

PRECISION ELECTRONICS LIMITED

CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD OF DIRECTORS

SENIOR MANAGEMENT & OTHER EMPLOYEES

(The present Code of Business Conduct and Ethics shall form part of and be read as part and parcel of the main Employment Contract)

1. Introduction

Good governance is the key to success. Good governance means sincere team work of all concerned to achieve the organizations objective. To be able to play one's role in the team one needs to be explained the role that is expected of him/her.

The Securities and Exchange Board of India (SEBI), recognizing the above need and pursuant to Regulation 17(5)(a) & 17(5)(b) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, mandated all corporates having their securities listed on a stock exchange to adopt a code of conduct for all members of board of directors and senior management of the Company incorporating the duties of independent directors too.

The phenomenal growth at Precision is achieved interalia with committed best business practices and ethical climate. The best business practices and ethical code are ingrained in the Company culture and its personnel; these played a vital role in the success of the Company. The Board of Directors have thought it appropriate to record the Company's existing ethical climate, its values, principles and philosophy so as to provide basic guidelines for running the business of the Company ethically and with all fairness.

Apropos the above the Company has formulated a Code of Conduct to ensure good corporate governance by the members of the Board of Directors and Senior Management of the Company.

2. Applicability

The Code is applicable to all the members of the Board of Directors and senior management of the Company.

Senior Management shall mean personnel of the company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management one level below the executive directors, including all functional heads.

3. Non Compliance and its Effect

Any instance of non-compliance of any of the provisions shall be a breach of ethical conduct and shall be viewed seriously.

Employees / Members should sign the acknowledgement form at the end of this code and return the form to the Manager - HRD indicating that they have received, read and understood and agree to comply with the Code. The signed acknowledgement form will

be located in each member's personnel file.

Pursuant to Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, each year, as part of their annual review, all members of the Board of Directors and senior management shall affirm compliance of this code, by giving an acknowledgement indicating their continued understanding of the code.

4. Duties & Obligations of the Employee

- a) Employee shall devote his whole time, attention and ability solely and exclusively towards the performance of the duties and responsibilities assigned by the Company from time to time during the Company's normal business hours and at such other times as may be necessary. The Employee shall not engage in any other business activity during the course of its employment and tenure of employment with PEL.
- b) All the employees shall act in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct, while working on the Company's premises, an offsite locations, at Company sponsored business and social events, or at any other place where the members are representing the Company.
- c) Employee shall properly and faithfully serve the Company and use his best endeavors to protect and further the interests and reputation of the Company.

5. Conflict of Interest

- a) No Employee of the Company shall engage in any business relationship or activity which might detrimentally conflict with the interest of the Company.

A "conflict of interest" occurs when a person's private interest interferes in any way, or even appears to interfere, with the interests of the Company.

Although it would not be possible to describe every situation in which a conflict of interest may arise, the following are examples of situations, which may constitute a conflict of interest:

- When an Employee engages in a business relationship or activity with anyone who is party to a transaction with the Company.
 - When an Employee or a member of his or her immediate family receives personal benefits by making or influencing decisions relating to any transaction.
 - When an Employee is having a significant ownership interest in any supplier, customer, business associate or competitor of the Company.
- b) In case there is likely to be a conflict of interest, the concerned Employee must at the earliest opportunity make full disclosure of all facts and circumstances that reasonably could be expected to give rise to any violations of the Code including actual or apparent or implied conflicts with the interests of the Company.

6. Confidentiality

- a) Confidential information includes all non-public information, Intellectual Property Rights such as trade secrets, business research, new products, new projects and plans, business strategies, salary and benefits data, customer, Employee and suppliers' lists and any unpublished financial or pricing information.
- b) All Employees shall strive to protect the confidential information acquired, generated, gathered and otherwise came into possession during the course of business. All information should be maintained in strict confidence, except when disclosure is authorised by the Company or required by law.
- c) Unauthorised use or distribution of proprietary and confidential information violates Company policy and is per se illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved which includes potential legal and disciplinary actions in accordance with law.
- d) The obligation to protect the Company's proprietary and confidential information continues even after Employee leaves the Company, and the Employee must return all proprietary information in his/her possession upon leaving the Company.
- e) All Employees should respect the rights of other competitors and their confidential information. They should not attempt to obtain a competitor's confidential information by improper means and should never contact a competitor regarding their confidential information.

