

CODE OF CONDUCT FOR THE MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

HFCL INFOTEL LIMITED

Applicability

This code of conduct is applicable to all the Directors on the Board (hereafter referred as 'Board') of HFCL Infotel Limited, hereinafter referred to as 'HITL' or the 'Company' and also to the senior functionaries of the Company, i.e., the CEO, Company Secretary, all Business Heads and all the Functional Heads of the Company 'hereinafter referred to as 'Senior Management'.

General Principles

The underlying principles in defining the code of conduct of the members of the Board and the Senior Management is to:

- Help maintain the standards of Business conduct in line with the stated values of the company.
- Help members in striving to perform their duties according to the highest ethical standards of honesty, integrity, accountability, confidentiality and independence.
- Not enter into, without the prior approval of the disinterested members of the Board, any such transaction or relationship with the Company in which they have a financial or personal interest (either directly or indirectly, such as through a family member or other person or organization with which they are associated), or any transaction or situation which otherwise involves a conflict of interest.
- Maintain the confidentiality of all material non-public information about the Company, its business and affairs and make no use of it other than for furtherance of Company's interest.
- Abide by all applicable Laws and Regulations including Company's Insider Trading Code.
- Ensure compliance with the legal requirements, specifically Clause 49 (1)(D) of the Listing Agreement.

The following procedures and guidelines are intended to deal with the most common practical implications of the above principles, but they cannot deal specifically with every potential situation that may arise. Where a member is in doubt as to how a particular situation should be dealt with from an ethical standpoint, he may consult with the CEO or the Company Secretary, or may request independent professional advice. Where a member wishes to take such advice, he should first consult with the Company Secretary.

I. Code exclusively for the members on the Board of the Company:

A. Duty to Attend Board/ Committee Meetings

The Members should make concerted effort to attend all board/Committee meetings and in case he/she is unable to attend the meeting, same shall be

notified to the Chair. If it is apparent that a member is likely to miss several Board meetings and therefore is unable to fulfill his obligations, he should consider his/her continuation as member of the Board or shall consider appointing alternate director.

Before coming to the meeting, members should read and understand the agenda papers and other relevant documents sent along with the notice of meeting and prepare himself for the discussion.

Members should participate actively and constructively in the discussions of the Board and will follow the guidelines agreed on by the Board regarding how it will govern and conduct itself. Members can express his views, opinions, contrary opinions on matters under discussion or consideration by the Board.

Board from time to time constitutes various committees with specific reference. Members of the Board shall attend all the committee meetings and shall ensure that all the reference points are addressed within the prescribed time and format. Presently, the Board has constituted following committees:

- Audit Committee
- Remuneration Committee
- Share Transfer and Investors Grievance handling Committee
- Project Management Review Committee.

The detailed scope of work and other relevant information about these committees is enclosed at **Appendix 1**.

B. Active participation in the Business of the Company

The members should participate actively in the business of the Company and make a positive contribution to provide a visionary leadership and direction to the Organization, all the while, ensuring that the company is fulfilling obligations to its stakeholders as well as its legal and regulatory requirements.

While participating in the business of the Company, the members should act honestly, in good faith and in the best interests of the Organization, his fellow-members and the retail community and should exercise due care, diligence and skill of a reasonably prudent person under comparable circumstances. It shall be the duty of the members to oversee the management of the affairs and business of the Company while allowing and maintaining independence of operating management.

C. Duty to Review Certain Reports/Compliances

The members of the Board are required to review certain reports / compliance statements about the affairs of the Company at such intervals as may be prescribed from time to time. Following is the indicative list of such reports / compliance statements. The members may add or modify the reports as they may feel appropriate to ensure statutory compliance and smooth & transparent operations of the Company.

- a) Statutory Compliance Report
- b) Annual and Quarterly Financial Statements alongwith necessary reports
- c) Report on compliance of code of corporate governance
- d) Review of Company's Risk Management policies
- e) Review of Company's investments and policy thereof
- f) Annual Operating Plans and Budgets
- g) Remuneration policies for Executive, Non-Executive Directors and Senior management staff.
- h) Review of Internal controls – Systems and Procedures
- i) Implementation and review of Internal Codes including Code for Prevention of Insider Trading, Code of Conduct for the Board and senior Management, Authorisation Policy, etc.

