

**NATIONAL SMALL INDUSTRIES CORPORATION LIMITED
 CODE OF ETHICS AND BUSINESS CONDUCT**

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NATIONAL SMALL INDUSTRIES CORPORATION LIMITED

CODE OF ETHICS AND BUSINESS CONDUCT

CHAIRMANS' MESSAGE

As NSIC continues to tread its path to serve the Micro, Small and Medium Enterprises, while adopting its new roles, we all aspire to make NSIC a great company. Our success depends on people who are committed to growing our business responsibly, people who dedicate themselves to really satisfying customers with whom we do business, people who are accountable for achieving big, bold goals with unwavering integrity.

As we are engaged in serving the largest segment of Indian Industry i.e, the Micro, Small and Medium Enterprises, every action of the company and its employee is the focus of public attention. The need of the hour is for all voices in the company to unanimously extol the values of decency, honesty and transparency. It's not enough to just do the right things: we have to do with them in the right way. Very simply it means that we deliver what we commit with honesty and fairness in action in whatever we do.

To this end, we have adopted a Code of Ethics and Business Conduct to guide our transactions with our colleagues, communities, customers, government's investors and society. The Code of Ethics and Business Conduct is an extension of NSIC's values and reflect our continued commitment to ethical business practices and regulatory compliance. These would provide information, education and resources to foster, manage and reward a culture of accountability and integrity.

A value system is the protocol for behaviour that enhances the trust, confidence, commitment, energy and enthusiasm of members of the community. Our value system will always act as a guiding light in times of darkness, confusion and self doubt, and when faced with moral dilemma. Values encapsulated in the Code of Ethics and Business Conduct would guide us through difficult situations, controversies and moral dilemmas by defining parameters for right

and wrong actions. They are the touch stone of our morality and our way of life.

As NSIC employees we have a responsibility to read, understand, enforce and adhere to this code and also ensure that others who work for us do the same. All of us have the maturity and integrity to take call when faced with major choices and dilemmas. Even under the most extenuating external pressures, a commitment to values and ethics should always be our guiding principle, above profit and need for growth. Working together, we can continuously enhance our culture in ways that enable us to achieve our mission of enabling people and businesses to realize their full potential.

By following the guidelines provided in this publication, we are acknowledging our individual and collective responsibility to manage our business activities with integrity as we pursue our mission of enabling people and businesses to realize their full potential.

Chairman cum Managing Director

1. PRELIMINARY

- 1.1 This code shall be called the NSIC Code of Ethics and Business Conduct.
- 1.2 It shall be applicable to all employees of the Corporation. All references to “employees” in the Code shall include functional directors, officers, employees of the Corporation including the employees on contract basis.
- 1.3 This Code supplements the various laws and regulations applicable to the CPSEs also their internal policies, guidelines and the CDA (Conduct, Discipline and Appeal) Rules, compliance with which is mandatory and violations punishable as prescribed.

2. ETHICAL CONDUCT – GENERAL EXPECTATIONS

- 2.1 This Code is a set of guidelines for ethical corporate and individual behaviour in conduct of business and discharge of duties.
- 2.2 The underlying values, principles and norms for such ethical conduct include, among others, honesty, integrity, professionalism, fairness, accountability, credibility, diligence, respect for others, a sense of responsibility to the job, loyalty to the company, primacy of company’s interests over personal interests, respect for the law, staying above the temptation to utilize official position or knowledge for personal gain, and a strong personal sense of right and wrong.
- 2.3 NSIC’s Code of Ethics and Business Conduct summarizes the business practices that guide the decision making and business activities. It contains basic information about how to obtain guidance regarding a particular business practice or compliance concern.
- 2.4 Employees are required to sign the acknowledgment form (available at the end of this copy of Code of Ethics and Business Conduct) and return the form to the Human Resource Division indicating that they have received, read, understood and agree to comply with the Code. The signed “acknowledgment form” will be placed in personnel file of the employee. It is essential for the employees of the corporation to go through the Code and make a commitment to uphold its requirements. Failure to read and/or acknowledge the Code does not exempt an employee from his/her responsibility to

comply with the stipulations of the Code. Every year as part of annual review, employees will be asked to sign an acknowledgment indicating their continued understanding of the Code of Ethics and Business Conduct.

