

Stovec Code of Business Conduct & Ethics



STOVEC INDUSTRIES LIMITED

STOVEC CODE OF BUSINESS CONDUCT & ETHICS

FOR

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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1. INTRODUCTION

In this Code of Business Conduct & Ethics (“Code of Conduct” / “Code”), Stovec Industries Limited (“Stovec”/ “the Company”) describes its rules of conduct, the ethical principles that form the basic for the business conduct of the Company and all its employees. In its efforts to achieve quality in every respect, Stovec focuses not only on its business commitments but also on its responsibilities towards the community at large.

Stovec wishes to be clear about its strategy and the direction it follows in implementing it, but also about standards and values. Due partly to the fact that these business standards and values have been made more explicit and stringent, Stovec regards it as important to summarize its rules of business conduct in a way that is clear, easy to understand and as concise as possible. That is the purpose of this Code of Conduct. The rules of conduct have been defined as clearly as possible, so that the responsibility for their observation can be shared by each individual Stovec employee. Despite the clear formulation, situations will undoubtedly arise within the dynamics of everyday business for which the rules described here do not give the appropriate answer or in which they leave room for interpretation.

In these situations, two things should be borne in mind:

- If for whatever reason the literal observation of the rules does not offer a solution, the spirit of the rules and the interests of the company should be the primary considerations in the choice of the action to be taken.
- If there is any doubt about how to act or behave, it is absolutely essential before taking any action to first discuss the relevant issues with colleagues from higher Management of Stovec.

In this way, Stovec – in the interests of customers, shareholders, suppliers and employees- will remain, as it is now, a company that always acts with care and integrity.

2. APPLICABILITY

The purpose of this Code of Conduct is to set forth Stovec’s general standards concerning ethical and legal conduct. This Code of Conduct governs the actions and working relationships between Stovec employees, officers, and directors and current and potential customers, suppliers, distributors, agents, competitors, government and self-regulatory agencies, the media, and anyone else with whom Stovec has contact.

The Code of Conduct has been prescribed as a guiding principle for doing business and the Board of Directors of Stovec (“Board”), the Senior Management Personnel and Employees (as defined hereinafter) of Stovec (collectively referred to as the “Specified Persons”) shall be directly responsible and accountable for adherence of the same.

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The Senior Management Personnel for this purpose shall mean employees in the cadre one level below the Managing Director, including all functional heads. The Employees for this purpose shall mean employees who are on the payroll of the Company.

3. PRINCIPLES OF CONDUCT

All Specified Person's shall pursue the highest standards of ethical conduct in the interests of shareholders and all other stakeholders. In particular, they should:

- Not take improper advantage of the position in the Company;
- Act honestly and use their powers of office, in good faith and in the best interests of the company;
- Use due care and diligence in fulfilling the functions pertaining to their work area;
- Be independent in judgment and actions and take all reasonable steps to be satisfied as to the soundness of all the decisions taken;
- Not engage in conduct likely to bring discredit upon the Company;
- Make all necessary disclosures to the Company as per the law;
- Maintain highest level of professional conduct that would enhance the image, goodwill and creditability of the business of the Company; and
- Create an atmosphere of highest integrity, trust, fairness and honesty in performance of their duty which should strengthen the bond of relationships with people both internally and externally.

4. EQUAL OPPORTUNITY EMPLOYER

Stovec shall provide equal opportunities in employment to all irrespective of race, caste, religion, color, ancestry, marital status, sex, age, nationality, disability and veteran status and treat all employees with dignity and maintain work environment free of sexual harassment – physical, verbal or psychological.

5. RESPECT THE LAW

- In Countries of Operation and in the markets served.
- If these laws clash (at home and abroad) or if they are at odds with the Rules of Conduct or Core Values, seek higher management counsel.
- Provide for adequate legal advice.
- Do not interpret or circumvent any clear and undisputed law.

6. OBSERVE LOCAL CUSTOMS

- In all Countries of operation and all markets served.
- Be aware of religious, political, societal and ethnic/cultural customs not fitting western standards.
- If any local custom clashes with home law or established Core Values, seek higher management counsel.
- When residing in a country for half a year or more, learn the local language.

7. TAKE CARE OF SAFETY AND HEALTH

- Of customers personnel, of Stovec personnel and of the public as exposed to Stovec's products, services and manufacturing.
- Make sure you are aware of the health, safety and environment risks (certainly in terms of major accidents involving dangerous substances) within your area of responsibility.

Ensure that you are aware of and understand the relevant control measures, internal procedures and current laws and regulations. Always maintain and comply with health and safety regulations and address others who are in breach. You are to report any person repeatedly breaching rules and regulations to your supervisor immediately. Have any alterations assessed and report (near) incidents.

- Steer away from toxic and dangerous materials and processes, test products and constructions before releasing them.
- Provide for sound insurance of Stovec Personnel and for customers, consumers or public liability claims.

8. PROTECT THE ENVIRONMENT

- Do not add to air, water or earth, pollution by any measures which are within your area of competence.
- Be aware of, and communicate to customers and users of Stovec products and equipment, potential dangers to the environment caused by irresponsible use of such.
- Observe local environment standards or international accepted standards, whichever are higher.

