



ASIAN PAINTS LIMITED

**CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT
PERSONNEL**

NOVEMBER, 2005

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1. INTRODUCTION

Asian Paints Limited (the Company) is committed to good corporate governance and has consistently maintained its organisational culture as a remarkable confluence of high standards of professionalism, fast track growth, building shareholder equity with principles of fair play, ethics and corporate governance in spirit.

2. APPLICABILITY OF THE CODE

In view of the revised clause 49 (relating to corporate Governance) in the Listing agreement with the Stock Exchange, Mumbai, by SEBI circular SEBI/CRD/DIL/CG/1/2004/12/10 dated 29th October 2004 and as per sub-clause I (D) of the said clause it is imperative now to formally lay down a Code of Conduct for all Directors and Senior Management Personnel (SMP) (This would comprise all members of management i.e. Presidents and functional heads) of the Company.

Ethical business conduct is critical to our business. Members of the Board and SMP are therefore, expected to read and understand this Code, uphold these standards in day-to-day activities, and comply with: all applicable laws; rules and regulations; and all applicable policies and procedures adopted by the Company that govern the conduct of its employees and to ensure that the various stakeholders of the Company are aware, understand and comply with these standards.

Nothing in this Code or in any related communications (verbal or written) thereto shall constitute or be construed to constitute a contract of employment for a definite term or a guarantee of confirmed employment.

You are requested to sign the acknowledgement form at the end of this Code and to return the form to the Vice President - Human Resources indicating that you have received, read, understand and agree to comply with this Code. As per Clause 49 I (D)(ii) of the listing agreement entered into by the Company with the stock exchanges, every director and senior management personnel shall affirm compliance with the code on an annual basis.

3. HONEST AND ETHICAL CONDUCT

The Company expects all Board Members and SMP to act in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct, whenever the Company's business is being conducted or at any place where such Board Members and SMP are representing the Company.

The Company considers honest conduct to be conduct that is free from fraud or deception. The Company considers ethical conduct to be conduct conforming to the accepted professional standards of conduct. Ethical conduct includes ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

4. RELATIONSHIP WITH THE COMPANY

Conflicts of Interest

The Board Members and SMP of the Company shall not generally engage in any business, relationship or activity which might detrimentally conflict with the interest of the Company or any of its subsidiaries.

The main areas of actual or potential conflicts of interest would include the following:

- Financial interest of a Board Member and SMP or his relatives, including the holding of an investment in the subscribed share capital of any company or a share in any firm which is an actual or potential competitor, supplier, customer, distributor, joint venture or other alliance partner of the Company. *(The ownership of up to 1 per cent of the subscribed share capital of a publicly held company shall not ordinarily constitute a financial interest for this purpose.)*
- A Board Member and SMP of the Company conducting business on behalf of his or her company⁷ or being in a position to influence a decision with regard to his or her company's business with a supplier or customer of which his or her relative is a principal, officer or representative, resulting in a benefit to him/her or his/her relative. However, the Board is to decide whether there is a conflict.

Notwithstanding that such or other instances of conflict of interest exist due to any historical reasons, adequate and full disclosure by the interested Board Members and SMP should be made to the Board of Directors of the Company. It is also incumbent upon every Board Member and SMP to make a full disclosure of any interest which the Board Members and SMP or his/her immediate family relatives, (which would include parents, spouse and dependent children) may have in a company or firm which is a supplier, customer, distributor or has other business dealings with the Company.

Every such disclosure as mentioned above shall be done in writing and shall be placed before the Board and upon a decision being taken in the matter, the Board Members and SMP concerned will be required to take necessary action as advised to resolve/avoid the conflict, if any.

A Board Member and SMP's duty to the Company demands that he or she generally avoids conflicts of interest. If a conflict of interest exists, the Company demands that he/she discloses actual and apparent conflicts of interest.

It is a conflict of interest to serve as a director of any Company that competes with the Company. The Company's policy requires that a Board Member and SMP obtain prior approval from the Board of Directors and the Company's Audit Committee before accepting such a directorship.

Receiving and making Gifts:

A Board Member and SMP (including his/her immediate family member) shall not accept a gift of any nature from any supplier, vendor, dealer, contractor, customer, competitor or any business associate.

