HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED
(A State Govt. undertaking)

Registered office	Vidyut Bhawan, HPSEBL, Shimla-171004(H.P)
C I N	U40109HP2009SGC031255
GST No.	02AACCH4894EHZB
Telephone Number	0177-2803600,2801675(Office), 2813563(Fax)
Website address	www.hpseb.com
Email	cmd@hpseb.in & directorfa@hpseb.in

No. HPSEBL /CS/NRC/MEETING/2024-25- 128-49 Dated:- 2-4-24

To

1. **The Executive Director (Pers.)**
   H. P. State Electricity Board Limited,
   Shimla-4
2. **The All Chief Engineers,**
   In HPSEB Ltd.
3. **The CAO/ CA,**
   HPSEBL Shimla-4.

Subject: - Regarding affirmation of HPSEBL'S Code of Conduct for the Board Members and Senior Management.

Sir/ Madam

This letter bears the reference of Office Order no. HPSEBL/SECTT./CS/NRC/Meeting/2021-42819-839 dated 30.07.2022 vide which the HPSEBL'S Code of Conduct for Board Members and Senior Management was approved and circulated (Copy enclosed).

You are, therefore, requested to kindly provide the affirmation of the HPSEBL's Code of Conduct for the period ended on 31st March, 2024 as per Appendix-II on or before 30th April, 2024 positively.

Thanking you,

Yours faithfully

(Arvind Sharma)
Company Secretary
HPSEBL, Shimla-4.

Copy forwarded to:-

1. Spec. Pvt. Secretary of the Chairman, HPSEBL, Shimla-04 for the information of Hon'ble Chairman, HPSEB Ltd., Shimla-04.
2. Special/Private Secretary to the Managing Director/Director (Finance)/ Director (Civil)/Director (Technical)/Director (Operation) for information please.
3. The Superintending Engineer (IT) HPSEB Ltd. Shimla for uploading the same in the website of HPSEB Ltd.

Company Secretary
HPSEBL, Shimla-4.

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OFFICE ORDER

The Board of Directors of Himachal Pradesh State Electricity Board Limited in its meeting held on 22nd July 2022, approved the HPSEBL's CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT as per **Annexure A**.

This Code of Conduct shall become operative from the date of issuance of this Order and applicable to all the members of the Board and key managerial persons i.e., Executive Director (Persl.), Chief Engineer(s), Chief Accounts Officer and Chief Auditor.

The Company Secretary being Compliance Officer shall ensure the compliance(s) of the Code of Conduct and shall submit his report to the Board of Directors.

(Gopal Chand, IAS)
Director (Fin. & Persl.)

No. HPSEBL/CS/NRC/Meeting /2021- 42819-839 **Dated:** 30.7.22
Copy forwarded for information and necessary action:-

1. The Specl. Pvt. Secretary of the Chairman, HPSEBL, Shimla-02 for information of Hon'ble Chairman.
2. All the Directors of HPSEBL.
3. Executive Director (Pers.), HPSEBL.
4. All the Chief Engineers/CAO/CA, HPSEB Ltd.
5. The Superintending Engineer (IT), HPSEB Ltd., Shimla-4 for uploading the same in the website of HPSEB Ltd.

Director (Fin. & Persl.)

Himachal Pradesh State Electricity Board Limited
Vidyut Bhawan, HPSEBL,
Shimla, H.P. 171004
CIN: U40109HP2009SGC031255

HPSEBL

CODE OF CONDUCT
FOR
BOARD MEMBERS AND SENIOR MANAGEMENT

CODE OF CONDUCT

FOR BOARD MEMBERS AND SENIOR MANAGEMENT

1.0 INTRODUCTION

1.1 This Code shall be called "The Code of Business Conduct & Ethics for Board Members and Senior Management" of Himachal Pradesh State Electricity Board Limited (hereinafter referred to as "the Company")

1.2 The purpose of this code is to enhance 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 in alignment with the Company's Vision and Values to achieve the Mission and Objectives. 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 Company currently has adopted the CCS (CCA) Rules 1965, which govern the conduct of all permanent employees of the company including Whole-time Directors but excluding part-time Directors. This Code for Board Members and Senior Management Personnel has now been framed specifically in compliance with SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015. In respect of Whole-time Directors and Senior Management, this Code shall be read in conjunction with the CCS (CCA) Rules 1965.

2.0 Definitions and Interpretations:

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

2.1 The term "**Board Members**" shall mean Directors on the Board of the Company including the Part-time Directors.

2.2 "Competent Authority" means the Board in case of Directors and Chairman in case of Senior Management.

