

LETTER OF APPOINTMENT OF INDEPENDENT DIRECTOR

Dear Sir,

We are pleased to inform you that the Shareholders of the Company at the _____ Annual General Meeting held on _____ have passed the Resolution for your appointment as an Independent Director of the Company pursuant to the provision stated under the Companies Act, 2013 (Act).

As per the requirements of the Act, the above is being formalized through this letter of appointment.

This letter sets out the terms of your appointment as an Independent Director. Your relationship with the Company will be that of an office-holder and not one of contract for employment in the Company.

The terms of your appointment, as set out in this letter, are subject to the extant provisions of the:

- i. applicable laws, including the Act and Clause 49 of the Standard Listing Agreement, as amended from time to time (Listing Agreement) and;
- ii. Articles of Association of the Company

1. Appointment and term there of

Your appointment as a non-executive Independent Director on the Board of Directors (Board) of M/s. Trident tools LTD. will be for an initial term up to _____ years and shall take effect from _____, unless terminated earlier or extended, as per the provisions of this letter or applicable laws. The word "term" should be construed as defined under the Act and the Listing Agreement.

As an Independent Director, you will not be liable to retire by rotation.

The Company has adopted the provisions with respect to appointment and term of Independent Directors, which is in consistent with the Act and the Listing Agreement.

Re-appointment for the second term shall be based on recommendation of the Nomination & Remuneration Committee and subject to approval of the Board and the Shareholders. Your re-appointment would be considered by the Board, based on the outcome of the performance evaluation process and your continuing to meet independence criteria.

2. Board Committee

The Board may, if it deems fit, invite you for being appointed on one or more existing Board Committees or any such Committee that may be set up in the future. Your appointment on such Committee(s) will be subject to the applicable regulations.

Committees of the Companies

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee

You are expected to attend Board, Board Committees, to which you may be appointed and Shareholders' meetings and to devote such time to your duties as deemed appropriate for discharge of your duties effectively.

Ordinarily all meetings are held in Mumbai, unless determined otherwise.

Recommendations/Minutes of the Meetings of the Committees are submitted to the Board for approval.

By accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations from your role to the satisfaction of the Board.

3. Role Duties and Responsibilities

Your role and duties will be those normally required of a Non-Executive Independent Director under the Act and the Listing Agreement. There are certain duties prescribed for all Directors, both Executive and Non-Executive, which are fiduciary in nature and the same are specified under Section 166 of the Act.

In addition to the above requirements, you are also required to discharge the duties, roles and functions as applicable to Independent Directors as stated under Schedule IV to the Act, as in force and as may be amended from time to time. While performing such duties, roles and functions, you will be required to abide by the 'Guidelines of Professional Conduct' as stated under the said Schedule.

4. Additional Applicable Statutory Requirements

As a Non-Executive Director on the Board, you will be subject to all relevant provisions of the Act and the Listing Agreement.

5. Directors & Officers (D&O) Insurance

Presently, the Company has no D&O liability insurance policy. However, if the Company takes such a policy then a copy of the same will be supplied to you on request.

6. Code of Conduct / Excluded Actions

You will follow the Code of Conduct of the Company (as Enclosed) furnish annual affirmation of the same.

You will apply the highest standards of confidentiality and not disclose to any person or company (whether during the course of the tenure as Independent Director or at any time after its cessation) any confidential information concerning the Company including any subsidiary or associate thereof with which you come into contact by virtue of your position as a Director, except as permitted by law or with prior clearance from the Chairman of the Board.

We would also like to draw your attention to the applicability of Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (as enclosed), which inter-alia prohibits disclosure or use of unpublished price sensitive information. You should not make any statement(s) that might risk a breach of the requirements specified under the said statute unless the same is required under any law or the same is required for the purpose of compliance of any direction, order, etc. issued/given by any judicial authority. Additionally, you shall not participate in any business activity which might impede the application of your independent judgement in the best interest of the Company.

7. Induction and Development

The Company shall, if required, conduct formal induction program for its Independent Directors.

The Company shall, as may be required, support Directors to continually update their skills and knowledge and improve their familiarity with the Company and its business. The Company will fund/arrange for training on all matters which are common to the whole Board.

8. Performance Appraisal / Evaluation Process

As a member of the Board, your performance shall be evaluated annually. Evaluation shall be done by all the other Directors. The criteria for evaluation shall be determined by the Nomination & Remuneration Committee and disclosed in the Company's Annual Report. However, the actual evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board/Committee.

9. Disclosures, other Directorships and Business Interests

During the Term, you agree to promptly notify the Company of any change in your Directorships and provide such other disclosures and information as may be required under the applicable laws. You also agree that upon becoming aware of any potential conflict of interest with your position as Independent Director of the Company, you shall promptly disclose the same to the Company. Please confirm that as on date of this letter, you have no such conflict of interest issues with your existing Directorships, if any.

During your Term, you agree to promptly provide a declaration under Section 149(7) of the Act, upon any change in circumstances which may affect your status as an Independent Director.

10. Changes of Personal Details

During the Term, you shall promptly intimate the Company and the Registrar of Companies in the prescribed manner, of any change in address or other contact and personal details provided to the Company.

11. Fees / Remuneration

You will be paid such remuneration by way of sitting fees for attending the meetings of the Board and the Committees as may be decided by the Board from time to time, subject to approval of the shareholders, if required.

Further, the Company may pay or reimburse to you such fair and reasonable expenditure, as may have been incurred by you while performing your role as an Independent Director of the Company.

12. Termination

Your Directorship on the Board of the Company shall terminate or cease in accordance with law. Apart from the grounds of termination as specified in the Act, your Directorship may be terminated for violation of any provision of the Code of Conduct of the Company.

