

Whistle-Blower Resolution Mechanism

Ethics, Fairness,
Transparency,
Inclusion and Value



Who is a whistle-blower?

A whistle-blower is a person or entity making a disclosure of any unethical activity that they have observed which includes violation of any law, rule, regulation or code of business ethics and conduct (COBEC) or any company policy or fraudulent and corrupt practices.

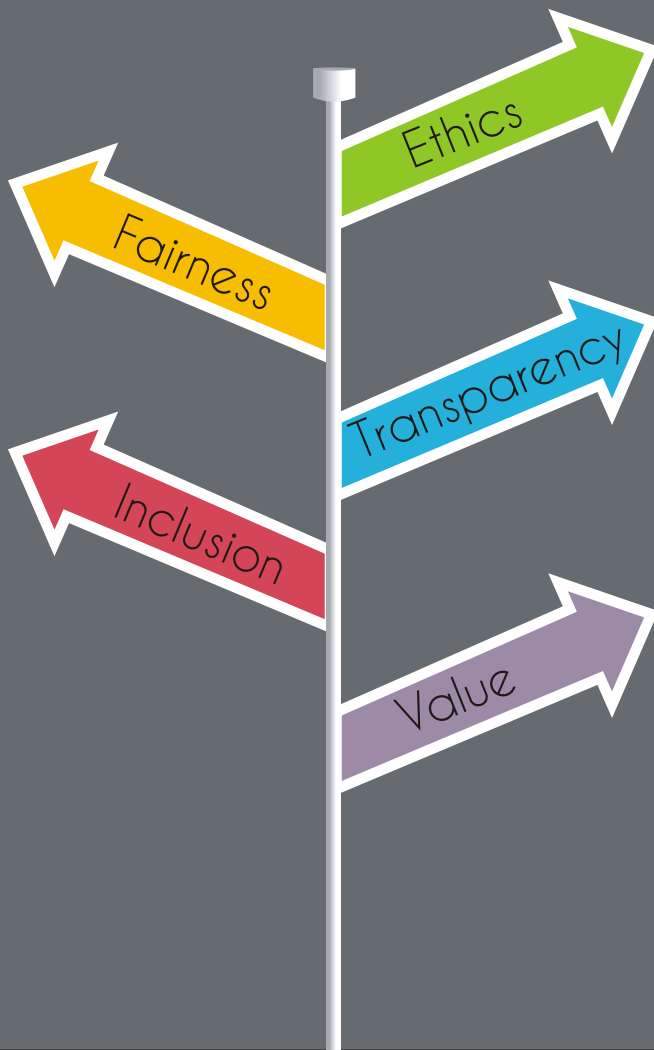
What are whistle-blower laws in India?

The Companies Act 2013: According to clause 177 of the Act, every listed company has to establish a vigil mechanism for its directors and employees to report genuine concerns.

Sec 177 (9): *Establishment of "vigil mechanism". Every listed company or such class or classes of companies, as may be prescribed, shall establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed.*

Sec 177 (10): *Safeguards against victimization. *Policy against victimization of persons using the mechanism. *Provide for access to the Chairperson of the Audit Committees in appropriate or exceptional cases. *Display the policy on the company website. *"Vigil mechanism" to be included in the Board's report.*

Schedule IV: *Code for independent directors. Ascertain and ensure that the company has an adequate and functional mechanism. Ensure that the interests of individuals who use the mechanism are not prejudicially affected.*



