

## **VA TECH WABAG LIMITED**

### **Code of Conduct for Prevention of Insider Trading.**

#### **Introduction**

Insider trading means dealing in securities of a company listed/traded on any stock exchange in India based on, or when in possession of, unpublished price sensitive information.

With a view to govern the conduct of insiders on matters relating to insider trading, the Securities and Exchange Board of India (SEBI) had formulated SEBI (Insider Trading) Regulations 1992. SEBI has since amended the existing regulations. These regulations are now called Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 ('Regulations').

Chapter IV of the Regulations require, inter alia, all listed companies to frame a Code of Internal Procedures and Conduct as near thereto to the Model Code specified in Part A of Schedule I to the Regulations.

VA Tech Wabag Limited has formulated this code of conduct called VA Tech Wabag Limited Code of Conduct for Prevention of Insider Trading ("Code"). All the Directors and Employees of VA Tech Wabag Limited are governed by the Code. The Code shall come into effect on **November 24, 2010**.

All the Directors and Employees of VA Tech Wabag Limited and its Subsidiaries are advised to carefully go through and familiarise themselves with and adhere to the Regulations and the Code.

#### **Objective:-**

The Company endeavors to preserve the confidentiality of un-published price sensitive information and to prevent misuse of such information. The Company is committed to transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations. Every Director, Officer and designated Employee of the Company has a duty to safeguard the confidentiality of all such information obtained in the course of his or her work at the Company. No Director, Officer, Designated Employee may use his or her position or knowledge of the Company to gain personal benefit or to provide benefit to any third party. Such persons are prohibited from communicating / or counseling others with respect to the securities of the Company. Such persons should also refrain from profiteering by misusing the unpublished price sensitive information and thereby enabling the Company to retain investor confidence.

To achieve these objectives, VA Tech Wabag Limited (hereinafter referred to as "the Company") hereby notifies that this code of conduct is to be followed by all Directors, Officers, Designated Employees and connected persons.

## 1. Definitions:

For the purpose of this code the following terms shall have the meanings assigned to them hereunder:

- i. **“Act”** means the Securities and Exchange Board of India Act, 1992.
- ii. **“Code” or “this Code”** shall mean this Code of Conduct for Prevention of Insider Trading in shares of VA Tech Wabag Limited as amended from time to time.
- iii. **“Company” or “the Company”** means VA Tech Wabag Limited (WABAG).
- iv. **“Compliance Officer”** means the Compliance Officer appointed pursuant to Clause 2 of this Code.
- v. **“Dealing in WABAG Securities”** means an act of subscribing, buying, selling or agreeing to subscribe, buy, sell, or deal in the Securities of the Company by any person either as principal or agent.
- vi. **“Dependent Family Member”** in relation to any Designated Employee / Employee, means unless the context otherwise requires, his/her spouse, child below the age of 21 years, parent or any other person; who
  - (i) is financially dependent on such Designated Employee/Employee; and / or
  - (ii) relies upon, or is accustomed to act upon, the advice of such Designated Employee/Employee in connection with investment decisionsand is declared by the Designated Employee / Employee as a Dependant for the purpose of this Code.
- vii. **“Derivative”** shall mean derivative as defined under the Securities Contracts (Regulations) Act, 1956 and includes,
  - (A) a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security;

(B) a contract which derives its value from the prices, or index of prices, of underlying securities

- viii. **“Designated Employee(s)”** shall include:
- a. Directors of the Company.
  - b. Executive Management Board Members.
  - c. SBU Heads.
  - d. Chief Financial Officer / Chief Financial Controller.
  - e. Company Secretary.
  - f. Permanent invitees to the meetings of the Board of Directors of the Company;
  - g. Such other persons as may be notified by the Compliance Officer from time to time.
- ix. **“Director”** shall mean and include a member of the Board of Directors of the Company.
- x. **“Employee(s)”** shall mean and include
- a) All Employees of the Company (whether or not on probation);
  - b) All Directors of the Company
- xi. **“Insider Trading Regulations”** means the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations, 1992) as amended from time to time.
- xii. **“Wabag Securities” or “Securities of the Company”** shall include Equity shares of the Company, or any other marketable security of the Company.
- xiii. **“Price Sensitive Information’** means any information, which relates directly or indirectly to the company and which if published is likely to materially affect the price of WABAG securities of the company.

