

# **KOTHARI WORLD FINANCE LIMITED**

## **CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

- **1<sup>st</sup> Revision: 13<sup>th</sup> February, 2019**

**CODE OF CONDUCT  
FOR  
BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

❖ **INTRODUCTION:**

The matters covered in this Code are of the utmost importance to the Company, its Shareholders and Stakeholders and are essential so that it can conduct business in accordance with legal and ethical values to which the Company is strongly committed. A code of conduct for the Board of Directors of the Company and its Senior Management enables the Company to publicly state to its external Stakeholders (suppliers, customers, consumers and shareholders), the way in which they intend to do business.

❖ **STANDARDS OF CONDUCT**

The Directors and Senior Management Personnel of the Company shall abide by the policies and procedures laid down under this Code and shall act in accordance to the standards enumerated in this code while performing their duties within the premises of the Company during working hours and also during such time when they represent the Company at any social events, meetings, conferences or gathering of any kind. All the Directors and Officers of the Company shall work with professionalism, honesty, integrity and maintain ethical standards in day to day conduct of business. All of them shall also be responsible for implementation of and compliance with this Code in professional environment. The contribution of every Director and Senior Management Personnel with complete professionalism, honesty and integrity shall help the Company to maintain its culture of high ethical standards, commitment to timely compliance and increasing stakeholders' confidence.

❖ **APPLICABILITY OF THE CODE:**

This Code of Conduct (Code) applies to:-

1. Directors and
2. Senior Management Personnel of Kothari World Finance Limited (KWFL) Limited.

❖ **DEFINITIONS & INTERPRETATION**

- **"Board"** shall mean the Board of Directors of the Company.
- **"Board Members"** shall mean the Directors on the Board of Directors of the Company.
- **"Company"** shall mean the "Kothari World Finance Limited (KWFL)".
- **"Government"** shall mean Government of India.
- **"Officers"** shall collectively refer to the Board Members and the Senior Management Personnel.
- **"Relative"** shall have the same meaning assigned to the term in Sections 2(77) of the Companies Act, 2013 and Rule 4 of Companies (Specification of definitions details) Rules, 2014 and as more specifically detailed in Appendix I.

- **“Senior Management”** shall mean officers/personnel of the listed entity who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the chief executive officer/managing Director/whole time Director/manager (including chief executive officer/manager, in case they are not part of the Board) and shall specifically include company secretary and chief financial officer.

❖ **CODE OF CONDUCT:**

The Board of Directors and Senior Management of the Company should:

1. Demonstrate the highest standards of integrity, business ethics, and corporate governance.
2. Perform their roles with competence, diligence, in good faith and in the best interests of the Company.
3. Provide expertise / experience in their areas of specialization and share learnings at Board Meetings with best interests of the Company and its Stakeholders in mind. They should guide the Company's Management in the 'right' direction based on their experience and judgement.
4. Give careful and independent consideration to the affairs of the Company and all documents placed before them to satisfy themselves with the soundness of key decisions taken by the Management. They should call for additional information, where necessary, for making such judgements.
5. Not engage in any business, relationship or any activity which detrimentally conflicts with the interest of the Company or bring discredit to it. Any situation that creates a conflict of interest between personal interests and the Company and it's Stakeholders' interests must be avoided at all costs.
6. Follow all the guidelines put forth in the Code of Conduct for Prevention of Insider Trading.
7. Not disclose any confidential / privileged information of the Company and should direct any media queries or approaches to the appropriate spokesperson within the Company.
8. Give careful and independent consideration to the affairs of the Company and all documents placed before them to satisfy themselves with the soundness of key decisions taken by the Management. They should call for additional information, where necessary, for making such judgements.
9. Not engage in any business, relationship or any activity which detrimentally conflicts with the interest of the Company or bring discredit to it. Any

situation that creates a conflict of interest between personal interests and the Company and its Stakeholders' interests must be avoided at all costs.

