

SIGMA ELECTRIC MANUFACTURING CORPORATION PVT LTD. ETHICS POLICY

PURPOSE:

At SIGMA, we are committed to winning business through honest competition in the marketplace. We abide by the letter and spirit of all applicable Indian, U.S., and other laws in conducting our business and we adhere to the highest ethical standards.

SCOPE:

The rules set out in this Policy are of utmost importance to SIGMA and its business partners, and are essential to our ability to conduct our business in accordance with applicable laws and our values. We expect all of our employees (including probationers & trainees in the staff & associates category), agents, contractors and consultants to adhere to these rules in carrying out their duties for SIGMA.

POLICY:

SIGMA prohibits any form of bribery. You must not authorize or make any promise, offer, gift or payment – direct or indirect – of anything of value or other gratification to any party in order to obtain an improper benefit or advantage from a customer, potential customer, business partner, or any federal, state, local or non-Indian government official. Indeed, you must not make any offer or payment that has the appearance of trying to influence the decision making of these parties. The specific rules and procedures set forth in this Policy are designed to assist you in following this directive.

If you have any questions, ask before you act by speaking with your supervisor or the company Compliance Officer.

SECTION 1: IMPROPER PAYMENTS PROHIBITED

SIGMA and its employees and agents are subject to India's Prevention of Corruption Act, 1988 (including any amendments thereto) and to the United States Foreign Corrupt Practices Act of 1977 ("FCPA") in addition to any other anti-bribery laws / regulations operative in these countries and other jurisdictions in which we do business. These laws prohibit and penalize authorizing, offering, promising, or paying **anything of value** or other **gratification** (including meals, entertainment and gifts), directly or indirectly, to any Government Official (as defined below), including employees / directors of state-owned enterprises, for any purpose including without limitation the improper purpose of causing the Government Official to misuse his or her office and obtaining a business advantage. Other applicable U.S. and Indian laws prohibit similar conduct with respect to private parties.

Accordingly, this Policy prohibits **any promise, offer, gift, or payment – direct or indirect – of anything of value (including gifts, meals, travel or**

entertainment) or other gratification to any party (including customers, potential customers, business partners, agents, or government official of any kind) in order to obtain an improper benefit or advantage. This Policy also prohibits all offers, promises, gifts and payments that might even appear to be intended to cause any party to confer an improper benefit or advantage upon SIGMA. To carry out this prohibition, you may not offer, promise, give or pay anything of value to any party, subject to narrow exceptions set forth below for customary, token gifts authorized by written Indian law, and certain expenses necessary for legitimate business purposes such as facility visits if and to the extent such expenses are lawful.

The term "Government Official" is broadly defined, and includes employees of any branch of federal, state, local or foreign government, including tax officials and government inspectors; employees or officers of state-owned or controlled commercial enterprises; police officers or members of the armed forces of any country; candidates for public office; political parties and officials of political parties; or employees or officers of international organizations such as the World Bank. This definition also includes family members and business associates of any of the foregoing parties. Notwithstanding the generality of the foregoing, the term "Government Official" used herein, is deemed to include and not limit the definition of the term "public servant" as set forth in Section 2 (c) of the Prevention of Corruption Act, 1988, and thus includes without limitation any person in the service or pay of the Government or remunerated by the Government by fees or commission for the performance of any public duty; any person in the service or pay of a local authority; any arbitrator or other person to whom any cause or matter has been referred for decision or report by a court of justice or by a competent public authority; any person who holds an office by virtue of which he is authorized or required to perform any public duty; any person who is an office-bearer or an employee of an educational, scientific, social, cultural or other institution, in whatever manner established, receiving or having received any financial assistance from the Central Government or any State Government, or local or other public authority etc.

Applicable laws prohibit us from doing indirectly what we cannot do directly. Consistent with these laws, this Policy also prohibits all **indirect** payments. This means that you cannot give, offer, pay, or promise any gratification and / or anything of value to another person if you know or even suspect that the recipient will provide some or all of that value / gratification to another person, including a Government Official, in order to procure an improper advantage for SIGMA. Thus, if a Government Official seeks an improper payment or gift, you may not give that payment or gift to another person whom you suspect will pass the payment or gift to a Government Official. Similarly, you may not retain a consultant or other third party if you know or suspect that the consultant will pay any part of its fee to a Government Official for an improper purpose as explained herein.

SECTION 2: GIFTS AND ENTERTAINMENT

SIGMA competes for and earns business loyalty through the quality of its personnel, products and services, not with gifts or lavish entertainment. However, SIGMA permits non-lavish gifts under limited circumstances described below. In certain limited circumstances, also described below, modest business meals and payment of travel expenses may be permitted. In tandem with this general policy, SIGMA generally prohibits gifts to and entertainment of Government Officials, subject to two very narrow exceptions, one authorized by the written laws of India, and the other designed to permit payment of certain bona fide business expenses that may arise in connection with facility visits. This provision sets out guidelines on the exchange of gifts, meals and entertainment for your reference and convenience.