The following shall be deemed to be price sensitive information:-

- i. periodical financial results of the company;
- ii. intended declaration of dividends (both interim and final);
- iii. issue of securities or buy-back of securities;
- iv. any major expansion plans or execution of new projects;
- v. amalgamation & mergers or takeovers;
- vi. disposal of the whole or substantial part of the undertaking;
- vii. disruption of operations due to natural calamities.

- viii. any significant changes in policies, plans or operations of the company, such as:
  - (a) Commencement of any new commercial operations where the contribution there from is likely to exceed 5% of the total turnover of the company during that financial year.
  - (b) Developments with respect to changes in pricing/realization on goods and services arising out of changes in government policy.
  - (c) Litigation/dispute with a material impact.
  - (d) Revision of credit ratings assigned to any debt or equity instrument of the company.
  - (e) Any information which, if disclosed, in the opinion of the person disclosing the same is likely to materially affect the prices of the securities of the Company.
- xiv. **“Unpublished information”** means information which is not published by the Company or its agents and is not specific in nature but would not include speculative reports in print or electronic media.
- xv. **“Working day”** shall mean the working day when the regular trading is permitted on the concerned stock exchange where securities of the Company are listed.”

## 2. Compliance Officer

The Company shall appoint a senior level employee to be the Compliance Officer for the purpose of the Insider Trading Regulations and this Code. The Compliance Officer shall report to the Managing Director.

VA Tech Wabag Limited (hereinafter referred to as “The Company”) has appointed Mr. Rajiv Balakrishnan (Company Secretary) as the Compliance Officer with effect from 1<sup>st</sup> June 2011. He reports to the Managing Director of the Company.

The Compliance Officer shall be responsible for:

- a. setting forth policies, procedures, monitoring adherence to the rules for the preservation of Price Sensitive Information;
- b. pre-clearing of Designated Employees and their Dependents’ trades;
- c. monitoring trades and the implementation of this Code under the overall supervision of the Board of Directors of the Company;

The Compliance Officer shall maintain a record of the Designated Employees and any changes made in the list of Designated Employees.

The Compliance Officer shall assist the Designated Employees in addressing any clarifications regarding the Insider Trading Regulations, the Code and the Company's Code of Corporate Disclosure Practices for Prevention of Insider Trading.

### **3. Preservation of Price Sensitive Information**

Employees and Designated Employees shall maintain the confidentiality of all Price Sensitive Information. They shall not pass on such information to any person directly or indirectly by way of making a recommendation for the purchase or sale of WABAG Securities.

Provided that nothing contained above shall be applicable to any communication that may be required to be made in the ordinary course of the business of the Company or profession or employment or under any laws applicable to the business of the Company.

Unpublished Price Sensitive Information is to be handled on a "need to know" basis, i.e. Unpublished Price Sensitive Information should be disclosed only to those within the Company who need the information to discharge their duty and whose possession of such information will not give rise to a conflict of interest or appearance of misuse of the information.

All non-public information directly received by any employee should immediately be reported to the Compliance Officer.

If, in the performance of duties, it becomes necessary for the Designated Employee to disclose any price sensitive information to any person outside the Company, e.g., Advisors, Auditors, Consultants, Merchant Bankers, etc., the Designated Employee shall inform the Compliance Officer of the Price Sensitive Information proposed to be disclosed, and obtain the prior written consent of the Compliance Officer. The Designated Employee shall ensure that the concerned Advisor, Auditor, Consultant, Merchant Banker, etc., executes an Agreement in the prescribed format (**Form G** hereto) with the Company.