10. Follow all the guidelines put forth in the Code of Conduct for Prevention of Insider Trading.
11. Not disclose any confidential / privileged information of the Company and should direct any media queries or approaches to the appropriate spokesperson within the Company.

❖ **DUTIES OF INDEPENDENT DIRECTORS:**

The Independent Directors shall:

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Company;
- (3) strive to attend all Meetings of the Board of Directors and of the Board Committees of which he / she is a member;
- (4) participate constructively and actively in the Committees of the Board in which they are Chairpersons or Members;
- (5) strive to attend the General Meetings of the Company;
- (6) where they have concerns about the running of the Company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board Meeting;
- (7) keep themselves well informed about the Company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company;
- (10) ascertain and ensure that the Company has an adequate and functional Vigil Mechanism / Whistle Blower Policy and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;

(11) report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;

(12) act within his/her authority, assist in protecting the legitimate interests of the Company, Shareholders and its Employees;

(13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

(14) review the performance of non-independent Directors and the Board of Directors as a whole;

(15) review the performance of the chairperson of the listed entity, taking into account the views of executive Directors and non-executive Directors.

(16) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the Board of Directors that is necessary for the Board of Directors to effectively and reasonably perform their duties.

❖ **OBLIGATIONS WITH RESPECT TO INDEPENDENT DIRECTORS.**

1. No person shall be appointed or continue as an alternate Director for an independent Director of a listed entity with effect from October 1, 2018.

2. The maximum tenure of independent Directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.

3. The independent Directors of the Company shall hold at least one meeting in a year, without the presence of non-independent Directors and members of the management and all the independent Directors shall strive to be present at such meeting.

4. The independent Directors in the meeting referred in sub-regulation (3) shall, *inter alia*-

(a) review the performance of non-independent Directors and the Board of Directors as a whole;

(b) review the performance of the chairperson of the listed entity, taking into account the views of executive Directors and non-executive Directors;

(c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the Board of Directors that is necessary for the Board of Directors to effectively and reasonably perform their duties.

5. An independent Director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of Board of Directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.

6. Every independent Director shall, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent Director, submit a declaration that he meets the criteria of independence as provided in clause (b) of sub-regulation (1) of regulation 16 and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence.

**❖ OBLIGATIONS WITH RESPECT TO EMPLOYEES INCLUDING SENIOR MANAGEMENT, KEY MANAGERIAL PERSONS, DIRECTORS AND PROMOTERS.**

(1) A Director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he is a Director which shall be determined as follows:

(a) the limit of the committees on which a Director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded;

(b) for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.

(2) Every Director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take place.

(3) All members of the Board of Directors and senior management personnel shall affirm compliance with the code of conduct of Board of Directors and senior management on an annual basis.

(4) Non-executive Directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the listed entity in which they are proposed to be appointed as Directors, in the notice to the general meeting called for appointment of such Director.

(5) Senior management shall make disclosures to the Board of Directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

Explanation.- For the purpose of this sub-regulation, conflict of interest relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.

(6) No employee including key managerial personnel or Director or promoter of a listed entity shall enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution:

Provided that such agreement, if any, whether subsisting or expired, entered during the preceding three years from the date of coming into force of this sub-regulation, shall be disclosed to the stock exchanges for public dissemination:

Provided further that subsisting agreement, if any, as on the date of coming into force of this sub-regulation shall be placed for approval before the Board of Directors in the forthcoming Board meeting:

Provided further that if the Board of Directors approve such agreement, the same shall be placed before the public shareholders for approval by way of an ordinary resolution in the forthcoming general meeting:

Provided further that all interested persons involved in the transaction covered under the agreement shall abstain from voting in the general meeting.

