

CVDB - Note on Ethics Management

Draft for discussion – 30 June 2021

Introduction

Business practices, whether ethical or unethical reflect the beliefs, values, attitudes, and behavioural patterns that constitute an organisation's operating culture. While managers at all levels have an important role to create an ethical culture and environment, leadership at the top has a critical role which includes developing and instituting systems and practices that facilitate ethical conduct across the organisation.

In today's world unethical practices not only entail the risk of corporate and/or personal liability, but more importantly damage an organisation's reputation and credibility leading to a long term negative impact on the organisation. For an organisation like CVDB one of the major areas of impact could be the loss of confidence on the part of different funding agencies and also borrowing entities, apart from the impact on the morale of the staff.

A key objective of ethics management is to define and give life to an organization's guiding values, to create an environment that supports ethically sound behaviour, and to instil a sense of shared responsibility and accountability among employees. While policies, procedures and practices to ensure ethical behaviour vary from organisation to organisation, all strive to define companies' guiding values, aspirations, and patterns of thought and conduct. The basic objective is to prevent damaging ethical lapses while tapping into powerful human impulse for value based behaviour. An ethical framework is not a burdensome constraint within such organisations, but the governing ethos for a successful organisation.

CVDB Policy

CVDB management is committed to take appropriate steps to ensure that all staff and other key stakeholders adhere to laid down ethical codes and follow other norms which reflect a high level of ethical behaviour. To achieve this objective CVDB management is committed to:

1. Setting up an Ethics function to have a shared set of values and guiding principles deeply ingrained throughout CVDB
2. Designate a high level committee or individual (**to be decided by CVDB**) to oversee the Ethics function in the organisation. One option is to assign this task to the Audit Committee, which many organisations do
3. Communicate the company's standards, procedures, aspirations, social obligations and relevant laws of the land through training to all staff and key stakeholders and/or other forms of communication effectively and on a regular basis
4. Undertake reasonable steps to ensure compliance through audits, monitoring processes, and a system for employees to report criminal or other misconduct without fear of retribution
5. Consistently enforce standards and respond when offenses are detected through appropriate disciplinary measures
6. Take reasonable steps to prevent the occurrence of similar offenses in the future.
7. Regularly review compliance levels and procedures and bring about improvements

While CVDB has put a structure in place to enforce ethical behaviour the focus on such behaviour across the organization, it strongly encourages the concept of self-regulated behaviour in accordance with a set of guiding principles

Communicating the Code (increasing Awareness)

1. All new and existing employees are required to sign an acknowledgement form *(to be developed, if not already in existence)* on a periodic basis, confirming that they have read the Code and agree to abide by its provisions.
2. Training on Ethics is an effective way of increasing:
 - a. knowledge and awareness about the need for ethical behaviour
 - b. their responsibilities as a member of the staff in creating and reinforcing an ethical culture
 - c. the do's and don'ts of ethical behaviour based on the knowledge and interpretation of the Code of Conduct, organisational practices and societal norms
 - d. their confidence to both follow ethical practices and report unethical practices/occurrences through designated/available channels

Ethics Hotline

An Ethics Hotline (this could be a shared one for reporting any issue including those where employees are seeking whistle blower protection) should also be provided so that employees can safely report breaches of the company's code of ethics. It is important for employees to be able to report issues confidentially/anonymously.

Ethics Helpdesk

There is also an option to set up an Ethics Helpdesk, to provide advice and to assist employees in the interpretation of the Code of Ethics or when confronted with difficult ethical issues or when confidentially seeking answers to ethical dilemmas. Given CVDB's size this may not be necessary. However, there should a mechanism for responding to questions and concerns from the company's employees or other stakeholders.

Waivers

Any waiver of this Code may be made only by the Board of Directors or a Committee of the Board authorised to do so. Alternatively, waiver of any provision of this Code, for the staff of CVDB must be approved by the nodal point for Ethics Management (Ethics Committee or the Compliance Officer, as the case may be). However, approval for waivers should be obtained in writing before the action is taken. Also all waivers should be promptly disclosed.

Related Policies and Procedures

1. CVDB's Investigation procedures
2. Policy and procedures for handling Conflict of Interest
3. Policy and procedures for Whistle Blower Protection

Report to the Board on ethics Management:

1. Annual assessment report of the Ethical Risks CVDB is exposed to and steps taken/proposed to address the risks, if any.

2. Data on cases of unethical behaviour reported during the year and brief status of action taken in respect of each of the cases.
3. Training and awareness activities undertaken during the year and plan for next year
4. Review of the Code of Conduct undertaken and changes if any required/made

Annexure 1 - Sample violations *(this is not an exhaustive list)*

1. Accounting or auditing irregularities or misrepresentations
2. Fraud, theft, bribery, and other corrupt business practices
3. Actual or potential conflicts of interest
4. Disclosure of bank's proprietary or confidential information
5. Illegal discrimination or harassment
6. Significant environmental or social issues