If a gift (as defined below) involves a Government Official (as broadly defined above), you must take particular care to follow the policies and procedures outlined here. Failure to do so may result in disciplinary action, up to and including termination. It may even carry severe civil or criminal consequences.

What are Gifts and Entertainment?

A gift is anything of value, including cash, gift certificates, favors, services, and promises or any other gratification to do something in the future, that you—or anyone acting on your behalf, including anyone in your family, household or with whom you have a close personal relationship—either gives or receives. Gifts purchased with your own money, or partly with your own money, are covered by this Policy. For further clarity, please note that the expression "gift" includes free transport, boarding, lodging or other service or any other pecuniary advantage.

Entertainment includes travel, hotel accommodations, meals and cultural or sporting events that you attend with the recipient. Unless you attend an event with the customer or business provider, the tickets to the event are not entertainment, but are instead gifts.

Are Gifts and Entertainment Ever Appropriate?

The following gifts / entertainment should never be directly / indirectly offered, given, provided or accepted by any SIGMA employee, agent or representative, or family member of an employee, agent, or representative:

- (1) A cash gift,
- (2) A gift or entertainment that is inconsistent with customary business practices,
- (3) Anything that may be construed as a bribe, a payoff, or as otherwise intended to inappropriately influence a business decision, and
- (4) Anything that violates any laws or regulations, or any policies of SIGMA or the entities with whom we are dealing.

Gifts are **NEVER** permissible if they could be reasonably interpreted as intended to influence or reward the recipient. Gifts that could influence or appear to influence the professional judgment of the recipient are *never* appropriate and may incur criminal or civil penalties.

Styles of entertainment that are likely to compromise SIGMA's reputation as a non-discriminatory company are always inappropriate. For instance, adult entertainment venues are never appropriate. You should never offer entertainment as a means of influencing another person's decision.

Offering and Giving Gifts to Government Officials

SIGMA generally prohibits giving gifts to Government Officials, directly or indirectly. However, small token gifts may be appropriate in India if they are (i) unsolicited, (ii) not cash or usable as cash (for example, a gift certificate is not acceptable) (iii) fall within the normal routine and acceptable category such as routine *baksheesh* / *sweet box* paid / given to the recipient or made on Indian festivals such as *Holi* / *Diwali* and (iv) do not exceed Rs. 500. Notwithstanding the generality of the foregoing, no gift / entertainment, however small, may be given / provided under any circumstances for the improper purpose of causing the Government Official to misuse his or her office and obtaining a business advantage.

Giving Gifts to Government Officials in order to induce them to confer a service or advantage on SIGMA, or as a reward for having conferred such a service or advantage, is *per se* prohibited under this policy in accordance with the Prevention of Corruption Act 1988. If you ever wish to give a token gift described above that falls within the normal routine and acceptable category such as routine *baksheesh* / *sweet box* of some nominal value not exceeding INR 500, you must obtain prior written approval from the Chief Operating Officer (COO).

No individual recipient may receive payments that may be considered to be illegal gratification under the Prevention of Corruption Act, 1988 in India. We clarify here that the Prevention of Corruption Act, 1988, prohibits (i) taking gratification by corrupt or illegal means, to influence a Government Official, (ii) taking gratification for exercise of personal influence with Government Official, (iii) a Government Official from obtaining valuable thing, without consideration from person concerned in proceeding or business transacted by such Government Official, (iv) abetting any of the aforesaid acts. Any questions / clarifications in this regard must be raised / sought from and approved in advance, in writing by the Chief Operating Officer (COO).

Facility Visits

Customers, suppliers, and government regulators may from time to time need to visit our facilities for legitimate business reasons. For example, customers may wish to see demonstrations of our products, or to receive training in their use. Suppliers may need to see our facilities in order to meet our specifications.

Regulators, such as tax or customs officials or safety inspectors, may need to conduct audits or inspections of our facilities. Ordinarily, these parties will pay their own travel, lodging, and meal expenses, if any, in connection with such facility visits. However, the Chief Operating Officer (COO) may authorize limited, reasonable expenses directly connected with such facility visits, provided that:

- No expenses towards such visits (including travel / lodging) shall be borne by or on behalf of SIGMA for any Government Official, either directly or indirectly, unless and to the extent such expenses are directly related to the legitimate business purposes described above and are required by applicable laws / regulations / established and legally accepted industrial practice in this behalf, and approved in advance by the CEO/President or the Board.
- The payment of the expenses complies with applicable laws (and has been confirmed by counsel as such), complies with the policies of the recipient's employer, and is fully disclosed to such employer;
- In case of expenses to be met for persons other than the Government Officials, the payment of the expenses is approved in advance, in writing by the Chief Operating Officer (COO).
- SIGMA pays the suppliers directly for their services (e.g., hotel rooms, travel, restaurants), rather than reimbursing the visitors;
- No cash payments or *per diems* are paid; and
- All payments in kind and/or cash are recorded completely and accurately in the Entertainment ledger described below.

