

**The Handicrafts and Handlooms Exports Corporation of India Limited**  
**New Delhi**

**Model Code of Business Conduct and Ethics for Board Members and Senior Management**

**1.0 Introduction**

- 1.1 This Code shall be called “The Code of Business Conduct & Ethics for Board Members and Senior Management” of The Handicrafts & Handlooms Exports Corporation of India Ltd, (hereinafter referred to as “the Company”)
- 1.2 The purpose of this Code is to enhance ethical and transparent process in managing the affairs of the Company.
- 1.3 This Code for Board Members and Senior Management has been framed specially in compliance of the provisions of Clause 49 of the Listing Agreement with Stock Exchanges and as per the Guidelines of DPE.
- 1.4 It shall come into force with effect from the Financial Year 2011-12 (year and month).

**2.0 Definitions and Interpretations:**

- 2.1 The term “Board Members” shall mean Directors on the Board of Directors of the Company.
- 2.2 The term “Whole-time Directors” or “Functional Directors” shall be the Directors on the Board of Directors of the Company who are in whole-time employment of the company.
- 2.3 The term “Part-time Directors” shall mean Directors on the Board of Directors of the Company who are not in whole time employment of the Company.
- 2.4 The term “Relative” shall have the same meaning as defined in Section 6 of the Companies Act, 1956.
- 2.5 The term “Senior Management” shall mean personnel of the Company who are members of its core management team excluding Board of Directors and would comprise all members of management one level below the Whole time Directors, including all functional heads not below the rank of Chief Manager
- 2.6 The term “the Company” shall mean The Handicrafts & Handlooms Exports Corporation of India Ltd.

**Note:** In this Code, words importing the masculine gender shall include feminine gender and words importing singular shall include the plural or vice-versa.

### **3.0 Applicability**

3.1 This code shall be applicable to the following personnel:

- a) All Whole-time Directors including the Managing Director of the Company.
- b) All Part-time Directors including Independent Directors under the provisions of law.
- c) Senior Management (Chief Manager and above Officers, All branch In charges, Head of Department).

3.2 The Whole-time Directors and Senior Management (Chief Manager & above) should continue to comply with other applicable/to be applicable policies, rules and procedures of the Company.

3.3 In so far as practically the relevant provisions of the Model Code will be applicable keeping in view the nature of the business of the Company.

### **4. Key Requirements**

4.1 The Board Members and Senior Management Personnel must act within the authority conferred upon them and in the best interests of the company and observe the following code of conduct:

- i. Shall act in accordance with the highest standard of honesty, integrity, fairness and ethical conduct while working for the Company as well representing the Company without allowing their independent judgment to be subordinated and fulfill the fiduciary obligations.
- ii. Shall not involve themselves in making any decision on a subject matter in which a conflict of interest arises or could arise, between the personal interest and the interest of the Company. In the event of apprehending of such conflict of interest, the relevant facts shall be disclosed in writing explaining the circumstances that create or could create the conflicts of interest to:
  - iii. (a) Board of Directors in case of Directors (whole-time & part-time) and
  - (b) Chairman cum Managing Director in case of Senior Management Personnel for further directions in the matter.

- 4.2 Shall avoid conducting business with a relative or with private Company in which the relative is a member or a public limited company in which a relative holds 2% or more shares or voting right or with a firm in which a relative is a partner.
- 4.3 Shall avoid having any personal financial interest in works or contract awarded by the Company.
- 4.4 Shall avoid any relationship with a contractor or supplier that could compromise the ability to transact business on a professional, impartial and competitive basis or influence decision to be made by the Company.
- 4.5 Shall not hold any positions or jobs or engage in outside businesses or other interests that adversely affect the performance of duties of the Company. Whole-time Directors and Senior Management Personnel are expected to devote their full attention to the business interest of the Company.
- 4.6 Shall not exploit for their own personal gain, opportunities that are discovered through company's business, information or position, unless the opportunity is disclosed fully in writing to the Company's Board of Directors and Chairman as the case may be.
- 4.7 Shall not seek or accept or offer directly or indirectly any gifts, donations, remuneration, hospitality, illegal payments, favour in whatsoever form howsoever described by the customers, vendors, consultants, etc., that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commitment of fraud, opportunity for committing any fraud.
- 4.8 Shall comply with all applicable laws, rules and regulations and any violation thereon may make them personally liable. Directors and Senior Management Personnel may be subjected to disciplinary action by the Company for violation of provisions of law.
- 4.9 Shall not serve as a Director of any other Company or as a partner of a firm that competes with the Company. Whole Time Directors and Senior Management Personnel shall obtain approval of the Chairman cum Managing Director prior to accepting Directorship of any other Company or partnership of a firm.
- 4.10 Shall not derive benefit or assist others to derive benefit by giving investment advice from the access to and possession of information about the Company, not in public domain and therefore constitute insider information. The Board Members and Senior Management Personnel shall make timely disclosures of (i) trading in the shares of the Company, (ii) transactions having personal interest and (iii) related party transactions that are required to be made under laws, rules & regulations and Code for prevention of Insider Trading in the Securities of the company if any.