You may resign from the Directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation. The resignation shall take effect from the date on which the notice is received by the Company or the date, if any, specified by you in the notice, whichever is later.

If, at any stage during the Term, there is a change that may affect your status as an Independent Director as envisaged in Section 149(6) of the Act, or if applicable, you fail to meet the criteria for "independence" under the provisions of Clause 49 of the Listing Agreement, you agree to promptly submit your resignation to the Company with effect

from the date of such change.

13. Retirement Policy

The age of retirement for Non-Executive Directors and Independent Directors is 65 years.

14. Cooperation

In the event of any claim or litigation against the Company, based upon any alleged conduct, act or omission on your part during your Term, you agree to render all reasonable assistance and cooperation to the Company and provide such information and documents as are necessary and reasonably requested by the Company or its counsel.

15. Governing Law

This document is governed by and will be interpreted in accordance with Indian Law and your engagement shall be subject to the jurisdiction of the Indian courts.

If you are willing to accept these terms of appointment relating to your appointment as a Non-Executive Independent Director of Tide Water Oil Co. (India) Ltd., kindly confirm your acceptance of these terms by signing and returning to us the enclosed copy of this letter.

16. Miscellaneous

- This letter represents the entire understanding, and constitutes the whole agreement, in relation to your appointment and supersedes any previous agreement between yourself and the Company with respect thereto and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom.
- No waiver or modification of this letter shall be valid unless made in writing and signed by you and the Company.
- As per Clause 49 of the Listing Agreement, if applicable, this letter along with your detailed profile shall be disclosed on the website of the Company and the relevant Stock Exchange.

17. Acceptance of Appointment

We are confident that the Board and the Company will benefit immensely from your rich experience and we are eager to have you as an integral part of the growth of our Company. If these terms of appointment are acceptable to you, please confirm your acceptance by signing and returning the enclosed copy of this letter.

Yours sincerely,

For M/S. TRIDENT TOOLS LTD

(Ravi N Gupta)
Managing Director
DIN: - 00106681

AGREE AND ACCEPT

I have read and understood the terms of my appointment as an Independent Director of the Company and I hereby affirm my acceptance to the same.

Name:

Place:

Date:

**CODE OF CONDUCT, ETHICS & BUSINESS PRINCIPLES FOR
DIRECTORS & TEAM MEMBERS**

[as adopted by the Board of Directors at its Meeting held on 14th February, 2014]

FOREWORD:

The values and principles which govern the manner in which the following participants conduct themselves is elaborated in this Code of Conduct, Ethics and Business Principles ("Code"):

- M/s. Trident Tools Ltd ('the Company') and its subsidiaries from time to time;
- All the Directors on the Board of Company;
- Every team member of Company including the Directors of Company and its subsidiaries;

The Companies Act, 2013 read with Clause 49 of the Listing Agreement requires the Board of Directors to lay down a code of conduct for all Board members and senior management of the company ('Code') which has to be posted on the website of the company. All Board members and senior management personnel are required to affirm compliance with the Code on an annual basis. The annual report of the Company is required to contain a declaration to this effect.

I urge the Directors and team members to read this document carefully and take pride in upholding the high standards of corporate and personal behaviour on which Company's reputation and respectability have been built since its birth.

The following procedures and guidelines are intended to deal with the most common practical implications of the above principles, but they cannot deal specifically with every potential situation that may arise. Where a team member is in doubt as to how a particular situation should be dealt with from an ethical standpoint, he/she may consult with the Compliance Officer of the company, or may seek independent professional advice. Where a team member wishes to take such advice, he/she should first consult with the Compliance Officer.

On behalf of the Board of Directors**1. NATIONAL INTEREST:**

1.1 Company shall be committed in all its actions to benefit the economic development of the countries in which it operates and shall not engage in any activity that would adversely affect such objective. It shall not undertake any project or activity to the detriment of the Nation's interests or those that will have any adverse impact on the social and cultural life patterns of its citizens. Company shall conduct its business affairs in accordance with the economic development and foreign policies, objectives and priorities of the Nation's government and shall strive to make a positive contribution to the achievement of such goals at the international, national and regional level as appropriate.

2. FINANCIAL REPORTING AND RECORDS:

2.1 Company shall prepare and maintain its accounts fairly and accurately in accordance with the accounting and financial reporting standards which

represent the generally accepted guidelines, principles, standards, laws and regulations of the country in which the Company conducts its business affairs.

- 2.2 Internal accounting and audit procedures shall fairly and accurately reflect all of the Company's business transactions and disposition of assets. All required information shall be accessible to company auditors, other authorised parties and government agencies. There shall be no willful omissions of any company transactions from the books and records, no advance income recognition and no hidden bank account and funds.
- 2.3 Any willful material misrepresentation of and/or misinformation on the financial accounts and reports shall be regarded as a violation of the Code apart from inviting appropriate civil or criminal action under the relevant laws.

3. COMPETITION

- 3.1 Company shall fully strive for the establishment and support of a competitive open market economy in India and abroad and shall co-operate in the efforts to promote the progressive and judicious liberalisation of trade and investment by a country.
- 3.2 Specifically, Company shall not engage in activities which generate or support the formation of monopolies, dominant market positions, cartels and similar unfair trade practices.
- 3.3 Company shall market its goods and services on its own merits and shall not make unfair and misleading statements about competitors' goods and services. Any collection of competitive information shall be made only in the normal course of business and shall be obtained only through legally permitted sources and means.