7. Compliance with Laws, Rules and Regulations

All the Employees shall keep themselves updated with laws/statutory compliances applicable to their scope of work. They should endeavor to keep abreast of the developments in laws and regulations and comply with the same. If anyone gets to know of any non-compliance of any of the laws in his or her colleagues area of operation in the Company the same should be brought to his/her immediate notice as well to the notice of his/her Head of the Department.

All Employees of the Company shall conduct business affairs with honesty and integrity and in full compliance with all applicable laws, rules and regulations and shall not commit any illegal or unethical act or instruct others to do so, for any reason.

8. Corporate Opportunities

All Employees are prohibited from taking for themselves business opportunities that arise through the use of Company's property, information or position. They shall not use Company's property, information or position for personal gain and compete with the Company. Competing with the Company may involve engaging in the same line of business as the Company, or any situation where the Employee takes away from the Company, the opportunities for sale or purchase of property, products, services or interests.

9. Expense Claims

All Employees are prohibited from claiming the expenses that are incurred for personal purpose except those which are permitted under the contract of employment and covered under CTC. The expenses incurred in the course of employment and relating to the business are to be claimed as per the authorisation policy of the Company.

10. Gifts, Hospitality and Donations

All Employees are prohibited from either receiving or offering to make directly or indirectly, any illegal payments, remuneration, Gifts, Donations, Hospitality of any kind or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of its business. The Employees may honour, accept and offer nominal gifts which are customarily given and are of a commemorative nature for special events.

11. Protection and Proper Use of Company's Assets

All Employees shall endeavor to protect the Company's assets against loss, theft or other misuse. Any suspected loss, misuse or theft should be reported to the DGM – Administration.

The Company's assets and services like equipment, vehicles, houses, electronic resources (including, hardware, software and the data thereon) etc. are for the conduct of Company's business. They should only be used for Company's business and consistent with Company's guidelines.

All Employees shall return the Company's assets given to them while in office when they are leaving the services or office of the company.

12. Email and Internet

Email and Internet facilities will be used only for the purpose of the business of the Company. The Employees are prohibited from posting and disseminating Company's information and data on internet/ LAN or any other similar kind of sharing network, except for business exigencies. They are also prohibited from discussing the Company's business/information /figures etc. on voice mail or private networks without the prior written consent of the appropriate authorities.

The Company prohibits use of Internet facilities for accessing unauthorised, illegal and immoral websites from the computers provided by the company at workplace.

13. Use of Licensed Software

The software used by the Employees on Company's equipment will be licensed and legal software. The Employees are prohibited from installing, downloading or using unauthorised and/or unlicensed software including interalia illegal and/or pirated software's of whatever nature on the Company's equipment's including interalia laptops provided by the Company.

14. Corporate Communications

All the communications on behalf of the Company including information to the financial analyst community and all inquiries from the press shall be handled only by the Corporate Communications Department, or by the Company Secretary or by a person authorised by the Managing Director.

15. Confidential information and Trade Secrets

- a) In the course of Employment , Employee will have access to and be entrusted with Intellectual Capital and/or further information (whether or not recorded in writing or on computer disk or tape) which the Company treats as confidential or which has the necessary quality of confidentiality including but not limited to business plans, maturing new business opportunities, research and development projects, product formulate, processes, inventions, programs, designs, specifications, discoveries or know-how, sales statistics, marketing surveys and plans, costs, profit or loss, prices and discount structures, names, addresses and contact details of customers and potential customers or suppliers, any other information or knowledge gained from the Company or in the course of Employment.
- b) The confidential information shall also include:
 - (i) Any and all sorts of information related directly or indirectly to business secrets.
 - (ii) Information relating to the details of the clients of the Company.
 - (iii) Any and all the types of the information given or obtained through inspection of products, components or apparatus developed or manufactured by or on behalf of products or components.
- c) Employee shall:
 - i) Keep secret and shall not, at any time either during the Employment or for 6 months after its termination, for whatever reason and whether directly or indirectly use, disclose, divulge, communicate or reveal to any person (natural or artificial) for Employee's own or another's benefit, any such confidential information concerning the business which has come to Employee's knowledge during the course of the Employment without the prior written consent of the Company obtained as per sub-clause (d) below.
 - ii) Use his best endeavors to prevent the publication, disclosure or use of any such confidential information.
 - d) The above restrictions at sub-clauses (a) and (c) shall not apply to divulging/disclosing information to such persons as may be authorised by the Company in the due course of Employment. The Company's decision as to who shall be permitted to disclose such confidential information shall be final and binding on the Employee.
- e) Further, the aforesaid restrictions shall not apply to the disclosure of any information which:-

- i) Is or becomes generally available to the public domain,
- ii) Is required to be disclosed by any applicable law, regulation or order of the Court or by any competent judicial, regulatory, governmental or other authority or governmental agency.

