealing with stricter compliance on ethical conduct across the organization. The Company will also make these internal policies available on the employee portal to make it easily accessible. The Company shall engage in awareness building campaigns and activities for COC and WB policy by deploying e-learning platforms for conducting interactive awareness training, talks by key managerial personnel. HR department will also circulate emails at regular intervals to all employees as a reminder of the COC and WB policy.

a. *Continued effort*

The Company is committed to zero tolerance to non-compliance of COC and actions inhibiting WB. With this aim, the actions for awareness building and compliance would

be continued efforts and not a one-off event. To this extent, the Company is in the process of setting up standard operation procedure (SOP).

5. Redefine values and culture for the organisation and digitize the program

As a means of strengthening the commitment to the core values and ethical culture of the Company and ingraining the same at all levels of employment, the Company is in the process of undertaking the following actions:

a. *Developing Values e-handbook*

The Company shall collate the core organisational values and create Values e-handbook. The handbook shall detail the behavior expected from the employees. The same shall disseminated to all employees across the Company.

b. *New initiatives for engagement*

The Company is developing a Values Training Program, which would be delivered by the leadership team via online medium. The instructing leadership team shall undergo a Train The Trainer program to better engage and facilitate effectiveness of Values Training Program. Further, the Company is also looking to develop a training and awareness building calendar to cover all employees across the Company.

c. *Performance management system linked to values*

With a view to ensure value inculcation, the Company has decided to link organizational values with performance management system.

d. *Revisiting existing initiatives*

The Company shall refresh the existing e-learning course on values to make them more interactive and engaging.

6. Automation/ system integration between business systems and SAP

There is increased focus on IT General Controls (ITGC) and Application Controls, and the Company is exploring to undertake and maximise system integration across the Company. The Company is undertaking complete scope check along with its holding company and is in the process of identifying key risk areas to ascertain top priorities. The Company is also aiming at maximizing digitization/ automation of process and control between systems and applications to, inter-alia, reduce manual intervention. The Company is also exploring opportunities to enhance technological utility.

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1. Revision of financial statements

Since the investigation findings suggest impact on the financials of the subsidiary Company, the consolidated financial statements of the Company for the financial year 2019-20 and the quarter ended 30 June 20 have been revised based on the impact assessment on the revenue assessed for the period under investigation. The statutory auditors have carried out the requisite auditing procedures in respect of the revised financial statements and issued an unmodified audit opinion for the financial year 2019-20 and the quarter ended 30 June 20. The revised financial statements have been approved by the Board on recommendation of Audit Committee, and disclosed to the Stock exchanges, shareholders and are in public domain.

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The Company has a zero-tolerance policy towards non-compliance and unethical practices. The Company and its subsidiary company have taken strict action(s) against the personnel whose involvement has been established during the investigation. The Company has adopted top down approach in terms of taking action against the identified personnel, commensurate to the role, fiduciary responsibility and responsibility attributed during the investigation. The key leadership personnel have since exited the Company. In case of a few individuals in the middle / senior management cadre, the subsidiary Company has adopted a strict approach by issuing strong warnings, effected job rotation and implemented freeze on their emoluments and increments for the financial year 2020-21. In respect of the employees in the lower cadre, who were identified during the investigation procedures, the subsidiary Company has given them strict warnings. The Company has also initiated initiatives to

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be continued efforts and not a one-off event. To this extent, the Company is in the process of setting up standard operation procedure (SOP).

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As a means of strengthening the commitment to the core values and ethical culture of the Company and ingraining the same at all levels of employment, the Company is in the process of undertaking the following actions:

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With a view to ensure value inculcation, the Company has decided to link organizational values with performance management system.

d. *Revisiting existing initiatives*

The Company shall refresh the existing e-learning course on values to make them more interactive and engaging.

6. Automation/ system integration between business systems and SAP

There is increased focus on IT General Controls (ITGC) and Application Controls, and the Company is exploring to undertake and maximise system integration across the Company. The Company is undertaking complete scope check along with its holding company and is in the process of identifying key risk areas to ascertain top priorities. The Company is also aiming at maximizing digitization/ automation of process and control between systems and applications to, inter-alia, reduce manual intervention. The Company is also exploring opportunities to enhance technological utility.