4. EQUAL-OPPORTUNITIES EMPLOYER:

- 4.1 Company shall provide equal opportunities to all its team members and all qualified applicants for employment without regard to their race, caste, religion, color, ancestry, material status, sex, age, disability and veteran status. Team members of Company shall be treated with dignity and in accordance with Company's policy to maintain a work environment free of sexual harassment, whether physical, verbal or psychological. Team member (Employee) policies and practices shall be administered in a manner that would ensure that in all matters equal opportunity is provided to those eligible and the decisions are merit-based.

5. GIFTS:

A company and its employees shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits that are intended to, or perceived to obtain business or uncompetitive favours for the conduct of its business. However, a Tata company and its employees may accept and offer nominal gifts which are customarily given and are of commemorative nature for special events.

6. GOVERNMENT AGENCIES:

6.1 Company, its Directors and its team members shall not offer or give any company funds or property as donation to any government agencies or their representatives, directly or through intermediaries, in order to obtain any favorable performance of official duties.

7. POLITICAL NON-ALIGNMENT:

7.1 Company shall be committed to and support a functioning democratic constitution and system with a transparent and fair electoral system in India. Company shall not contribute any amount or amounts, directly or indirectly, to any specific political party or for any political purpose to any person except in accordance with and in the manner and within the limits prescribed under the provisions of applicable laws.

8. HEALTH, SAFETY AND ENVIRONMENT:

8.1 Company shall strive to provide a safe and healthy working environment and comply, in the conduct of its business affairs, with all regulations regarding the preservation of the environment of the territory it operates in. Company shall be committed to prevention of the wasteful use of natural resources and minimization of any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment.

9. QUALITY OF GOODS AND SERVICES

9.1 Company shall be committed to supplying goods and services of the highest quality standards backed by efficient after-sales service consistent with the requirement of the customers to ensure their total satisfaction. The quality standards of the Company's goods and services should at least meet the required national standards and the Company should constantly endeavour to achieve the best international standards.

10. CORPORATE CITIZENSHIP:

10.1 Company shall be committed to be good corporate citizen not only in compliance with all relevant laws and regulations but also by actively assisting in the improvement of the quality of life of the people in the communities, in which it operates, with the objective of making them self-reliant. Such social responsibility would comprise: to initiate and support community initiatives in the field of community health and family welfare, water management, vocational training, education and literacy and encourage application of modern scientific and managerial techniques and expertise. This will be reviewed periodically in consonance with national and regional priorities. The Company would also not treat these activities as optional ones but would strive to incorporate them as integral part of its business plan. The Company would also encourage volunteering amongst its team members and help them to work in the communities. Company is encouraged to develop social accounting systems and to carry out social audit of their operations.

11. CO-OPERATION OF Company:

Company shall co-operate with other associate/ group Companies by sharing physical, human and management resources as long as this does not adversely affect its business interests and shareholder value.

In the procurement of products and services, Company shall give preference to another associate/ group Companies as long as it can provide these on competitive terms relative to third parties or bring to bear strategic support.

12. PUBLIC REPRESENTATION OF THE COMPANY AND THE GROUP:

12.1 Company respects the information requirements of the public and its stakeholders. In all its disclosures pertaining to the Company and business information to the public and others such as the media, the financial community, team members and shareholders, Company or other associate/group companies shall be represented only by specifically authorised directors and team members. It will be the sole responsibility of these authorised representatives to disclose information on the Company.

12.2 The Code of Corporate Disclosure Practices instituted by the Company shall always be adhered to.

13. THIRD PARTY REPRESENTATION:

13.1 Parties which have business dealings with Company or other associate/group companies but are not members of Company or other associate/group companies, such as consultants, agents, sales representatives, distributors, contractors, suppliers, etc. shall not be authorised to represent Company or other associate/group companies if their business conduct and ethics are known to be inconsistent with the Code.

14. USE OF THE BRAND:

14.1 The use of trade names and trademarks owned by Company shall be governed by manuals, codes and agreements to be issued by Company.

15. SHAREHOLDERS:

15.1 Company shall be committed to enhancing shareholder value and complying with all regulations and laws that govern shareholders' rights. The Board of Directors of Company shall duly and fairly inform its shareholders about all relevant aspects of the Company's business and disclose such information in accordance with the respective regulations and agreements.

16. ETHICAL CONDUCT:

Every Director and Team member of Company shall deal on behalf of the Company with professionalism, honesty, integrity as well as high moral and ethical standards. Such conduct shall be fair and transparent and be perceived to be as such by third parties.

17. Every Director and Team member shall be responsible for the implementation of and compliance with the Code in his professional environment. Failure to adhere

to the Code could attract the most severe consequences including termination of employment of the team member.

18. REGULATORY COMPLIANCE:

18.1.1 Every Director and team member of Company shall, in his/her business conduct, comply with all applicable laws and regulations, both in letter and in spirit, in all the territories in which he/she operates. If the ethical and professional standards set out in the applicable laws and regulations are below that of the Code, then the standards of the Code shall prevail.

19. CONCURRENT EMPLOYMENT:

19.1 No team member of Company shall, without the prior approval of the Board of Directors of the Company, accept employment or a position of responsibility (such as a consultant or a director) with any other company, nor provide "freelance" services to anyone.

20. CONFLICT OF INTEREST:

20.1 No director or team member of Company shall engage in any business, relationship or activity which might detrimentally conflict with the interest of the Company or the Group. A conflict of interest, actual or potential, may arise where, directly or indirectly:

20.1.1 a director or a team member of Company engages in a business, relationship or activity with anyone who is party to a transaction with the Company,

20.1.2 a director or a team member is in a position to derive a personal benefit or a benefit to any of his/her relatives by making or influencing decisions relating to any transaction, and

20.1.3 An independent judgment of the Company's or Group's best interest cannot be exercised.

20.2 The main areas of such actual or potential conflicts of interest would include the following:

20.2.1 Financial interest of director or functional heads of Company or his/her relatives including the holding of an investment in the subscribed share capital of any company or a share in any firm which is an actual or potential competitor, advertiser, supplier, customer, distributor, joint venture or other alliance partner of Company. (The ownership of up to 1% of the subscribed share capital of a publicly held company shall not ordinarily constitute a financial interest for this purpose.)