9. RESPECT FUNDAMENTAL HUMAN RIGHTS

- Do not employ child labour or prisoner labour.
- Protect local employees for possible human rights abuses – provide adequate legal support whenever necessary.

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- It is not Stovec's duty to play a crusading role in countries with questionable human rights records, but do not tolerate such abuses within Stovec's sphere of influence as far as is within your power.

10. APPLY SOUND BUSINESS PRACTICES

- Do not solicit or suggest, seek or offer, accept or pay any form of bribe, material or in any other way.
- Make sure all of Stovec's disbursements, direct or indirect, now or later, concerning a customer's order, benefit that customer only, and no one else, except legitimate intermediaries.
- Do not enter into so-called political contributions in connection with contracts.
- When in doubt concerning the legitimacy of a proposed disbursement or a material favour to be extended to an individual customer executive or a third party designated by him, seek counsel with higher management of Stovec.
- Keep records, and report such, of all expenditures made in view of securing an order.
- For those who extend contracts on Stovec's behalf, for buying, procuring, or products being made or constructed, the same rules hold in reverse.
- Make sure that your joint venture partners, sub-contractors, agents and representatives maintain the same rules of conduct.

11. DEAL RESPONSIBLY WITH GOVERNMENTS AND POLITICAL REGIMES

- Observe all laws, rules and regulations put out by a legitimate body of government, recognized by the international community of nations.
- When dealing with a change of regime, other than by democratic means, act prudently, and put the interest of Stovec's personnel and customers first.
- Avoid involved in local politics, financially or otherwise.
- If political contributions are sought, not in combination with any specific order, make sure that such contributions are usual in business circles, are modest in size, and preferably politically balanced.
- Do not get involved in political contributions in connection with a specific order.
- If any serious doubt about the true nature of a politically inspired donation or contribution occurs, seek higher management counsel.
- Keep solid records of any politically related payments, so that they can be substantiated and duly accounted for, should the need arise.

12. CHOOSE RESPECTABLE BUSINESS PARTNERS

- This holds for principals, customers, suppliers, sub-contractors, agents, representatives and joint venture partners.
- "Respectable" meaning: Healthy financial track record, sound business practices, management with a clean legal record, and a code of ethics not differing substantially from Stovec.
- Check credentials of any new substantial business partner.
- Put all major contracts, agreements, and understandings in writing, and communicate these to Stovec legal team, so that continuity can be guaranteed.

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- If and when a business partner willingly violates the law or a substantial rule of conduct, as observed by Stovec and its key customers, freeze the relationship and seek higher management counsel as to termination.

13. OBSERVE RESPONSIBLE LABOUR POLICIES

- Do not employ personnel that cannot act out of its own free will (notably children and people deprived of their personal freedom).
- Pay adequate wages, by local standards.
- Do not discriminate remuneration by sex, race or religious denomination for positions of equal importance.
- Let your labour force, lower and middle management reflect the composition of the local population as much as possible.

14. SERVE VITAL COMMUNITY INTERESTS

- Pay local taxes in good time.
- Cultivate a friendly and helpful relationship with the local community.
- Support local initiatives, such as community chests, charity drives, sport and culture events, with your reasonable means as a local employer.
- Stay out of local politics.
- Observe strict safety, health and environment protection rules.

15. MAINTAIN FULL ACCOUNTABILITY

- Maintain sound and updated records - administrative, financial, operational and business-wise.
- Write down all vital procedures governing your administration, operations and business transactions, and always keep a copy of this set of procedures available.
- Give free access and full support to Auditors, both for regular reporting and spot audits.
- If fiscal reporting differs from internal (corporate) reporting, maintain a clear record of the nature, size, time span and causes of such differences.
- If reported costs and expenditures for any given client or order differ from actually disbursed costs and expenditures, a clear record should be kept of the nature, size, time span and causes of such differences.
- Of that which cannot be officially reported in writing, for instance in case of political turbulence, calamity or liability, inform responsible higher management in a full and open way.
- Always maintain open lines of communication with the Company and with your customers.

16. CONFIDENTIAL INFORMATION

The Specified Person's shall maintain the confidentiality of confidential information and/or proprietary information of the Company or that of any customer, supplier or business associate of the Company to which the Company has duty to maintain confidentiality, except when disclosure is authorized by the Company or is required by law. All confidential information must be used only for the Company's business purposes. The use of confidential information by Specified Person for his/her advantage or profit is prohibited.

17. CONFLICT OF INTEREST

Each Specified Person is expected to avoid any outside activity, financial interest or relationship that present a possible conflict of interest or appearance of a conflict of interest with the Company. Employees are under a continuing obligation to disclose by advance notice to their supervisors any situation that presents the possibility of a conflict of interest between the employee and Stovec.

