



**GUIDELINES ON CODE OF
CONDUCT FOR LISTED
AND PUBLIC SECTOR
COMPANIES**



Key Points:

- 1. In pursuance of rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 and regulation 10 of the Listed Companies (Code of Corporate Governance) Regulations, 2019, public listed and public sector companies are required have a code of conduct for directors, senior management and other employees under respective laws.*
- 2. In absence of uniformed guidelines, there is a risk that the aforementioned companies may formulate code of conduct covering different points in their code, while some may rely on heavily regulated regime while others may not.*
- 3. These guidelines are being issued to facilitate and provide general guidance to the aforementioned companies in formulating their code of conduct for directors, senior managers and other employees, by covering some broad areas, emphasizing individual responsibility and the importance of business-led solution.*
- 4. The code and its accountability measures would be implemented by the aforementioned companies.*

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**GUIDELINES FOR PREPARING CODE OF CONDUCT BY THE COMPANIES
FOR ITS DIRECTORS, SENIOR MANAGEMENT AND OTHER EMPLOYEES**

1. [Introduction]

Every company needs a governing body to determine its strategic objectives and policies, to appoint and control its operational management, to monitor its progress towards business objectives; effectiveness and efficiency of operations in compliance with policies and to be accountable for its activities. This governing body is Board of Directors of company. And all Directors are responsible for collective decision making.

The success of a company depends upon the competence and integrity of its directors. The directors are duty bound to exhibit in the performance of their functions the same degree of care, skill and prudence as generally expected from an ordinary-men in exercising his own affairs. Since, directors have fiduciary role, to act on behalf of the shareholders of the company, therefore, they must always act in the best interests of the company and its stakeholders. The law demands that the directors, senior managers and other employees, while exercising their legal duties, must possess the requisite knowledge and competencies and exhibit such conduct as expected from them by the shareholders and other stakeholders.

In this regard, a well-defined code of conduct is often viewed as a crucial and useful mean in defining acceptable behaviors, promoting company's culture and aligning the standards expected from

the directors and senior management with the company's vision and values.

These guidelines are being issued to facilitate and provide guidance to the public sector and public listed companies in preparation of their Code of Conduct (the Code) for directors, senior managers and other employees. This document will provide a basis to the companies to formulate the Code by incorporating these general/broader areas. The companies may, however, determine the additional contents to be incorporated in the Code depending upon the nature, size and complexity of their businesses.

Companies which are not required by law or regulations to develop the code of conduct for its directors, senior management and other employees may also opt to formulate the Code by seeking guidance from these guidelines.

2. [Legal Requirements Regarding Code of Conduct]

The Public Sector Companies (Corporate Governance) Rules, 2013 (the “PSC Rules”) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the “CCG Regulations”) require that the board of such companies develop a formal code of conduct for its directors, senior management and other employees to articulate expected behavior, promote ethical culture in the company and prevent conflict of interest in their capacity as member of the Board and senior management.

Rule 5(4) of the PSC Rules provides that the Board shall ensure that professional standards and corporate values are in place that promotes integrity for the Board, senior management and other employees in the form of a “Code of Conduct”. The code of conduct shall articulate acceptable and unacceptable behaviors. The Board shall ensure that appropriate steps are taken to communicate throughout the company the code of conduct it sets together with supporting policies and procedures, including posting the same on the company’s website. The Board shall also ensure that adequate systems and controls are in place for the identification and redressal of grievances arising from unethical practices.

Regulation 10(3)(ii) of the CCG Regulations provides that the Board of the company shall ensure that a formal code of conduct is in place that promotes ethical culture in the company and prevents conflict of interest in their capacity as member of the Board, senior management and other employees. The Board shall take appropriate steps to disseminate code of conduct throughout the company along with supporting policies and procedures;

Aforementioned provisions of law provide that the board of such companies shall take appropriate steps to disseminate code of conduct throughout the company along with supporting policies and procedures. Additionally, Public Sector Companies are required to post such code at their website in terms of rule 5(4) of the PSC Rules, whereas a listed company may post it on its website in terms of regulation 35 of the CCG Regulations.

3. [General Principles/Areas to be Included in the Company’s Code of Conduct]

The Companies may consider following areas while formulating their Code and require their directors, senior management and employees to agree to the following broad principles: -

Principles to be covered in the Code	
Encourage Environmental, Social and Corporate Governance (ESG) Practices	✓
Understanding of the Legal Duties	✓
Personal Conduct	✓
Conduct in Business Dealings	✓
Integrity and Honesty	✓
Avoid Conflict of Interest	✓
Ensure Confidentiality	✓
Diversity and Inclusion	✓
Role Towards Shareholders/Members and other Stakeholders	✓
Safeguarding Company’s Assets	✓
Promoting Safe and Healthy Environment	✓
External Activities and Public Comments	✓
Avoid Insider Trading	✓

i. **Encourage Environmental, Social and Corporate Governance (ESG) Practices:**

- ESG is an approach of assessing companies on Environmental, Social and Governance performance factors. Environmental Criteria addresses a company’s operations impact on environment. Social criteria refer to how a company manages relationships with and creates value for stakeholders. Governance criteria refers to a company’s leadership & management’s practices, policies, internal controls and shareholders’ rights.
- Since, the investors are increasingly considering the sustainability factors while making their investments, thus, the concepts of Environmental, Social and Governance (“ESG”) are evolving, therefore, the directors, senior managers and employees of such companies should advocate the best practices and ensure commitment to strengthen environmental, social and corporate governance areas in accordance with the global best practices.
- To encourage the management to adopt digitalization to enhance efficiency and to protect the environment;

