

**ELAHI COTTON MILLS LIMITED**

**CODE OF BUSINESS CONDUCT**

**Approved by the Board of Directors in their meeting held  
on May 23, 2012**



## INTRODUCTION

The key task of every employee of Elahi Cotton Mills Limited is to work hard to secure continuing success of our business, strengthening relationship with the customers and building an image of a good corporate citizen in the country. Therefore we must appreciate that this will be achieved using only proper standards of behaviors. We must ensure that we maintain a reputation among our shareholders, customer, government, and suppliers alike as a company that observes the highest standards of personal and corporate integrity.

This code of business ethics set out the minimum standards expected of the entire Elahi Cotton Mills Limited team. The code's requirements must be met at all times. This will help to ensure that the company maintains a good reputation by dealing and being seen to deal with all our business contacts in a professional and acceptable way.

The conduct of Elahi Cotton Mills Limited business should above all be characterized by honesty and integrity. Unethical practices of any sort should not find way into our business. We therefore have a duty to ourselves and to the company to raise any matters of business conduct or ethics which causes us concern at all levels and in particular the management team. This will help to protect ourselves and the company from unfounded accusations deception and fraud, and will ensure that where corruption and fraud has or might have taken place. It will be properly investigated and dealt with in a timely manner.

The following notes provide guidance on the standards of conduct of all of us in our work:

### GENERAL PRINCIPLES

1. As a general rule, Elahi Cotton Mills Limited employees are expected to promote the company's best interest whilst maintaining the highest standards of personal integrity and business practice.
2. Elahi Cotton Mills Limited employees must act all the time in the interest of the company's shareholders and must be abide by the company's stated standards of environmental, safety and management practices.
3. No employee should ever commit an illegal and unethical act, or instruct or encourage another employee to do so. The known laws and regulations of the country should always be observed.
4. In everything we do, we should always ask ourselves whether any of our actions, if known publicly in the locality and in the country as a whole, could be damaging to Elahi Cotton Mills Limited in any way. If your proposed action appears to fail this test it should not be progressed, and further management advice should be sought.
5. The key to achieving the necessary standards of conduct is likely to be openness, with transparent recording of actions, and full declaration of all interests and concerns to management.



6. Compliance is also required with the various policies, procedures and control guidelines issued from time to time by the company.

## **SPECIFIC REQUIREMENTS**

### Relations with officials and prospective business stakeholders

1. These relationships should be conducted ethically and within the law. Unethical and unlawful payments should neither be made nor received, directly or indirectly, regardless of the amount.
2. We should strive at all time to avoid practices that might be construed to promote our own or the company's interests by other than legitimate means. Integrity in our dealings is a prerequisite for successful and sustained business relationships.
3. It is company policy not to make political donations.

Some of the main issues likely to give rise to difficult decisions or uncertainty as to the proper course of action, are

## **LAW OF COUNTRY**

The laws of Country should be obeyed. The traditions, cultures and conventions of the country should also be respected.

## **COMMISSIONS FEES AND SIMILAR PAYMENTS**

1. Commissions, consultant's fee, retainers, loans, or similar payments should be clearly related to, and commensurate with, the service being performed. Should this clear relationship not exist, or could such payments be regarded as an improper inducement, they should not be made or accepted.
2. Agents or advisers acting on our behalf in this way should be made aware of our ethical values and expectations.

## **PUBLIC ACTIVITIES**

Where its experience can be useful, the company is encouraged to cooperate with governments, individuals, agencies and other organizations in the development of proposed legislations and other regulations, which may affect such legitimate interests.

Elahi Cotton Mills Limited is also encouraged to respond to requests from governments and other agencies for information, observation of opinions on issues relevant to business and the community in which they operate.



## **POLITICAL ACTIVITIES**

The company does not support any political party or activity. Employees may have their own opinion. However, these must not be used to influence the company's way of doing.

## **CORPORATE AFFAIRS**

In order to defend and promote its legitimate interests, Elahi Cotton Mills Limited has adopted the strategy of strengthening its corporate affairs activities. Corporate affairs are conducted under the direction of the board through the CEO.