18. SPECIAL CONSIDERATION, GIFTS AND OTHER BENEFITS:

Under no circumstances shall any Specified Person directly or indirectly solicit, accept or retain any gift, entertainment, trip, or other benefit from any organization or person doing business with Stovec or competing with Stovec or for securing any preferential treatment, other than modest gifts as a part of normal business courtesy and hospitality. Gift if any received needs to be reported to the CFO of the company, who will advise based on company's policy.

19. DUTIES OF INDEPENDENT DIRECTOR OF THE COMPANY

19.1 Guidelines of Professional Conduct

Every independent Director of the Company shall:

- i. uphold ethical standards of integrity and probity;
- ii. act objectively and constructively while exercising his duties;
- iii. exercise his responsibilities in a bona fide manner in the interest of the Company;
- iv. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- v. 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;
- vi. not abuse his/her 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;
- vii. refrain from any action that would lead to loss of his/her independence;
- viii. where circumstances arise which make an independent Director lose his/her independence, the independent director must immediately inform the Board accordingly; and
- ix. assist the Company in implementing the best corporate governance practices.

19.2 Role & Functions

Every independent Director of the Company shall:

- i. 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;
- ii. bring an objective view in the evaluation of the performance of Board and management;
- iii. scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

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- iv. satisfy themselves on the integrity of financial information and that financial control and the systems of risk management are robust and defensible;
- v. safeguard the interests of all stakeholders, particularly the minority shareholders;
- vi. balance the conflicting interest of the stakeholders;
- vii. determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management; and
- viii. moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest.

19.3 Duties

The independent Directors shall:

- i. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;
- ii. 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;
- iii. strive to attend all meetings of the Board of Directors and of the Board committees of which he/she is a member;
- iv. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- v. strive to attend the general meetings of the Company;
- vi. 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;
- vii. keep themselves well informed about the Company and the external environment in which it operates;
- viii. not to unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board;
- ix. 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;
- x. 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;
- xi. report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy;
- xii. acting within his/her authority, assist in protecting the legitimate interests of the Company, shareholders and its employees;
- xiii. 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; and
- xiv. discharge such other duties as may be prescribed in the Companies Act, 2013, the Rules thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

20. SEXUAL HARASSMENT

Stovec demands, demonstrates and promotes professional behavior and respectful treatment of all employees. Sexual Harassment of any nature is not tolerable. The Company has in place Policy on Prevention of Sexual Harassment of Women at Workplace. Specified Persons are required to adhere to the said Policy.

21. COMPANY'S SPOKESPERSON

No Specified Person except the Chairman or Managing Director shall announce or communicate any important or price sensitive information to the press, financial analysts or such other agencies, provided a copy of such communication is provided to the Stock Exchanges where the shares of the company are listed.

22. TRADING OF STOVEC SHARES

The Specified Persons (who are covered under the Company's Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and Code of Conduct for fair disclosures) shall abide by the provisions prescribed in SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Company's Code of Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and Code of Conduct for fair disclosures, as amended from time to time.

23. REPORTING VIOLATIONS

Stovec does not tolerate any form of retaliation or recrimination against those who make good faith reports of potential non-compliance. Our zero tolerance policy on retaliation goes hand in hand with our belief that speaking up is always the right thing to do. Please report any violations at secretarial@stovec.com.

24. OBSERVANCE AND VOILATION OF THE CODE:

It is imperative that the Specified Person's follow the Code. These standards apply while working on the premises, at offsite locations wherever business is being conducted, or at any other place or where the Specified Person is a representative of the Company.

The Specified Person's shall affirm compliance of the code on an annual basis each year.

Violations of this code will result in disciplinary action and the Board of the Company or any Committee/ Person designated by the Board for this purpose shall determine appropriate action in response to violations of this code.

25. ANNUAL DECLARATION:

Every Specified Person's shall sign and submit the declaration to the Company Secretary (as per **Annexure – I**) on an annual basis, within 30 days of the close of every financial year, affirming compliance with the provisions of this Code of Conduct.

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26. AMENDMENT OF THE CODE:

The Code of Conduct may be amended by the Board, to meet the requirements of any relevant statute or the business interest of the Company. Unless otherwise specified, such amendments shall be effective from the date of meeting of the Board at which such amendments are approved.

27. PLACEMENT OF THE CODE ON WEBSITE

The Code of Conduct and any amendments thereto shall be posted on the website of the Company.

Note:

Originally adopted by the Board of on October 22, 2008;

Amended version adopted by the Board of Directors on November 11, 2014.

Amended version adopted by the Board of Directors on August 11, 2016.

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Annexure – I

Declaration

To,
The Board of Directors
Stovec Industries Limited
N.I.D.C., Nr. Lambha Village,
Post: Narol, Ahmedabad,
Gujarat – 382 405

Dear Sir/ Madam,

I, Mr./Mrs./Ms. _____, _____ [designation] do and hereby acknowledge and confirm that during the financial year _____, to the best of my knowledge and belief, I have not violated any of the provisions of the Code of Business Conduct & Ethics for Board of Directors, Senior Management and Employees, as may be applicable to my responsibility.

Signature:

Name:

Designation:

Date:

Note: Please sign and submit this declaration within 30 days of the close of every financial year.