



Power System Operation Corporation Limited

(A Government of India Enterprise)

CIN: U40105DL2009GOI188682

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

POWER SYSTEM OPERATION CORPORATION LIMITED

(A Government of India Enterprise)

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

1.0 Introduction

- 1.1 This Code shall be called “The Code of Business Conduct & Ethics for Board Members and Senior Management” of Power System Operation Corporation Limited (POSOCO).
- 1.2 The purpose of this Code is to enhance ethical and transparent process in managing the affairs of the Company.
- 1.3 This Code of Business Conduct and Ethics for Board Members and Senior Management has been framed specially in compliance of the Guidelines of DPE. In respect of whole-time Directors and Senior Management Personnel, this Code is to be read in conjunction with the CDA Rules and the FOLD Charter.
- 1.4 The Company observes Conduct, Discipline & Appeal Rules (“CDA Rules”), which govern the conduct of all permanent employees of the Company. In addition, being a member of the Forum of Load Despatchers (FOLD), the Company also observes the Code of Ethics of FOLD Charter
- 1.5 It shall come into force with effect from the 6th day of February, 2018.

2.0 Definitions and Interpretations:

- 2.1 The term “Board Members” shall mean Directors on the Board of Directors of the Company.
- 2.2 The term “Whole-time Directors” or “Functional Directors” shall be the Directors on the Board of Directors of the Company who are in whole-time employment of the Company.
- 2.3 The term “Part-time Directors” shall mean Directors on the Board of Directors of the Company who are not in whole time employment of the Company.
- 2.4 The term “Relative” shall have the same meaning as defined in Section 2 (77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of definition details) Rules, 2014. (Refer **Appendix – I**).
- 2.5 The term “Senior Management” shall mean personnel of the Company who are members of its core management team excluding Board of Directors and would comprise all members of management one level below the Whole time Directors, including Heads of Regional Load Despatch Centres (RLDCs) and National Load Despatch Centre (NLDC) and all functional heads at Corporate Centre.
- 2.6 The term “the Company” shall mean Power System Operation 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.

3.0 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 Independent Directors under the provisions of law.
- c) Senior Management

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

4.0 Contents of Code

- Part I General Moral Imperatives
- Part II Specific Professional Responsibilities
- Part III Specific Additional Provisions for Board Members and Senior Management

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

5.0 General Moral Imperatives

5.1 Contribute to society and human well being

5.1.1 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.

5.1.2 Therefore, all Board Members 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.

5.2 Be honest and trustworthy & practice integrity

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

5.2.2 All Board Members and Senior Management are expected to act in accordance with highest standards of personal and professional integrity, honesty and ethical conduct, while conducting business of the Public Enterprise.

5.3 **Be fair and take action not to discriminate**

5.3.1 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.

5.4 **Honour confidentiality**

5.4.1 The principle of honesty extends to issues of confidentiality of information. The ethical concern is to respect all obligations of confidentiality to all stakeholders unless discharged from such obligations by requirements of the law or other principles of this Code.

5.4.2 All Board Members and Senior Management, therefore, shall maintain the confidentiality of all confidential unpublished information about business and affairs of the POSOCO.

5.5 **Pledge & Practice**

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

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

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

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

5.5.5 Do duty conscientiously and without fear or favour.

PART II

6.0 **Specific Professional Responsibilities**

6.1 **Live the Vision, Mission and Values of POSOCO – each day**

Live the Vision, Mission and Values of Power System Operation Corporation Limited each day.

Vision

“To be a global institution of excellence for reliable & resilient power systems, fostering efficient electricity markets, promoting economy and sustainability.”