- 4.11 Any information concerning the Company's business, its customers, suppliers, etc, which is not in the public domain and to which the Board Members and Senior Management Personnel has access or possesses such information, must be considered confidential and held in confidence, unless authorized to do so and when disclosure is required as a matter of law. No Board Members and Senior Management Personnel shall provide any information either formally or informally, to the press or any other publicity media, unless specifically authorized.
- 4.12 Shall protect the Company's assets, labour and information and may not use these for personal use, unless authorized to do so.

## **5. Enforcement of Code of Conduct**

- 5.1 Company Secretary/officer nominated shall be the Compliance Officer for the purpose of this code.
- 5.2 Each Board Member and Senior Management Personnel shall be accountable for fully complying with this code.
- 5.3 Compliance Officer shall report breach of this code, if any, which comes to his notice to the:
- (a) Board in case of all Board members and
  - (b) Chairman cum Managing Director in case of Senior Management Personnel
- 5.4 All Board Members and Senior Management Personnel shall be subject to any internal or external investigation of possible violations of this code.

The Company shall ensure confidentiality and protection to any person who has, in good faith, reported a violation or a suspected violation of law, of this code or other Company policies, or against any person who is assisting in any investigation or process with respect to such a violation.

- 5.5 Penalty for breach of this code by Senior Management Personnel shall be determined by the Chairman cum Managing Director. In case of breach of this code by the Whole-time Directors and/or Part-time Directors, the same shall be examined by the Board.
- 5.6 Penalty may include serious disciplinary action, removal from office and dismissal as well as other remedies, including recommendations for any of the above penalty, to the extent permitted by law and as considered appropriate under the circumstances.

## **6. Waiver and Amendments of the code**

6.1 No waiver of any of the provisions of this code shall be valid unless, the Board of Directors of the Company approves such waiver in case of Board members and by Chairman cum Managing Director in case of Senior Management Personnel

6.2 The provisions of this code can be amended by the Board of Directors of the Company from time to time.

## **7. Insertion of the code in website**

This code and any amendments thereto shall be posted on the website of the Company.

## **8. Affirmation of compliance of the code**

All Board members and Senior Management Personnel shall within 30 days of close of every financial year affirm compliance with the Code. A proforma of Annual Compliance Report is annexed to this Code as Appendix-II. The Annual Compliance Report shall be forwarded to the Compliance Officer of the Company

## **9. Acknowledgement of receipt of the code**

All Board Members and Senior Management Personnel shall acknowledge the receipt of this code in the acknowledgement form annexed to this Code (Appendix-III) indicating that they have received, read and understood, and agreed to comply with the code and send the same to the Compliance Officer. Upon revision of this code, the Board Members and Senior Management Personnel shall acknowledge and execute an understanding of the Code (Appendix-III) and an agreement to comply. New Directors will sign such a deed (Appendix-III) at the time when their directorship begins.

## **10.0 Contents of Code**

Part I	General Moral Imperatives
Part II	Specific Professional Responsibilities
Part III	Specific Additional Provisions for Board Members and Senior Management

This code is intended to serve as a basis for ethical decision making in the conduct of professional work. It may also serve as a basis for judging the merit of a formal complaint pertaining to violation of professional ethical standards.

