

HINDUSTAN AERONAUTICS LIMITED

PRINCIPLES & POLICIES OF BUSINESS RESPONSIBILITY

1.0 Key Principles

- 1.1 The Company has adopted the following nine key principles of Business Responsibility, prescribed in the SEBI guidelines:
- Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
 - Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
 - Principle 3: Businesses should promote the well-being of all employees
 - Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
 - Principle 5: Businesses should respect and promote human rights
 - Principle 6: Businesses should respect, protect and make efforts to restore the environment
 - Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
 - Principle 8: Businesses should support inclusive growth and equitable development
 - Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

2.0 Policies

2.1 Ethics, Transparency and Accountability

- 2.1.1 The Company believes in value based governance and practices. It is committed to maintain the highest standards of ethics in all spheres of its business activities. The Board of Directors and senior management have a responsibility to set exemplary standards of ethical behavior, both internally within the organization, as well as in their external relationships. Management shall constantly endeavor to inculcate this ethical behavior at all levels in the organization so that it becomes an essential part of the work culture among all HAL employees. Every employee of HAL shall conduct himself and deal on behalf of the company with professionalism, honesty and integrity, while conforming to high moral and ethical standards.
- 2.1.2 All business decisions and transactions shall be fair, transparent, amenable to disclosure and be visible to relevant stakeholders. HAL believes that transparency means explaining Company's policies and actions to those to whom it has responsibilities. Therefore, the Company shall ensure maximum appropriate disclosures without jeopardizing the Company's strategic interests. Internally, transparency means openness in Company's relationship with its employees as well as the conduct of its business in a manner that will bear scrutiny. The Company believes that transparency enhances accountability. Everything it does must stand the test of public scrutiny.
- 2.1.3 Empowerment is an essential component of the Company's principle of governance, which would provide the management, freedom to take the enterprise forward. Empowerment unleashes creativity and innovation throughout the organization by truly vesting decision-making powers at the most appropriate levels in the organizational hierarchy. The Board of Directors are accountable to the shareholders and Government, and the management is accountable to the Board of Directors. Each executive and employee is similarly accountable for the functions and responsibilities entrusted to him /

her. HAL believes that empowerment coupled with accountability, provides the impetus to performance and effective Corporate Governance.

2.1.4 Employees at all levels shall put National interest, Public interest and the Company's interest above personal interest while discharging his / her duties and responsibilities and 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 of conflict of interest are:

- Related Party Transactions: Entering into any transactions or relationship with the 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).
- Outside Directorship: Accepting Directorship on the Board of any other Company that competes with the business of the Company.
- 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 the 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.

2.1.5 HAL employees shall not, directly or indirectly through their family and other connections, solicit or accept any personal fee, commission or other form of remuneration arising out of transactions involving the 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. However, the Company and its employees may, with full disclosure, accept and offer gifts of nominal value, provided such gifts are customarily given and / or are of a commemorative nature.

2.1.6 The Company is committed to and supports the constitution and governance systems of the country. It shall not support any specific political party or candidate for political office. The Company's conduct shall preclude any activity that could be interpreted as mutual dependence favour with any political body or person, and shall not offer or give any Company funds or property as donations to any political party, candidate or campaign.

2.2. Safety and Sustainability of goods & services

2.2.1 The Company is engaged in Design, Development, Manufacture and Overhaul of Fighters, Trainers, Helicopters, Transport Aircraft, Engines, Avionics & System Equipment. The impact of all the operations on the Environment and Society must be clearly understood by all employees responsible for these operations. The Company is committed to continuously improve its Safety Standards, Sustainability and Environmental Management System through processes defined below:

- 2.2.1.1 Minimizing the consumption of electrical energy, chemicals and natural resources.
- 2.2.1.2 Encouraging use of renewable / replenishable / sustainable resources.
- 2.2.1.3 Compliance to applicable legal requirements and other requirements related to environmental aspects.
- 2.2.1.4 Prevention of pollution to air, water and land by using environment friendly chemicals and continuous reduction of hazardous material in the processes.
- 2.2.1.5 Reduction in generation of identified wastes.

