

# BOMBAY CHAMBER OF COMMERCE AND INDUSTRY

## CODE OF ETHICS FOR CORPORATES

### Preamble

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0.1 The need for this voluntary code has been felt for some time due to various reasons. One, there is a growing consensus that doing business in India is somewhat unattractive due to the lack of a strong code of ethics in public life as also in commerce and industry. This is seen most dramatically in the poor ratings India gets in such international comparisons as those published by Transparency International. Two, there is a strong consensus among economists that unethical practices lead to inefficient outcomes. Any improvement in the practice of ethical behaviour is, therefore, likely to lead to increase in output and prosperity all round. Three, most social scientists agree that corruption and rent seeking activities impact the less well off much more than the better off sections of society. Thus, a code of ethics will lead to improvements in equity and is likely to lead to a fairer distribution of the fruits of economic growth.

0.2 This code is based on industry best practices drawn from the Indian corporate sector. In formulating this code, we recognise the need to make a clear distinction between the acts and omissions of a company and the acts of its employees on behalf of the company. We have tried to include both aspects in this code. However, we have made a conscious decision not to include in this code any aspect of a member company's internal policy in regulating employee behaviour such as aspects of confidentiality and loyalty to the company. Nor have we included any aspect of employee behaviour within the member company in relation to other employees. We believe that such matters are best left to the companies themselves to regulate through internal mechanisms. Thus, this code covers only the conduct of the employees in so far as such conduct affects compliance by the member company of the code.

0.3 We view this code as a set of guidelines compiled and submitted for voluntary compliance by member companies. We do not intend it to be a mandatory set of rules that the Chamber seeks to impose and monitor. In fact, the Chamber does not have the inclination or the wherewithal for either. Instead, the main purpose of providing these guidelines to our members is to assist them in formulating their own code of conduct which incorporates the principles and practices outlined in the code. We have also tried to provide an example of what we consider best practice relating to whistleblower policy. We have included this as annexure.

## **Principle 1: Serving the National Interest**

1.1 A Member Company's management practices and business conduct will benefit the country, localities and communities in which it operates, to the extent possible and affordable, and will be in accordance with the laws of the land.

## **Principle 2: Ethical Behaviour and Functioning**

2.1 A Member company and its employees will comply with the laws and regulations in India and in each of the countries in which they operate.

2.2 A Member Company, in the course of its business activities, will respect and conform to the culture, customs and traditions in India and in each country and region in which it operates. It will conform to trade procedures, including licensing, documentation and other necessary formalities such as taxation, as applicable.

2.3 Every employee of a Member Company, including full-time directors and the chief executive, will exhibit culturally appropriate deportment in the countries they operate in, and deal on behalf of the company with professionalism, honesty and integrity, while conforming to high moral and ethical standards. Such conduct will be fair and transparent and be perceived to be so by third parties.

2.4 A Member Company is committed not to compromise on ethical business standards. The highest standards of integrity, impartiality, equity and objectivity will be observed in every activity that encompasses the business.

2.5 A Member Company respects the principle of strict legality in all acts, measures, contracts, and other transactions of the member company; this also applies to the payment of taxes due, obtaining necessary official permits (typically pertaining to customs and export control law), and observing third party rights. Support for this principle is necessary not only in view of the considerable business damage that can arise from violations – through prosecution, fines, or compensation claims – but above all because it endorses the principle of unconditional compliance with the law, irrespective of any potential cost or benefits to the member company.

2.6 A Member Company will compete through the inherent quality and excellence of its products and services, never through illegal, unethical or unfair business practices.

## **Principle 3: Respect for Human Rights**

3.1 A Member Company reiterates its belief in and adherence to the principles of human rights as enshrined in the Universal Declaration of Human Rights of the United Nations and to act in accordance with the principles laid down in it. It will also respect and abide by the requirements, in this behalf, of the countries in which it operates.

## **Principle 4: Respect for the Environment**

4.1 A Member Company is committed to making continuous improvements in the management of its environmental impact and to the longer-term goal of developing a sustainable business.

4.2 A Member Company will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

4.3 A Member Company will prevent the wasteful use of natural resources and be committed to endeavour improving the environment, particularly with regard to the emission of greenhouse gases, and will endeavor to offset the effect of climate change in all spheres of its activities.

4.4 A Member Company, in the process of production and sale of its products and services, will strive for economic, social and environmental sustainability.

4.5 A Member Company will comply with all environmental laws and regulations of the country in which it operates. In this respect, it will ensure proper approvals are obtained for usage of air, water and land for industrial purposes. It will also ensure proper emission / discharge / levels of waste materials in accordance with legal requirements.

### **Principle 5: Shunning Corrupt Practices**

5.1 A Member Company will comply with all applicable laws that prohibit money laundering and will report unaccounted cash or other suspicious transactions.

5.2 A Member Company will not be a party to agreements or supplements to agreements referring to the acceptance of bribe.