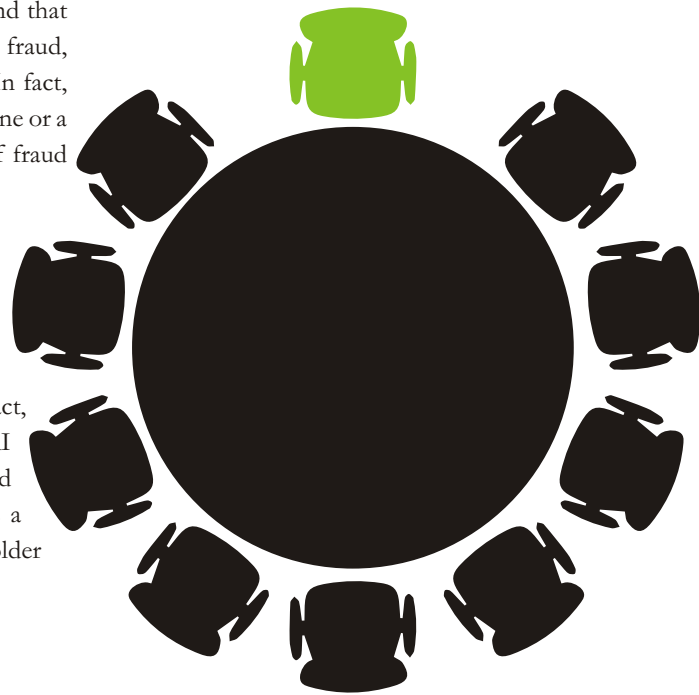
What is the need for a whistle-blower process?

Occupational frauds and corruption, which cause mission critical risks are not detected as a result of internal controls or audits, partly because perpetrators of fraud work in areas that are not tightly controlled or in areas that they themselves control. The most effective form of fraud detection is a tip, often received via a fraud hotline. However, whistle-blower hotlines, that also detected the largest fraud losses, are one of the least common anti-fraud mechanisms in use.

In its 2008 *Report to the Nation*, the ACFE found that tips are the number one method for detecting fraud, accounting for 42 per cent of initial reports. In fact, the ACFE found that organizations with a hotline or a whistle blower process typically cut incidents of fraud by 60 per cent.

Organizations without a hotline or WB process lost an average of \$250,000 while those with a hotline lost \$100,000.

Global Reporting Initiative, UN Global Compact, International Finance Corporation, Calpers, PRI and other bodies advocate setting up and reporting on the Whistle-blower processes as a key corporate governance process and stakeholder need of a company.



What are the key factors in a WBD process?

Identify all potential stakeholders including outsiders, if any. Understand the needs of stakeholders.

Customise processes to meet key stakeholder needs. Create systems that are flexible, confidential, anonymous and easy to use.

Ensure thorough analysis and fair review of material complaints.

Closure of each WBD with report back to the Chief Ethics Officer, Audit Committee and to the complainant. Include recommendations for systemic improvements to prevent future exposure.

Provide guidelines to address competing stakeholder needs for information.

These considerations can be appropriately satisfied by adopting a transparent and responsible external Ombudsman and attendant processes to resolve and close WB Disclosures.

What is our role as the Ombudsman?

Our primary role as the Ombudsman is to deal with whistle-blower complaints in connection with corporate governance, internal controls, financial reporting and auditing matters as swiftly, efficiently and effectively as possible.

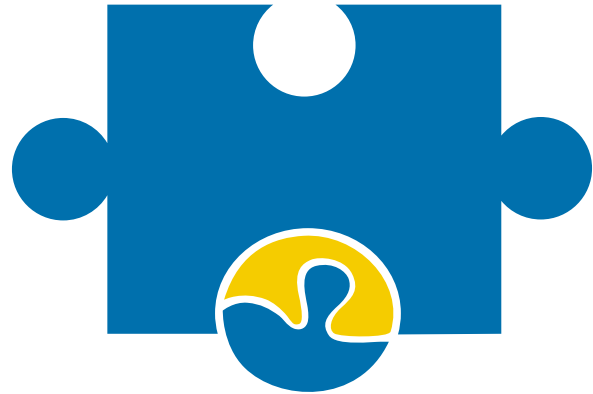


Table 1 fully highlights these responsibilities:

Requirement	Definition
Facilitate Disclosures	Discover, in a timely manner, evidence of activities that may threaten or impede compliance with laws, rules, regulations and standards related to financial statements and associated disclosures, regulatory filings and other public disclosures.
Encourage proper corporate conduct	Provide a process that, when implemented and properly maintained, will assist in efforts to reinforce pre-defined and acceptable ethical behaviours. Additionally, it will prevent, or detect and correct, unacceptable conduct.
Alert the Ethics Committee, Board of Directors and other governing body to spot potential problems before they have serious consequences	Establish a system to bring accounting, internal accounting control and auditing matters to the attention of the ethics committee/ governing bodies in time to prevent, or detect and correct, possible problems before they cause serious harm or damage.