2.3 The term "**Whole-time Directors**" or "Functional Directors" shall be the Directors who are in whole-time employment of the company.

2.4 The term **"Part-time Directors"** shall mean Directors on the Board of Directors of the Company who are not in whole time employment of the Company and includes Part-time Official Directors (Government/Nominee Directors) and Part-time Non-Official Directors (Independent Directors).

2.5 The term "**Senior Management**" shall mean officers/personnel of the Company who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the Chief Executive Officer/Managing Director/Whole Time Director (including Chief Executive Officer/Executive Director(Persl.)/Chief Engineers/Manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief Financial Officer.

Note: In this code words importing the masculine gender shall include feminine gender and words importing singular shall include the plural or vice-versa.

3.0 APPLICABILITY

3.1 This code shall be applicable to the following personnel:

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

3.2 The Whole-time Directors and Senior Management shall continue to comply with other applicable/to be applicable policies, rules and procedures of the Company. This code shall be in addition to any other rules as may be formulated to regulate the conduct of the Directors and Senior Management.

4.0 CODE OF CONDUCT

In performing their functions, the Directors or Senior Management shall act within the authority conferred upon them in the best interests of the Company and shall exercise:

4.1 Due Diligence and Care: Shall act with utmost care, skill and diligence in a fair, reasonable and bonafide manner, without allowing their independent judgement to be subordinated, maintaining high standards of integrity in all its activities and dealings in the best interest of the Company and its stakeholders.

4.2 Ethical Conduct: Shall act in an ethical manner, conforming to the accepted professional standards fulfilling their fiduciary obligations towards the Company and the Stakeholders.

4.3 Compliance with Laws, Rules & Regulations: Shall in his or her business conduct, comply with all applicable laws and regulations, both in letter and in spirit. 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.

4.4 Conflict of Interest: shall be scrupulous and use their prudent judgement to avoid all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company shall be disclosed promptly to the Competent Authority.

1. **Outside Directorships**: Unless specifically permitted by the Board shall not serve as Director of any other Company or be a Partner of a Firm or Management Position in any other entity that is engaged in a business competing with the Company or with which the Company has business relations. This clause is not applicable to Government/Nominee Directors. In case of Independent Directors, if the Board feels, it may refer the conflict of interest to the Government of Himachal Pradesh.
   Senior Management Personnel shall obtain prior approval of the Chairman of the Company for accepting Directorship of any other Company or partnership of a firm/ Limited Liability Partnership or management position in any other entity.
   The Functional Directors shall not accept any appointment or post, whether advisory or administrative, in any firm or company, whether Indian or foreign, with which the Company has or had business relations, within one year from the date of separation without prior approval of the Government of Himachal Pradesh.

2. **Consultancy/ Business / Outside employment**: Shall not engage in any activity that interferes with his performance or responsibilities to the Company and is prejudicial to its interests.

3. **Business Interests:** While investing in the business of any competitor of the Company, they shall ensure that they use their prudent judgement to avoid all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Company; these investments do not compromise their responsibilities towards the Company. Permission from the competent authority shall be obtained for investment in a company exceeding two percent of the capital of that company.

4. **Corporate Opportunities**: Shall not exploit the information acquired or gained in his/ her official capacity for personal advantage or to the advantage of any third party detrimental to the interests of the company.

4.5 Gifts: 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 favour in the transactions detrimental to the interest of the Company, except for nominal value, which are customarily given or are of commemorative nature for special events and should never be of a kind that could create an appearance of impropriety.

4.6 Adverse Statements/criticism: Shall not engage in making any adverse statement/ criticism of any policy or action of the Government or of the Company that is likely to prejudice the Company's business, fellow Directors, Senior Management or other staff.

4.7 Confidentiality: 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.

4.8 Annual Affirmation of compliance: Shall on an annual basis, affirm compliance with this Code in the prescribed format and the Chairman/Managing Director shall in turn declare the same in the Annual Report.

4.9 Related Party Disclosures: Shall make disclosure of related party transactions to the Board of Directors and the Senior Management Personnel shall make disclosure of the related party transactions to the Chairman / Managing Director as per the provisions of the Companies Act, 2013 and rules framed there under. For definition and statutory provisions regarding "related party transactions" and "relative" refer **Appendix - III** and **Appendix - IV** respectively.

4.10 Protection of Assets: Shall deploy the assets of the Company only 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 proprietary information, relationships with customers and suppliers, etc.

4.11 Be accountable to Company's stakeholders: Shall be accountable to the Customers, the Shareholders, the Vendors, all other stakeholders of the Company and the entire society at large.

