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NATIONAL AVIATION COMPANY OF INDIA LTD.

INTEGRITY PACT PROGRAM

I. INTRODUCTION

National Aviation Company of India Ltd. (NACIL) is a premier Public Sector airline (formed with the merger of the erstwhile Air-India and Indian Airlines) engaged in air transportation of passengers and cargo in India and abroad. The brand name of the Company is AIR-INDIA and it conducts its business by benchmarking itself to the highest ethical standards, and adopting the best practices followed by the industry.

It does business with a number of domestic and international Bidders, Contractors and Vendors of goods and services (Counterparties). NACIL is committed to fostering the most ethical and corruption free business environment. NACIL values its relationships with all Counterparts and deals with them in a fair and transparent manner.

In order to achieve these goals, NACIL is implementing the Integrity Pact Program in cooperation with Central Vigilance Commission (CVC) in respect of all contracts of the value of Rs.10 crores and above. As a part of this initiative, NACIL will, in consultation with CVC, appoint external Independent Monitors who will help NACIL in implementing the Integrity Pact Program. The Integrity Pact would be signed by the Principal and the Vendor at the pre-tendering stage itself, and will form part of the Tender document. A pre-signed Integrity Pact by the Principal would form part of the Tender document. The Vendors would sign the Pact and submit it alongwith the financial and technical bids.

The ingredients of NACIL's Integrity Pact Program are broadly based on :-

- Commitments and Obligation of NACIL and its employees
- Commitments and Obligation of Counterparties
- Violation and Consequences
- Independent Monitor
- Implementation Guidelines
- Role of Independent Monitors.

II. COMMITMENTS AND OBLIGATION OF NACIL

- a. NACIL is committed to have the most ethical and corruption- free business dealings with its Counterparties.

- b. NACIL values its relationship with all Counterparties and will deal with them in a fair and transparent manner.
- c. NACIL and/or its Associates (employees, agents, consultants, advisors, etc.) will not seek or take bribes / undue benefit directly or indirectly for themselves or for third parties.
- d. In a competitive tender as well as in general procurement, NACIL will deal with all Counterparties with equity, reason and fairness.
- e. NACIL will exclude all Associates who may be prejudiced or have a Conflict of Interest in dealings with Counterparties.
- f. NACIL will honour its commitments and make due payments to Counterparties in a timely manner.
- g. NACIL will initiate action and pursue it vigorously whenever corruption or unethical behaviour occurs.

III. COMMITMENTS AND OBLIGATIONS OF THE 'COUNTER-PARTY'

- a. The Counterparty, directly or indirectly (through Agent, consultant, advisor, etc.), will not pay any bribes or give illegal benefit to any one to gain undue advantage in dealing with the Principal, NACIL.
- b. The Counterparty will not engage in collusion, Price-Fixing, etc. with other Counterparties in dealing with the Principal, NACIL.
- c. The Counterparty will not pass on to any third party any of the Principal's confidential information unless authorized by the organization.
- d. The Counterparty will promote and observe best ethical practices within its organization.
- e. The Counterparty will inform the Independent Monitor:
 - i. If it receives demand for a bribe or illegal payment/benefit and
 - ii. If it comes to know of any unethical or illegal practice in the Principal's organization (NACIL)
 - iii. If it makes any payment to any of NACIL's Associates.
- f. The Counterparty will not make any false or misleading allegations against NACIL or its Associates.