20.2.2 Director or team member of Company conducting business on behalf of his/ her Company or being in a position to influence a decision with regard to his/ her Company's business with a supplier or customer of which his/ her relative is a principal officer or representative, resulting in a benefit to him/her or his/ her relative.

20.2.3 Award of benefits such as increase in salary or other remuneration, posting, promotion or recruitment of a relative of the team member of

Company where such an individual is in a position to influence the decision with regard to such benefits.

- 20.2.4 Acceptance of gifts, donations, hospitality and/or entertainment beyond the customary level from existing or potential suppliers, customers or other third parties which have business dealings with the Company.
- 20.3 Notwithstanding such or other instances of conflict of interest existing owing to historical reasons, adequate and full disclosure by the interested directors should be made to the Board of Directors through Company Secretary/Compliance Officer. The interested team members should make similar disclosures to the Regional Director and also to the Chief of Human Resources, keeping the concerned Regional Human Resources team member in loop. It is also incumbent upon every director and team member to make full disclosure of any interest which the director and team member or the director's / team member'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 his Company.
- 20.4 Every director who is required to make a disclosure as mentioned above shall do so, in writing, to the Board of Directors through the Company Secretary/Compliance Officer. A team member, who is required to make a disclosure shall do so, in writing, to the Regional Director & Chief of Human Resources, keeping the concerned Regional Human Resources team member in loop, who shall in turn will place it before the Board of Directors/Committee appointed by the Board and, upon a decision being taken in the matter, the Director/team member concerned will be required to take necessary action as advised to resolve/avoid the conflict.
- 20.5 If a director /team member fails to make a disclosure as required herein and the management of its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed by the team member or director concerned, the Board of Directors would take a serious view of the matter and consider suitable disciplinary action against the executive/ whole time / managing Director/ team member.
- 20.6 RECRUITMENT OF RELATIVES:
The directors/ team members of Company are prohibited from influencing the hiring/ recruitment of their relatives in any position with or without remuneration in the organization. In the event of any relative seeking an opportunity to be employed with the organization, the concerned director/ team member shall inform the Chief of Human Resources. The recruitment shall be done as per the rules laid down by the Company in conformance with the standards set for recruitment of team members in the Company. Also if any such relative is selected, the director/ team member must suggest to the relative to declare his/ her relationship while joining the Company.

A relative cannot be hired for a role in which he/ she will be working with his or her currently employed relative in the following roles:

- Team member & line manager

- Maker & checker
- Recommender & approver

If a team member gets married to another team member of the Company then the same needs to be declared to the Chief of Human Resources in writing. Such married team members cannot work in the above mentioned roles as per the rules of the company.

21. SECURITIES TRANSACTIONS AND CONFIDENTIAL INFORMATION:

21.1 The Director/ team member of Company and his/her 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 or the Group which is not in the public domain and thus constitutes insider information/ unpublished price sensitive information.

21.2 The Director/team member of Company shall not use or proliferate information which is not available to the investing public and which therefore constitutes insider information for making or giving advice on investment decisions on the securities of the respective Company on which such insider information has been obtained.

21.3 The Director and team members of the Company shall scrupulously and diligently follow the Code of Conduct for Prevention of Insider Trading in the Securities of the Company and the relevant regulations of the SEBI (Prohibition of Insider Trading) Regulations, 1992 and other applicable regulations in force from time to time.

22. PROTECTING COMPANY ASSETS:

22.1 The assets of Company should not be misused but employed for the purpose of conducting the business for which they are duly authorised. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as proprietary information, relationships with customers and suppliers, etc.

23. CITIZENSHIP:

23.1 The Director and team member of Company shall, in his/ her private life, be free to pursue an active role in civic or political affairs as long as it does not adversely affect the business or interests of the Company or the Group.

24. INTEGRITY OF DATA FURNISHED:

24.1 Every Director and team member of Company shall ensure, at all times, the integrity of data or information furnished by him to the Company.

25. REPORTING CONCERNS:

25.1 Every Director and team member of Company shall promptly report to the management any actual or possible violation of the Code or an event he/she becomes aware of that could affect his/her or Company's business or reputation.

26. COMPLIANCE WITH LAWS, RULES AND REGULATIONS:

26.1 Every Director and team member of Company who is subject to this Code of Conduct is required to comply with every applicable law in force and rules and regulations made thereunder. They are also expected to encourage and promote statutory compliance in its true letter and spirit. Should they come across or witness any non-compliance by any team member, they are expected to notify the same to the Board at the earliest.

27. MISCELLANEOUS:**27.1 Amendment to the Code**

Any amendment to this Code can be made by/ under the authority of Board of Directors and shall be intimated to all the team members without delay.

27.2 Waiver of/Exemptions from Code

Only the Board of Directors or any Committee thereof can grant any waiver from or exemptions from this Code. However the Board cannot grant exemptions or waivers which are in violations of or not in consonance with the true letter and spirit of any applicable law in force or rules and regulations made thereunder.

27.3 Ascertain what is expected from you:

In every situation team members are expected to know what is expected of them and should strictly act accordingly. As the team members are expected to meet novel situations every now and then, considering the level at which they are working, they are expected to take proper counsel from their senior or may consult the Compliance Officer.

27.4 The Code has been drafted in broad and general form to cover wide variety of situations. Therefore team members are expected to interpret the code in its true letter and spirit and avoid improper behavior.

