

RURAL ELECTRIFICATION CORPORATION LIMITED

CODE OF CONDUCT

FOR

BOARD MEMBERS AND SENIOR MANAGEMENT

1. INTRODUCTION

- 1.1 This Code of Conduct (“this Code”) shall be called “The Code of Conduct for Board Members and Senior Management” of Rural Electrification Corporation Limited (REC Ltd) hereinafter referred to as “the Corporation”
- 1.2 This Code is in alignment with Corporation’s Vision and Values to achieve the Mission and Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Corporation.
- 1.3 The company currently has Conduct, Discipline and Appeal Rules (“CDA Rules”), which govern the conduct of all permanent employees of the Company including Whole-time Directors but excluding Non- Whole time Directors and those governed by the Standing Orders under the Industrial Employment (Standing Orders) Act, 1946. This Code for Board Members has now been framed specifically in compliance with the provisions of Clause 2.18 of the Model Listing Agreement . In respect of Whole- time Directors and Senior Management below Board level, this Code is to be read in conjunction with the CDA Rules.
- 1.4 The purpose of the Code is to enhance ethical and transparent process in managing affairs of the Corporation. The matters covered in this Code are of the utmost importance to the Corporation, its stakeholders and business partners. Further these are essential so that the business is conducted in accordance with the stated values of the Corporation.
- 1.5 This Code of the Board Members and Senior Management has been framed in compliance with the provisions of Clause 2.18 of the Model Listing Agreement.
- 1.6 It shall come into force with effect from the _____.
(Date of approval of the Board of Directors).

2. DEFINITIONS AND INTERPRETATIONS

In this Code, unless repugnant to the meaning or context thereof, the following expressions shall have the meaning given to them below:

- 2.1 The term “Board/Board of Directors” shall mean the Board of Directors of the Corporation.
- 2.2 The term “Board Members” shall mean the Members on the Board of Directors of the Corporation.
- 2.3 The term “Functional Director” shall mean the Board Members who are in whole-time employment of the Corporation.
- 2.4 The term “Independent Directors” shall mean the Board Members who are Part-time Non Official Directors not in whole time employment of the Corporation.
- 2.5 The term “Government Director” shall mean the Board Members who are Part time Official Directors not in whole time employment of the Corporation
- 2.6 The term “Relative” shall mean the relative as defined in Section 2(41) and Section 6 of the Companies Act, 1956.(Refer Appendix -1)
- 2.7 The term “Conflict of Interest” means where the interests or benefits of one person or entity conflict with the interests or benefits of the Corporation.
- 2.8 The term “Senior Management” means Non-Board Members and includes all Executive Directors and General Managers of the Corporation.

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

3. APPLICABILITY

This Code shall be applicable to the following persons:

- a) All Functional Directors.
- b) All Non Whole-time Directors (including the Independent Directors and Government Directors) unless specifically exempted from some of the provisions of this Code.
- c) Senior Management.

4 **KEY REQUIREMENTS:**

Ethical business conduct is critical to a business. Accordingly the Board Members and the Senior Management of the Corporation are expected to read and understand this Code and uphold these standards in day to day activities. They shall act within the authority conferred upon them, keeping the best interest of the Corporation in view and shall observe the following:

- i) Shall act with utmost *care ,skill and diligence* in a *fair, reasonable and bonafide manner*, maintaining *high standards of integrity* in all its activities and dealings.
- ii) Shall act in an *ethical manner, free from fraud or deception* and confirming to the accepted professional standards. They shall also fulfill the fiduciary obligations without allowing their independence of judgment to be compromised.

Ethical conduct includes the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

- iii) Shall not involve in taking any decision on a subject matter in which a *conflict of interest* arises or which in his opinion is likely to arise.

Shall make *disclosures to the Board* relating to all the material, financial and commercial transactions , if any, where they have personal interest, that may have a potential conflict with the interest of the Corporation at large.

- iv) Shall not , in his official capacity , enter into business with (a) a relative or (b) a Private Limited Company in which he or his relative is a Member or a Director (c) a Public Limited Company in which he or his relative holds 2% or more paid up share capital and (d) with a Firm in which any relative is a partner, except with the prior approval of the Board unless otherwise permitted by law.
- v) Shall avoid any dealing with the Contractor or Supplier that compromises the ability to transact business on a professional, impartial and competitive basis or that may influence discretionary decision to be made by the Board Members / Corporation.
- vi) Shall avoid having any personal and /or financial interest in any business dealings concerning the Corporation.
- vii) Shall not hold any position or job or engage in outside business or other interest that is prejudicial to the interest of the Corporation.

- viii) Shall not exploit for their own personal gain , opportunities that are discovered through 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 declines to pursue such opportunity and allow him to avail such opportunity.
- ix) Shall not seek or accept ,directly or indirectly , any offer , payment , promise to pay , or authorization to pay any *money , gift or anything of value* from customers, vendors, consultants etc. that is perceived as intended , to influence any business decision , any act or failure to act , any commitment of fraud , or opportunity for the commitment of any fraud.
- x) Shall not make any statement which has the effect of adverse criticism of any policy or action of the Government or of the Corporation or which is capable of embarrassing the relations between the Corporation and the public including all the stakeholders.