D. Conflicts of Interest

While performing their duties, the Directors will carry out their responsibilities to the exclusion of any personal advantage, benefit or interest. The Directors acknowledge their obligations under the provisions of the Companies Act, 1956, the Disclosure and Investor Protection Guidelines issued by the Securities and Exchange Board of India and shall strictly comply with such applicable Indian and foreign laws, regulations and shall not act by themselves not aid or abet any person acting contrary to any such provisions, judgments, orders – judicial, quasi-judicial, administrative or otherwise issued by a competent authority.

The Directors shall avoid any situation involving a conflict, or the appearance of a conflict, between their personal interests and the performance of their official duties. If such a conflict arises, the Directors shall promptly inform the Board of Directors and withdraw from participation in decision-making connected with the matter. If the conflict is potential rather than actual, the Directors shall seek the advice of the Board about whether they shall reclude themselves from the situation that is creating the conflict.

E. Continuous Disclosures

Under the Company law, listing agreements, and other applicable laws Directors are required to disclose certain information to the Company at regular intervals or as and when some development takes place in the previous disclosures made by the directors. A summary of such disclosure requirements is as under:

- i) Disclosure of Interest in other Companies/Firms etc.

Board members will provide the Company Secretary (on appointment and at such intervals as may be prescribed or when requested by the Company Secretary and where significant changes occur in the interim) with details relating to his employment, other business interests and list of all companies/firms in which he is interested directly or through his relatives.

ii) Disclosure of Certain Transactions

Board members agree that where the Company has entered into any contractual arrangement with a company or body in which a member has a declared interest, such support or arrangement shall be disclosed to the Board and same shall also be disclosed in the annual financial statements.

If there is a conflict of interest or duty of director and an interest of the Company in any transaction, he must account to the Company for any benefit he receive in the transaction unless otherwise decided by the Board and Members in their general meeting.

iii) Disclosure of serious defaults by the Companies/ Firms where he has interest

Members of the Board shall ensure that any of the Company where he is a director is not in serious default such as default in repayment of loan to financial institutions and interest thereof and repayment of Fixed Deposits, non preparation of annual accounts, material breach of SEBI and other corporate laws. Whenever, such situation arise directors shall get in touch with the Company Secretary for appropriate further action and shall inform the Board.

iv) Disclosure of Shareholding

Members of the Board are required to inform the Company about his/her holding of interest either in the form of equity in other companies or share in the partnership firms and any changes thereto either directly or indirectly.

F. Restriction on Dealing in Company's Shares

Board members agree not to use any information obtained by virtue of their position for the purpose of dealing (directly or indirectly) in shares, property or otherwise of the Organization. The Company has implemented Code for Prevention of Insider Trading. The members of the Board are also covered within the ambit of the said code. Members of the Board shall not trade in company's equity shares on the basis of price sensitive information and shall oversee the implementation of the Code by all section of people who are covered within the definition of 'Insider'.

G. Communication Protocol

All formal or informal communication by any Director, which intends, to be transmitted to the operational management or any employee or associate of the Company, shall be sent only through the Chairman/CEO. Directors shall follow the internal guidelines on communication.

H. Public Statements

Directors shall make public statement or express any opinions to the press only in the manner approved by the Board of Directors. When making public statements on matters related to the Company, the Directors shall make it clear whether they are speaking on behalf of the Board.

I. Gifts and preferential treatment

Board members undertake not to give or receive corporate gifts, hospitality, preferential treatment or other benefits that might affect, or could reasonably appear to affect, the ability of the member to make independent judgements on transactions involving the Company. Where a benefit has been received in the course of the member's own business that could reasonably appear to affect the member's judgement in relation to the Company matters, the details should be declared.

J. Fairness and Work/ External Environment

Board members recognise their responsibility to act fairly towards clients, employees and the general community and support the principles of Health and Safety, Environmental Best Practice and Equality legislation.

II. Code for the members on the Board of the Company and Senior Employees/Management (collectively referred to as the '**subjects**):

A. Compliance with Laws, Rules and Regulations

All persons who are subjects to this Code of Conduct are required to comply with every applicable laws for the time being in force and rules and regulations made there under. They are also expected to encourage and promote statutory compliance in its true letter and spirit. Should they come across or witness any non-compliance by any subject, they are expected to notify the same to the Board at the earliest.

B. Conflict of Interests

A "conflict of interest" exists when a subject's personal interest interferes in any way with the interests of the Company. A conflict situation can also arise when subject acts or has interests that may make it difficult to perform his or her Company work objectively and effectively or when his or her family members receives improper personal benefits as a result of his or her position in the Company.

A conflict of interest may also arise in case organizations with which directors are associated have conflict of interest with that of company.

Loans to, or guarantees for obligations of, subjects and their family members may create conflict of interest unless contrary is proved.