This Code is intended to comply with the Companies Act, 2013 and the listing agreement. Notwithstanding anything herein to the contrary, this Code will be interpreted only in such manner so as to comply with the Companies Act, 2013 and the listing agreement. Any word not defined in this Code shall have the same meaning as defined under the Companies Act, 2013 and the listing agreement, including any amendments thereto. In case any word or provision as appearing in this Code is contrary to the meaning or provision as provided under the Companies Act, 2013 or the listing agreement, then the meaning or provision as provided under the Companies Act, 2013 / the listing agreement shall prevail.

This policy shall always be in conformity with the provisions of the Companies Act, 2013, listing agreement and any amendments thereto shall be deemed to form part of this Code.

ADDITIONAL CODE FOR THE DIRECTORS OF THE COMPANY ('BOARD MEMBER(S)'):**28.1 Duty to Attend Board/ Committee Meetings:**

28.1.1 It is imperative for the executive management to ensure that all papers related to the agenda for the meeting, including financial results and their variance analysis, reach the Board members at least 5 working days in advance of the Committee/ Board meeting, to enable Board members to read and understand all documents. Directors cannot meaningfully participate in Committees of the Board or Board meetings without first reading and understanding the documents.

28.1.2 To enable Board members plan their schedules, it is necessary to fix the date of future meetings well in advance, and it is good practice for the Board to agree on a calendar of Board meetings/Annual General Meetings dates for each six (6) month period. This also enables the Board members to know and observe the no-transaction/ trading window is closed period for the purchase/sale of company shares under the Code of Conduct for Prevention of Insider Trading in the Securities of the Company prior to the quarterly board meeting/ general meetings of the Company.

28.1.3 The Board Members should make concerted effort to attend all Board/ Committee meetings and in case he/ she is unable to attend the meeting, the same should be notified to the Chair and the Company Secretary. If it is apparent that a Board Member is likely to miss several Board meetings and therefore is unable to fulfill his/her obligations, he/she should consider his/ her continuation as a member of the Board and should consider recommending an alternate director.

28.1.4 Before coming to the meeting, Board Members should read and understand the agenda papers and other relevant documents sent along with the notice of meeting and be prepared for the discussions.

28.1.5 Board Members should participate actively and constructively in the discussions of the Board and should follow the guidelines agreed on by the Board regarding how it will govern and conduct itself. Members can express their views, opinions, contrary opinions on matters under discussion or consideration by the Board of Directors.

28.1.6 The Board of Directors from time to time constitutes various committees with specific reference. Board Members shall attend all the committee meetings and shall ensure that all the reference points are addressed within the prescribed time and format. Presently, the Board of Directors has constituted the following Committees:

- Audit Committee;
- Nomination & Remuneration Committee;
- Stakeholders Relationship Committee;
- Corporate Social Responsibility Committee.

28.1.7 Board Committee meetings need to be so scheduled as to give the Committees sufficient time to deliberate upon matters prior to the Board meeting. All Committees formed should formally meet, as often as necessary, and for this purpose Committee meetings may be scheduled one day prior to the Board meeting, especially the Audit Committee meeting.

28.2 **Active participation in the proceeding at the Board / Committee Meetings:**

28.2.1 The Board Members should participate actively in the proceedings at the Board/Committee Meetings of the Company and should provide a visionary leadership and make a positive contribution to the business and provide direction to the Company, ensuring that the Company is fulfilling its obligations to its stakeholders as well as its legal and regulatory requirements.

28.2.2 A director, if given any operational responsibility shall, while participating in the business of the Company, act honestly, in good faith and in the best interests of the Company, his/her fellow members and the community and should exercise due care, diligence and skill of a reasonably prudent person under comparable circumstances. It shall be their duty to oversee the management of the affairs and business of the Company while allowing and maintaining independence of operating management.

28.3 **Duty to Review Certain Reports/Compliances:**

28.3.1 The Board/ Committee Members are required to review certain reports/compliance statements about the affairs of the Company at such intervals as may be prescribed from time to time. Following is the indicative (but not exhaustive) list of such reports/compliance statements. The Board/ Committee Members may add or modify the reports as they may feel appropriate to ensure statutory compliance and smooth & transparent operations of the Company.

- Statutory Compliance Report;
- Annual and Quarterly Financial Statements along with necessary reports;
- Report on compliance of Code of Corporate Governance;
- Review of Company's Risk Management policies;
- Review of Company's investments and policy thereof;
- Annual Operating Plans and Budgets;
- Remuneration policies for Executive and Non-Executive Directors and Senior Management personnel;
- Review of Internal controls, Systems and Procedures;
- Implementation and review of internal codes including Code for Prevention of Insider Trading, Code of Corporate Disclosure Practices, Code of Ethics & Business Principles etc.

28.4 **Duties under the provisions of Section 166 of the Companies Act, 2013:**

- Subject to the provisions of the Companies Act, 2013, a director of a company shall act in accordance with the articles of the Company.
- A director of the Company shall act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its team employees, the shareholders, the community and for the protection of environment.

- A director of the Company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- A director of the Company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- A director of the Company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Company.
- A director of the Company shall not assign his office and any assignment so made shall be void.

28.5 **Duties of Independent Directors under Schedule IV of the Companies Act, 2013:**

The independent directors shall:

- undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;
- 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;
- strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- strive to attend the general meetings of the Company;
- 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;
- keep themselves well informed about the Company and the external environment in which it operates;
- not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 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;
- 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;
- report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;
- acting within his authority, assist in protecting the legitimate interests of the Company, shareholders and its employees;
- 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.

