

CODE OF CONDUCT OF GULSHAN SPINNING MILLS LIMITED

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CODE OF CONDUCT OF GULSHAN SPINNING MILLS LIMITED

INTRODUCTION

As a responsible corporate citizen, Gulshan Spinning Mills Limited ('GSM' or the "Company") has always believed in following highest standards of Corporate Governance. Being a listed Company, every act of the Company, its Board Members and its employees is the focus of maintaining highest standards of Corporate Governance. This Code of Conduct ("Code") helps ensure compliance with our standards of business conduct & ethics and also with regulatory requirements. All Senior Management Personnel are expected to read and understand this Code of Conduct, uphold these standards in day-to-day activities and also comply with all applicable standards, policies and procedures of the company. This policy should be read in conjunction with applicable regulations & existing policies & procedures of the Company. The purpose of this Code of Conduct is as follows:

- Demonstrate the managers' commitment to the highest standards of ethical behavior.
- Encourage proper ethical conduct and sanction misconduct within the company.
- Develop an ethical culture based on such standards and conduct led by the company's directors and followed by management and employees.

By adopting, following, and updating this code of conduct on a regular basis, together with the company's charters, the managers confirm their desire to demonstrably lead and promote good ethical behavior and corporate governance. In order to foster the confidence of shareholders, employees, investors, and the other shareholders, this Code of conduct goes beyond the legal and regulatory framework prevalent in Pakistan today and it embraces both nationally and internationally recognized principles and practices. The company's managers understand this Code of conduct as their obligation and they set forth to ensure that its spirit and provisions are respected and acted upon throughout the company and its business partners.

This Code of conduct is reviewed and updated annually.

APPLICABILITY

This Code of Conduct is applicable to all Senior Management Personnel which would include the top management personnel (i.e., executive directors & advisors at executive director level) & all functional heads (including management personnel with direct functional reporting to directors & top management personnel). All Senior Management Personnel are expected to comply it with the letter and spirit. The Senior Management Personnel should also continue to comply with other applicable laws & regulations and the relevant policies, rules and procedures of the Company.

COMPLIANCE WITH APPLICABLE LAWS & REGULATIONS

Senior Management Personnel must comply and where applicable, oversee compliance by employees with all the laws, rules and regulations applicable to the Company and its employees. Each Senior Management Personnel must acquire appropriate knowledge of the requirements relating to his duties sufficient to enable him to recognize potential non compliance issues and to know when to seek advice from the Legal Department on specific Company policies and procedures.

No payment or transaction should be made or undertaken, by a Senior Management Personnel or authorized or instructed to be made or undertaken by any other person or the Company if the consequence of that transaction or payment would be the violation of any law in force.

HONESTY, INTEGRITY & ETHICAL CONDUCT

Senior Management Personnel shall act in accordance with the highest standards of integrity, honesty, fairness and ethical conduct while working for the Company as well when representing the Company. Honest conduct means conduct that is free from fraud or deception. Integrity & ethical conduct includes ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

CONFLICT OF INTEREST

Senior Management Personnel must avoid and promptly disclose to the Company potential conflicts of interest regarding any matters concerning the Company. A conflict of interest exists where the interests or benefits of Senior Management Personnel conflict with the interests or benefits of the Company.

BUSINESS INTEREST

If any Senior Management Personnel is considering investing in any customer, supplier, developer or competitor of the Company, he or she must first take care to ensure that these investments do not compromise on their responsibilities to the Company. Several factors are involved in determining whether a conflict exists, including the size and nature of the investment; the Senior Management Personnel's ability to influence the Company's decisions; his access to confidential information of the Company and the nature of the relationship between the Company and the other Company or person. Accordingly, it is appropriate that the Senior Management Personnel make a disclosure to the Board before making such an investment and obtains a "pre-approval"/"no objection" from the Board of Directors.

RELATED PARTY TRANSACTIONS

A Senior Management Personnel or any of his relatives/associates should not derive any undue personal benefit or advantage by virtue of his position or relationship with the Company. As a general rule, Senior Management Personnel should avoid conducting Company business with a relative, or with a business in which a relative is associated in any significant role. Any dealings with a related party must be conducted in such a way that no preferential treatment is given and adequate disclosures are made as required by law and as per the applicable policies of the Company.

