

CODE OF BUSINESS CONDUCT & ETHICS FOR BOARD MEMBERS AND SENIOR MANAGEMENT OF HINDUSTAN AERONAUTICS LIMITED

1. INTRODUCTION

- 1.1 This Code shall be called "The Code of Business Conduct & Ethics for Board Members and senior Management" of Hindustan Aeronautics 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 This Code for Board Members and Senior Management has been framed specially in compliance with the Guidelines on Corporate Governance issued by Department of Public Enterprises(DPE), Ministry of Heavy Industries & Public Enterprises.
- 1.4 It shall come into force with effect from the 1st January, 2008.

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.
- 2.4 The term "relative" shall have the same meaning as defined in Section 2(77) of the Companies Act, 2013 and Rule 4 of the Companies (Specification of Definition Details) Rules, 2014, as amended from time to time. (Refer Appendix I)
- 2.5 The term "Senior Management" shall mean personnel of the Company who are members of its core management team excluding Board of Directors and would comprise all members of management one level below the Whole time Directors, including the functional heads i.e. Grade IX & above.

2.6 The term "the Company" shall mean Hindustan Aeronautics Limited.

Note : In this Code word importing the masculine gender shall include the plural or vise-versa

3. APPLICABILITY :

3.1 This code shall be applicable to the following personnel :-

- a) All Whole-time Directors including Chairman and Managing Director of the Company.
- b) All Part-time Directors including Independent Directors under the provisions of law.
- c) Senior Management.

3.2 The Whole-time Directors and Senior Management (Grade IX & above) should continue to comply with other applicable/to be applicable policies, rules and procedures of the Company.

4. CONTENTS OF CODE

Part I: General Moral Imperatives

Part II: Specific Professional Responsibilities

Part III: Specific Additional Provisions for Board Members and Senior Management

This code is intended to serve as a basis for ethical decision-making in the conduct of professional work.

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.

5. GENERAL MORAL IMPERATIVES :

5.1 Contribute to society and human well being

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.

5.2 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 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 Public Enterprises.

5.3 Be fair and take action not to discriminate

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 discharges from such obligations by requirements of the law or other principles of this Code.

5.4.2 All Board Members 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. SPECIFIC PROFESSIONAL RESPONSIBILITIES

6.1 Live the Vision, Mission, Values of CPSE - each day

Live the Vision, Mission and Values of Hindustan Aeronautics Limited each day, which are as under:

Vision

To become a global player in the Aerospace Industry.

Mission

"To achieve self-reliance in Design, Development, Manufacture, Upgrade and Maintenance of Aerospace Equipment and Diversifying into related areas and managing the business in a climate of growing professional competence to achieve world class performance standards for Global Competitiveness."

Values

- Customer Satisfaction
- Commitment to Total Quality
- Cost and Time Consciousness

- Innovation and Creativity
- Trust and Team Spirit
- Respect for the Individual
- Integrity

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 obligations 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 and Senior Management of the Company shall comply with all the applicable provisions of existing local, state, national, and international laws including without limitation, the Companies Act, 2013, the rules framed thereunder and applicable regulations issued by the Securities and Exchange Board of India. 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 and Senior Management would be responsible for ensuring human dignity of all employees, would be encouraged 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 and Senior Management shall not, directly or indirectly through their family and other connections, solicit for 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.

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 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 behavior 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 the 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 Identity, 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.

6.12 Protect properties of the Company :-

The Board members 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. SPECIFIC ADDITIONAL PROVISIONS FOR BOARD MEMBERS AND SENIOR MANAGEMENT.

7.1 As Board Members 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 judgment of the Board as to whether they meet 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 relationships with the Company in which they have a financial or other personal interest (either directly or indirectly such as through a family members 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 Insider Trading

The Board Members and Senior Management shall comply with the Insider Trading Code of the Company.

7.4 Related Party Disclosures

The Board Members shall make disclosure of their interest in related party transaction to the Board of Directors. Senior Management Personnel shall make such disclosure to the Chairman & Managing Director/Competent Authority as per provision of the Companies Act, 2013 and Rules/Regulations made thereunder.

7.5 Specific guidelines to Independent Directors

In addition to the general code of conduct for the Directors and other personnel referred to in this code, the following guidelines of conduct shall also be complied with by the Independent Directors:

I. **Guidelines of professional conduct:**

An independent director shall:

- (a) uphold ethical standards of integrity and probity;
- (b) act objectively and constructively while exercising his duties;

- (c) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- (d) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (e) 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;
- (f) 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;
- (g) refrain from any action that would lead to loss of his independence;
- (h) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (i) assist the company in implementing the best corporate governance practices.

II. Role and functions for Independent Directors:

The Independent Directors shall:

- (a) 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;
- (b) bring an objective view in the evaluation of the performance of Board and management;
- (c) scrutinise the performance of management in achieving agreed goals and objectives and monitor the reporting of performance;
- (d) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (e) safeguard the interests of all stakeholders, particularly the minority shareholders;

- (f) balance the conflicting interest of the stakeholders;
- (g) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and stakeholder's interest.

III. Duties of Independent Directors :

The independent directors shall—

- (a) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (b) 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;
- (c) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (d) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (e) strive to attend the general meetings of the company;
- (f) 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;
- (g) keep themselves well informed about the company and the external environment in which it operates;
- (h) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (i) 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;
- (j) 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;
- (k) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (l) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

(m)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.

7.6 Compliance with the Code of Business Conduct and Ethics

7.6.1 All Members of the Board 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 and Senior Management to adhere to the principles expressed in this Code, each of them should also encourage and support adherence by others.

7.6.2 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 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.

7.6.3 Annual Compliance Reporting :

All Board Members and Senior Management shall affirm compliance of this Code within 30 days of close of every financial year. A proforma of Annual Compliance Report is at Appendix – II”. The Annual Compliance Report shall be forwarded to the Company Secretary. If any Director leaves 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/her association with HAL.

7.7 Miscellaneous Points

7.7.1 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

7.7.2 Where to seek clarifications :

Any member of the Board and Senior Management requiring any clarification regarding this code of conduct may contact Company Secretary / any officer specifically designated by the Board of Directors.

Appendix I

Meaning of “relative” as per Section 2(77) of the Companies Act, 2013

“Relative” with reference to any person, means any person, means any one who is related to another, if -

- (a) They are members of a Hindu Undivided Family; or
- (b) They are husband and wife; or
- (c) One person is related to the other in such manner as may be prescribed.*

* As per Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014, 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.

Note “The term relative would mean only dependent relative for the purpose of Code of Conduct.

HINDUSTAN AERONAUTICS LIMITED
CODE OF CONDUCT FOR BAORD MEMBERS
& SENIOR MANAGEMENT

ANNUAL COMPLIANCE REPORT*

I, do hereby solemnly affirm that to the best of my knowledge and belief, I have fully complied with the provisions of the “Code of Business Conduct and Ethics for Board Members and Senior Management of HAL” during the financial year ending 31st March, 200__.

(Signature)

Name : _____

Designation : _____

Date :

Place :

* To be submitted by 30th April each year