- 2.2.1.6 Promotion & adoption of environmental friendly and non-hazardous materials, components and processes in the design and manufacture of Electronic Equipment / Products.
- 2.2.1.7 Providing detailed information to customers for handling the products.
- 2.2.1.8 Setting, Maintaining and Monitoring the Environmental Objectives & Targets
- 2.2.1.9 Promoting Environmental and Safety Awareness among all the employees, vendors and contractors.

2.3 Human Resources Development and Wellbeing of employees

2.3.1 The present global business scenario has metamorphosed the Human Resource Management function to emerge from the erstwhile roles of control and direction to *consensus and commitment*. This means that the new agenda for the Human Resource Management function is to emerge as a champion for:

- Organizational transformation to global performance standards
- Aligning people with business strategy
- Culture building, mentoring, inculcating values and personality development for positive action with the objective of overall development of the employees and organization
- Delivering world class HR processes that develop leadership capability, organizational performance and strategic employee competencies.
- Ensuring the wellbeing of employees at all levels

HAL HR policy and procedures (hereinafter collectively referred to as "HR"), thus address the following facets of HR:

2.3.2 HR as a Strategic Partner

Strategic HRM is the first process of linking HR function with the strategic objectives of the organization in order to improve performance. HR has to play the role of a business partner keeping in view the Company's Vision, Mission, strategic imperatives, stakeholders' interests, business objectives and the competitive environment.

HAL being a *highly technology-driven Company*, strategies are envisioned by cross-functional teams representing Technology, Marketing and Research & Development and they deliberate on business issues faced by the Company. HR plays an active role in this process. This provides the much-needed multi-perspective insight.

2.3.3 Talent Attraction & Retention

Attracting and retaining talent involves many facets including competitive compensation package, employee engagement, career development and empowerment. HR function would provide the necessary environment to promote self-learning. HR would promote close-ended formal education; both classroom mode and e-learning mode, and practical courses for HAL employees in collaboration with premier institutes. The knowledge so acquired by the individual by various modes should supplement individual domain expertise as well as blend with business goals of the Company. Employee training and mentoring would help in spreading and blossoming technical and managerial talent. These measures would reinforce HAL as a learning organization.

Company-wide initiatives on Knowledge Management would help in domain expertise building. This facilitates exploiting capabilities of HR by going beyond the divisional boundaries and using company-wide capabilities depending on the contingent requirement. Competency Modeling has been carried out and integration of the HR systems with the Competency Model has resulted in effectively utilizing this capability of

HR in the Company. Competency-based job rotations would add to the employee satisfaction and engagement.

2.3.4 Performance Management

The objective of HAL Performance Management System is to clarify each individual's roles, fix responsibilities and align individual's activities with organizational objectives. Though the HAL system provides avenues for objectively assessing performance, it is HR's role to strengthen the process and its implementation in the true spirit. Goal-cascading workshops with the participation of senior management could be an effort in this direction. PMS would be supplemented with developmental initiatives to streamline career growth & development.

2.3.5 Leadership Development and Change Management

The ultimate competitive advantage of an enterprise is its ability to grow and develop leaders faster than its competitor.

The pace of change due to globalization, customer demands, technological innovation and information access demands that the Company go beyond strategy, structure and systems to purpose, process and people. HR would champion the change management initiatives of the Company enabling it to create a robust leadership pipeline and align itself to a global outlook.

2.3.6 Employee Relations and Welfare

The Company has migrated from an era of industrial relations to employee relations. It respects the employees' right to freedom of association, participation and collective bargaining. Employees at all levels shall have freedom of association and be free to participate in collective bargaining through their recognized unions/associations. Workers participation in Management shall be governed by a well laid down policy framework. Works Committees and Shop Floor Committees shall function in accordance with this policy and as per statutory requirements or as agreed with the recognized Unions. The Company shall also have adequate grievance redressal mechanisms. Employees at all levels shall have access to the grievance redressal mechanism.