4.12 Identify, mitigate and manage business risks: Shall identify the business risks that surround function or area of operation of the Company, to assist in the company vide process of managing such risks in accordance with the Company's Risk Management Policy.

5.0 Prevention of Insider Trading: The Board Members and Senior Management Personnel shall comply with the Code of Internal Procedures and conduct for Prevention of Insider Trading, in dealing with securities of the Company.

6.0 DUTIES OF DIRECTORS:

The Director(s) of the Company:

i. shall act in accordance with the articles of the company, subject to the provisions of the Companies Act, 2013 as amended from time to time;

ii. shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment;

iii. shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment;

iv. shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company;

v. shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company;

vi. shall not assign his office and any assignment so made shall be void;

7.0 Protection of Employee: The Company 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.

8.0 Cooperation in investigation: Directors/Officers shall cooperate in any internal or external investigation of possible violations.

9.0 Discrimination and Harassment: The Company is committed to provide a workplace free of discrimination and harassment based on race, color, religion, age, gender, national origin, disability, veteran status, or any other biases. It will be the endeavor of every director and officer of the Company to see that workplace is free from such bias.

10.0 Safety, Health 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.

11.0 Duties of Independent Directors: All the independent directors shall also abide by the code of conduct as provided in Schedule IV of the Companies Act and appended in **Appendix V.**

12.0 Confidentiality of Information:

Subject to the Code of Corporate Disclosure Practices as may be prevalent in the Company from time to time any information concerning the Company's business, its customers, suppliers, etc., to which the Board Members and Senior Management Personnel have access or which are in their possession, must be considered confidential and held in confidence.

No Board Member and Senior Management Personnel shall provide any information either formally or informally, to the press or any other media, unless specifically authorized. The Board Members and Senior Management Personnel shall also be required to maintain confidentiality of information for a period of 6 months after separation from the Company.

Provided that Board Members and Senior Management Personnel of the Company shall be free to disclose such information which is:

a. part of the public domain at the time of disclosure; or
b. authorised or required to be disclosed pursuant to a decision of the Board or any of its Sub-Committees; or
c. required to be disclosed in accordance with applicable laws, rules, regulations, guidelines or directions from the Government.

13.0 Consequences of Non-Compliance

Non-compliance or breach of Code of Conduct shall be deemed as "Misconduct" under the CCS CCA Rules' 1965 and appropriate action as per rules shall be initiated for such breach by the Competent Authority.

14.0 Amendments to the Code

The provisions of the Code can be amended /modified by the Board of Directors of the Company from time to time in line with any changes in law, as may be deemed necessary by the Board.

15.0 Where to seek clarifications:

Any clarification regarding this code of conduct may be sought from the Company Secretary.

16.01 Placement of the Code on Company's Website

This code and any amendment thereto shall be hosted on the website of the Company.

17.0 Annual Compliance Reporting:

In terms of the revised SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015, all Board Members and Senior Management Personnel shall affirm compliance of this Code within 30 days of close of every financial year. The Annual Report of the company shall contain a declaration to this effect signed by the Chairman/ Managing Director. A proforma of Annual Compliance Report is at **Appendix-II**. The Annual Compliance Report shall be forwarded to the Company Secretary. If any Board Members and Senior Management Personnel leave the company any time during a financial year, he shall send a communication to Company Secretary affirming compliance of the Code till the date of his association with the Company.

The Chairman /Managing Director of the Company and the Whole Time Finance Director or any other person heading the finance function shall certify to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of this Code.

18.0 Acknowledgement of Receipt of Code:

All Board Members and Senior Management Personnel shall acknowledge receipt of this Code or any modification(s) thereto, in the acknowledgement form as at **Appendix-1** and forward the same to the Company Secretary.

APPENDIX-I

HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED
CODE OF CONDUCT
FOR BOARD MEMBERS AND SENIOR MANAGEMENT

ACKNOWLEDGEMENT OF RECEIPT
OF
CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD MEMBERS AND SENIOR MANAGEMENT

I have received and read the code of Business Conduct and Ethics for Board Members and Senior Management of Himachal Pradesh State Electricity Board Ltd. I understand the standards and policies contained in the said Code of Business Conduct and Ethics and understand that there may be additional policies or laws specific to my job. I further agree to comply with the said Code of Business Conduct and Ethics.

Signature................................
Name ....
Date:
Designation.............................
Employment Number...............
Telephone No. ....

Place:

APPENDIX-II

HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED
CODE OF CONDUCT
FOR BOARD MEMBERS AND SENIOR MANAGEMENT

AFFIRMATION/ ANNUAL COMPLIANCE REPORT*
For the Year ended 31st March................