29 CONFLICTS OF INTEREST:

- 29.1 While performing their duties, the Directors will carry out their responsibilities to the exclusion of any personal advantage, benefit or interest. The Directors acknowledge their obligations under the provisions of the Companies Act, 1956, the Disclosure and Investor Protection Guidelines issued by the Securities and Exchange Board of India and shall strictly comply with such applicable Indian and foreign laws, regulations and shall not act by themselves not aid or abet any person acting contrary to any such provisions, judgments, orders – judicial, quasi-judicial, administrative or otherwise issued by a competent authority.
- 29.2 The Directors shall avoid any situation involving a conflict, or the appearance of a conflict, between their personal interests and the performance of their official duties. If such a conflict arises, the Directors shall promptly inform the Board of Directors and withdraw from participation in decision-making connected with the matter. If the conflict is potential rather than actual, the Directors shall seek the advice of the Board about whether they shall reclude themselves from the situation that is creating the conflict.

30 CONTINUOUS DISCLOSURES:

- 30.1 Under Company law, Listing Agreements, and other applicable laws Directors are required to disclose certain information to the Company at regular intervals or as and when some development takes place in the previous disclosures made by the directors. A summary of such disclosure requirements is as under:

30.1.1 Disclosure of Interest in other Companies/Firms:

The Board Members will provide the Company Secretary (on appointment and at such intervals as may be prescribed or when requested by the Company Secretary and where significant changes occur in the interim) with details relating to their employment, other business interests and list of all companies/firms in which they are interested directly or through their relatives.

30.1.2 Disclosure of Certain Transactions:

Board Members agree that where the Company has entered into any contractual arrangement with a company or body in which a member has a declared interest, such support or arrangement shall be disclosed to the Board and same shall also be disclosed in the annual financial statements. If there is a conflict of interest or duty of a director in any transaction, he/she must account to the Company for any benefit he/she receives in the transaction unless otherwise decided by the Board and Members in their meeting.

30.1.3 Disclosure of serious defaults by the Companies/Firms where the Director has an interest:

Board Members shall ensure that any of the company(ies) where he/she is a director is not in serious default such as default in repayment of loan to financial institutions and interest thereof and repayment of public fixed deposits, non preparation of annual accounts, material breach of SEBI and other corporate

laws. Whenever, such situation arise directors shall get in touch with the Compliance Officer for appropriate further action and shall inform the Board. On annual basis a declaration in this regard in the specified format is to be submitted to the Company.

31 COMMUNICATION PROTOCOL:

31.1 Generally, all communication by a non-executive Board member to a team member or associate should to be routed through the Chairman, Managing Director or lastly the Compliance Officer. However, there could be task forces formed comprising of non-executive Board members and team members and in such event, the non-executive Board members may freely communicate with the team members on their specific task forces.

32 PUBLIC STATEMENTS:

32.1 Directors shall always bear in mind the Code of Corporate Disclosures. Directors shall make public statement or express any opinions to the press only in the manner approved by the Board of Directors. When making public statements on matters related to the Company, the Directors shall make it clear whether they are speaking on behalf of the Board.

SCHEDULE IV
(of the Companies Act, 2013)
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. Acting 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.

Relevant extracts of the provisions under Companies Act, 2013:

Section 2 (60)– Definition

“**Officer who is in default**”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:—

- (i) whole-time director;
- (ii) key managerial personnel;
- (iii) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;
- (iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
- (v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
- (vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;
- (vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer;

Section 134 (5)– Financial statement, Board’s report, etc.

The Directors’ Responsibility Statement referred to in clause (c) of sub-section (3) shall state that —

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.—For the purposes of this clause, the term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Section 149 (6) - *Company to have Board of Directors*

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

- (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

- (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

- (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

- (c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

- (d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;

- (e) who, neither himself nor any of his relatives—

- (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

- (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed.

Section 149 (8) - *Company to have Board of Directors*

The company and independent directors shall abide by the provisions specified in Schedule IV.

Section 149 (12) - *Company to have Board of Directors*

Notwithstanding anything contained in this Act,—

(i) an independent director;

(ii) a non-executive director not being promoter or key managerial personnel, shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

Section 166 - *Duties of directors*

(1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.

(2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

(3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

(4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

- (5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (6) A director of a company shall not assign his office and any assignment so made shall be void.
- (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Section 188 (5) - *Related party transactions*

Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall,—

- (i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
- (ii) in case of any other company, be punishable with fine which shall not be less than twenty five thousand rupees but which may extend to five lakh rupees.

Section 197 (13)– *Overall maximum managerial remuneration and managerial Remuneration in case of absence or inadequacy of profits*

Where any insurance is taken by a company on behalf of its managing director, whole-time director, manager, Chief Executive Officer, Chief Financial Officer or Company Secretary for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel:

Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

**Relevant extracts of the provisions under Clause 49 of the Listing Agreement effective
October 1, 2013**

49. Corporate Governance

I. The company agrees to comply with the provisions of Clause 49 which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below. In case of any ambiguity, the said provisions shall be interpreted and applied in alignment with the principles.

D. Responsibilities of the Board

1. Disclosure of Information

a. Members of the Board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

b. The Board and top management should conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision-making.

2. Key functions of the Board

The board should fulfill certain key functions, including:

- a. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.
- b. Monitoring the effectiveness of the company's governance practices and making changes as needed.
- c. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
- d. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.
- e. Ensuring a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.
- f. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
- g. Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

- h. Overseeing the process of disclosure and communications.
- i. Monitoring and reviewing Board Evaluation framework.