All employees will be paid timely salaries, wages, allowances and other benefits as per the statutory provisions and as agreed based on collective bargaining.

The Company shall provide a workplace environment that is safe, hygienic, humane, comfortable and which upholds the dignity of the employees. It shall provide facilities for the wellbeing of its employees including those with special needs. The Company shall comply with all statutory provisions with regard to health, safety and wellbeing of its employees. Specific provisions contained in the Labour laws for ensuring health, safety, hygiene, comforts and wellbeing of employees shall be complied in letter and spirit.

It shall provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation. It shall not use child labour, forced labour or any form of involuntary labour, paid or unpaid. It shall create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities. Statutory provisions with regard to these aspects shall be fully complied. Government guidelines on reservation for sections such as SC/ST, differently abled, etc. shall be fully complied.

2.4 Protection of Stakeholders' Interest

- 2.4.1 The Company values the support of its stakeholders and respects the interests and concerns they have towards it. The Company and its employees shall provide value-based services to the stakeholders.
- 2.4.2 The Company shall have continuous engagement with its various stakeholders to understand their concerns and assess their requirements and respond to their needs in an effective manner.
- 2.4.3 The Company is conscious of the impact of its policies, decisions, products and services and associated operations on the stakeholders and shall avoid such actions which adversely affect the health, safety and welfare of the stakeholders.
- 2.4.4 The Company shall proactively engage with and respond to those sections in the society that are disadvantaged, vulnerable and marginalized. It shall also give special attention to stakeholders in areas that are underdeveloped.
- 2.4.5 The Company shall resolve differences with stakeholders in a just, fair and equitable manner.

2.5 Promoting Human Rights

- 2.5.1 The Company appreciates that human rights are inherent, universal, indivisible and interdependent in nature. The Spirit of Fundamental Rights and Directive Principles of State Policy of the Indian Constitution shall be imbibed in all HAL policies and systems. The Company shall strive to adhere to the human rights laws and guidelines of the International Bill of Human Rights.
- 2.5.2 The Company shall integrate respect for human rights in management systems and ensure that all individuals impacted by the business have access to grievance redressal mechanisms.
- 2.5.3 The Company shall recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalized groups.
- 2.5.4 The Company shall, within its sphere of influence, promote awareness and realization of human rights across its value chain.

2.6 Protection of Environment

- 2.6.1 The Company is committed to achieve the economic, ecological and social responsibility objectives of sustainable development through its varied business operations and activities. As an Environmentally responsible Company, HAL commits itself to take all necessary initiatives towards optimization and continual reduction in utilization of natural resources and also man made resources. The Company is determined to focus its attention to achieve the goal of "Reduce, Reuse and Recycle" in its entire operation / process for sustainable development. Company is committed to put efforts towards renewable resources to avoid depletion of natural resources.
- 2.6.2 The Company shall comply with all legal / regulatory requirements related to environment protection, management and sustainable development. Company shall have regular monitoring programme to assess its performance of environment management and sustainable development.

- 2.6.3 The Company shall identify hazardous process, assess its risk and determine appropriate control measures to minimize the impact on Environment. Impact minimization process shall follow Elimination, Substitution and Engineering control methods.
- 2.6.4 Environmental friendly Processes / operations shall be given high priority while selecting or introducing any new process, operation or product or service. Efficient processes shall be opted in order to minimize impact on environment. Energy efficiency shall be given high priority for selecting or changing over to new system to have less carbon emission initiatives.
- 2.6.5 The Company shall initiate environment management programmes to minimize impact on the environment. This shall be a continuous process. Introduction of cleaner technologies, elimination of hazards, complying with legal requirements and resource conservation, etc. shall be the impetus areas of Company's environment management programmes.
- 2.6.6 The Company shall promote customer awareness in environment management to minimize impact on environment during usage of the Company's products. The Company shall persuade and encourage its business partners to move towards environmentally friendly processes right from design to disposal.