Provided that nothing specified in this clause shall apply to any statement made or views expressed by the Board Member and Senior Management which are purely factual in nature , or are made in their official capacity or in due performance of the duties assigned to them.

- xi) Shall not commit any *offence involving moral turpitude*.

5 COMPLIANCE OF LAW

- ❖ The Board of Directors / Senior Management shall *comply with all the applicable laws, rules and regulations, policies and procedures*, as adopted by the Corporation.
In respect of the Board Meetings, Agenda, Quarterly Reports, Resolution by Circulation etc. the Board may refer to Appendix-IV
- ❖ They shall also comply with the Govt. policies as applicable to the Corporation, along with the *changes made therein* from time to time.

6. CORPORATE DISCLOSURE PRACTICES

The Code of Corporate Disclosure Practices regulates accurate, timely, and understandable disclosure of reports and documents that are filed with or submitted to any outside agency or on the Website or any other Public Communications. Accordingly, Board/Senior Management must ensure that the Corporation complies with Corporation's Disclosure Controls and Procedures and Internal Controls for financial reporting. The Board Members/Senior Management of the Corporation are

free to disclose such information which are required to be disclosed in accordance with applicable laws, rules, regulations guidelines, or directions from Ministry of Power.

7. PROTECTION OF ASSETS

The Board Members/Senior Management shall protect the Corporation's assets including physical assets, information and intellectual rights and shall not use the same for personal advantage or cause detriment to the Corporation.

8. AMENDMENTS TO THE CODE

- a) The provisions of the Code can be amended /modified by the Board of Directors of the Corporation from time to time and all such amendments/modifications shall take effect from the date stated therein.
- b) Any amendment of any provisions of this Code must be approved by the Corporation's Board of Directors and promptly disclosed in the Corporation's website pursuant to applicable laws and regulations, together with the details about the nature of amendment.
- c) Pursuant to Clause 2.18 of the Model Listing Agreement this Code and any Amendment/modification thereto shall be available on the website of the Corporation i.e. www.recindia.nic.in

9. ANNUAL COMPLIANCE REPORTING

- 9.1 In terms Clause 2.18 of the Model Listing Agreement, all Board Members shall affirm compliance of this Code within 30 days of close of every financial year. The Annual Report of the Corporation shall contain a declaration to this effect signed by the Chairman & Managing Director. A Performa of Annual Compliance Report is at Appendix-II. The Annual Compliance Report shall be forwarded to the Company Secretary. If any Director /Senior Management Personnel leaves the Corporation at any time during the financial year, he shall send a communication to the Company Secretary affirming the compliance of the Code.
- 9.2 The Chairman & Managing Director of the Corporation and all the Whole- time Directors of the Corporation shall certify to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the Corporation during the year which are fraudulent, illegal or in violation of this Code.

10. NON COMPLIANCE WITH THE CODE

The Corporation shall ensure confidentiality and protection to any person who has in good faith, reported a violation or a suspected violation of law , of this Code or other Company policies or against any person who is assisting in any investigation or process with respect to such a violation .

Any waiver to this Code, whether the same is in the interest of the Corporation shall be decided by the Board.

Each Board Member/Senior Management shall be required to comply with this Code. Any concern regarding the compliance with the same shall be raised with the Compliance officer i.e., Company Secretary.

In case of any breach of this code, by the Board Members or Senior Management Personnel, the penalty for the Breach shall be considered by the Board of Directors for initiating appropriate action, as deemed necessary.

11. ACKNOWLEDGEMENT OF RECEIPT OF THE CODE

All Board Members/Senior Management shall acknowledge receipt of this Code or any modification(s) thereto , in the acknowledgement form as at Appendix-III and forward the same to the Company Secretary indicating that they have received, read, understood and agreed to comply with this code.

RURAL ELECTRIFICATION CORPORATION LIMITED

CODE OF CONDUCT
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EXTRACT OF SECTION 6 OF THE COMPANIES ACT, 1956

Meaning of “relative”

A person shall be deemed to be a relative of another if, and only if,-

- (a) They are members of a Hindu undivided family; or
- (b) They are husband and wife; or
- (c) The one is related to the other in the manner indicated in Schedule IA appended below:-

SCHEDULE IA

LIST OF RELATIVES

- 1. Father
- 2. Mother (including step-mother)
- 3. Son (including step-son)
- 4. Son's wife
- 5. Daughter (including step-daughter)
- 6. Father's father
- 7. Father's mother
- 8. Mother's mother
- 9. Mother's father
- 10. Son's son
- 11. Son's son's wife
- 12. Son's daughter
- 13. Son's daughter's husband
- 14. Daughter's husband
- 15. Daughter's son
- 16. Daughter's son's wife
- 17. Daughter's daughter
- 18. Daughter's daughter's husband
- 19. Brother (including step-brother)
- 20. Brother's wife
- 21. Sister (including step sister)
- 22. Sister's husband

RURAL ELECTRIFICATION CORPORATION LIMITED

CODE OF CONDUCT
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ANNUAL COMPLIANCE REPORT*

Ido hereby solemnly affirm that to the best of my knowledge and belief, I have fully complied with the provisions of the **CODE OF CONDUCT FOR BOARD MEMBERS /SENIOR MANAGEMENT** during the financial year ending 31st March 200__.