It is understood that some words and phrases in the code of ethics and conduct document are subject to varying interpretations. In case of any conflict, the decision of the Board shall be final.

## **PART – I**

## **11.0 General Moral Imperatives**

### **11.1 Contribute to society and human well being**

11.1.1 This principle concerning the quality of life of all people, affirms an obligation to protect fundamental human rights and to respect the diversity of all cultures. We must attempt to ensure that the products of our efforts will be used in socially responsible ways, will meet social needs and will avoid harmful effects to health and welfare of others. In addition to a safe social environment, human well being includes a safe natural environment.

11.1.2 Therefore, all Board Members and Senior Management who are accountable for the design, development, manufacture and promotions of company's products, must be alert to, and make others aware of, both a legal and a moral responsibility for the safety and the protection of human life and environment.

### **11.2 Be honest and trustworthy & practice integrity**

11.2.1 Integrity and honesty are essential components of trust. Without trust an organization cannot function effectively.

11.2.2 All Board Members and Senior Management are expected to act in accordance with highest standards of personal and professional integrity, honesty and ethical conduct, while conducting business of the HHEC.

### **11.3 Be fair and take action not to discriminate**

11.3.1 The value of equality, tolerance, respect for others, and the principles of equal justice govern this imperative. Discrimination, on the basis of race, sex, religion, caste, age, disability, national origins or other such factors, is an explicit violation of this Code.

### **11.4 Honour confidentiality**

11.4.1 The principle of honesty extends to issues of confidentiality of information. The ethical concern is to respect all obligations of confidentiality to all stakeholders unless discharged from such obligations by requirements of the law or other principles of this Code.

11.4.2 All Board Members and Senior Management, therefore, shall maintain the confidentiality of all confidential unpublished information about business and affairs of the HHEC.

### **11.5 Pledge & Practice**

11.5.1 To strive continuously to bring about integrity and transparency in all spheres of the activities.

11.5.2 Work unstintingly for eradication of corruption in all spheres of life.

11.5.3 Remain vigilant and work towards growth and reputation of the Company.

11.5.4 Bring pride to the organization and provide value-based services to Company's stakeholders.

11.5.5 Do duty conscientiously and without fear or favour.

## **PART II**

### **12.0 Specific Professional Responsibilities**

#### **12.1 Live the Vision, Mission and Values of HHEC – each day**

Live the Vision, Mission and Values of The Handicrafts & Handlooms Exports Corporation of India Ltd., each day. For quick reference they are as under:-

#### **Vision and Mission**

Strive to make available Indian handicrafts and handloom products traditionally produced in the remote parts of the country to all parts of Globe. Strive to achieve qualitative improvement in goods produced by the artisans, weavers and crafts persons in order to augment the credibility of Indian handicrafts and handlooms products in International and Domestic market.. Strive to improve the productivity of the artisans, weavers and crafts persons through developmental activities in order to improve and sustain their quality of life.

#### **VALUES**

Customers satisfaction  
Transparency and courtesy.  
Prompt and professional service  
Compassion and better business sense.

#### **OUR COMMITMENTS**

We are committed :

- » To provide quality merchandise to customers through outlets in India and abroad.
- » To provide avenues for better prices to the artisans, weavers and craft persons.
- » To Provide technical, marketing and other assistance to the artisans, weavers and crafts persons viz a viz customers.

- » To improve the profitability of the Corporation and to give the Government better returns for the money invested by it.
- » To ensure original handmade/ crafted products of Indian origin.
- » To ensure revival of languishing art & craft of India.