Recording Gifts and Entertainment

All gifts and entertainment (however small), if at all given (after prior approval from SIGMA), must be accurately and completely recorded in SIGMA's books and records. The Controller will maintain a gift ledger with entries recording each gift, its date, occasion/purpose, value, and recipient (including the recipient's employer and job title). This ledger will also track gifts by recipient. The Controller will also maintain an entertainment ledger with entries recording each item of entertainment, its date, occasion/purpose, value, and recipient (including the recipient's employer and job title). This ledger will also track entertainment by recipient.

Questions regarding whether a particular payment or gift or item of entertainment violates this policy are to be directed to Chief Operating Officer (COO).

SECTION 3: THIRD PARTY CONTRACTORS; RECORD KEEPING AND REIMBURSEMENTS

Contracts with third party contractors and business providers who represent SIGMA in dealings with Government Officials

Contracts generally should provide fixed compensation for specific, identified tasks, and payments to business providers and contractors must be paid in accordance with the terms of their contracts. Contracts that provide for payments to parties other than the contracting party, or payments to countries other than the home

country of the contracting party, are not acceptable. All contracts with third parties must require the third party to:

- Certify that it has read and will comply with all SIGMA policies, including the Code of Conduct and this Policy on Ethical Business Practices;
- Comply with the FCPA and the Indian Prevention of Corruption Act 1988, and any other applicable anti-corruption laws and regulations;
- Certify that none of its employees or officers or shareholders is a Government Official;
- Certify annually that it has not made any offers, payments, or gifts of payments of anything of value to any Government Official;
- Refrain from retaining any subcontractors in connection for its work with SIGMA, unless it obtains SIGMA's advance written approval;
- Maintain accurate books and records;
- Allow SIGMA to inspect its books and records; and
- Co-operate fully in any investigation that SIGMA may in good faith initiate.

Before entering into a contract with any third party who will represent SIGMA in relation to its dealings with Government Officials, SIGMA will conduct and document a thorough background check, known as due diligence. As part of this diligence, SIGMA will document the commercial reasonableness of the third party's remuneration in relation to the tasks to be performed under the contract. SIGMA will also verify, at a minimum, that the third party:

- has the capability to perform the specified tasks;
- has a reputation for honesty, quality, and integrity in the business community;
- does not have any business or family connections to any Government Official; and
- has not been the subject of any litigation, government investigation or enforcement action, or press accounts involving allegations of fraud, bribery, or similar misconduct.

If, during the course of your employment by SIGMA, you are presented with a contract or encounter a situation that does not comply with these rules, you should contact the company Compliance Officer.

What type of records must be kept?

SIGMA is required to accurately record information regarding all payments made to third party contractors in reasonable detail, including the amount of the payment, the recipient, and the purpose for the expenditure. This means you must ensure that SIGMA has accurate and timely information with respect to the amount and ultimate recipient of contract payments, commissions, and other payments. You must also document the purpose, and maintain all necessary approvals for the transaction. Records must be complete and truthful and financial accounting recorded in accordance with Generally Accepted Accounting Principles (GAAP).

Any SIGMA employee who creates a false or misleading entry, or fails to disclose payments or assets will be subject to immediate disciplinary action. If you learn of any false or misleading entries, or unrecorded payments, you should report in writing it immediately to the company Compliance Officer or Chief Operating Officer (COO).

Restrictions on reimbursements and use of cash

SIGMA will only pay reimbursements to third party contractors for goods, services, or other expenditures that are fully and properly supported by third party invoices or receipts. With the exception of normal and customary petty cash requirements, cash transactions in connection with the Company's business are to be as per the provisions of the Income-Tax Act, 1961 (as amended from time to time) and Rules made thereunder (including any amendments thereto). Cash may never be provided to a Government Official/office except where the official payments are required to be paid by cash or in the case of emergency requirements like official / legal expenses towards octroi, registration fee, stamp papers.

SECTION 4: DUTY TO COME FORWARD

SIGMA requires its employees to report any actual or apparent violations of this Policy or of the law so that they can be investigated and dealt with appropriately. In this regard you should notify the company Compliance Officer or Chief Operating Officer (COO) of any doubts that you have as soon as possible. SIGMA protects whistleblowers and does not tolerate any form of retaliation against any employee, agent or business partner who reports any potential violation of this Policy or of any applicable law or regulation.

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