5.3 A Member Company will not pay commission and remuneration to authorized dealers, agents, or advisers that is not reasonable and proportionate to the contracted work such that it could be used for or viewed as being made in connection illegal gratification / bribes. It is forbidden to agree to any benefits intended as payment of a bribe. A Member Company must ensure that agents or other intermediaries engaged by the member company enter into a contractual obligation not to offer or receive bribes and contracts with such parties will include a clause providing for the right of termination without notice in cases of bribery or corruption.

5.4 A Member Company shall endeavour to formulate a policy regarding the acceptance and grant of gifts, laying down limits which are reasonable in value and of cultural appropriateness. Such policies will ensure that member companies do not espouse the payment or receipts of gifts or bribes for business or financial gain. As a corollary, no employee or representative of the Member Company will do anything that could give an impression that the Company could be influenced in this manner. If a gift received by a company or an employee which is in excess of the prescribed limits, and which cannot be reasonably declined or returned, the member company or the employee will not retain the gift but instead will donate the same to specified charities, and this fact of such donation shall be intimated to the person from whom such gift was received.

5.5 A Member Company will ensure that solicitation or acceptance of gifts is strictly forbidden except in cases where items are gifted with no expectation of business or personal gain and that payment or receipt of bribes is prohibited.

5.6 A Member Company will also ensure that no employee makes, authorizes, colludes in or abets in an improper payment, unlawful commission or bribery.

## **Principle 6: Care for all stakeholders**

### **Consumers**

6.1 A Member Company is committed to providing products and services which consistently offer value in terms of price and quality, and which are safe and efficacious for their intended use. Products and services will be accurately and properly labeled and advertised.

6.2 The quality standards of a Member Company's goods and services will meet applicable national and, where applicable, international standards.

6.3 A Member Company will display adequate health and safety labels, caveats and other necessary information on its product packaging.

6.4 A Member Company will endeavour to ensure that customer complaints and warranties are attended to the fullest satisfaction of the customer and in accordance with laid down policies with no additional inconvenience being caused to the customer.

### **Shareholders**

6.5 A Member Company's investor relations will be ethical, professional, transparent and investor friendly. Member Company will endeavour to provide timely, regular and reliable information on their activities, structure, financial situation and performance to all shareholders.

6.6 A Member Company recognizes the right of their Investors to information and will always be attentive to this need to the extent mandated by law. The relevant information will be speedily disseminated and will be as informative as is required to be, subject to considerations of confidentiality and applicable legislation.

6.7 A Member Company respects the right of Investors to express their views during Investor meets, including General Meetings of the Company, on matters forming part of the Agenda and on the performance of the Company, and will respond to their observations and queries to the fullest extent permissible.

### **Business Partners**

6.9 In business dealings, a Member Company will expect its business partners to adhere to business principles consistent with its own.

6.10 A Member Company will treat suppliers and vendors in a fair and reasonable manner, without undue favour or bias consistent with applicable laws and good business practices.

6.11 Agreements of a Member Company with suppliers will be complete, unambiguous, and documented, including any subsequent changes and additions. Suppliers will be selected solely on merit, based on a comparison of the price, quality, performance, and suitability of the products or services offered.

## **Principle 7: Avoidance of Insider Trading**

7.1 An employee of a Member Company will not use or proliferate information that is not available to the investing public, and which therefore constitutes insider information, for making or giving advice on investment decisions about the securities of the respective Member

Company, group, client or supplier on which such insider information has been obtained. Employees of a member company who are in a position to proliferate such information need to sign a declaration with the member company

7.2 Insider information is any non-public information which an investor would consider important in making investment decisions. It is forbidden to acquire securities, to sell them, or to recommend their purchase or sale on the basis of insider information.

## **Principle 8: Fostering Competition**

8.1 A Member Company will fully support the development and operation of competitive open markets and will promote the liberalization of trade and investment in each country and market in which it operates[No Member Company or employee will engage in restrictive trade practices, abuse of market dominance or similar unfair trade activities in order to secure commercial gain or advantage].

8.2 In particular, a Member Company will not, with a view to restrict competition, exchange information or reach agreements with competitors on allocation of territories or customers, prices or components of prices such as terms and conditions of sale and warranty, supply relationships or the conditions governing them, production capacities, or the terms and conditions of offers. This also applies to the exchange of information concerning market strategies and investment strategies. Written or oral agreements to this effect are prohibited. Cooperation in or the exchange of information regarding research and development projects are only allowed as permitted by law.

8.3 A Member Company will not exploit its market position to violate the relevant laws on price discrimination, the supply of unsolicited products, or the refusal to do business.

8.4 A Member Company will support the development of laws that promote, encourage or result in fair competition.

## **Principle 9: Privacy and Confidentiality of Third Party data**

9.1 A Member Company will treat confidential information with care to avoid disclosure of such information, unless disclosure is authorized or legally required. Confidential information includes, but is not limited to the following: Information about the Firm's clients, including their names, addresses, other personal information, portfolio transactions and portfolio holdings; and Investment advice given to the company's clients.