3. WORKPLACE RESPONSIBILITY

- 3.1 In addition to adhering to the basic values and principles underlying ethical behaviour, employees should also strive to abide by the principles of respect for all persons including those junior/subordinate to them or who are less advantaged; respect for individual dignity and rights; non-discrimination on the grounds of race, ethnicity, caste, material status or gender; and maintaining a work environment free of sexual harassment or exploitation.
- 3.2 It is incumbent upon all Public Sector employees to treat all those who deal with them with courtesy, and respond to their queries or legitimate requests positively and on a timely basis.
- 3.3 Any misuse of one's position as a PSE employee to seek or accept any gratification for doing what is a part of the employee's duty is clearly illegal and unethical, and must be punished by the company appropriately . The same must also apply to any employee offering any gratification to anyone, or bringing extraneous pressure, for seeking any undue favour.
- 3.4 It is the responsibility of every employee to bring to the notice of appropriate authorities any violation of rules, regulations or codes of conduct, which they should do in a manner as may be prescribed by the company. However, it is also important that this facility is not misused to wrongfully harm someone, and such misuse must also be punished by the company appropriately.
- 3.5 Every employee should ensure at all times the integrity of the data/information furnished by him/her to the company or to the auditors/regulators/authorities.

4. FAMILIARISATION WITH RELEVANT LAWS, REGULATIONS, POLICIES, RULES ETC. AND REGULATORY COMPLIANCE

It is expected that all employees would study and familiarize themselves with laws, regulations and guidelines/standards issued by regulators that are relevant to their work, and ensure that they are

complied with where they are responsible for doing so on behalf of the company or/and in their personal capacity.

They should also be familiar with the policies; rules etc. of the company, and follow them as a matter of course.

It is NSIC's policy to comply fully with all applicable laws and regulations that apply to contact and dealings with government employees and public officials and to adhere to high ethical, moral and legal standards of business conduct. It is also necessary to strictly adhere to all terms and conditions of all central, local, state, federal, foreign or other applicable governments' laws, rules and regulations.

They should discharge their duties in this regard in a truthful, accurate, diligent and timely manner.

Each employee must acquire appropriate knowledge of the requirements relating to his or her duties sufficient to enable him or her to recognize potential dangers and to know when to seek advice on specific Company policies and procedures. Violations of laws, regulations, rules and orders may subject the employee to individual criminal or civil liability, as well as to discipline by the Corporation. Such individual violations may also subject the Corporation to civil or criminal liability or the loss of business.

5. PROTECTING ASSETS OF THE COMPANY

5.1 It is the responsibility of all employees to ensure that all the assets of the company, tangible (such as machinery, equipment systems, facilities, computers, vehicles, materials etc.) and as also intangible (such as information and communication systems and technology, proprietary information, relationships, brand equity and intellectual property etc.), must be used in the interest of the company, for the conduct of business and the purpose for which they have been provided, and to prevent any misuse or misappropriation for personal or unauthorized use. NSIC strives to furnish employees with the equipment necessary to efficiently and effectively do their jobs. All the employees must care for that equipment, use it responsibly only for Corporation's business purposes and take precautions to protect it from theft or damage, just as if it were employees' own. If any employee cease to be Corporation's employee, he/she must immediately return all equipment of the Corporation.

- 5.2 The computers and other electronic devices are the property of the Corporation and are intended for use by employees to conduct the Corporation's Business. The Corporation reserves the right to review any files stored or transmitted on its computers and communication resources for compliance with law and policy of the Corporation. Even personal messages on the Corporation's email and other communication resources are property of the Corporation.
- 5.3 All software used by employees to conduct Corporation's Business must be appropriately licensed. Never make or use illegal or unauthorized copies of any software since doing so may constitute copyright infringement and may expose the employees and the Corporation to potential civil and criminal liability.
- 5.4 Each and every employee shall be personally responsible for the funds of the Corporation over which he/she exercises control. Corporation's funds must be used for the Corporation's Business purposes only. All the employees must take reasonable steps to ensure that the Corporation receives good value for the funds spent, and must maintain accurate and timely records of every expenditure. Expense reports must be accurate and submitted in a timely manner. Employees must not use Corporation's funds for any personal purpose.