This prohibition does not apply to routine two way exchange of normal business courtesies, which might reasonably be expected to be exchanged in the ordinary course of business. These courtesies include business lunch/dinner and exchange of

company diaries and calendars, pens with company logo and the like that are not lavish in any way.

If a gift is inadvertently received it should be promptly returned with a polite note explaining that it is contrary to the Company policy. A circular on policy regarding gifts has already been issued to all employees by Human Resources Department. A Board Member and SMP shall conform to the gift policy of the Company.

Corporate Opportunities:

The Board Members and SMPs may 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 Company's Board of Directors and the Board declines to pursue such opportunity.

Other Situations:

It would be impractical to attempt to list all possible situations. If a proposed transaction or situation raises any questions or doubts they must be resolved after consultation with the Company's Board of Directors and Audit Committee.

5. HEALTH, SAFETY AND ENVIRONMENT

The Company shall strive to provide a safe and healthy working environment and comply in the conduct of its business affairs with all regulations regarding the preservation of the environment of the territory it operates in. The Company shall be committed to prevent the wasteful use of natural resources and minimise any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment.

Company policy prohibits sexual harassment, harassment based on race, religion, national origin, ethnic origin, color, gender, age, citizenship, veteran status marital status or a disability unrelated to the requirements of the position or any other basis protected by the central, state or local law or ordinance or regulation. If you believe that you have been harassed, submit a complaint to your own or any other company manager. In addition, if you believe you have been sexually harassed, you may submit a complaint to the Vice President - Human Resources.

6. ACCOUNTING AND PAYMENT PRACTICES

All transactions 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. False or misleading entries, unrecorded funds or assets, or payments without appropriate supporting documentation and approval are strictly prohibited and violate Company policy and the law. There shall be no willful omissions of any company transactions from the books and records. Any willful material misrepresentation of and/or misinformation of the financial accounts and reports shall be regarded as a violation of the Code apart from inviting appropriate civil or criminal action under the relevant laws. Additionally, all documentation supporting a transaction should fully and accurately describe the nature of the transaction and be processed in a timely fashion.

7. MAINTAINING AND MANAGING RECORDS

The purpose of this section is to set forth and convey the Company's business and legal requirements in managing records, including all recorded information regardless of medium or characteristics. These records include paper documents, CDs, computer hard disks, email, floppy disks, microfiche, microfilm or all other media. The Company is required by local, state, foreign and other applicable laws, rules and regulations to retain certain records and to follow specific guidelines in managing its records.

Company records:

The results of operations and the financial position of the Company must be recorded in accordance with the requirements of law and generally accepted accounting principles. It is Company policy, as well as a requirement of law, to maintain books, records and accounts that in reasonable detail accurately and fairly reflect the business transactions and disposition of assets of the Company.

The integrity of the Company's accounting and financial records is based on the accuracy and completeness of the basic information supporting entries to the Company's books of accounts. The Board Members and SMP involved in creating, processing and recording such information are held responsible for its integrity. Every accounting or financial entry should reflect exactly what is described by the supporting information.

There must be no concealment of information from (or by) management, or from the Company's internal or independent auditors. No payment on behalf of the Company shall be approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment.

No false or misleading entries may be made in any books or records of the Company for any reason, and no fund, asset or account of the Company may be established, acquired or maintained for any purpose unless such fund, asset or account is properly reflected in the books and records of the Company. No corporate funds or assets should be used for any unlawful or improper purpose.

Revenue and expenses should be properly recognized on a timely basis. Assets and liabilities should be properly recorded and appropriately valued.

8. PROTECTING COMPANY'S ASSETS AND CONFIDENTIAL INFORMATION

Protecting company's assets:

The assets of the company should not be misused but employed for the purpose of conducting the business for which they are duly authorised. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as patents, trademarks, proprietary information, relationships with customers and suppliers, etc.

Confidential Information:

The Company's confidential information is a valuable asset. The Company's confidential information including product architectures; source codes; product plans and road maps; names and lists of customers, dealers, and employees; and financial information. This information is the property of the Company and may be protected by patent, trademark, copyright and trade secret laws. All confidential information must be used for Company's business purposes only. Every Board Member and SMP must safeguard it.

