

BHARAT ELECTRONICS LIMITED

CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD MEMBERS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT OF BHARAT ELECTRONICS LIMITED

1.0 Introduction

1.1 This Code shall be called "The Code of Business Conduct & Ethics for Board Members, Key Managerial Personnel and Senior Management" of BHARAT ELECTRONICS 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.

1.3 The Board of Directors had on 27.10.2005 formulated a Code of Conduct for its Directors and Senior Management, in pursuance of Clause 49 of the Listing Agreement with Stock Exchanges. Subsequently, in the year 2007 & 2010, the Government of India, Department of Public Enterprises (DPE) vide its guidelines on Corporate Governance for Central Public Enterprises (CPSEs) introduced a model code of conduct for Directors and Senior Management of CPSEs. The Company being a CPSE is required to follow the DPE guidelines. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") mandates the listed Companies to suitably incorporate in the Code of Conduct, the duties of Independent Directors as laid down in the Companies Act, 2013. Therefore, this revised Code for Board Members, KMPs and Senior Management of the Company has been framed in compliance of the provisions of Regulation 17 (5) of the Listing Regulations read with Schedule IV of the Companies Act, 2013 and as per the model Code of Conduct for Directors and Senior Management of CPSEs introduced vide the DPE guidelines on Corporate Governance for CPSEs.

1.4 It shall come into force with effect from 1st February, 2016.

2.0 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 mean 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.
- 2.4 The term "Independent Director" means a Director referred to in Section 149 (6) of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014.
- 2.5 The term "Key Managerial Personnel (KMP)" means:
- (i) the Chairman and Managing Director
 - (ii) the Director (Finance) and CFO
 - (iii) the Company Secretary
- 2.6 The term "Senior Management" shall mean personnel of the Company who are members of its core management team excluding Board of Directors and shall comprise executives of the Company in the rank of Executive Directors and General Managers, including all functional heads, viz., the Unit Heads/Strategic Business Units Heads, head of the Internal Audit function, the heads of Materials Management function in the Units, and the heads of Central Research Laboratories.
- 2.7 The term "Relative" shall have the same meaning as defined in Section-2 (77) of the Companies Act, 2013 read with Companies (Specification of definitions details) Rule, 2014. (the relevant extract is enclosed as Annexure- 1)
- 2.8 The term "the Company" shall mean BHARAT ELECTRONICS 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.

3.0 **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 Independent Directors under the provisions of law.
 - c) Key Managerial Personnel (KMP)
 - d) Senior Management

3.2 The Whole-time Directors, KMPs and Senior Management should continue to comply with other applicable/to be applicable policies, rules and procedures of the Company.

4.0 **Contents of Code**

Part I General Moral Imperatives

Part II Specific Professional Responsibilities

Part III Specific Additional Provisions for Board Members, KMPs and Senior Management

This code is intended to serve as a basis for ethical decision-making in the conduct of professional work. It may also serve as a basis for judging the merit of a formal complaint pertaining to violation of professional ethical standards. It is understood that some words and phrases in the code of ethics and conduct document are subject to varying interpretations. In case of any conflict, the decision of the Board shall be final.

PART – I

5.0 **GENERAL MORAL IMPERATIVES**

5.1 **Contribute to society and human well being**

5.1.1 This principle concerning the quality of life of all people, affirms an obligation to protect fundamental human rights and to respect the diversity of all cultures. We must attempt to ensure that the products of our efforts will be used in socially responsible ways, will meet social needs and will avoid harmful effects to health and welfare of others. In addition to a safe social environment, human well being includes a safe natural environment.

5.1.2 Therefore, all Board Members, KMPs and Senior Management who are accountable for the design, development, manufacture and promotions of company's products, must be alert to, and make others aware of, both a legal and a moral responsibility for the safety and the protection of human life and environment.

5.2 **Be honest and trustworthy & practice integrity**

5.2.1 Integrity and honesty are essential components of trust. Without trust an organization cannot function effectively.

5.2.2 All Board Members, KMPs and Senior Management are expected to act in accordance with highest standards of personal and professional integrity, honesty and ethical conduct, while conducting business of the Company.

5.3 **Be fair and take action not to discriminate**

5.3.1 The value of equality, tolerance, respect for others, and the principles of equal justice govern this imperative. Discrimination, on the basis of race, sex, religion, caste, age, disability, national origins or other such factors, is an explicit violation of this Code.

5.4 **Honour confidentiality**

5.4.1 The principle of honesty extends to issues of confidentiality of information. The ethical concern is to respect all obligations of confidentiality to all stakeholders unless discharged from such obligations by requirements of the law or other principles of this Code.

5.4.2 All Board Members, KMPs and Senior Management, therefore, shall maintain the confidentiality of all confidential unpublished information about business and affairs of the Company.