**Explanation** - For the purposes of this, 'interested person' shall mean any person holding voting rights in the listed entity and who is in any manner, whether directly or indirectly, interested in an agreement or proposed agreement, entered into or to be entered into by such a person or by any employee or key managerial personnel or Director or promoter of such listed entity with any shareholder or any other third party with respect to compensation or profit sharing in connection with the securities of such listed entity.

❖ **ANNUAL AFFIRMATION WITH COMPLIANCE OF THIS CODE OF CONDUCT:**

All Members of the Board of Directors and Senior Management Personnel shall affirm compliance with this Code of Conduct of Board of Directors and Senior Management on an annual basis.

❖ **DISCLOSURES:**

1. Notwithstanding that any instances of conflict of interest exist due to any historical reasons, adequate and full disclosure by the interested Officer should be made to the Company. It is also incumbent upon every Officer to make a full disclosure of any

interest which the Officer or the Officer's immediate family, which would include parents, spouse and children, may have in a company or firm which is a supplier, customer, distributor of or has other business dealings with the Company

2. With respect to related party disclosures, Board Members shall make disclosure to the Board as per the provision of the Companies Act, 2013 and Rules/Regulations made thereunder as well as applicable Accounting Standards.

3. Senior Management Personnel (SMP) shall make disclosures to the Chairman relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the company at large (for e.g. dealing in company shares, commercial dealings with bodies, which have shareholding of SMP and their relatives etc.).

4. If an Officer fails to make a disclosure as required herein, and the Company of its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed by the Officer, the Company would take a serious view of the matter and consider suitable disciplinary action against the Officer.

❖ **INSIDER TRADING**

Every Officer shall comply with the Code of Internal Procedures and Conduct in dealing with the securities of the Company.

❖ **REGULATORY COMPLAINTS:**

Every Director and Officer shall comply with all the applicable laws, rules and regulations for the conduct of business activities. Any violations or non-compliances with regard to any of the applicable provisions of laws, rules and regulations shall be brought to the notice of the Managing Director or any Committee nominated for this purpose by the Board of Directors and shall also be subject to disciplinary action as deemed fit and proper and decided unanimously.

❖ **CONFIDENTIALITY AND FAIR DEALING:**

The Directors and Officers shall maintain complete confidentiality of information about Company, which they may have access to or have accessed during their employment and in day to day conduct of business activities or that of any customer, supplier or business associate of the Company except when disclosure or information may be parted with due authorization. The use of confidential information either directly or indirectly, for own advantage or for personal benefits is strictly prohibited. They shall not take unfair advantage of anyone through manipulation, concealment, abuse of confidential, proprietary or trade secret information, misrepresentation of material facts, or any other unfair dealing-practices.



❖ **PRICE SENSITIVE INFORMATION:**

The Directors and Officers shall maintain confidentiality of the unpublished price sensitive information, more particularly information which is not in public domain. The Directors/Officers shall not pass on such information directly or indirectly to public or any third person by way of making a recommendation for purchase or sale of securities of the Company. The Directors /Officers shall disseminate such price sensitive information to the public or press only when specifically authorised for the same.

Directors and Officers having access to unpublished price sensitive information shall handle the same on 'Need to Know' basis i.e Unpublished price sensitive information should be disclosed only to those employees 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 any misuse of such information.

Any price sensitive information received directly by any Director/Officer should be reported immediately to the Managing Director.

All the Directors and Officers shall also comply with the provisions of SEBI (Prohibition of Insider Trading) Regulation, 2015, and the code of conduct prescribed by the Company as amended from time to time.

❖ **LIMITED ACCESS TO CONFIDENTIAL INFORMATION**

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

❖ **PROTECTION AND PROPER USE OF COMPANY'S ASSETS**

The Directors and Officers shall be responsible for protection and appropriate use of Company's assets (tangible or intangible). It shall be duty of every Director and Officer to protect and preserve Company's assets and property and ensure its efficient use. Company's assets should be used only for legitimate business purposes.