Signature :.....

Name :.....

Designation :.....

Date :.....

Place :.....

* To be submitted by **30th April** each year.

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ACKNOWLEDGEMENT FORM

I, have received and read the Corporation “**CODE OF CONDUCT FOR BOARD MEMBERS/SENIOR MANAGEMENT**” (“this Code”). I have understood the provisions and policies contained in this Code and I agree to comply with this code.

Signature :

Name :

Designation :

Date :

Place :

Board procedures: -

Sl. No.	Particulars	Remarks
1.	Notice of Board Meeting	<p>The date of meeting will be decided by the Chairman & Managing Director. The Corporation may give the notice of the Board Meeting at least 10 days in advance by fax/courier. The agenda of the meeting may be sent at least 7 days in advance through courier. However, supplementary agenda can be forwarded to the Board at any time before the meeting and can also be tabled during the meeting.</p> <p>In cases of urgency the Chairman & Managing Director can always call the meeting by giving only 1 day notice also (even by fax also).</p>
2.	<p>Board Meeting</p> <p>On the advise of CEO, the Board Meetings may be called to consider the un-audited/audited accounts as per following details: -</p> <p>1st Quarter – on or before 31st July 2nd Quarter – on or before 31st October 3rd Quarter – on or before 31st January 4th Quarter – on or before 30th April</p>	<p>In addition to the Board Meetings mentioned in the first column, the Chairman & Managing Director can call the meetings of the Board, for such item(s), approval of which is required on an urgent basis or for such purposes as he may think fit to call the Meeting.</p>
3.	Resolution by Circulation	<p>Can be passed by the Board in terms of the Companies Act, 1956 and Articles of Association of the Corporation. However, such resolution shall be ratified in the next Board Meeting.</p>
4.	Board Agenda items	<p>After each quarter of the Financial Year or at more frequent intervals of time as may be required , Group Heads of the Corporation shall submit the agenda item (if any) from the respective department(s) to CMD for approval so that these items can be submitted to the Board.</p>
5.	Quarterly Compliance report to the Board	<p>At the end of each Quarter, Compliance Report of all applicable laws will be prepared by various Departments and sent to the Company Secretary for submission to the Board.</p>

6.	Directors will inform the Corporation about their interest in other company under section 299 of the Companies Act, 1956	The Corporation will forward the relevant form for notice under this Section in the first week of March and Directors will fill that form and return the same to the Corporation and the Corporation will submit to the Board. However, any change in the details during the Financial Year will be intimated by the Director of the Corporation directly.
7.	<p>In addition to the other items the following items may also be submitted before the Board for information / approval from time to time.</p> <ul style="list-style-type: none"> a) Annual operating plans and budgets updates b) Capital budgets and any updates, variance analysis supported by the explanation. c) Quarterly results for the Corporation d) Minutes of meetings of Audit Committee and other Committees of the Board e) The information on recruitment and remuneration of senior officers one level below the Board level and appointment or removal of Chief Financial Officer and the Company Secretary f) Show cause, demand, prosecution notices and penalty notices which are materially important g) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems. h) Any material default in financial obligations to and by the Corporation, or substantial non receipt for services provided by the Corporation i) Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the 	<ul style="list-style-type: none"> a) The Budget Estimates for next Financial Year and Revised Budgeted estimate may be submitted to the Board in the Board Meeting to be held between 1st January to 31st March in each year. b) Same as above c) Within one month of end of each quarter d) The minutes of the committee meeting will be sent to all the Directors by the Corporation. e) To be intimated to the Board f) To be intimated to the Board g) To be intimated to the Board h) To be intimated to the Board i) To be intimated to the Board

	<p>of the Corporation or taken an adverse view regarding another enterprise that can have negative implications on the Corporation.</p> <p>j) Material details of any joint venture or collaboration agreement.</p> <p>k) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.</p> <p>l) Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.</p> <p>m) Sale of material nature, of investments, subsidiaries, fixed assets, which is not in normal course of business.</p> <p>n) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.</p> <p>o) Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.</p> <p>p) Any potential business risks / threats and steps taken / proposed to mitigate the same (Fraud, IPR threats, IT security lapses etc)</p> <p>q) Any major market reports / news</p>	<p>j) To be intimated to the Board</p> <p>k) To be intimated to the Board</p> <p>l) To be intimated to the Board</p> <p>m) To be intimated to the Board</p> <p>n) Details to be given in the quarterly / annual accounts</p> <p>o) To be intimated to the Board</p> <p>p) To be intimated to the Board</p> <p>q) To be intimated to the Board</p>
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