3. Other responsibilities

- a. The Board should provide the strategic guidance to the company, ensure effective monitoring of the management and should be accountable to the company and the shareholders.
- b. The Board should set a corporate culture and the values by which executives throughout a group will behave.
- c. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.
- d. The Board should encourage continuing directors training to ensure that the Board members are kept up to date.
- e. Where Board decisions may affect different shareholder groups differently, the Board should treat all shareholders fairly.
- f. The Board should apply high ethical standards. It should take into account the interests of stakeholders.
- g. The Board should be able to exercise objective independent judgement on corporate affairs.
- h. Boards should consider assigning a sufficient number of non-executive Board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- i. The Board should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the company to excessive risk.
- j. The Board should have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the company's focus.
- k. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.
- l. Board members should be able to commit themselves effectively to their responsibilities.
- m. In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.
- n. The Board and senior management should facilitate the Independent Directors to perform their role effectively as a Board member and also a member of a committee.

SCHEDULE IV
[See section 149(8)]
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.
- SEC. 1] 283

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) acting within his 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.

284 [PART II—

- (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 a period of not more than one hundred and eighty days 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 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;
SEC. 1] 285
 - (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.

**SECURITIES AND EXCHANGE BOARD OF INDIA
(PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015**

CHAPTER – I

PRELIMINARY

Short title and commencement.

1. (1) These regulations may be called the SEBI (Prohibition of Insider Trading) Regulations, 2015.
- (2) These regulations shall come into force on the one hundred and twentieth day from the date of its publication in the Official Gazette.

Definitions.

2. (1) In these regulations, unless the context otherwise requires, the following words, expressions and derivations there from shall have the meanings assigned to them as under:–
 - (a) “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) “Board” means the Securities and Exchange Board of India;
 - (c) “compliance officer” means any senior officer, designated so and reporting to the board of directors or head of the organization in case board is not there, who is financially literate and is capable of appreciating requirements for legal and regulatory compliance under these regulations and who shall be responsible for compliance of policies, procedures, maintenance of records, monitoring adherence to the rules for the preservation of unpublished price sensitive information, monitoring of trades and the implementation of the codes specified in these regulations under the overall supervision of the board of directors of the listed company or the head of an organization, as the case may be;

- (d) "connected person" means,-
- (i) any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.
 - (ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established, -
 - (a). an immediate relative of connected persons specified in clause (i); or
 - (b). a holding company or associate company or subsidiary company; or
 - (c). an intermediary as specified in section 12 of the Act or an employee or director thereof; or
 - (d). an investment company, trustee company, asset management company or an employee or director thereof; or
 - (e). an official of a stock exchange or of clearing house or corporation; or
 - (f). a member of board of trustees of a mutual fund or a member of the board of directors of the asset management company of a mutual fund or is an employee thereof; or
 - (g). a member of the board of directors or an employee, of a public financial institution as defined in section 2 (72) of the Companies Act, 2013; or
 - (h). an official or an employee of a self-regulatory organization recognised or authorized by the Board; or
 - (i). a banker of the company; or
 - (j). a concern, firm, trust, Hindu undivided family, company or association of persons wherein a director of a company or his immediate relative or banker of the company, has more than ten per cent. of the holding or interest;

NOTE: *It is intended that a connected person is one who has a connection with the company that is expected to put him in possession of unpublished price sensitive information. Immediate relatives and other categories of*

persons specified above are also presumed to be connected persons but such a presumption is a deeming legal fiction and is rebuttable. This definition is also intended to bring into its ambit persons who may not seemingly occupy any position in a company but are in regular touch with the company and its officers and are involved in the know of the company's operations. It is intended to bring within its ambit those who would have access to or could access unpublished price sensitive information about any company or class of companies by virtue of any connection that would put them in possession of unpublished price sensitive information.

- (e) "generally available information" means information that is accessible to the public on a non-discriminatory basis;

NOTE: *It is intended to define what constitutes generally available information so that it is easier to crystallize and appreciate what unpublished price sensitive information is. Information published on the website of a stock exchange, would ordinarily be considered generally available.*

- (f) "immediate relative" means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities;

NOTE: *It is intended that the immediate relatives of a "connected person" too become connected persons for purposes of these regulations. Indeed, this is a rebuttable presumption.*

- (g) "insider" means any person who is:

- i) a connected person; or
- ii) in possession of or having access to unpublished price sensitive information;

NOTE: *Since "generally available information" is defined, it is intended that anyone in possession of or having access to unpublished price sensitive information should be considered an "insider" regardless of how one came in possession of or had access to such information. Various circumstances are provided for such a person to demonstrate that he has not indulged in insider trading. Therefore, this definition is intended to bring within its reach any person who is in receipt of or has access to unpublished price sensitive information. The onus of showing that a certain person was in possession of or had access to unpublished price*

sensitive information at the time of trading would, therefore, be on the person leveling the charge after which the person who has traded when in possession of or having access to unpublished price sensitive information may demonstrate that he was not in such possession or that he has not traded or or he could not access or that his trading when in possession of such information was squarely covered by the exonerating circumstances.

- (h) "promoter" shall have the meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 or any modification thereof;
- (i) "securities" shall have the meaning assigned to it under the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or any modification thereof except units of a mutual fund;
- (j) "specified" means specified by the Board in writing;
- (k) "takeover regulations" means the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and any amendments thereto;
- (l) "trading" means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly ;

NOTE: *Under the parliamentary mandate, since the Section 12A (e) and Section 15G of the Act employs the term 'dealing in securities', it is intended to widely define the term "trading" to include dealing. Such a construction is intended to curb the activities based on unpublished price sensitive information which are strictly not buying, selling or subscribing, such as pledging etc when in possession of unpublished price sensitive information.*

- (m) "trading day" means a day on which the recognized stock exchanges are open for trading;
- (n) "unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

- (i) financial results;
- (ii) dividends;
- (iii) change in capital structure;
- (iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;
- (v) changes in key managerial personnel; and
- (vi) material events in accordance with the listing agreement.