16. Waiver

As a general practice, the Board will not grant waiver to the Code. However, in extraordinary situation and for the reasons recorded in writing the Board may grant waiver to any person from any one or more of the provisions of this code, subject to the written application received from them within 30 days of the approval of this code by the Board.

17. Dismissal

The Company shall be entitled to terminate the Employment summarily by written notice and without any payment in lieu of notice period (but without prejudice to the rights and remedies of the Company for any breach of this Contract and to the Employees' continuing obligations under this Contract) in any of the following events:

- i) If Employee has committed or has been alleged to commit any criminal offence or been guilty of any gross misconduct whether during the performance of his duties or otherwise which, in the opinion of the Company, renders the Employee unfit to continue as an Employee of the Company or which would be likely to adversely prejudice the interests of the Company.
- ii) If the Employee willfully abuses or misuses the Company's computer system, or any password relating to that computer system or gain access to any file or load any information or program contrary to the Company's interests or procedures.
- iii) If any information relating to Employee's suitability for employment provided to the Company, in the course of applying for employment is found to be materially false or misleading.
- iv) If Employee is subject to immigration control in India, Employee's Employment shall be conditional upon Employee having been granted leave to enter into, remain and take up employment in India, such leave being valid and subsisting at all times and not being subject to any condition precluding or restricting the Employment.
- v) If the Employee is found to have 'misconducted' himself qua the performance of his duties or in any other manner in the course of his Employment. The Company shall have the sole and exclusive authority to enquire into and take a decision on the question of alleged misconduct by the Employee. The decision of the Company shall be final and binding in that regard and the Company shall not be required to furnish any reasons to the Employee for coming to the decision.
- vi) In case the Employee breaches any terms of the Main Contract/ Confidentiality agreement or the Code of Conduct the Company may dismiss him from service.

- vii) Upon dismissal or the termination of the Employee's Employment, Employee shall forthwith return to the Company all documents, books, materials, records, correspondence, papers and information (on whatever media and wherever located) relating to the business of the Company or its customers or prospects, any magnetic disc on which information relating to the business is stored and any other property of the Company which may be in his power, possession, custody, care, dominion or control and/or any other documents, books, materials, records, correspondence, papers and information (on whatever media and wherever located) which contains or refers to any confidential/ proprietary information/ Intellectual Property and shall, if requested to do so by the Company.
- viii) Upon dismissal, Employee shall not be entitled to receive any accruals towards leave encashment and/or any other entitlements.

18. Special Clause for Independent Directors

Pursuant to Regulation 17(5)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 149(8) of the Companies Act, 2013, the duties of independent directors shall be as specified in Para III of Schedule IV of the Companies Act, 2013, as amended from time to time, and shall inter alia include:

The independent director 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.

19. Review, Amendment and Modification

This Code may be reviewed, amended or modified by the Board of directors as and when required. Any amendment of any provision of this code must be approved in writing by the Company's board of directors and disclosed on the Company's website.

20. Code of Conduct for Prevention of Insider Trading in Securities of the Company

This Code of Conduct shall be in addition to the Code of Conduct for Prevention of Insider Trading in Securities of the Company.

In the normal course of business, employees may come into possession of significant sensitive information. This information shall be the property of the Company – an employee has been entrusted with it. An employee shall not profit from it by buying or selling securities oneself. Further an employee shall not tip others to enable them to profit or for them to profit on one's behalf. The purpose of this prohibition is to inform one of one's legal responsibilities and to make clear to one that the misuse of sensitive information is contrary to Indian securities laws.

Insider trading is a crime, penalized by fines and imprisonment for individuals. The Company has imposed a trading blackout periods on members. These persons may not trade in Company securities during the blackout period.

For more details and to determine if one is restricted from trading during blackout periods, he/she should read the Company's insider trading rules. All questions regarding the Company insider trading rules should be directed to the Company Secretary.

**By order of the Board
For Precision Electronics Limited**