Mission

- Ensure Integrated Operation of the Indian Power System to facilitate transfer of electric power within and across the regions and trans-national exchange of power with Reliability, Economy and Sustainability
- Facilitate competitive and efficient wholesale electricity markets and administer settlement systems.
- Promote innovation and adoption of latest technology with cyber security
- Nurturing Human & Intellectual Capital

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 POSOCO

- 6.1 **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.
- 6.2 **Acquire and maintain professional competence:** Excellence depends on individuals who take responsibility for acquiring and maintaining professional competence. All are, therefore, expected to participate in setting standards for appropriate levels of competence, and strive to achieve those standards.
- 6.3 **Compliance with Laws:-** The Board Members and Senior Management of POSOCO 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 POSOCO.
- 6.4 **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.
- 6.5 **Manage personnel and resources to enhance the quality of working life:**
 - Organizational leaders are responsible for ensuring that a conducive working and business environment is created for fellow employees to enable them delivering their best. The Board Members and Senior Management would be responsible for ensuring human dignity of all employees, would encourage and support the professional development of the employees of POSOCO by providing them all necessary assistance and cooperation, thus enhancing the quality of working.
- 6.6 **Be upright and avoid any inducements:-** The Board Members 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.
- 6.7 **Observe Corporate Discipline:** - The flow of communication within POSOCO 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.
- 6.8 **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 POSOCO. 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.

- 6.9 **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 38 accountable to Company's stakeholders.
- 6.10 **Prevention of Insider Trading:** - The Board Members and Senior Management shall comply with the code of Internal Procedures and conduct for prevention of Insider Trading in dealing with Securities of the Company, where applicable.
- 6.11 **Identify, mitigate and manage business risks:** - It is everybody's responsibility to follow the applicable Risk Management Framework of the Company, to identify the business risks that surround function or area of operation of the Company and to assist in the company-wide process of managing such risks, so that Company may achieve its wider business objectives.
- 6.12 **Protect properties of the Company:** - The Board Members and Senior Management shall protect the assets including physical assets, information and intellectual rights of the Company and shall not use the same for personal gains.

PART – III

7.0 Specific Additional Provisions for Board Members and Senior Management

- 7.1 **As Board Members and Senior Management:** They shall undertake to actively participate in the meetings of the Board and Committees on which they serve.
- 7.1.2 Unless specifically permitted by the Board in case of Board members and by the Chairman & Managing Director in case of Senior Management Personnel, the Board Members and Senior Management Personnel shall not serve as Director of any other Company or as Partner of a Firm/Limited Liability Partnership or management position in any other entity that is engaged in a business competing with the Company or with which the Company has business relations. This clause is not applicable to Ex-officio Government Nominee Directors. In case of Independent Directors, if the Board feels, it may refer the conflict of interest to the Government of India. Senior Management Personnel shall obtain prior approval of the Chairman & Managing Director of the Company for accepting Directorship of any other Company or partnership of a firm/ Limited Liability Partnership or management position in any other entity. The Functional Directors shall not accept any appointment or post, whether advisory or administrative, in any firm or company, whether Indian or Foreign, with which the Company has or had business relations, within one year from the date of retirement without prior approval of the Government.

7.2 As Board Members

- 7.2.1 Undertake to inform the Chairman and Managing Director/ Company Secretary of the Company of any changes in their other Board positions, relationship with other business and other events/ circumstances/ conditions

that may interfere with their ability to perform Board/ Board Committee duties or may impact the judgement of the Board as to whether they meet the independence requirements of Guidelines of DPE.

7.2.2 Undertake that without prior approval of the disinterested members of the Board, they will avoid apparent conflict of interest. Conflict of interest may exist when they have personal interest that may have a potential conflict with the interest of the Company. Illustrative cases can be:

Related Party Transactions: Entering into any transactions or 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). The Board and Senior Management shall make disclosure of related party in the format provided under Indian Accounting Standard 24 (Ind AS-24) (**Appendix II**) issued by the Institute of Chartered Accountants of India (ICAI) and/or any modification or recodification thereof.

Consultancy/Business/Employment: Engaging in any activity (be it in the nature of providing consultancy service, carrying on business, accepting employment) which is likely to interfere or conflict with their duties/responsibilities towards Company. They should not invest or associate themselves in any other manner with any supplier, service provider or customer of the company.

Use of Official position for personal gains: Should not use their official position for personal gains.