Dealing with Confidentiality, Bias and Conflict of Interest

Our processes ensure that confidential information is not disclosed except as required by the mandated policies and processes. The procedures also avoid inclusion of particulars in any report or recommendation that is likely to lead to the identification of the whistle-blower, if s/he wishes to be anonymous.

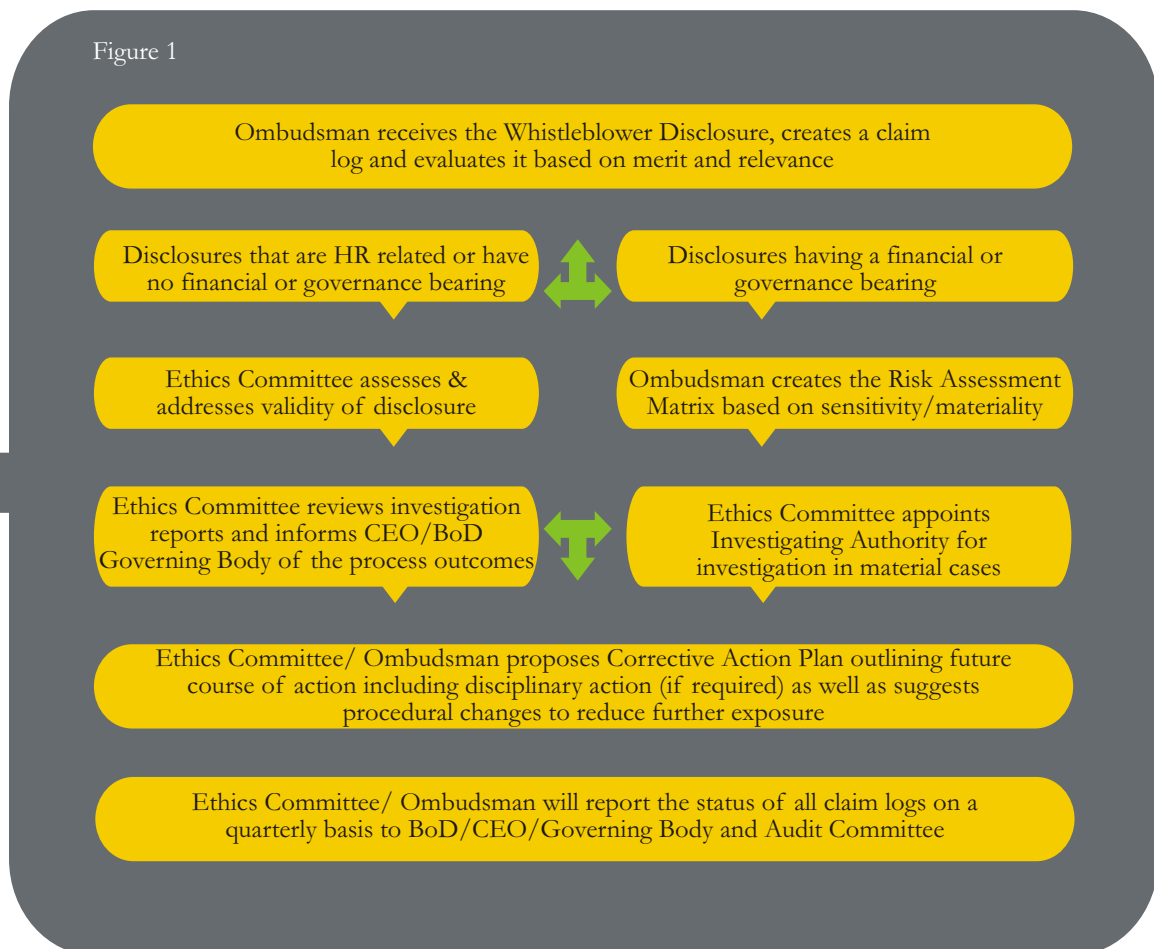
As an independent research organisation we are committed to avoiding any perceptions of bias or any