This responsibility includes not disclosing the Company confidential information over the Internet. The Board Members and SMPs are also responsible for properly labeling any and all documentation shared with or correspondence sent to outside counsel as "Attorney-Client Privileged". This obligation extends to confidential information of third parties, which the Company has rightfully received under Non-Disclosure Agreements.

Obligations of the Board Members and SMPs with respect to Company Confidential Information are:

- Not to disclose this information to persons outside of the Company without prior approval of the Chairman/Board. Not to use this information for the Board Member and SMP's own benefit or the benefit of persons outside of Company.
- Not to disclose this information to other Company employees except on a "need to know" or "need to use" basis and then only with a strong statement that the information is confidential.
- Company confidential information is not always of a technical nature. Such information can also include business research, new product plans, strategic objectives, any unpublished financial or pricing information, employee, customer and vendor lists and information regarding customer requirements, preferences, business habits and plans. This list, while not complete, suggests the wide variety of information that needs to be safeguarded.
- If any Board Member and SMP leaves Company, his or her obligation to protect Company confidential information continues until the information becomes publicly available.
- A Board Member and SMP should not disclose the Company's confidential information to anyone or use it to benefit anyone other than the Company without the prior written consent of the Board of Directors.

A Board Member and SMP shall not use or proliferate information which is not available to the investing public and which therefore constitutes insider information for making or giving advice on investment decisions on the securities of the Company on which such insider information has been obtained.

Such insider information might include the following:

- acquisition and divestiture of businesses or business units;
- financial information such as profits, earnings and dividends;
- announcement of new product introductions or developments;
- asset revaluations;
- investment decisions/plans;
- restructuring plans;
- major supply and delivery agreements; and
- raising finances.

9. DISCLOSURE TO THE STOCK EXCHANGES AND PUBLIC

It is the Company's policy to provide full, fair, accurate, timely and understandable disclosure in reports and documents that are to be filed with or submitted to the stock exchanges where the Company's shares are listed, statutory authorities and in our other public communications. Accordingly, Board Members and SMP must ensure the compliance with such disclosure controls and procedures. All Board Members and SMP must also respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose.

10. RESPONDING TO INQUIRIES FROM THE PRESS AND OTHERS

The requests for financial or business information about Company from the media, press, financial community, the Securities and Exchange Board of India or other regulators or the public must be referred to the Compliance Officer.

11. COMPLIANCE WITH GOVERNMENT LAWS, RULES AND REGULATIONS

The Board Members and SMP must comply with all applicable governmental laws, rules and regulations. The Board Members and SMP must acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable them to recognize potential dangers, and to know when to seek advice from the Legal Department. If the ethical and professional standards set out in the applicable laws and regulations are below that of the code, then the standards of the code shall prevail.

12. SHAREHOLDERS

The Company shall be committed to enhance shareholder value and comply with all regulations and laws that govern shareholders' rights. The Board of Directors of the Company shall duly and fairly inform its shareholders about all relevant aspects of the Company's business, and disclose such information in accordance with the respective regulations and agreements.

13. VIOLATIONS OF THE CODE

It is a part of the Board Members and SMP's job and his/her ethical responsibility to help enforce this Code. The Board Members and SMP should be alert to possible violations and report this to the Compliance Officer or the Vice President – Human Resources. The Board Members and SMP should co-operate in any internal or external investigations of possible violations.

Actual violations of law, this Code, or other Company policies or procedures, should be promptly reported to the Compliance Officer or the Vice President – Human Resources. The Company will take appropriate action against those whose actions are found to violate the Code or any other policy of the Company.

14. WAIVERS AND AMENDMENTS TO THE CODE

The Company is committed to continuously reviewing and updating our policies and procedures. Therefore, this Code is subject to modification. Any amendment or waiver of any provision of this Code must be approved in writing by the Company's Board of Directors and promptly disclosed on the Company's website and in applicable regulatory filings pursuant to applicable laws and regulations, together with details about the nature of the amendment or waiver.

15. ACKNOWLEDGMENT

I have received and read the Company's Code of Conduct and Ethics for Board of Directors and Senior Management Personnel (SMP).

I understand and agree to comply with the standards and policies contained in the above mentioned Code of Conduct and understand that there may be additional policies or laws specific to my job.

Name of the Director / SMP	
Employee Code	
Designation	
Location	
Signature	
Date	

Please sign and return this form to the Vice President - Human Resources