

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

1. INTRODUCTION

1.1 This Code of Conduct (“this Code”) shall be called “The Code of Business Conduct & Ethics for Board Members and Senior Management” of Rural Electrification Corporation Limited (REC) (hereinafter referred to as “the Company”).

1.2 This Code is in alignment with Company’s Vision and Values to achieve the Mission and Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company.

1.3 The matters covered under this Code are of utmost importance to the Company, its stakeholders and business partners. Further these are essential so that the business is conducted in accordance with the stated values of the Company.

1.4 This Code for Board Members, KMPs and Senior Management has now been framed specifically in compliance with the provisions of the revised Clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed for trading and the provisions of the Companies Act, 2013 and as per the Guidelines of DPE.

1.5 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. In respect of Whole-time Directors, KMPs and Senior Management below Board level, this Code is to be read in conjunction with the CDA Rules.

1.6 It shall come into force with effect from May 28, 2015. (Date of Approval of Board of Directors)

2. DEFINITIONS AND INTERPRETATIONS:

2.1 The term “Board Members” shall mean Directors on the Board of Directors of the Company.

2.2 The term “Whole-time Directors” or “Functional Directors” shall be the Directors on the Board of Directors of the Company who are in whole-time employment of the company.

2.3 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 include Independent Directors and Government Nominee Directors.

2.4 The term “Independent Director” shall mean an Independent Director as defined in section 2(47) and Section 149(6) of the Companies Act, 2013 and Clause 49 (II)(B) of the listing agreement with the Stock Exchanges where the shares of the Company are listed for trading, as revised from time to time.

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2.5 The term “Key Managerial Personnel (KMP)” shall have the same meaning as defined in Section 2(51) of the Companies Act, 2013.

2.6 The term “Relative” shall mean the ‘relative’ as defined in Section 2(77) of the Companies Act, 2013 and Rule 4 of the Companies (Specification of Definition Details) Rules, 2014. (Refer Appendix -I).

2.7 The term “Senior Management” means Non-Board Members and includes Chief Vigilance Officer, Executive Directors, General Managers and other Heads of Departments of the Company.

2.8 The term “the Company” shall mean Rural Electrification Corporation Limited.

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. APPLICABILITY

3.1 This code shall be applicable to the following personnel:

- a) All Whole-time Directors including the Chairman & Managing Director of the Company.
- b) All Part-time Directors (including the Independent Directors and Government Nominee Directors) unless specifically exempted from some of the provisions of this Code.
- c) Key Managerial Personnel (KMP).
- d) Senior Management of the Company.

4. KEY REQUIREMENTS:

4.1 Ethical business conduct is critical to a business. Accordingly the Board Members, KMPs and the Senior Management of the Company 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 Company 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. Conduct themselves in a professional, courteous and respectful manner and not take improper advantage of their official position;
- iii. Act in a socially responsible manner, within the applicable laws, rules and regulations, customs and traditions of the countries in which the Company operates.
- iv. Shall act in an ethical manner, free from fraud or deception and conforming to the accepted professional standards. They shall also fulfill the fiduciary obligations without allowing their independence of judgment to be compromised.

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- v. Ethical conduct includes the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
- vi. Comply with communication and other policies of the Company;
- vii. Act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgment to be subordinated;
- viii. Act in the best interests of, and fulfill their fiduciary obligations to the Company;
- ix. Act honestly, fairly, ethically and with integrity;
- x. Not to use the Company’s property or position for personal gain.
- xi. Not to use any information or opportunity received by them in their capacity as Directors/KMPs/Senior Management in a manner that would be detrimental to the Company’s interests.
- xii. Act in a manner to enhance and maintain the reputation of the Company.
- xiii. 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.
- xiv. 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 Company at large.
- xv. Abstain from discussion, voting or otherwise influencing a decision on any matters that may come before the Board in which they may have a conflict or potential conflict of interest;
- xvi. Shall not enter into any contract or arrangement without obtaining the approval of the Audit Committee and/ or the Board and approval by a special resolution in the general meeting where ever required for related party transactions as mentioned in Appendix - II.
- xvii. 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 / Company.

xviii. Shall avoid having any personal and /or financial interest in any business dealings concerning the Company.

xix. Shall not hold any position or job or engage in outside business or other interest that is prejudicial to the interest of the Company.

xx. 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 Company and the Board declines to pursue such opportunity and allow him to avail such opportunity.

xxi. Shall not seek or accept, directly or indirectly, any offer, payment, promise to pay, or 4/18

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.

xxii. Shall not make any statement which has the effect of adverse criticism of any policy or action of the Government or of the Company or which is capable of embarrassing the relations between the Company 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, KMPs 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.

xxiii. Shall not commit any offence involving moral turpitude.

xxiv. Respect the confidentiality of information relating to the affairs of the Company acquired in the course of their service, except when authorized or legally required to disclose such information.

xxv. Not to use confidential information acquired in the course of their service for their personal advantage or for the advantage of any other entity.

xxvi. Help create and maintain a culture of high ethical standards and commitment to compliance.

xxvii. Keep the Board informed in an appropriate and timely manner any information in the knowledge of the member which is related to the decision making or is otherwise critical for the company.

xxviii. Treat the other members of the Board/KMPs/Senior Management and other persons connected with the Company with respect, dignity, fairness and courtesy.

4.2 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;