(By Board Members/ Senior Management of the Company on Annual basis by 30th April of every year)

I....................... (Name)........... .... (Designation), having read and understood the Code of Business Conduct and Ethics for Board Members and Senior Management, hereby solemnly affirm that I have complied with and have not violated any of the provisions of the Code during the year ended 31st March ....

Signature.................................
Name ....
Designation...............................
Employment Number................
Telephone No. ....

Date:

Place:

HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED
CODE OF CONDUCT
FOR BOARD MEMBERS AND SENIOR MANAGEMENT

RELATED PARTY DEFINITION & TRANSACTIONS APPLICABLE PROVISIONS OF SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015 COMPANIES ACT 2013 & ALLIED RULES

Definition of related party as per section 2 (76) of the Companies Act, 2013 read with Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014:

"Related Party", with reference to a company, means

(i) a director or his relative;

(ii) a key managerial personnel or his relative;

(iii) a firm, in which a director, manager or his relative is a partner;

(iv) a private company in which a director or manager or his relative is a member or director;

(v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;

(vi) anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any body corporate which is

A. a holding, subsidiary or an associate company of such company; or

B. a subsidiary of a holding company to which it is also a subsidiary;

C. an investing company or venture of the company (ix) such other person as may be prescribed;

As per Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014, a director other than independent director or key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be related party.

Related Party Transactions as per the SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015

A. A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. "Explanation: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract."

"**B.** For the purpose of SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015, an entity shall be considered as related to the company if:

(i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or

(ii) Such entity is a related party under the applicable accounting standards."

(C) The company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.
Provided that a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Extract of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to

(a) sale, purchase or supply of any goods or materials;

(b) selling or otherwise disposing of, or buying, property of any kind;

(c) leasing of property of any kind;

(d) availing or rendering of any services;

(e) appointment of any agent for purchase or sale of goods, materials, services or property;

(f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;.

(g) underwriting the subscription of any securities or derivatives thereof, of the company:
Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:
Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation. -- In this sub-section,

(a) the expression "office or place of profit" means any office or place where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise; where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(b) the expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014:

For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below -

(i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten percent. of the turnover of the company as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

(ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent. of net worth of the company as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind exceeding ten percent of the net worth of the company or ten percent of turnover of the company as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten percent of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation- It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.-

(1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

(2) In case of a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

(3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:

(a) name of the related party;

(b) name of the director or key managerial personnel who is related, if any; (c) nature of relationship;

(d) nature, material terms, monetary value and particulars of the contract or arrangement;

(e) any other information relevant or important for the members to take a decision on the proposed resolution."

HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED
CODE OF CONDUCT
FOR BOARD MEMBERS AND SENIOR MANAGEMENT

EXTRACT OF SECTION 2(77) OF THE COMPANIES ACT, 2013.

Meaning of **"relative"**
"Relative" means, with reference to any person, means anyone who is related to another, if

(i) If they are members of a Hindu Undivided Family
(ii) They are husband and wife or
(iii) One person is related to the other in such manner as may be prescribed.

LIST OF RELATIVES AS PER RULE 4 OF THE COMPANIES (SPECIFICATION OF DEFINITION DETAILS) RULES, 2014.

1. Father (Provided that the term "Father" includes step-father)
2. Mother (Provided that the term "Mother" includes the step-mother)
3. Son (Provided that the term "Son" includes the step-son)
4. Son's wife.
5. Daughter
6. Daughter's husband.
7. Brother (Provided that the term "Brother" includes the step-brother)
8. Sister (Provided that the term "Sister" includes the step-sister)

APPENDIX-V

SCHEDULE IV

[See section 149(7) OF The COMPANIES ACT 2013]

CODE FOR INDEPENDENT DIRECTORS

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

I. 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.

II. 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) scrutinize 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 control 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.

III. 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.

IV. Manner of appointment:

(1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

(2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.

(3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the

rules made there under and that the proposed director is independent of the management.

(4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out:

(a) the term of appointment;

(b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;

(c) the fiduciary duties that come with such an appointment along with accompanying liabilities;

(d) Provision for Directors and Officers (D and O) insurance, if any;

(e) the Code of Business Ethics that the company expects its directors and employees to follow;

(f) the list of actions that a director should not do while functioning as such in the company: and

(g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

(5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.

(6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

VI. Resignation or removal:

(1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.

(2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.

(3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

VII. 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.

VIII. Evaluation mechanism:

(1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

(2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.