- 12.2 Strive to achieve the highest quality, effectiveness and dignity in both the processes and products of professional work:** - Excellence is perhaps the most important obligation of a professional. Everyone, therefore, should strive to achieve the highest quality, effectiveness and dignity in their professional work.
- 12.3 Acquire and maintain professional competence:-** Excellence depends on individuals who take responsibility for acquiring and maintaining professional competence. All are, therefore, expected to participate in setting standards for appropriate levels of competence, and strive to achieve those standards.
- 12.4 Compliance with Laws:-** The Board Members and Senior Management of the HHEC shall comply with all the applicable provisions of existing local, state, national, and international laws. They should also follow and obey the policies, procedures, rules and regulations relating to business of the HHEC.
- 12.5 Accept and provide appropriate professional review:-** Quality professional work depends on professional review and comments. Whenever appropriate, individual members should seek and utilize peer review as well as provide critical review of the work of theirs.
- 12.6 Manage personnel and resources to enhance the quality of working life:-** Organizational leaders are responsible for ensuring that a conducive working and business environment is created for fellow employees to enable them delivering their best. The Board Members and Senior Management would be responsible for ensuring human dignity of all employees, would encourage and support the professional development of the employees of the HHEC by providing them all necessary assistance and cooperation, thus enhancing the quality of working.
- 12.7 Be upright and avoid any inducements:-** The Board Members and Senior Management shall not, directly or indirectly through their family, relative and other connections, solicit any personal fee, commission or other form of remuneration arising out of transactions involving Company. This includes gifts or other benefits of significant value, which might be extended at times, to influence business for the organization or awarding a contract to an agency, etc.
- 12.8 Observe Corporate Discipline:-** The flow of communication within the HHEC is not rigid and people are free to express themselves at all levels. Though there is a free exchange of opinions in the process of arriving at a decision, but after the debate is over and a policy consensus has been established, all are expected to adhere and abide by it, even when in certain instances one may not agree with it individually. In some cases



policies act as a guide to action, in others they are designed to put a constraint on action. All must learn to recognize the difference and appreciate why they need to observe them.

- 12.9 Conduct in a manner that reflects credit to the Company:-** All are expected to conduct themselves, both on and off duty, in a manner that reflects credit to the Company. The sum total of their personal attitude and behaviour has a bearing on the standing of Company and the way in which it is perceived within the organization and by the public at large.
- 12.10 Be accountable to Company's stakeholders:-** All of those whom we serve, be it our Customers, without whom the Company will not be in business, the Shareholders, who have an important stake in its business, the Employees, who have a vested interest in making it all happen, the Vendors, who support the Company to deliver in time and Society to which Company is responsible for its actions – are stakeholders of the Company. All, therefore, must keep in mind at all times that they are accountable to Company's stakeholders.
- 12.11 Prevention of Insider Trading:-** The Board Members and Senior Management shall comply with the code of Internal Procedures and conduct for prevention of Insider Trading in dealing with Securities of the Company.
- 12.12 Identify, mitigate and manage business risks:-** It is everybody's responsibility to follow the Risk Management Framework of the Company to identify the business risks that surround function or area of operation of the Company and to assist in the company-wide process of managing such risks, so that Company may achieve its wider business objectives.
- 12.13 Protect properties of the Company:-** The Board Members and Senior Management shall protect the assets including physical assets, information and intellectual rights of the Company and shall not use the same for personal gains.

## **PART – III**

### **13.0 Specific Additional Provisions for Board Members and Senior Management**

**13.1 As Board Members and Senior Management:** They shall undertake to actively participate in the meetings of the Board and Committees on which they serve.

#### **13.2 As Board Members**

**13.2.1** Undertake to inform the Chairman cum Managing Director and/or Company Secretary/officer nominated of the Company of any changes in their other Board positions, relationship with other business and other events/ circumstances / conditions that may interfere with their ability to perform Board/ Board Committee duties or may impact the judgment of the Board as to whether they meet the independence requirements of Listing Agreement with Stock Exchanges and the Guidelines of DPE.

**13.2.2** Undertake that without prior approval of the disinterested members of the Board, they will avoid apparent conflict of interest. Conflict of interest may exist when they have personal interest that may have a potential conflict with the interest of the Company. Illustrative cases can be:-

- **Related Party Transactions:** Entering into any transactions or relationship with Company or its subsidiaries in which they have a financial or other personal interest (either directly or indirectly such as through a family member or relation or other person or other organization with which they are associated).
- **Outside Directorship:** Accepting Directorship on the Board of any other Company that competes with the business of the Company.
- **Consultancy/Business/Employment:** Engaging in any activity (be it in the nature of providing consultancy service, carrying on business, accepting employment) which is likely to interfere or conflict with their duties/ responsibilities towards Company. They should not invest or associate themselves in any other manner with any supplier, service provider or customer of the company.
- **Use of Official position for personal gains:** Should not use their official position for personal gains.