- To promote and ensure compliance with ESG policy of the company, if any;
- To encourage philanthropic activities, donations, contributions to charities and other matters of social welfare, in terms of sustainable practices;
- To encourage the management to publish or disclose regular reports on their ESG targets, environmental and social impact activities;
- To ensure that the company operates in an environmentally and socially responsible manner, while having strong governance practices in place;
- To ensure that the company adopts most efficient energy management system, prevention of energy waste and utilization of natural resources in responsible manner;
- To ensure commitment to prevent the wasteful use of natural resources and minimize any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment in accordance with the applicable laws.

ii. Understanding of the Legal Duties:

- Acquire appropriate knowledge of the legal requirements relating to their duties to perform their obligations diligently and in compliance with the applicable laws, relevant guidelines and policies of the company and to ensure compliance of applicable regulatory frameworks;
- Make dedicated efforts to improve competence and skills in their respective roles through continuing professional education;
- Bring to the notice of the board, any non-compliance or violation of law or policy by the company, other board members or employees.

iii. Personal Conduct:

- Avoid following actions:
 - Misconduct, intimidating & insulting behavior, verbal onslaught, accusations, misogynist behavior, sexual harassment, ignorance of regulatory framework, spate communication (letters, emails, etc.) without highlighting specific discrepancies, humiliation, pressurizing tactics, coerciveness, disruptive and distractive measures, bullying, disruption of conduct of business, unnecessary interference in management issues, unethically tarnishing image of any person;
- Exhibit high standards of personal conduct, both inside and outside the company.

iv. Conduct in Business Dealings:

- Treat everyone, inside and outside the company, professionally with respect and equality without taking improper advantage of their position;
- To not involve in such practices like manipulation, misuse of privileged information and concealment of facts.

v. Integrity and Honesty:

- Act, at all times, with honesty, integrity and independence to protect company's properties, reputation and image, and not get into dishonest practices such as bribery or corruption, etc.;
- Exercise due diligence, objectivity, sound and independent judgement while performing the duties;
- To not involve in practices with the intention to get any undue advantage either for himself or his family members.

vi. Avoid Conflict of Interest:

- To not get into any such business or practice that would tend to influence him/her in a way other than in the best interests of the company;
- To not get into any business transaction or agreement that would result in the conflict of interest in any manner, other than those in the best interests of the company;
- To not receive gifts and other benefits from the outsiders having pecuniary and other interest.

vii. Ensure Confidentiality:

- Protect confidential, proprietary and any such information received by virtue of their position in the company and not disclose such information to anyone, unless the disclosure is required under any law or authorized by the board of the company;
- To not use or intend to use the confidential and proprietary information for gaining unfair advantage and personal benefits, unless it becomes public.

viii. Diversity and Inclusion:

- To promote diverse and inclusive board and management composition;
- Provide equal opportunities to all employees for employment in the company irrespective of their culture, race, gender, caste, and religion;
- Promote a work environment free from discrimination, harassment and intimidations of any nature.

ix. Role Towards Shareholders/Members and other Stakeholders:

- Treat all shareholders/members and stakeholders of the company in a fair and respectable way;
- Act in the best interests of the company and fulfill their fiduciary responsibilities *qua* the company;
- Understand and consider the interests of all stakeholders in the success of the organization.

x. Safeguarding Company's Assets:

- Use company's assets, property, proprietary information and intellectual rights for business purposes of the company and not for personal benefits or gains and to make utmost efforts for the protection and efficient use of the company's assets.

xi. Promoting Safe and Healthy Environment:

- Give due consideration to the safety and health of all employees and to provide safe, competitive and healthy working environment.

xii. External Activities and Public Comments:

- To not undertake any external activities during the working hours or, at the expense of company's duties and commitments.

xiii. Avoid Insider Trading:

- To not indulge in insider trading on the basis of unpublished price sensitive information, subject to exceptions given in section 128 of the Securities Act, 2015, and ensure compliance with all relevant laws and company's policies, if any, on prohibition of insider trading.

Additionally, the directors, senior management and other employees of the companies shall understand and comply with all applicable laws, rules, regulations of any government, regulatory organization(s), licensing agency(ies), or professional association(s)/body(ies) governing their professional activities.

4. [Non-Compliance, Disclosure & Other Aspects]

The companies may decide about the disclosure requirements, procedure and frequency for signing of the declaration by directors, senior managers and other employees in compliance to the Code. The companies may provide procedure for dealing with non-compliances of the Code and provide a clause for waiver or relaxation of any clause of the Code. The companies may designate a forum for providing clarity on the clauses of the Code, its implementation thereof and reporting non-compliances and accountability associated with the Code.

5. [Disclaimer]

These are general guidelines to provide a flavor of how the Code might be and the companies must refer to other relevant and applicable laws read with applicable policies and procedures, as applicable.