Files containing confidential information shall be kept secure. Computer files must have adequate security of login and password etc.

### **4. Prevention of misuse of Price Sensitive Information**

4.1 All Designated Employees and their Dependent Family Members shall be subject to the trading restrictions as enumerated below:

#### **4.2 Trading Window**

The Designated Employee and his Dependent Family Members shall trade in shares of the Company only during a specific trading period called "Trading

Window” to be specified by the Company. The Trading Window shall be closed during the time the information mentioned hereunder is unpublished:

- a. Declaration of Financial results (quarterly, half yearly and annual)
- b. Declaration of dividends (interim and final)
- c. Issue of securities by way of public/rights/bonus etc.
- d. Any major expansion plans or execution of new projects
- e. Amalgamations, mergers, takeovers and buy-back
- f. Disposal of whole or substantially whole of the undertaking
- g. Any changes in policies, plans or operations of the Company
- h. Such other information as may be specified by the Compliance Officer for this purpose.

In respect of declaration of financial results, the Trading Window shall remain closed at least 15 days prior to the declaration of financial results of the respective quarter, half-year or financial year, as the case may be till 24 hours from the time the results are communicated to the Stock Exchanges on the date of the meeting.

As regards declaration of interim dividend and other matters referred to in (b) to (h) above, the Managing Director / Chief Executive Officer shall, well before initiation of such activity/project, form a core team of Designated Employees and/or Designated Group of Persons who would work on such assignment. The Managing Director / Chief Executive Officer shall also designate a senior Employee who would be in-charge of the project. Such team members will execute an undertaking not to deal in the Securities of the Company till the Price Sensitive Information regarding the activity/project is made public or the activity/project is abandoned and the Trading Window would be regarded as closed for them.

The Trading Window shall be opened twenty-four (24) hours after the information referred to above is made public.

The Designated Employee and their Dependent Family Members shall conduct all their dealings in the WABAG Securities during a valid Trading Window and shall not deal in any transaction involving the purchase or sale of the WABAG Securities during the periods when Trading Window is closed or during any other period as may be specified by the Company from time to time.

In case of ESOPs, exercise of options may be allowed in the period when the Trading Window is closed. However, sale of shares allotted on exercise of ESOPs shall not be allowed when the Trading Window is closed.

### **4.3 Pre-clearance of trades**

All Designated Employees and their Dependent Family Members who intend to deal in the WABAG Securities should pre-clear the transactions, by making an application in the prescribed form and containing the prescribed undertaking to the Compliance Officer (**Form E**) where the aggregate of the WABAG Securities to be dealt during a calendar month exceed 10,000 in number in a calendar month. It is clarified that it shall be the responsibility of the Designated

Employees to obtain approvals in respect of the aforesaid transactions proposed to be entered into by their Dependent Family Members.

The Compliance Officer shall either clear the requested deal or decline to clear the requested deal within seven (7) Working Days of the receipt of the application in the prescribed Form. In case the Compliance Officer declines to clear the requested deal, he shall assign reasons in writing for doing so. If the Designated Employee does not receive any response from the Compliance Officer within the aforesaid period of seven (7) Working Days, the requested deal can be deemed to have been cleared by the Compliance Officer.

In case the Compliance Officer or any of his Dependent Family Members wish to deal in the WABAG Securities, he would have to make the application in the prescribed **Form F** to the Managing Director of the Company who would consider the requested deal within seven (7) Working Days as aforesaid. The remaining provisions of this section, as applicable to Designated Employees, would also apply to the Compliance Officer.

## **5. Other restrictions**

The Designated Employees and their Dependent Family Members shall execute their order in respect of the WABAG Securities within one week after the approval of pre-clearance is given. If the order is not executed within one week after the approval is given, the Designated Employee must pre clear the transaction again.

Provided that in the event the period between the date of the aforesaid approval and the commencement of the closure of Trading Window is less than one week ("lesser period") then the said transaction shall be executed within such lesser period.