### **13.3 Compliance with the Code of Business Conduct and Ethics**

**13.3.1 All Members of the Board and Senior Management of Company shall uphold and promote the principles of this code.**

The future of the organization depends on both technical and ethical excellence. Not only it is important for Board Members and Senior Management to adhere to the principles expressed in this Code, each of them should also encourage and support adherence by others.

**13.3.2 Treat violations of this code as inconsistent association with the organization**

Adherence of professionals to a code of ethics is largely and generally a voluntary matter. However, if any of Board Members and Senior Management does not follow this Code, the matter would be reviewed by the Board and its decision shall be final. The Company reserves the right to take appropriate action against the defaulter.

### **13.4 Miscellaneous Points**

**13.4.1 Continual updation of Code**

This Code is subject to continuous review and updation in line with any changes in law, changes in Company's philosophy, vision, business plans or otherwise as may be deemed necessary by the Board and all such amendments / modifications shall take effect prospectively from the date stated therein.

#### **13.4.2 Where to seek clarifications**

Any member of Board or Senior Management requiring any clarification regarding this code of conduct may contact General Manager/ Chief Manager/Company Secretary/ any officer specifically designated by the Board of Directors.

### **APPENDIX - I**

#### **Extract of Section 6 of the Companies Act, 1956**

Meaning of "relative"

6. A person shall be deemed to be a relative of another if, and only if,-
- (a) they are members of a Hindu undivided family; or
  - (b) they are husband and wife; or
  - (c) the one is related to the other in the manner indicated in Schedule IA.

**SCHEDULE IA**

**LIST OF RELATIVES**

1. Father
2. Mother (including step-mother)
3. Son (including step-son)
4. Son's wife
5. Daughter (including step-daughter)
6. Father's father
7. Father's mother
8. Mother's mother
9. Mother's father
10. Son's son
11. Son's son's wife
12. Son's daughter
13. Son's daughter's husband
14. Daughter's husband
15. Daughter's son
16. Daughter's son's wife
17. Daughter's daughter
18. Daughter's daughter's husband
19. Brother (including step-brother)
20. Brother's wife
21. Sister (including step sister)
22. Sister's husband

**APPENDIX-II**

**The Handicrafts & Handlooms Exports Corporation of India Limited  
New Delhi**

CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT  
PERSONNEL

ANNUAL COMPLIANCE REPORT\*

I .....do hereby solemnly affirm that to the best of my knowledge and belief, I have fully complied with the provisions of the CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL during the financial year ending 31st March 2011.

Signature :.....

Name :.....

Designation :.....

Date :.....

Place :.....

\* To be submitted by 30th April each year.

**APPENDIX-III**

**ACKNOWLEDGEMENT OF RECEIPT  
OF  
CODE OF BUSINESS CONDUCT AND ETHICS FOR  
BOARD MEMBERS AND SENIOR MANAGEMENT**

I have received and read the code of Business Conduct and Ethics for Board Members and Senior Management of The Handicrafts and Handlooms Exports Corporation of India Limited, I understand the standards and policies contained in the said Code of Business Conduct and Ethics and understand that there may be additional policies or laws specific to my job. I further agree to comply with the said Code of Business Conduct and Ethics.

If I have questions concerning the meaning or application of the said Code of Business Conduct and Ethics, any policies of the HHEC or the legal and regulatory requirements applicable to my job, I know I can consult Director(Finance)/ General Manager/ Chief Manager/Company Secretary/ any officer specifically designated by the Board of Directors of the Corporation knowing that my questions or reports will be maintained in confidence.

Further, I undertake to provide following Affirmation on an Annual basis to the Company within 30 days from the end of 31st March every year.

**AFFIRMATION**

(By Board Members/ Senior Management of the Company on Annual basis by 30th April of every year)

I,.....(name),.....(designation), having read and understood the Code of Business Conduct and Ethics for Board Members and Senior Management, hereby solemnly affirm that I have complied with and has not violated any of the provisions of the Code during the year ended 31st March 2011.

Signature \_\_\_\_\_

Name \_\_\_\_\_

Designation \_\_\_\_\_

I.D. Number \_\_\_\_\_

Telephone No. \_\_\_\_\_

Place :-

Date :-