IV. VIOLATIONS & CONSEQUENCES

- a. If a Counterparty commits a violation of its Commitments and Obligations under the Integrity Pact Program during the bidding process, it shall be liable to compensate NACIL by way of Liquidated damages amounting to a sum equivalent to 3% of the value of the offer or the amount equivalent to Earnest Money Deposit/Bid Security, whichever is higher or an amount determined by the Independent Monitor.
- b. In case of violation of the Integrity Pact whereby after award of the Contract the Principal (NACIL) terminates or is entitled to terminate the Contract, NACIL shall be entitled to demand and recover from the Contractor liquidated damages equivalent to 5% of the contract value or the amount equivalent to Security Deposit/Performance Bank Guarantee, whichever is higher or an amount determined by the Independent Monitor.
- c. NACIL may ban and exclude the Counterparty from future dealings until the Independent Monitor is satisfied that the Counterparty will not commit any future violation.
- d. NACIL may initiate criminal proceedings against the violating Counterparty, depending on the gravity of the violation.
- e. In case there is a violation of the Integrity Pact by the Principal (NACIL) or its Associates (i.e. employees, agents, consultants, advisors, etc.), NACIL undertakes to take appropriate action against them.
- f. If the complaint made by a counter-party is found to be frivolous or mischievous, action in the form of certain sanctions would be taken against the said complainant.

V. INDEPENDENT MONITOR

1. Chairman & MD, NACIL, is the authority to appoint Independent Monitor(s) to oversee the implementation and effectiveness of the Integrity Pact Program. The process for their appointment shall be similar to Outside Expert Committee (OEC). For this purpose, a panel of Independent Monitors may be constituted by NACIL and the same may be referred to CVC for clearance.
2. The Independent Monitor will be a person of Impeccable Integrity, Knowledgeable of NACIL's business and experienced in commercial activities.
3. It will be a voluntary, non-salaried position of 3 years terms. Independent Monitor will have stature /benefits similar to those of Chairman of the Audit Committee of Board/status of the Directors of NACIL. The remuneration and perquisites would be similar to the remuneration/perks of independent Directors on the Board of NACIL.

4. The main objective of the Independent Monitor will be to oversee the implementation of the Integrity Pact Program, to prevent corruption, or any other unethical practices in the implementation of the contract.
5. The Independent Monitor will not have administrative or enforcement responsibilities. He will coordinate his efforts through the CVO or other anti-corruption institutions such as CVC. (He may engage services of outside agencies such as accounting firms, law firms, etc at NACIL's expense, if required, in discharge of his responsibilities after obtaining the approval of the Chairman & M.D.)
6. The Independent Monitor will have access to all offices and internal records of the Principal in respect of the Tender in question. He will also have access to Counterparties' records and information regarding its dealing with the Principal.
7. The Independent Monitor will have the right to attend any meetings between the Principal and the Counterparties. As far as possible, the meetings should be scheduled in India. In respect of any meeting to be held outside India, attendance by the Independent Monitor would be decided in consultation with the Chairman & M.D., NACIL.
8. If the Independent Monitor observes or suspects an irregularity, he will inform the Chairman of NACIL. Once the Independent Monitor is satisfied that any irregularity has taken place, he may also inform the CVO and CVC.

VI. IMPLEMENTATION GUIDELINES

To implement the Integrity Pact Program, the following general Guidelines are suggested:

- a. To select and appoint a Panel of Independent Monitors in consultation with the CVC.
- b. To get commitment from all Senior Level executives/officials of NACIL to implement the program. It should be recognized that there may be resistance to Integrity Pact program.
- c. To develop detailed implementations plans and finalize the Integrity Pact document in consultation with the Independent Monitors.
- d. To notify all senior staff members, Board of Directors, any other oversight body of the Organization and major suppliers of NACIL's plans to implement Integrity Pact program, which is to be Included in NACIL's web site and also disclose this initiative to the media.

VII. **PERIODIC REVIEW & EVALUATION**

It is recommended that the Board of Directors of NACIL periodically review the effectiveness of Integrity Pact Program by all or some of the following measures:-

1. The Independent Monitors and senior leadership of NACIL do an annual self-assessment of Integrity Pact Program effectiveness and identify areas / ways to improve the same.
 2. The Independent Monitor will submit an annual report on the progress / effectiveness of Integrity Pact Program to the Board of Directors of NACIL.
 3. NACIL may conduct an annual 360-degree review (through an outside agency, if required) with senior executives, junior executives, suppliers, and competitors, regarding the effectiveness of the Integrity Pact Program in reducing corruption. Feed-back may be taken from the junior and senior executives of the Principal, suppliers and competitors.
 4. NACIL should meet with CVC on an annual basis to review the effectiveness of the program.
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