All Designated Employees who buy or sell any number of shares of the Company shall not enter into an opposite transaction i.e. sell or buy any number of shares of the Company during the next six months following the prior transaction.

All Designated Employees shall also not take positions in derivative transactions in the shares of the Company at any time. They shall immediately square off their outstanding position in Derivatives in respect of the shares of the Company, if any.

All Designated Employees shall square off their outstanding position in Derivatives in respect of the shares of the Company, forthwith upon becoming a Designated Employee of the Company.

In the case of subscription in the primary market (initial public offers), the Designated Employees shall hold their investments for a minimum period of 30 days. The holding period would commence when the securities are actually allotted.

In case the sale of the WABAG Securities is necessitated by personal emergency, the holding period may be waived by the Compliance Officer after recording in writing his/her reasons in this regard upon an application made in prescribed **Form D**.

The concerned Designated Employee shall sell the said shares within one week after the approval is given or lesser period whichever is earlier.

## **6. Reporting Requirements for transactions in securities**

The Designated Employees will be required to make the following disclosures to the Compliance Officer:

a. Initial disclosure of WABAG Securities held by the Designated Employees (other than Directors and the Company Secretary) and his Dependent Family Members, together with a disclosure of the names of the Dependent Family Members (refer **Forms A, B and C**), to be made within thirty (30) days from the day of joining the Company.

Initial disclosure of WABAG Securities held by the Directors and the Company Secretary and their Dependent Family Members, together with a disclosure of the names of the Dependent Family Members (refer **Forms A, B and C**), to be made within two (2) working days from the day of joining the Company.

In the event a new Dependent relationship comes into being or any existing Dependent ceasing to be a Dependent, the concerned Designated Employee shall forthwith give a Notice in writing of such development to the Compliance Officer.

b. Continual Disclosure in case of specified change in holding (refer **Forms H and J**)

c. Half yearly disclosures as of 30th September, each year (refer **Forms I and K**), to be made by 10th October of each year

d. Annual Disclosures as on 31st March, each year (refer **Forms I and K**), to be made by 10th April of each year.

The Compliance Officer shall place before the Managing Director on a monthly basis, details of the dealings in the WABAG securities by the Designated Employees and the accompanying documents that such persons had executed under the pre-dealing procedure as envisaged under this Code.

The Compliance Officer shall maintain records of all the declarations in appropriate forms given by the Designated Employees for a minimum period of three years.



## **7. Jurisdiction**

In the event of any dispute arising from the provision of the Code or its interpretation, the same shall be subject to the exclusive jurisdiction of the Courts at Chennai.

## **8. Confirmation**

The Insider Trading Regulations and the Code have been uploaded on the intranet. All Employees/Designated Employees hereby acknowledge to have read and fully understood their obligation under the Insider Trading Regulations and the Code and have undertaken to unconditionally abide by the same. They can contact the Compliance Officer for any clarification/ assistance.

The responsibility of complying with the provisions of the Insider Trading Regulations and the Code shall be entirely on the Employees and Designated Employees of the Company including any violation by their Dependents.

## **9. Penalty for contravention of the Code**

Any Designated Employee who trades in securities or communicates any information for trading in securities, in contravention of this Code may be penalized and appropriate action may be taken by the Company.

Designated Employees who violate the Code of Conduct shall also be subject to disciplinary action by the Company, which would be determined by the Managing Director, based on the recommendations of a committee set up for this purpose. The penalty may include wage freeze, suspension, ineligibility for future participation in employee stock option plans, etc.

The action taken by the Company shall not preclude SEBI from taking any action in case of violation of the Insider Trading Regulations.

## **10. Information to SEBI in case of violation of SEBI (Prohibition of Insider Trading), Regulations, 1992.**

In case it is observed by the Company / compliance officer that there has been a violation of SEBI (Prohibition of Insider Trading), Regulations, 1992, SEBI will be informed by the Company.