❖ **VIOLATIONS OF CODE OF CONDUCT**

In the event of any Director or Officer having knowledge of or suspects of any violation of applicable laws, rules or regulations or this Code, they must immediately report the same to the Managing Director or the Member of the Audit Committee in certain exceptional cases under the Whistle Blower Policy of the Company, as the case may be. Such person should as far as possible provide the details of suspected violations with all known particulars relating to the issue. The Company will take

appropriate action against the Officers who are guilty for violations of this Code, which may include termination of services, or any other action as decided by the Board unanimously depending upon case to case.

❖ **WAIVERS AND AMEDMENTS TO THE CODE OF CONDUCT**

This Code of Conduct shall be subject to modifications and amendments. Any amendment, non-applicability or Waiver of particular clause of this Code can be effected on absolute discretion of the Board or any person/committee designated by the Board for this purpose.

❖ **ACKNOWLEDGEMENT AND REVIEW**

Every Director and Officer of the Company shall sign and acknowledge the receipt of the code and agree to comply with the same. Every year or upon revision of any clause of the code Directors and Officers should acknowledge and undertake to comply with the same. New Directors appointed by the Company should execute an undertaking to comply at the time of appointment.

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## **CODE FOR INDEPENDENT DIRECTORS**

The Code is a guide to professional conduct for independent Directors. Adherence to these standards by independent Directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent Directors.

### **I. GUIDELINES OF PROFESSIONAL CONDUCT:**

An independent Director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a bona fide manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent Director lose his independence, the independent Director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

### **II. ROLE AND FUNCTIONS:**

The independent Directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive Directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive Directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **III. DUTIES:**

The independent Directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and

to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;

(11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

(12) "act within their authority", assist in protecting the legitimate interests of the company, shareholders and its employees;

(13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

#### **IV. MANNER OF APPOINTMENT:**

(1) Appointment process of independent Directors shall be independent of the company management; while selecting independent Directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

(2) The appointment of independent Director(s) of the company shall be approved at the meeting of the shareholders.

(3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent Director shall include a statement that in the opinion of the Board, the independent Director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed Director is independent of the management.

(4) The appointment of independent Directors shall be formalised through a [letter of appointment](#), which shall set out :

(a) the term of appointment;

(b) the expectation of the Board from the appointed Director; the Board-level committee(s) in which the Director is expected to serve and its tasks;

(c) the fiduciary duties that come with such an appointment along with accompanying liabilities;

(d) provision for Directors and Officers (D and O) insurance, if any;

(e) the Code of Business Ethics that the company expects its Directors and employees to follow;

(f) the list of actions that a Director should not do while functioning as such in the company; and

(g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

(5) The terms and conditions of appointment of independent Directors shall be open for inspection at the registered office of the company by any member during normal business hours.

(6) The terms and conditions of appointment of independent Directors shall also be posted on the company's website.

**V. RE-APPOINTMENT:**

The re-appointment of independent Director shall be on the basis of report of performance evaluation.

**VI. RESIGNATION OR REMOVAL:**

(1) The resignation or removal of an independent Director shall be in the same manner as is provided in sections [168](#) and [169](#) of the Act.

(2) An independent Director who resigns or is removed from the Board of the company shall be replaced by a new independent Director within 2["three months"] from the date of such resignation or removal, as the case may be.

(3) Where the company fulfils the requirement of independent Directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent Director shall not apply.

**VII. SEPARATE MEETINGS:**

(1) The independent Directors of the company shall hold at least one meeting "in a financial year", without the attendance of non-independent Directors and members of management;

(2) All the independent Directors of the company shall strive to be present at such meeting;

(3) The meeting shall:

(a) review the performance of non-independent Directors and the Board as a whole;

(b) review the performance of the Chairperson of the company, taking into account the views of executive Directors and non-executive Directors;

(c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**VIII. EVALUATION MECHANISM:**

(1) The performance evaluation of independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated.

(2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent Director.

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