

ELECON ENGINEERING COMPANY LIMITED

CODE OF CONDUCT

FOR

BOARD MEMBERS (INCLUDING INDEPENDENT DIRECTORS)

AND SENIOR MANAGEMENT PERSONNEL

1. INTRODUCTION

This Code of Conduct (hereinafter referred to as “Code”) is applicable to the Members of the Board (Including Independent Directors) (hereinafter referred to as “Directors”) and Senior Management of Elecon Engineering Company Limited (the “Company”). It reflects the Company’s underlying ethical values and commitment to lay standards of integrity, transparency, fairness, accountability and pursuit for excellence.

- 1.2 The purpose of this Code is to demonstrate the ethical and transparent process in managing the affairs of the Company, and thus to sustain the trust and confidence reposed in the Management by the stakeholders and business partners. The Directors and Senior Management are expected to understand, adhere to, comply with and uphold the provisions of this Code and the standards laid down hereunder in their day-to-day functioning.
- 1.3 The principles prescribed in this Code are general in nature and lay down broad standards of compliance to Clause 49 of the Listing Agreement with the Stock Exchanges, where the shares of the Company are listed for trading.

- 1.4 It is clarified that this Code is applicable to all Directors, including the Non-Whole time Directors and Senior Management personnel.
- 1.5 The Code comes into force with effect from 1st day of January, 2006.
- 1.6 All Directors and Senior Management personnel shall sign the acknowledgement form at **Appendix-I** and return the form to the Company Secretary indicating that they have received, read and understood the provisions of the Code, and agree to comply with the same. All Directors and Senior Management personnel shall be required to affirm compliance with this Code on an annual basis, within 30 days of close of every financial year of the Company to the Company Secretary, in the form annexed at **Appendix – II**.

2. DEFINITIONS & INTERPRETATION

- 2.1 In this Code, unless repugnant to the meaning or context thereof, the following expressions, wherever used in this Code, shall have the meaning assigned to them below :

“Company” shall mean Elecon Engineering Company Limited.

“Directors” shall mean all the members of the Board of Directors of the Company, including the Independent Directors and Non-whole-time Directors.

“Whole-time Directors” shall mean the Board Members who are in whole-time employment of the Company.

“Independent Directors” shall mean the Independent Directors defined in the Companies Act, 2013.

“Non-whole-time Directors” shall mean the Board Members who are part-time Directors and not in whole time employment of the Company.

“Senior Management” shall mean “Key Executives” of the Company.

“Relative” shall mean “relative” as defined in Section 2(41) and Section 6 read with Schedule IA of the Companies Act, 1956.

2.2 In this Code, words importing masculine shall include feminine and words importing singular shall include plural or vice versa.

3. APPLICABILITY

3.1 This Code shall be applicable to the following persons:

- (i) All Directors (including Independent Directors), and
- (ii) Senior Management

However, Clause 28 to 31 is applicable to Independent Directors only.

4. KEY REQUIREMENTS

The Directors and Senior Management shall act within the authority conferred upon them in the best interests of the Company and will

- act in the best interest of, and fulfill their fiduciary obligations to the Company and its shareholders;
- act honestly, fairly, ethically and with integrity;
- conduct themselves in a professional, courteous and respectful manner and not take improper advantage of their position;

- act in good faith, responsibility, with due care, competence and diligence, without allowing their independent judgement to be subordinated and
- not hold any positions or jobs or engage in outside business or other interests that are prejudicial to the interests of the Company.

It is clarified that it would not be a conflict of interest for the Director & Senior Management of the Company or members of their immediate family to have dealings in normal course with and to obtain services from persons or entities who also deal/provide services to the Company, including legal, accounting or brokerage services, loans & services from banks or insurance from insurance companies etc., at rates customary for similarly situated customers.

5. OTHER DIRECTORSHIPS

Unless specifically permitted by the Board, the Board Members shall not serve as Director of any other Company or as Partner of a Firm that is engaged in a competing business with the Company.

All Directors and Senior Management must report/disclose any directorships being held by them to the Board on an annual basis and as and when there is a change therein.

Senior Management Personnel shall obtain prior approval of the Chairman and Managing Director/Managing Director for accepting Directorship of any other Company or partnership of a firm.

6. GIFTS AND DONATIONS

The Directors and the Senior Management shall neither receive nor offer or make, directly or indirectly, any gifts, donations or comparable benefits which are intended to or perceived to obtain undue favours in the transactions detrimental to the interest of the Company, except for nominal value, which are customarily given and are of commemorative nature for special events and should never be of a kind that could create an appearance of impropriety.

7. PUBLIC REPRESENTATION

The Company honours the information requirements of the public and its stakeholders. In all its public appearance with respect to disclosing information in relation to the Company's activities to public constituencies such as the media, the financial community, employees and shareholders, the Company shall be represented only by specifically authorized directors and employees. It will be the sole responsibility of these authorized representatives to disclose Company related information.

8. INSIDER TRADING

The Directors and Senior Management shall comply with the Code of Internal Procedures and Conduct in dealing with the securities of the Company as applicable from time to time.

9. CONFIDENTIALITY OF INFORMATION

Any information concerning the Company's business, its customers, suppliers, etc. to which the Directors and Senior Management have

access or which is possessed by the Directors and Senior Management, must be considered privileged and confidential and should be held in confidence at all times, and should not be disclosed to any person, unless (i) specifically authorized; or (ii) the same is part of the public domain at the time of disclosure; or (iii) is required to be disclosed in accordance with applicable laws.

10. REGULATORY COMPLIANCE

Every Director and Senior Management shall, in his or her business conduct, comply with all applicable laws and regulations, both in letter and in spirit, in all the territories in which he or she operates. 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.