5.5 **Pledge & Practice**

5.5.1 To strive continuously to bring about integrity and transparency in all spheres of the activities.

5.5.2 Work unstintingly for eradication of corruption in all spheres of life.

5.5.3 Remain vigilant and work towards growth and reputation of the Company.

5.5.4 Bring pride to the organization and provide value-based services to Company's stakeholders.

5.5.5 Do duty conscientiously and without fear or favour.

PART II

6.0 **SPECIFIC PROFESSIONAL RESPONSIBILITIES**

6.1 **Live the Vision, Mission and Values of the Company – each day**

Live the Vision, Mission and Values of BHARAT ELECTRONICS LIMITED each day. For quick reference they are as under:

Vision

To be a world-class enterprise in professional electronics.

Mission

To be a customer focused, globally competitive company in defence electronics and in other chosen areas of professional electronics, through quality, technology and innovation.

Values

- * Putting customers first.
- * Working with transparency, honesty & integrity.
- * Trusting & respecting individuals.
- * Fostering team work.
- * Striving to achieve high employee satisfaction.
- * Encouraging flexibility and innovation.
- * Endeavouring to fulfil social responsibilities.
- * Proud of being a part of the organisation.

6.2 Strive to achieve the highest quality, effectiveness and dignity in both the processes and products of professional work

Excellence is perhaps the most important obligation of a professional. Everyone, therefore, should strive to achieve the highest quality, effectiveness and dignity in their professional work.

6.3 Acquire and maintain professional competence

Excellence depends on individuals who take responsibility for acquiring and maintaining professional competence. All are, therefore, expected to participate in setting standards for appropriate levels of competence, and strive to achieve those standards.

6.4 Compliance with Laws

The Board Members, KMPs and Senior Management of the Company shall comply with all the applicable provisions of existing local, state, national, and international laws. They should also follow and obey the policies, procedures, rules and regulations relating to business of the Company.

6.5 Accept and provide appropriate professional review

Quality professional work depends on professional review and comments. Whenever appropriate, individual members should seek and utilize peer review as well as provide critical review of the work of theirs.

6.6 Manage personnel and resources to enhance the quality of working life

Organizational leaders are responsible for ensuring that a conducive working and business environment is created for fellow employees to enable them delivering their best. The Board Members, KMPs and Senior Management would be responsible for ensuring human dignity of all employees, would encourage and support the professional development of the employees of the Company by providing them all necessary assistance and cooperation, thus enhancing the quality of working.

6.7 Be upright and avoid any inducements

The Board Members, KMPs and Senior Management shall not, directly or indirectly through their family and other connections, solicit any personal fee, commission or other form of remuneration arising out of transactions involving Company. This includes gifts or other benefits of significant value, which might be extended at times, to influence business for the organization or awarding a contract to an agency, etc. Nominal gifts of commemorative nature, for special events may be accepted and acceptance of such gifts in value exceeding Rs.1000/- individually, to be reported to the Board.

6.8 Observe Corporate Discipline

The flow of communication within the Company is not rigid and people are free to express themselves at all levels. Though there is a free exchange of opinions in the process of arriving at a decision, but after the debate is over and a policy consensus has been established, all are expected to adhere and abide by it, even when in certain instances one may not agree with it individually. In some cases policies act as a guide to action, in others they are designed to put a constraint on action. All must learn to recognize the difference and appreciate why they need to observe them.

6.9 Conduct in a manner that reflects credit to the Company

All are expected to conduct themselves, both on and off duty, in a manner that reflects credit to the Company. The sum total of their personal attitude and behaviour has a bearing on the standing of Company and the way in which it is perceived within the organization and by the public at large.

6.10 Be accountable to Company's stakeholders

All of those whom we serve, be it our Customers, without whom the Company will not be in business, the Shareholders, who have an important stake in its business, the Employees, who have a vested

interest in making it all happen, the Vendors, who support the Company to deliver in time and Society to which Company is responsible for its actions – are stakeholders of the Company. All, therefore, must keep in mind at all times that they are accountable to Company's stakeholders.

6.11 Prevention of Insider Trading

The Board Members, KMPs and Senior Management shall comply with the code of Internal Procedures and conduct for prevention of Insider Trading in dealing with Securities of the Company.

6.12 Identify, mitigate and manage business risks

It is everybody's responsibility to follow the Risk Management Framework of the Company to identify the business risks that surround function or area of operation of the Company and to assist in the company-wide process of managing such risks, so that Company may achieve its wider business objectives.

6.13 Protect properties of the Company

The Board Members, KMPs and Senior Management shall protect the assets including physical assets, information and intellectual rights of the Company and shall not use the same for personal gains.

PART – III

7.0 SPECIFIC ADDITIONAL PROVISIONS

7.1 As Board Members, KMPs and Senior Management

They shall undertake to actively participate in the meetings of the Board and Committees on which they serve.

7.2 As Board Members

7.2.1 Undertake to inform the Chairman and Managing Director/ Company Secretary of the Company of any changes in their other Board positions, relationship with other business and other events/ circumstances / conditions that may interfere with their ability to perform Board/ Board Committee duties or may impact the judgement of the Board as to whether they meet the independence requirements of Listing Agreement with Stock Exchanges and the Guidelines of DPE.