## **Principle 10: Truth in Advertising**

10.1 A Member Company or employee will market the company's products and services on its own merits and will not make unfair and misleading statements about competitors' products and services. Any collection of competitive information will be made only in the normal course of business and will be obtained only through legally permitted sources and means.

10.2 A Member Company will, on a timely basis, provide reliable and meaningful information about its products, services, operating results, shareholding structure and other activities to



legitimately interested persons and as may be required by law, subject to considerations of the legal requirements, cost and confidentiality.

10.3 Member Companies must not make exaggerated claims about their products and, more specifically, should not play on peoples' biases, fears and prejudices and avoid community specific or gender specific stereotypes.

## **Principle 11: Transparency in Reporting**

11.1 A Member Company will maintain all records in accordance with all applicable laws and regulations.

11.2 All records and reports, whether internal or external, must be accurate and truthful. The accounting principles applicable to the respective units of a member company will be observed; these require that data and other records be entirely correct, timely, and compatible with the relevant systems at all times.

11.3 A Member Company will not willfully make any material misrepresentation about its financial accounts or position.

11.4 In recording transactions in the books of account of a Member Company, no attempt will be made to disguise the true nature of the transactions being recorded.

11.5 Results that are published or otherwise disseminated by the Member Company will not, in any manner, be misleading.

## **Principle 12: Protection of Whistleblowers**

12.1 A Member Company will endeavour to have a dedicated third party ethics helpline which would be known to all employees for them to promptly report to the management, and / or third-party ethics helpline, when she / he becomes aware of any actual or possible violation of the Code of ethics or an event of misconduct, act of misdemeanor or act not in the company's interest.

12.2 A Member Company will endeavour to put in place a foolproof mechanism for ensuring protection of a whistleblower from any harm or intimidation and for protecting the identity of the whistle blower and for ensuring the whistleblower from any harm or intimidation.

12.3 A Member Company will not resort to any kind of retaliation against employees who reports violations of this in good faith.

12.4 A Member Company will endeavour to determine whether it is appropriate to have a Cell within it charged with the responsibility for monitoring compliance with the provisions of this Code. A Member Company will however be free to take action against a whistleblower if it is established that the information provided by the whistle blower was knowingly false or made with a malicious intent.

## **Example 1: Suggested Working Mechanism of the Code of Ethics and the Whistle Blower Policy in a Company**

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The Code of Conduct of XYZ COMPANY is based on the Values and Principles of the XYZ COMPANY Group as well as the laws and regulations of India, which are binding on all employees of XYZ COMPANY Companies in India.

All employees are expected to comply with the Code of Conduct and all rules, laws and regulations applicable to XYZ COMPANY Companies in India and for this purpose the role/responsibility of the each employee of the Company is laid down in the Code of Conduct.

XYZ COMPANY encourages any employee who has any specific concern about its working environment or operations to raise his/her concern. This could include, but not limited to concerns about possible:

breaches / violations of XYZ COMPANY policy or XYZ COMPANY standards or Code of Conduct or ethics

unethical conduct or behaviour

damage to the environment or risks to the health or safety of people

improper conduct

violations of laws and regulations including those which pertain to deviations from accepted standards of accounting and internal control

attempts to conceal any one or more of the above.

XYZ COMPANY has put in place a Hotline procedure which acts as a whistle blower for the employees of the Company. In terms of the Hotline procedure, contained in the Code of Conduct, any employee who has any doubts about the implications of his/her own conduct or if there is any indication of legally dubious practices in his/her working environment, the same can be reported through hotline which has been established at a reputed law firm by the Company. The Compliance Hotline is established to address any compliance concerns effectively. Employees need not have any fear against repercussion or any other discrimination due to the use of the hotline as such.

Each employee of the Company is given a copy of the Code of Conduct as part of his joining documents and necessary declarations are obtained by the Company in this regard. The Code of Conduct of the Company is also displayed on the Company's website and at the Corporate Offices, factories, branches etc for the information of all employees of the Company. Further regular trainings are imparted during the induction programme on the Code of Conduct to the employees of the Company who join the organization. Special/Specific training programmes are also conducted from time to time, based on the request received from the Business units.

Regular internal and external communications are provided by the Company to prevent using of any unpublished price sensitive information for the personal advantage of the employees to prevent insider trading.

Employees are instructed as part of the Code of Conduct to comply with all applicable legal requirements and XYZ COMPANY's standards and not to demand or accept payments, gifts or other benefits of value and inform superiors of any such offers received from any business partner. No personal advantage of any kind will be offered or granted to any office holder in the Government, Government owned enterprise or in any body corporate in India or abroad.

All employees in XYZ COMPANY are required to comply with all applicable competition laws, policies and treaties and thus help in fostering Competition in the market.

Employees can seek help from their superiors or Human Resources or Legal Department on any matter concerning the Code of Conduct.