11. HEALTH, SAFETY AND ENVIRONMENT

The Directors and Senior Management shall be committed to prevent the wasteful use of natural resources and minimize any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment.

12. PROTECTION OF ASSETS

The Directors and Senior Management of the Company shall employ the assets of the Company and for the purpose of conducting the business for which they are duly authorized. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as proprietary information, relationships with customers and suppliers etc.

13. NATIONAL INTEREST

The Directors and Senior Management shall be committed in all their actions to benefit the economic development of the countries in which they operate. They will not engage in any activity that would adversely affect such an objective. They will not undertake any project or activity to the detriment of the nation's interest, or those that will have any adverse impact on the social and cultural life patterns of its citizens. The Directors and Senior Management shall conduct their business affairs in accordance with the economic development and foreign policies, objectives and priorities of the National Government, and will strive to make a positive contribution to the achievement of such goals at the international, national and regional level, as appropriate.

14. FINANCIAL REPORTING AND RECORDS

The Directors and Senior Management will prepare and maintain their accounts fairly and accurately in accordance with the accounting and financial reporting standards which represent the generally accepted guidelines, principles, standards, laws and regulations of the country in which the Company or its subsidiaries conducts its business affairs.

15. COMPETITION

The Directors and Senior Management will fully strive for the establishment and support of a competitive, open market economy and will co-operate in the efforts to promote the progressive and judicious liberalization of trade and investment by a country. Specially, the Directors and Senior Management will not engage in activities, which generate support unfair trade practices.

16. EQUAL OPPORTUNITIES EMPLOYER

The Directors and Senior Management will provide equal opportunities to their employees and all qualified applicants for employment, without regard to their race, caste, religion, colour, ancestry, marital status, sex, age, nationality, disability and veteran status. The Employees of the Company will be treated with dignity and in accordance with the values/policies of the Company to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

17. POLITICAL NON-ALIGNMENT

The Directors and Senior Management will be committed to and support a functioning democratic constitution and system with a transparent and fair electoral system in India. The Directors and Senior Management will not support, directly or indirectly, any specific political party or candidate for political office.

18. QUALITY SERVICES

The Directors and Senior Management will be committed to render services of the highest quality standards, backed by efficient after-sales service consistent with the requirements of the customers to ensure their total satisfaction. The quality standards of the Company's services should meet the required international standards.

19. CO-OPERATION WITH ASSOCIATE/GROUP COMPANIES

The Directors and Senior Management will co-operate with other Associate/Group Companies by sharing physical, human and management resources as long as this does not adversely affect their business interests and shareholder value.

20. ETHICAL CONDUCT

The Directors and Senior Management will deal on behalf of the Company with professionalism, honesty and integrity, as well as high moral and ethical standards. Such conduct will be fair and transparent and be perceived to be as such by third parties.

21. SHAREHOLDERS

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

22. INTEGRITY OF DATA FURNISHED

The Directors and Senior Management will ensure, at all times, the integrity of data of information furnished by him or her to the Company.

23. REPORTING CONCERNS

The Directors and Senior Management will promptly report to the management any actual or possible violation of this Code, or any event he or she becomes aware of that could affect the business or reputation of any unit of the Company. The Directors and Senior Management will inform to the Chairman and Managing Director, Managing Director or Company Secretary about the situation or circumstance which they believe, may lead to a violation of Code.

24. AMENDMENTS TO THE CODE

The provisions of this Code can be amended/modified by the Board of Directors of the Company from time to time in line with any changes in law, changes in Company's philosophy, vision, business plans or otherwise and all such amendments/modifications will take effect from the date stated therein. All Directors and Senior Management will be duly informed of such amendments and modifications.

25. PLACEMENT OF THE CODE ON WEBSITE

Pursuant to Clause 49 of the Listing Agreement, this Code and any amendments thereto shall be posted on the website of the Company.

26. ENFORCEMENT OF CODE OF CONDUCT

All Directors and/or Senior Management will be accountable for fully complying with this Code.

27. CONSEQUENCES OF NON-COMPLIANCE OF THIS CODE

27.1 In case of breach of this Code by the Directors, the same will be dealt with by the Board of Directors for initiating appropriate action, as deemed necessary.

27.2 In case of breach of this Code by the Senior Management, the same will be dealt with by Chairman and/or Managing Director in accordance with the Rules of the Company.

Applicable to Independent Directors only

28. GUIDELINES OF PROFESSIONAL CONDUCT

An independent director shall:

- (1) Uphold ethical standards of integrity and probity;
- (2) Act objectively and constructively while exercising his duties;
- (3) Exercise his responsibilities in a bona fide manner in the interest of the company;
- (4) Devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) Not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) Not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) Refrain from any action that would lead to loss of his independence;
- (8) Where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the board accordingly;
- (9) Assist the company in implementing the best corporate governance practices.

29. ROLE AND FUNCTIONS

The independent directors shall:

- (1) Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

- (2) Bring an objective view in the evaluation of the performance of board and management;
- (3) Scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) Safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) Balance the conflicting interest of the stakeholders;
- (7) Determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (8) Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

30. DUTIES

The independent directors shall—

- (1) Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) Seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) Strive to attend all meetings of the board of directors and of the board committees of which he is a member;
- (4) Participate constructively and actively in the committees of the board in which they are chairpersons or members;
- (5) Strive to attend the general meetings of the company;

- (6) Where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the board meeting;
- (7) Keep themselves well informed about the company and the external environment in which it operates;
- (8) Not to unfairly obstruct the functioning of an otherwise proper board or committee of the board;
- (9) Pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) Ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) Report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) Acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) Not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

31. SEPARATE MEETINGS

- (1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:

- (a) review the performance of non-independent directors and the Board as a whole;
- (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.