2.7 Public and Regulatory Policy

- 2.7.1 As a Corporate Citizen, the Company understands its responsibility to function within the democratic set up and the constitutional framework. It recognizes that businesses operate within the specified legislative and policy frameworks prescribed by the Government, which guide their growth and also provide for certain desirable restrictions and boundaries. The Company and its employees would respect the legal / regulatory framework and shall comply with all the applicable provisions of existing local, state, national, and international laws. They shall also follow and obey the policies, procedures, rules and regulations relating to the business of the Company.
- 2.7.2 In case of any grievance with any legislative / regulatory mandates, it shall seek redressal of the same and resort to policy advocacy consistent with the principles and policies contained in the Code. Wherever necessary and to the extent possible, the Company shall seek policy changes either through the Administrative Ministry to which it reports or through the trade and industry chambers and other such collective platforms.
- 2.7.3 The Company believes that policy advocacy must preserve and expand public good and thus shall never advocate any policy change to benefit itself alone or a select few in a partisan manner.

2.8 Inclusive growth and equitable development

2.8.1 Vendor Development:

- a. Vendor development shall be taken up wherever the Vendor capabilities meet the requirements of manufacturing works.
- b. A policy for long term business with vendors shall be evolved based on the type of business, technology and product, etc.
- c. The Company shall provide Ancillary Industrial Estate or other facilities, wherever feasible and wherever capabilities exist among the vendors for effective utilization.
- d. In cases where the Company's Units are situated in eco-sensitive areas, care shall be taken to ensure employment of local skills with training as required.
- e. Outsourcing work shall be taken up in R&D projects, wherever the Intellectual Property of the Company is not compromised or diluted.

2.8.2 R&D Projects:

- a. The development and well-being of people of the country depend largely on the economic state of the country. The economy in turn is powered by technologies that both provide effective governance as well as security to the country. The nation is currently investing almost 1% of its GDP in R&D. Thus, Research & Development is a powerful tool for development of the country. The precious resources thus invested shall be effectively channeled to ensure that the required objectives are met. Hence R&D shall be initiated in projects of National interest proactively.
- b. Cooperation in projects involving National R&D labs like the DRDO, ISRO, etc. shall be given due prominence to ensure that projects of national importance are developed indigenously to minimize the dependence on foreign sources.
- c. Projects taken up shall ensure that while the stated objectives are met in full, there shall not be negative impacts on the societal front, in terms of RF emissions / leakages, radiations, hazardous material usage & disposal etc.

2.8.3 Procurement from MSEs

The Company shall comply with the Public Procurement Policy for Micro and Small Enterprises (MSEs) notified by the Govt. of India, Ministry of Micro, Small & Medium Enterprises and accord priority for procurement from MSEs as stipulated therein, to the extent the policy is applicable to it as a Defence Undertaking.

2.9. Value to Customers and Consumers

2.9.1 Value for Money: Systems shall be provided such that customer is able to utilize the products & services and realize best value for money by:

- i. Making best products and services available to the customers.
- ii. Ensuring inter-operability between the Company's products as required and by providing suitable interfaces / inter-operability with products of other vendors which may be best in class.
- iii. Ensuring international standards in design of products.
- iv. Ensuring appropriate labels wherever harmful effects may be felt, example: High voltage, Electro-static discharges, Laser emissions etc.
- v. Ensuring correct documentation is provided appropriately such that the products and services are best utilized.
- vi. Extending Performance Warranty and ensuring prompt after sales service.

2.9.2 Customer Relations Management:

- a. Effective Systems shall be provided for:
 - i. Registration of Customer complaints.
 - ii. Timely redressal of customer complaints.
 - iii. Making status on Customer Issues
 - iv. Periodic reporting to top management / concerned authorities on the status of all customer complaints with details of analysis.
 - v. Obtaining customer feedback on complaints.
- b. Customer satisfaction survey shall be conducted periodically to assess customer satisfaction.

2.9.2 Obsolescence Management:

- a. Systems shall be provided for obsolescence management in the products supplied by the company to its customers.