7.2.2 Undertake that without prior approval of the disinterested members of the Board, they will avoid apparent conflict of interest. Conflict of interest may exist when they have personal interest that may have a

potential conflict with the interest of the Company. Illustrative cases can be:

- **Related Party Transactions:** Entering into any transactions or relationship with Company or its subsidiaries in which they have a financial or other personal interest (either directly or indirectly such as through a family member or relation or other person or other organization with which they are associated).
- **Outside Directorship:** Accepting Directorship on the Board of any other Company that competes with the business of the Company.
- **Consultancy/Business/Employment:** Engaging in any activity (be it in the nature of providing consultancy service, carrying on business, accepting employment) which is likely to interfere or conflict with their duties/ responsibilities towards Company. They should not invest or associate themselves in any other manner with any supplier, service provider or customer of the company.
- **Use of Official position for personal gains:** Should not use their official position for personal gains.

7.3 **As Independent Directors**

7.3.1 The Independent Directors shall adhere to the provisions of Section 149 (8) of Companies Act, 2013 read with Schedule IV of Companies Act, 2013, to the extent applicable. (the relevant extract of Schedule IV is enclosed as Annexure 2)

7.4 **Compliance with the Code of Business Conduct and Ethics**

7.4.1 **All Members of the Board, KMPs and Senior Management of Company shall uphold and promote the principles of this code**

The future of the organization depends on both technical and ethical excellence. Not only it is important for Board Members, KMPs and Senior Management to adhere to the principles expressed in this Code, each of them should also encourage and support adherence by others.

7.4.2. **Enforcement of Code of Conduct**

7.4.2.1 The Company appoints the Company Secretary as the compliance officer, who will be available to directors, KMPs and senior management to answer questions and to help them comply with the code. The Compliance Officer shall forward a copy of the Code to the existing "Directors", "KMPs" immediately on its approval by the Board and to the new "Directors", "KMPs" immediately on their appointment on the Board. He shall also make available to all existing "Senior Management"

a copy of the Code and to new appointees in these cadres a copy of the Code immediately on receipt of intimation from Corporate Personnel Department of their appointment as "Senior Management". All "Directors", "KMPs" and "Senior Management" shall acknowledge the receipt of this Code and on intimation of any revision thereon, in the Form appended to this Code.

7.4.2.2 The "Directors", "KMPs" and "Senior Management" shall affirm compliance to the Code in respect of the previous financial year, as required by Regulation 26 (3) of SEBI Listing Regulations, by forwarding an Annual Compliance Report in the prescribed form to the Compliance Officer of the Company by 30th April of each financial year. A declaration by the Chairman & Managing Director to this effect shall be made in the Annual Report.

7.4.2.3 The Compliance Officer shall report to the Board any breach of this code, which comes to his notice, for its information and to decide on the future course of action.

7.4.3 Treat violations of this code as inconsistent association with the organization

Adherence of professionals to a code of ethics is largely and generally a voluntary matter. However, if any of Board Members, KMPs and Senior Management does not follow this Code, the matter would be reviewed by the Board and its decision shall be final. The Company reserves the right to take appropriate action against the defaulter.

7.5 Miscellaneous Points

7.5.1 Continual updation of Code

This Code is subject to continuous review and updation in line with any changes in law, changes in Company's philosophy, vision, business plans or otherwise as may be deemed necessary by the Board and all such amendments / modifications shall take effect prospectively from the date stated therein.

7.5.2 Where to seek clarifications

Any member of Board or KMP or Senior Management requiring any clarification regarding this code of conduct may contact Director (HR)/ Company Secretary/ any officer specifically designated by the Board of Directors.

**ACKNOWLEDGEMENT OF RECEIPT
OF
CODE OF BUSINESS CONDUCT AND ETHICS FOR
BOARD MEMBERS, KEY MANAGERIAL PERSONNEL AND SENIOR
MANAGEMENT**

I have received and read the code of Business Conduct and Ethics for Board Members, KMPs and Senior Management of BHARAT ELECTRONICS LIMITED. 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.

If I have questions concerning the meaning or application of the said Code of Business Conduct and Ethics, any policies of the Company or the legal and regulatory requirements applicable to my job, I know I can consult Director (HR) or Company Secretary of the Company knowing that my questions or reports will be maintained in confidence.

Further, I undertake to provide following Affirmation on an Annual basis to the Company within 30 days from the end of 31st March every year.

AFFIRMATION

(By Board Members/ KMPs/ 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, Key Managerial Personnel 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 _____

Staff Number _____

Place: Telephone No. _____

Date:

BHARAT ELECTRONICS LIMITED

Extract of Section 2 (77) of the Companies Act, 2013

Meaning of “*relative*”

2 (77) “relative”, with reference to any person, means any one who is related to another, if—

- (i) 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;

Companies (Specification of definitions details) Rules, 2014:

List of relatives in terms of clause (77) of section 2:

A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- (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.

BHARAT ELECTRONICS LIMITED

Relevant Extract of Schedule IV of the Companies Act, 2013

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) 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.

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.