Working with competitors whether for personal gain (direct or indirect) or not, except on behalf of the company or with the approval of the Board or when required by an statutory authority, shall be deemed to be conflict of Interest.

In other cases not mentioned here, that creates doubt in the mind of any prudent person, such cases may involve conflict of interest. Thus, the subject shall before acting, consult the Company Secretary informing him about all the facts of the situation.

In this regard, subjects are expected to be conversant with circumstances enumerated under applicable Company Law or under rules/regulations framed by any regulatory authority and the procedure for disclosure of the same to fellow subjects and the Board of Directors.

C. Insider Trading

Company has already framed a detailed Code of Conduct against Insider Trading. The same shall be applicable to all the subjects. Subjects are expected to be well conversant with this code and are required to strictly adhere to this code.

D. Corporate Opportunities

Subjects are strictly prohibited from making use of corporate opportunity for their personal gains. A Corporate Opportunity is a profit making opportunity, which in justice and equity belongs to the company.

In case any corporate opportunity arises which partially belongs to the company the subjects are required to advance the legitimate interest of the company to it.

The duty not to take unfair advantage of corporate opportunity also extends to protection of and making proper use of company's property.

E. Confidentiality of Critical Information

Subjects have fiduciary duty to maintain confidentiality of all the critical information, the disclosure of which might adversely affect the interest of the Company unless the disclosure is required under any law for the time being in force or pursuant to any direction or order of any statutory authority.

Critical information also includes information that might be of use to the competitors.

The Disclosure in other cases can be made only with the prior consent of the Board of Directors.

In case of any questions or doubts as to confidentiality or criticality of the information the subjects are expected to consult the Company Secretary.

F. Fair Dealing

Company seeks to gain competitive advantages through superior performance and not through unethical or illegal business practices. Each subject should endeavor to respect the rights of and deal fairly with other subjects and other employees of the Company. No subject should take

unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

No gift or entertainment should ever be offered, given, provided or accepted by any subject to the fellow subject or any other Company employee, family member of an employee or agent unless it: (1) is not a cash gift, (2) is consistent with customary practices whether business, trade or otherwise, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations.

Any prohibited gift can only be made under disclosure to and with permission of Board of Directors.

G. Discrimination and Harassment

Company believes in providing equal opportunity to all the employees in every aspect of employment. Any discrimination against any employee whether based on gender, region, community or religion or harassment or derogatory comments against any employees will be seriously viewed and will be subject to disciplinary action and might entail termination of employment.

Harassment shall also include violent or threatening behavior against any employee.

Miscellaneous

1. Amendment to the Code

Any amendment to this code can be made by or under the authority of Board of Directors and shall be intimated to all the subjects without delay.

2. Waiver of/Exemptions from Code

Only the Board of Directors or any committee thereof can grant any waiver from or exemptions from this code. However the Board cannot grant exemptions or waivers which are in violations of or not in consonance with true letter and spirit of any applicable law for the time being in force or rules and regulations made there under.

3. Reporting of Unethical Behavior

Any unethical behavior observed by the subject should be notified to the Board at the earliest. Every such notification or reporting should be made in good faith by the subject and should not be *malafide* or to square off any personal grudges against other subjects or in any way intended to frustrate or defeat the objects of this code.

Compliance Procedure

Following is the illustrative procedure to be adhered by subjects in ensuring compliance with this code:

1. Ascertain what is expected from you: In every situation subjects are expected to know what is expected on them and should strictly act accordingly. As the subjects are expected to meet novel situations every

now and then, considering the level they are working, they are expected to take proper counsel from Head of Company Law Department, in case of doubts.

2. Role and Responsibility: Subject should be clear about their role and responsibility.
3. Discuss the problem with fellow subjects: In certain situations where fellow subjects are expected to be more knowledgeable about the question, and will appreciate being brought into the decision-making process, they should be consulted.
4. Seek help from Company Secretary: In cases where it may not be appropriate to discuss an issue with fellow subjects, or where subject do not feel comfortable approaching fellow subjects, he can discuss it with the Company Secretary.
5. Reporting of ethical violations in confidence and without fear of retaliation. If subject's situation requires that his/her identity should be kept secret, he can claim of his anonymity to be protected. The Company does not permit retaliation of any kind against employees for good faith reports of ethical violations.

Note: In case there is conflict of law with this code, subjects must comply with the law. In case local custom or practice conflicts with this code, than subjects are required to comply with this code.