## **HOSPITALITY**

1. Modest hospitality exchanged in the course of official business can be offered and accepted as part of normal business courtesies.
2. Employees should ensure that any subsequent actions should not be such that they could be deemed by others to have been influenced by such hospitality. Again, prior and open declaration to management will help to counter any allegation of undue influence.
3. All hospitality spending should be properly authorized and recorded. Managers may wish to request monthly reports of hospitality given and received by their staff.

## **RELATIONS WITH SUPPLIER AND CUSTOMERS**

1. All the guideline above, which are designed to promote ethical conduct with business stakeholders, apply.
2. The company's policy is that competitive tendering should be adopted wherever possible. Elahi Cotton Mills Limited cannot afford to show partiality towards any company with whom it does business.

## **PROPER CONTROL AND ACCOUNTING**

1. The company must maintain an adequate system of internal control and strict compliance with company policies.
2. Prescribed accounting systems and rules should be set in place to ensure that all transactions are accurately recorded and that no secret or other assets are established or maintained.

## **CONFLICTS OF INTEREST**

Elahi Cotton Mills Limited expects its employees to avoid personal activities and financial interests, which could conflict with their commitment to their jobs. Therefore, any personal interest, direct or indirect, which might affect or be perceived to affect the impartiality of any



employee in any matter relating to their job, should be declared to their immediate manager or head of the department in writing.

### **CONFIDENTIALITY AND ACCURACY OF INFORMATION**

1. Whilst conducting company business, the confidentiality of information received should be respected and should on no account be used for personal gain. All information given should be true and fair.
2. An employee in possession of unpublished price sensitive information concerning Elahi Cotton Mills Limited should adhere to the guideline outlined in this code. Employees cannot deal in shares nor encourage others to deal whilst in possession of such information for the purposes of making a profit or avoiding a loss.

### **USE OF COMPANY RESOURCES**

1. Elahi Cotton Mills Limited has many valuable resources in the form of tangible assets such as materials, property, vehicles and equipment. Intangible assets such as computer systems and other form of intellectual property also exist. Employees are given access to these in confidence and trust and they should be used only for the advancement of the company's business. Unauthorized use of company assets for unlawful purposes or for personal gain, including disclosure or misuse of electronic data, is forbidden.
2. All irregularities should be reported to management.

### **PERSONAL BEHAVIOR**

1. Employees are expected to be law abiding, both inside and outside working hours and to conduct their affairs as good and responsible citizens. This includes observance of laws, and respect for traditions and cultures.

### **MANAGEMENT ISSUES**

It is imperative for the organization, which is observing highest standards of personal and cooperative integrity, that there is complete coordination and cohesion among staff. This will be achieved through proper flow of communication both vertically and horizontally. Departments are required to work as a unit for achieving common organizational goals.

### **COMPLIANCE OF COMPANY POLICY AND PROCEDURES**

There are adequate control procedures and policies guiding the direction of the company. These controls procedures and policies need to be complied with strictly.



## REPORTING LOSSES AND ILLEGAL ACTS

1. While loyalty and trust between colleagues is expected, this should not override an employee's obligation to act at all times in the best interest of the company. Employees should therefore consider it personal duty to report discoveries of financial or other losses, and to report any genuine suspicions of deception, fraud or illegal activity by individuals within or acting on behalf of the company.
2. Employees should in the first instance report such discoveries to their management.

## NON-COMPLIANCE

Non-compliance with the contents of this code should range from deliberate disregard, through breaches of specific policies and standards, to personal indiscretion and errors of omission. Any substantiated breach will be taken seriously and the following infringements may lead to dismissal and criminal proceedings, if appropriate:

- a. Any attempt of fraud against the company
- b. Unauthorized disclosure of confidential information
- c. Undertaking paid work which Elahi Cotton Mills Limited considers detrimental to its interest, or work in competition with Elahi Cotton Mills Limited.
- d. Acceptance of gifts or other benefits except those of token nature or insignificant in value and
- e. Failure to declare an interest as set out above.

## OTHER PROCEDURES

1. A number of other current company policies, standards, procedures and guidelines must be adhered to at all times.
2. The framework of legal and regulatory rules governing Elahi Cotton Mills Limited operations must also be adhered to at all times. These include
  - a. Companies' ordinance
  - b. Stock exchange listing rules
  - c. Memorandum and articles of association
  - d. Corporate governance code for Elahi Cotton Mills Limited

While management should be able to provide employees with support and guidance on key elements of the code's contents, clarification may also be sought as necessary from the management.