## **CODE OF CORPORATE DISCLOSURE PRACTICES FOR PREVENTION OF INSIDER TRADING**

### **1.0 Corporate Disclosure Policy**

1.1 To ensure timely and adequate disclosure of price sensitive information, the following norms shall be followed.

### **2.0 Prompt disclosure of price sensitive information**

2.1 Price sensitive information shall be given by the Company to stock exchanges and disseminated on a continuous and immediate basis.

2.2 The Company may also consider ways of supplementing information released to stock exchange by improving investor access to their public announcements.

### **3.0 Overseeing and co-ordinating disclosure**

3.1 The Company shall designate a senior official (such as Compliance Officer) to oversee corporate disclosure.

3.2 This official shall be responsible for ensuring that the Company complies with Continuous disclosure requirements, overseeing and co-ordinating disclosure of price sensitive information to stock exchange, analysts, shareholders and media, and educating staff on disclosure policies and procedure.

3.3 Information disclosure/dissemination may normally be approved in advance by the official designated for the purpose.

3.4 If information is accidentally disclosed without prior approval, the person responsible may inform the designated officer immediately, even if the information is not considered price sensitive.

### **4.0 Responding to market rumors**

4.1 The Company shall have clearly laid down procedures for responding to any queries or requests for verification of market rumors by exchanges.

4.2 The official designated for corporate disclosure shall be responsible for deciding whether a public announcement is necessary for verifying or denying rumors and then making the disclosure.

## **5.0 Timely Reporting of shareholdings/ownership and changes in ownership**

5.1 Disclosure of shareholdings / ownership by major shareholders and disclosure of changes in ownership as provided under any Regulations made under the Act and the listing agreement shall be made in a timely and adequate manner.

## **6.0 Disclosure/dissemination of Price Sensitive Information with special reference to Analysts, Institutional Investors**

The Company should follow the guidelines given hereunder while dealing with analysts and Institutional investors:-

### **(i) Only Public information to be provided**

The Company shall provide only public information to the analyst/research persons/large investors like institutions. Alternatively, the information given to the analyst should be simultaneously made public at the earliest.

### **(ii) Recording of discussion**

In order to avoid misquoting or misrepresentation, it is desirable that at least two Company representatives be present at meetings with Analysts, brokers or Institutional Investors and discussion should preferably be recorded.

### **(iii) Handling of unanticipated questions**

The Company should be careful when dealing with Analysts questions that raise issues outside the intended scope of discussion. Unanticipated questions may be taken on notice and a considered response given later. If the answer includes price sensitive information, a public announcement should be made before responding.

### **(iv) Simultaneous release of Information**

When a Company organizes meetings with analysts, the Company shall make a press release or post relevant information on its website after every such meet. The Company may also consider live web casting of analyst meets.

## **7.0 Medium of disclosure/dissemination**

(i) Disclosure/dissemination of information may be done through various media so as to achieve maximum reach and quick dissemination.

(ii) The Company shall ensure that disclosure to stock exchanges is made promptly.

(iii) The Company may also facilitate disclosure through the use of their dedicated internet website.

- (iv) The Company websites may provide a means of giving investors a direct access to analyst briefing material, significant background information and questions and answers.
- (v) The information filed by the Company with exchanges under continuous disclosure requirement may be made available on the Company website.

#### **8.0 Submission of disclosures and prescribed forms**

All submissions, forms etc., envisaged in this code should be addressed to the Compliance Officer and forwarded to the Secretarial Department of the Company at its corporate office, for administrative purpose and taking appropriate action.

The Secretarial Department shall acknowledge the receipt of declaration/form.

**THIS POLICY IS ONLY INTERNAL CODE OF CONDUCT AND ONE OF THE MEASURES TO AVOID INSIDER TRADING. IT WILL BE THE RESPONSIBILITY OF EACH EMPLOYEE TO ENSURE COMPLIANCE OF SEBI GUIDELINES AND OTHER RELATED STATUTES IN TOTAL.**