7.3 **Compliance with the Code of Business Conduct and Ethics**

7.3.1 **All Members of the Board and Senior Management of Company shall uphold and promote the principles of this code.**

The future of the organization depends on both technical and ethical excellence. Not only it is important for Board Members and Senior Management to adhere to the principles expressed in this Code, each of them should also encourage and support adherence by others.

7.3.2 **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 and Senior Management does not follow this Code, the matter would be reviewed by the Board and its decision shall be final. The Company reserves the right to take appropriate action against the defaulter.

7.4 **Miscellaneous Points**

7.4.1 **Continual updation of Code**

This Code is subject to continuous review and updation in line with any changes in law, changes in Company's philosophy, vision, business plans or otherwise as may be deemed necessary by the Board and all such amendments / modifications shall take effect prospectively from the date stated therein.

7.4.2 **Where to seek clarifications**

Any member of Board 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.

7.4.3 **Placement of the Code on Website**

This Code and any amendments thereto shall be hosted on the website of the Company.

7.4.4 **Annual Compliance Reporting**

- a) All Board Members and Senior Management Personnel 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 Performa of Annual Compliance Report is at **Appendix – III**. The Annual Compliance Report shall be forwarded to the Company Secretary. If any Board Member or Senior Management Personnel leaves the Company at any time during a financial year, he/she shall send a communication within one week from the date of leaving, to the Company Secretary affirming compliance of the code till date of his association with POSOCO.
- b) The Chairman & Managing Director of the Company and all whole time directors shall certify to the Board within 30 days of the Close of every financial year 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

7.4.5 **Acknowledgement of Receipt of the Code**

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

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

Meaning of “relative”

2 (77) “relative”, with reference to any person, means any one who is related to another, if –

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed;

List of relatives in terms of clause (77) of Section 2.- A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

- (1) Father:
Provided that the term “Father” includes step-father.
- (2) Mother:
Provided that the term “Mother” includes the step-mother.
- (3) Son:
Provided that the term “Son” includes the step-son.
- (4) Son’s wife.
- (5) Daughter.
- (6) Daughter’s husband.
- (7) Brother:
Provided that the term “Brother” includes the step-brother;
- (8) Sister:
Provided that the term “Sister” includes the step-sister.

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(By Board Members / Senior Management of Company on Annual Basis by 30th April of each year).

The Board members and Senior Management Personnel shall disclose the following, in respect of all transactions with related parties, as covered in Indian Accounting Standard 24 (Ind AS-24) issued by ICAI. In addition, related party has been defined in Section 2(76) of the Companies Act, 2013 read with Rule 3 of Companies (Specifications of Definitions Details) Rules, 2014:

- (i) the name of the transacting related party;
- (ii) a description of the relationship between the parties;
- (iii) a description of the nature of transactions;
- (iv) volume of the transactions either as an amount or as an appropriate proportion ;
- (v) any other elements of the related party transactions necessary for an understanding of the financial statements.

Signature :.....

Name :.....

Designation :.....

Date :.....

Place :.....

Note: The following are illustrative and not exhaustive list of examples of the related party transactions in respect of which disclosures should be made by Senior Management Personnel:

- purchases or sales of goods (finished or unfinished) ;
- purchases or sales of fixed assets ;
- rendering or receiving of services ;
- agency arrangements;
- leasing or hire purchase arrangements ;
- transfer of research and development ;
- licence agreements;
- finance (including loans and equity contributions in cash or in kind) ;
- guarantees and collaterals ; and
- management contracts including for deputation of employees.

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ANNUAL COMPLIANCE REPORT

(By Board Members/ Senior Management of the Company on Annual basis by 30th April of every year)

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 _____

Place:

Employment Number _____

Telephone No. _____

Date:

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ACKNOWLEDGEMENT OF RECEIPT

I _____ have received and read the Company's Code of Business Conduct and Ethics for Board Members and Senior Management. 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.

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

Place:

Signature :

Date :

Name :

Designation :