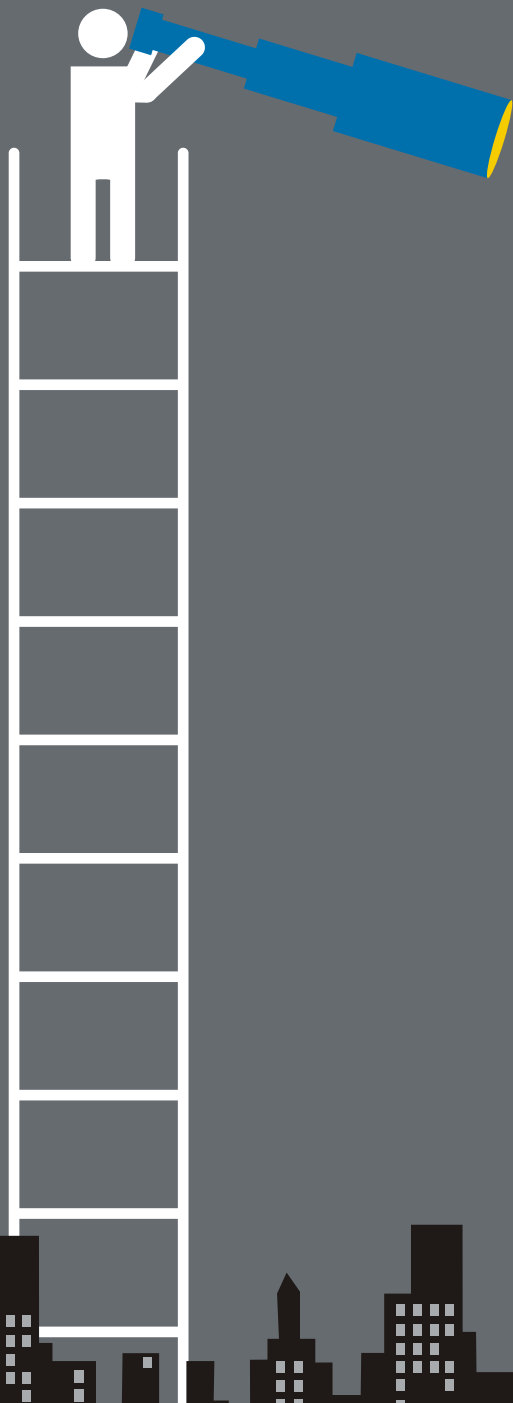
actual, perceived or potential conflicts of interest between our public duty and private interest.

How do we handle Whistle-blower Disclosure as the Ombudsman?

Our Analytical Framework for Whistle-blower Handling Process by the Ombudsman is summarized in Fig.1

Figure 1





Why Thought Arbitrage?

We are one of India's leading organisations in the areas of corporate governance research and applications. We have worked with the Government of India, Ministry of Corporate Affairs in developing Corporate Governance Reports, inputs into policies, thought papers and training of government officials involved in oversight of these policies.

We have been providing independent Ombudsman services to one of the top three software companies for over 90000 employees across the globe. Our Ombudsman services to the company include customers, contractors, clients and all other stakeholders.

We evaluate the key risks and conduct initial enquiries to determine the veracity, authenticity and severity of the complaints, since most of them are anonymous. This helps management to have an independently reviewed and logically stratified list of tasks to consider based on the levels of severity.

We have deep experience of dealing with the Board of Directors and promoters of the largest Indian companies.

We also assist and at times carry out investigations based on complaints and ensure that all stakeholders receive a fair and transparent participation in the process.

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