Note: The Code has been drafted in Broad and General form to cover wide variety of situations. Therefore subjects are expected to interpret the code in its true letter and spirit and avoid improper behavior.

Term of reference of REMUNERATION COMMITTEE as approved by the board in its meeting held on 17.06.2003

- a. The Committee shall examine the terms of agreement(s) entered into with Managing and other Executive Directors.
- b. The Committee shall determine the remuneration packages i.e. salary and perquisites payable to the Managing and other Executive Directors.
- c. The Committee shall determine the amount of bonus, stock option, pension rights and compensation payments to the Managing and other Executive Directors.
- d. The Chairman of the Committee shall be present in the Annual General Meeting of the Company.
- e. The Secretary of the Company shall act as the Secretary to the Committee and in the absence of the Secretary, the Chief Financial Officer of the Company shall act as Secretary to the Committee.

Terms of reference of AUDIT COMMITTEE as approved in the meeting of the Board Of Directors of the company held on 17.06.2003

Quorum

THE QUORUM FOR ALL THE MEETINGS SHALL BE EITHER TWO MEMBERS OR ONE THIRD OF THE MEMBERS OF THE AUDIT COMMITTEE WHICHEVER IS HIGHER.

SCOPE

1. The committee shall act in accordance with the terms of reference.
2. The Committee shall meet as often as necessary but at least once every calendar quarter.
3. The decisions of the Committee shall be placed before the Board of Directors for consideration.
4. The Chairman of the Audit Committee shall attend the Annual General Meeting of the Company to provide any clarifications on matters relating to audit.
5. The Annual Report shall disclose the composition of the Audit Committee.
6. Every member of the Committee shall be furnished with a copy of the detailed Internal Audit Report.
7. All minutes of the Audit Committee shall be placed before the Board for confirmation.

Functions

1. The Audit Committee may meet the statutory and Internal Auditors as and when necessary to:
 - a. Review the audit plan of the external auditors and discuss the scope of the audit before the commencement of the audit work.
 - b. Review the quarterly/half-yearly and annual financial statements before submission to the Board.
 - c. Review the weakness in internal control systems.
 - d. Select and establish accounting policies from time to time.
 - e. sure saving in Interest and overhead costs.
 - f. Review the report of the Internal Auditor and decide on special matters raised therein.

- g. Discuss periodically with the Management and internal auditor regarding co-ordination of efforts between internal and statutory auditors and formulate internal audit plans.
2. The Committee may deliberate with the senior executives of the Company the impact of various legislative changes on accounting / audit functions/ procedures.
3. The Committee may discuss and decide on any other matter having a bearing on internal / external audit.
4. The Committee may report or recommend to the Board on matters arising out of any or all of the above.
5. The Audit Committee shall have the authority to investigate into any matter in relation to the items specified and shall have full access to the information contained in the records and seek external professional advice if necessary.
6. The recommendation(s) of the Audit Committee on any matter in regard to Financial Management, including the Audit Report shall be considered by the Board.
7. It may make recommendations on all Direct and Indirect tax legislations and also review statutory compliance in these matters.
8. It shall act as a link between the Statutory Auditor, Internal Auditor and the Board of Directors.
9. The Committee may decide on any matter which may be referred to it statutorily or by the Board of Directors from time to time.
10. Reviewing substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders and creditors.

Secretary of the Committee

The Secretary of the Company shall act as the Secretary to the Committee.

Terms of Reference of PROJECT MANAGEMENT REVIEW COMMITTEE

Quorum

The quorum for all the meetings shall be 1/3 rd of total strength or two members whichever is higher.

Scope of Review

The review shall include:-

- a. Review of progress made in implementation of the Project.
- b. Review of all major contracts and orders for supply of Plant and Machinery and other assets.
- c. Review of and recommending the process of procurement and tendering to be followed by the Company.

Powers of the Committee

- a. To investigate any activity within terms of Reference.
- b. To seek information from any vendor.

Secretary of the Committee

The Secretary of the Company shall be the Secretary of the Committee and in the absence of the Secretary, the Chief Financial Officer of the Company shall act as the Secretary to the Committee.

Terms of reference of SHARE TRANSFER & INVESTORS' GRIEVANCES COMMITTEE as approved in the meeting of Board Of Directors held on 17.06.2003

- a. The Quorum for the said committee shall consist of any one of the Committee Members.
- b. The Committee shall approve transfer, transmission, transposition, issuance of duplicate share certificates, split, consolidation and all matters relating to share transfer exceeding 5000 in number including redressal of investor grievance.
- c. The Secretary of the Company shall act as the Secretary to the Committee.