



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

RURAL ELECTRIFICATION CORPORATION LIMITED

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.

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.

- 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

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;

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

4.3 Specific Duties of Independent Directors:

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.

5. 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

GENERAL MORAL IMPERATIVES

1. Contribute to society and human well being

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.

1.2 Therefore, all Board Members, KMPs and Senior Management who are accountable for the design, development, manufacture and promotion 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.

2. Be honest and trustworthy & practice integrity.

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

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 Public Enterprise.

3. Be fair and take action not to discriminate.

The values of equality, tolerance, respect for others, and the principles of equity & 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.

4. Honour confidentiality.

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.

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. Pledge & Practice

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

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

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

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

5.5 Do duty conscientiously and without fear or favour.

PART II

SPECIFIC PROFESSIONAL RESPONSIBILITIES

1. Live the Vision, Mission and Values of REC – each day

Live the Vision, Mission and Values of Rural Electrification Corporation Limited each day which are as under:

Mission & Vision

- To facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and urban population.
- To act as a competitive, client-friendly and development oriented organisation for financing and promoting projects covering power generation, power conservation, power transmission and power distribution network in the country.

Values

- Zeal to excel and zest for change
- Integrity and fairness in all matters
- Respect for dignity and potential of individuals
- Strict adherence to commitments
- Ensure speed of response
- Foster learning, creativity and team-work
- Loyalty and pride in REC

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.

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.

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.

The Board Members, KMPs and Senior Management shall comply with the Board procedures concerning Board Meetings, Agenda, Quarterly Reports, and Resolution by Circulation etc. as per applicable statutory provisions.

They shall also comply with the Government policies as applicable to the Company, along with the *changes made therein* from time to time.

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. 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.

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.

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.

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.

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.

11. Prevention of Insider Trading

The Board Members, KMPs and Senior Management shall comply with the Code for Prevention of Insider Trading in REC Equity Shares/ Securities, as amended from time to time.

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.

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

SPECIFIC ADDITIONAL PROVISIONS FOR BOARD MEMBERS, KMPs AND SENIOR MANAGEMENT

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.

2. **As Board Members**

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 independence requirements of Listing Agreement with Stock Exchanges, the Guidelines of DPE and the Companies Act, 2013 or rules framed thereunder.

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.

3. Compliance with the Code of Business Conduct and Ethics

3.1 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.

3.2 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, 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.

4. Miscellaneous Points

4.1 Corporate Disclosure Practices

The Code of Corporate Disclosure Practices regulates accurate, timely, and understandable disclosure of reports and documents that are filed with or submitted to any outside agency or on the Website or any other Public Communications. Accordingly, Board/Senior Management must ensure that the Company complies with Company's Disclosure Controls and Procedures and Internal Controls for financial reporting. The Board Members/KMPs/Senior Management of the Company are free to disclose such information which are required to be disclosed in accordance with applicable laws, rules, regulations

guidelines, or directions from Ministry of Power.

4.2 Protection of Assets

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

5. CONTINUAL UPDATION, CLARIFICATION AND AMENDMENTS TO THE CODE.

A. UPDATION: 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 respectively from the date stated therein.

B. CLARIFICATION: Any member of Board, KMPs 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.

C. AMENDMENTS:

- i. The provisions of the Code can be amended /modified by the Board of Directors of the Company from time to time and all such amendments/modifications shall take effect from the date stated therein.
- ii. Any amendment of any provisions of this Code must be approved by the Company's Board of Directors and promptly disclosed in the Company's website pursuant to applicable laws and regulations, together with the details about the nature of amendment.
- iii. This Code and any amendment/ modification thereto shall be available on the website of the Company i.e. www.recindia.nic.in

6. ANNUAL COMPLIANCE REPORTING

6.1 All Board Members, KMPs and Senior Management 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-III. The Annual Compliance Report shall be forwarded to the Company Secretary. If any Director /Senior Management Personnel leaves the Company at any time during the financial year, he shall send a communication to the Company Secretary affirming the compliance of the Code.

6.2 The Chairman & Managing Director of the Company and all the Whole- time Directors of the Company 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.

7. NON COMPLIANCE WITH THE CODE

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.

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

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

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

8. ACKNOWLEDGEMENT OF RECEIPT OF THE CODE

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

RURAL ELECTRIFICATION CORPORATION LIMITED

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

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

Definition of “relative” with reference to any person, means anyone who is related to another, if :-

- (a) they are members of a Hindu undivided family;
- (b) they are husband and wife; or
- (c) 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 DEFINITIONS DETAILS) RULES, 2014

1. Father (including step-father)
2. Mother (including step-mother)
3. Son (including step-son)
4. Son’s Wife
5. Daughter
6. Daughter’s husband
7. Brother (including step-brother)
8. Sister (including step sister)

RURAL ELECTRIFICATION CORPORATION LIMITED

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

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) any body 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 company 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;
- (ix) such other person as may be prescribed;

As per Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014, a 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 revised Clause 49 (VII) of the Listing Agreement

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 Clause 49 (VII), 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

(1) 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 special resolution:

Provided further that no member of the company shall vote on such special 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—
 - (i) 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;
 - (ii) 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:

(3) For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a special resolution-

- (i) a company having a paid-up share capital of ten crore rupees or more shall not enter into a contract or arrangement with any related party; or
- (ii) 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 agents exceeding twenty five percent of the annual turnover 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 agents exceeding ten percent of net worth 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 or exceeding ten percent of turnover as mentioned in clause (c) of sub-section (1) of section 188;
 - (iv) availing or rendering of any services directly or through appointment of agents exceeding ten percent of the net worth as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;
- (b) 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 sub-section (1) of section 188; or
- (c) 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 on the basis of the Audited Financial Statement of the preceding Financial year.

RURAL ELECTRIFICATION CORPORATION LIMITED

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

ANNUAL COMPLIANCE REPORT

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 has not violated any of the provisions of the Code during the year ended 31st March

Signature : _____

Name : _____

Designation : _____

Employment Number : _____

Telephone No. : _____

Date: _____

Place: _____

RURAL ELECTRIFICATION CORPORATION LIMITED

CODE OF BUSINESS CONDUCT AND ETHICS 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 Rural Electrification Corporation 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 for Board Members and Senior Management.

If I have questions concerning the meaning or application of the said Code of Business Conduct and Ethics, any policies of the CPSE or the legal and regulatory requirements applicable to my job, I know I can consult Company Secretary of REC 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.

Signature : _____

Name : _____

Designation : _____

Employment Number : _____

Telephone No. : _____

Date: _____

Place: _____

To: Company Secretary, REC