6. CONFLICT OF INTEREST

- 6.1 Every employee must act in the best interest of the company, and ensure that any business or personal association which he/she may have does not involve a conflict of interest with the operations of the company and his/her role therein.
- 6.2 A conflict of interest, actual or potential, may arise where, directly or indirectly, an employee:-
- (i) is unable to exercise an independent and unbiased judgment of the best interests of the company, or is impaired in any manner to act in its best interests, in view of his/her personal interest, or that of close relatives/associates, being involved or could be perceived to be involved.

- (ii) knowingly engages in a business relationship or activity with anyone who is a party to a transaction with the company;
 - (iii) is in a position to derive an improper benefit, personally or to any or his/her relatives/associates, by making or influencing decisions relating to any transaction.
 - (iv) is in personal or romantic involvement with a competitor, supplier or subordinate employee of the company, which impairs an employee's ability to exercise good judgment on behalf of the Corporation, creates an actual or potential conflict of interest. Supervisor-subordinate romantic or personal relationships also can lead to supervisory problems, possible claims of sexual harassment, and morale problems.
- 6.3 In situations where some historic conflict of interest exists, or where an inadvertent conflict or potential conflict comes to the notice of the employee, it must be reported immediately to the superiors.
- 6.4 In situations of doubt about the likelihood of a conflict/potential conflict of interest, the employee must disclose the matter to the superiors and seek clearance/directions.

7. CONFIDENTIALITY OF COMPANY RELATED INFORMATION

- 7.1 Subject to the Code of Corporate Disclosure Practices or any other relevant policy/instructions on disclosures to outside parties that may be prescribed in the company information regarding the company's business should be treated as confidential and should not be shared with anyone within and outside the company, formally or informally, unless authorized to do so, and only to those authorized to receive it, with suitable safeguards as feasible, to prevent misuse of the information. Employees shall be responsible for properly labeling all documents even shared or correspondence sent to the Corporation's outside counsel as "Attorney-Client Privileged".

- 7.2 Information and data relating to, but not limited to, areas like financial performance and results, asset revaluations, investment plans/decisions, business strategies, marketing plans, sales or contracts, customer lists and details, proprietary, pricing or costing data etc. should be treated as confidential and not disclosed without proper authorization, while the employee is in service and even subsequently.
- 7.3 In situations where the performance of a specific job inherently requires sharing of information, including that of otherwise confidential nature (for example with auditors, board committees, regulators etc), or where certain information needs to be provided under the law, regulations or in the course of any official enquiry/query, or in similar situations, appropriate authorization should be obtained.
- 7.4 Even in situations where some information relating to the company's business may be in public domain, its disclosure or elaboration should be done only by specifically authorized persons and within the bounds of the company's policies and guidelines.
- 7.5 All the employees must co-operate with appropriate government inquiries and investigations. In this context, however, it is important to protect the legal rights of the Corporation with respect to its confidential information.
- 7.6 All the statements to the media shall be true and fair, for which purpose each business unit and division shall have selected persons who are authorized to speak to media on identified subjects. Disclosure of forward looking statements should be combined with cautionary statements. Do not disclose non public information selectively to a particular group.
- 7.7 The confidentiality of information pertaining to other entities with which the company has business dealings should also be equally respected and protected.

8. PROHIBITION OF USE OF COMPANY RELATED INFORMATION FOR PERSONAL GAIN

- 8.1 No employee or his immediate family/close associates should derive, or assist anyone else to derive, any benefit from access to information about the company, or those with whom it does business, that is not in public domain, and therefore constitutes unpublished and price sensitive insider information not available to the investing public.
- 8.2 The existing laws and regulations on prevention of insider trading should be followed scrupulously by all employees of the company.

9. USE OF POSITION IN COMPANY FOR PERSONAL PURPOSES

- 9.1 The employee should not use his/her official position in the company to obtain any support for activities in which he/she may be involved in a personal capacity, including those of a non-commercial nature, e.g. cultural, literary, charity etc. from anyone with whom the company has business dealings, nor should he/she use the official position, time or resources to pursue such activities, even if these may be desirable activities per se.
- 9.2 The employee should not seek or accept, directly or indirectly, any gift, donation or comparable benefits from anyone having business dealings with the company, except as prescribed under the policy or rules of the company
- 9.3 The employees must not exploit for their own personal gain opportunities that are discovered through the use of corporate property, information or position unless the opportunity is disclosed fully in writing to the Board of Directors of the Corporation and the Board of Directors may decline to pursue such opportunity.