GIFTS

Senior Management Personnel shall not offer, give or receive gifts from persons or entities dealing with the Company, where any such gift is perceived as intended directly or indirectly, to influence any business decision. Senior Management Personnel of the Company shall not accept or permit any member of his family or any other person acting on his behalf to accept any gift from Vendor, Dealer, Contractor, Suppliers and anyone having business dealings with the Company. The gift shall also include free boarding, transport, lodging or other service or any other pecuniary advantage when provided by any person other than a near relative or a personal friend having no official dealings with the Senior Management Personnel. Senior Management Personnel should also avoid acceptance of lavish or frequent hospitality from any individual or firm having official dealings with the Company.

USE OF COMPANY'S PROPERTY PROHIBITED

Senior Management Personnel should not exploit for their own benefit, opportunities that are discovered through the use of corporate property, information or position unless the opportunity is disclosed fully in writing to the Company's Board of Directors and the Board of Directors authorizes the said Senior Management Personnel to pursue such opportunity. Further, the Senior Management Personnel must refrain from using the Company's property or information for personal gain.

AVOIDANCE OF CHILD LABOR

Child labor refers to a type and intensity of work that hampers children's access to education, damages their physical and/or psychological health and their development within their families, and deprives them of their childhood or their self-respect. Therefore, employees need to adhere to the following:

- Adheres to the legal minimum age requirements.
- Moreover, in adhering to the International Labor Organization's (ILO) Convention 138 on "Minimum Age," and Convention 182 on the "Ban of Worst Forms of Child Labor," Company does not employ children under the age of 16.
- Senior Management Personnel are responsible for making the company's standards with regard to child labor known to key suppliers and contractors.

AVOIDANCE OF FORCED LABOR

The Company will under no circumstances make use of forced labor. GSM will only employ employees who are working of their own free will. No employee is required to lodge deposits and no individual will be deprived of identity papers upon commencing employment with the company. Senior Management Personnel are responsible for making the company standards with regard to forced labor known to key suppliers and contractors.

CONFIDENTIALITY

Senior Management Personnel must maintain the confidentiality of sensitive information (that is not in public domain) relating to the Company which comes to their knowledge in the course of the discharge of their functions and any other confidential information about the Company that comes to them, from whatever source, except when such disclosure is authorized or legally mandated. No Senior Management Personnel shall provide any confidential or sensitive information either formally or informally, to the press or any other publicity media, unless specifically authorized to do so.

All copies of correspondence, electronic data, documents, paper & records and list of clients or customers shall be surrendered to the company when any employee leaves the Company's employment or is no longer affiliated or connected with the Company.

WORKPLACE HARASSMENT

Every employee has the right to work in an environment that is free from harassment and in which issues of harassment will be resolved without fear of reprisal. Harassment will not be permitted or condoned within the company, whether it is based on a person's race, color, ethnic, age, gender, religion or perceived religious affiliation, disability, or other personal characteristic. The company demands that there shall be no harassment or mobbing behaviors in personal working relationship with inside or outside the company.

INSIDER TRADING

A Senior Management Personnel and his immediate family shall not derive any benefit or assist others to derive any benefit from the access to and possession of information about the company, which is not in the public domain and thus constitutes insider information. All the Senior Management Personnel are required to comply with the Company's Code of Conduct on prevention of Insider trading.

REPORTING

Company Secretary shall be the Compliance Officer for the purpose of this Code. Senior Management Personnel are required to report observed violations of the Code and illegal or unethical behavior to the Compliance Officer. All reports will be treated in a confidential manner and it is Company's policy to not allow retaliation for reports made in good faith of misconduct by others. In accordance with an established, documented & approved process the Company will undertake review & where appropriate, investigations of alleged violations or misconduct. Senior Management Personnel are expected to cooperate in internal investigations of misconduct and violations of this Code.

DISCIPLINARY ACTIONS

The matters covered in this Code of Conduct are of the utmost importance to the Company, its stockholders and its business partners, and are essential to the Company's ability to conduct its business in accordance with its stated values. We expect all of our Senior Management Personnel to adhere to these rules in carrying out their duties for the Company.

The Company will take appropriate action against any Senior Management Personnel whose actions are found to violate these policies or any other policy of the Company. Disciplinary actions may include immediate termination of employment or business relationship at the Company's sole discretion.

WAIVERS & AMENDMENTS

Any waiver of any provision of this Code for a member of the Company's Board of Directors or a Senior Management Personnel must be approved in writing by the Company's Board of Directors and appropriately disclosed. Based on the business requirements and applicable regulations the Code may be amended by the Board of Directors from time to time.

ANNUAL AFFIRMATION

All the Senior Management Personnel shall, within 30 days of close of every financial year affirm compliance with this Code. The duly signed Annual Compliance Declaration shall be forwarded to the Compliance Officer of the Company.