10. CONCURRENT DIRECTORSHIP OR EMPLOYMENT

- 10.1 No employee should accept any directorship or any employment assignment or position of responsibility, including consultancy or freelance work, irrespective of whether it is with or without remuneration, in any other company or organization without specific approval.

11. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

- 11.1. The Public Sector Enterprises need to be specially committed to issues that go beyond the financial performance of a company, such as those relating to corporate citizenship, health, safety, education, social justice, gender, climate change, and environmental sustainability, to name some. Their operations and business conduct should, to the extent feasible, benefit the localities and communities in which they operate, and must not be detrimental to them or to the local environment.
- 11.2 The employees are responsible not just for carrying out the policies of the company in this context as a part of their duties, but should also integrate these concerns in their working, and contribute pro-actively in ensuring that the company operates as a good and responsible corporate citizen. Where a company operates in different geographies, the company and also its employees should respect the culture, customs and traditions of each country and region.
- 11.3 NSIC acknowledges that advertising is an essential instrument for effective brand building and communicating with the consumers. In accordance with NSIC's corporate philosophy, it is necessary to ensure that all advertisements of NSIC's products and services are done ethically and in a legitimate manner. Advertising must not misrepresent, or be likely to mislead the consumer/customer, as to the character, quantity or composition of the product advertised. Employees should avoid political or religious remarks in advertisements.

12. RESPONSIBILITY TO CUSTOMERS AND SUPPLIERS

- 12.1 The goodwill of the company is our most important asset and NSIC employees must act to preserve and enhance company's reputation.
- 12.2 Under no circumstances employees should accept any offer, payment, promise to pay, authorization to pay and money, gift or anything of value from customers, vendors, consultants etc. i.e. perceived as intended directly or indirectly to influence any business decision, any act or failure to act or any commitment of fraud.

13. PAYMENT PRACTICES

All transactions shall be fully and accurately recorded in the company's books and records in compliance with all applicable laws. All required information shall be accessible to the company's auditors and other authorized persons and government agencies. There shall be no willful omissions of any transaction from books and records. Any willful material misrepresentation of and / or misinformation of the financial accounts and reports shall be regarded as a violation of Code apart from inviting appropriate civil or criminal action under relevant laws.

14. ACCOUNTABILITY

The Board of Directors shall oversee NSIC's adherence to ethical and legal standards. All employees shall undertake to stop or prevent actions that could harm the system or reputation of NSIC and to report such actions as soon as they occur. Wrong reporting or frivolous complaints to malign others without any substance or proof will attract punitive action.

15. DISCIPLINARY ACTIONS

The matters covered in this Code of Ethics and Business Conduct are of utmost importance to the Company and are essential to the Company's ability to conduct its business in accordance with its stated values. We expect all of the employees to adhere to these rules in carrying out their duties for the Company.

The company will take appropriate action against any employee whose actions are bound to violate these policies or any other policies of the company. Where the company has suffered a loss, it may pursue its remedies against the individuals responsible. Where laws have been violated, the company will co-operate fully with the appropriate authorities.

16. GENERAL

16.1 Waivers- Any waiver of any provision of this Code of Ethics and Business Conduct for a member of the Company's Board of Directors or an Executive Officer shall be approved in writing by the Company's Board of Directors and promptly disclosed. Any waiver of any provision of this Code of Ethics and Business

Conduct with respect to any other employee, agent or contractor must be approved in writing by the Company's Chairman & Managing Director.

- 16.2 Expense Claims- All business related expense claims must be authorized by Head of the Department of concerned employee as per delegation of powers, before the incurrence.
- 16.3 Dress Code & Personal Standards- Every employee of the company must report to work properly groomed and wearing appropriate clothing. Employee are expected to dress neatly and in a manner consistent with nature of work performed.

ACKNOWLEDGMENT FORM

I have received and read the company's Code of Ethics and Business Conduct. I understand the standards and policies contained in the company's Code of Ethics and Business Conduct and understand that there may be additional policies or laws specific to my job. I agree to comply with the company Code of Ethics and Business Conduct.

If I have questions concerning the meaning or applications of the company Code of Ethics and Business Conduct, any company policies, or the legal and regulatory requirements applicable to my job, I know I can consult my manager, the Human Resources Department or Legal Department, knowing that my questions or reports to these sources will be maintained in confidence.

Employee Name

Designation

Signature

Place of posting

Date