NOTE: *It is intended that information relating to a company or securities, that is not generally available would be unpublished price sensitive information if it is likely to materially affect the price upon coming into the public domain. The types of matters that would ordinarily give rise to unpublished price sensitive information have been listed above to give illustrative guidance of unpublished price sensitive information.*

- (2) Words and expressions used and not defined in these regulations but defined in the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996) or the Companies Act, 2013 (18 of 2013) and rules and regulations made thereunder shall have the meanings respectively assigned to them in those legislation.

CHAPTER – II

RESTRICTIONS ON COMMUNICATION AND TRADING BY INSIDERS

Communication or procurement of unpublished price sensitive information.

3. (1) No insider shall communicate, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: *This provision is intended to cast an obligation on all insiders who are essentially persons in possession of unpublished price sensitive information to handle such information with care and to deal with the information with them when transacting their business strictly on a need-to-know basis. It is also intended to lead to organisations*

developing practices based on need-to-know principles for treatment of information in their possession.

(2) No person shall procure from or cause the communication by any insider of unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: *This provision is intended to impose a prohibition on unlawfully procuring possession of unpublished price sensitive information. Inducement and procurement of unpublished price sensitive information not in furtherance of one's legitimate duties and discharge of obligations would be illegal under this provision.*

(3) Notwithstanding anything contained in this regulation, an unpublished price sensitive information may be communicated, provided, allowed access to or procured, in connection with a transaction that would:-

(i) entail an obligation to make an open offer under the takeover regulations where the board of directors of the company is of informed opinion that the proposed transaction is in the best interests of the company;

NOTE: *It is intended to acknowledge the necessity of communicating, providing, allowing access to or procuring UPSI for substantial transactions such as takeovers, mergers and acquisitions involving trading in securities and change of control to assess a potential investment. In an open offer under the takeover regulations, not only would the same price be made available to all shareholders of the company but also all information necessary to enable an informed divestment or retention decision by the public shareholders is required to be made available to all shareholders in the letter of offer under those regulations.*

(ii) not attract the obligation to make an open offer under the takeover regulations but where the board of directors of the company is of informed opinion that the proposed transaction is in the best interests of the company and the information that constitute unpublished price sensitive information is disseminated to be made generally available at least two trading days prior to the proposed transaction being effected in such form as the board of directors may determine.

NOTE: *It is intended to permit communicating, providing, allowing access to or procuring UPSI also in transactions that do not entail an open offer obligation under the takeover regulations if it is in the best interests of the company. The board of directors, however, would cause public disclosures of such unpublished price sensitive information well before the proposed transaction to rule out any information asymmetry in the market.*

(4) For purposes of sub-regulation (3), the board of directors shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations on the part of such parties and such parties shall keep information so received confidential, except for the purpose of sub-regulation (3), and shall not otherwise trade in securities of the company when in possession of unpublished price sensitive information.

Trading when in possession of unpublished price sensitive information.

4. (1) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:

Provided that the insider may prove his innocence by demonstrating the circumstances including the following : –

- (i) the transaction is an off-market *inter-se* transfer between promoters who were in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision;
- (ii) in the case of non-individual insiders: –
 - (a) the individuals who were in possession of such unpublished price sensitive information were different from the individuals taking trading decisions and such decision-making individuals were not in possession of such unpublished price sensitive information when they took the decision to trade; and
 - (b) appropriate and adequate arrangements were in place to ensure that these regulations are not violated and no unpublished price sensitive information was communicated by the individuals possessing the information to the individuals taking trading decisions and there is no evidence of such arrangements having been breached;
- (iii) the trades were pursuant to a trading plan set up in accordance with regulation 5.

NOTE: *When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession. The reasons for which he trades or the purposes to which he applies the proceeds of the transactions are not intended to be relevant for determining whether a person has violated the regulation. He traded when in possession of unpublished price sensitive information is what would need to be demonstrated at the outset to bring a charge. Once this is established, it would be open to the insider to prove his innocence by demonstrating the circumstances mentioned in the proviso, failing which he would have violated the prohibition.*

(2) In the case of connected persons the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on the Board.

(3) The Board may specify such standards and requirements, from time to time, as it may deem necessary for the purpose of these regulations.

Trading Plans.

5. (1) An insider shall be entitled to formulate a trading plan and present it to the compliance officer for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan.

NOTE: *This provision intends to give an option to persons who may be perpetually in possession of unpublished price sensitive information and enabling them to trade in securities in a compliant manner. This provision would enable the formulation of a trading plan by an insider to enable him to plan for trades to be executed in future. By doing so, the possession of unpublished price sensitive information when a trade under a trading plan is actually executed would not prohibit the execution of such trades that he had pre-decided even before the unpublished price sensitive information came into being.*

(2) Such trading plan shall:—

(i) not entail commencement of trading on behalf of the insider earlier than six months from the public disclosure of the plan;

NOTE: *It is intended that to get the benefit of a trading plan, a cool-off period of six months is necessary. Such a period is considered reasonably long for unpublished price sensitive information that is in possession of the insider when formulating the trading plan, to become generally available. It is also considered to be a reasonable period for a time lag in which new unpublished price sensitive information may come into being without adversely affecting the trading plan formulated earlier. In any case, it should be remembered that this is only a statutory cool-off period and would not grant immunity from action if the insider were to be in possession of the same unpublished price sensitive information both at the time of formulation of the plan and implementation of the same.*

- (ii) not entail trading for the period between the twentieth trading day prior to the last day of any financial period for which results are required to be announced by the issuer of the securities and the second trading day after the disclosure of such financial results;

NOTE: *Since the trading plan is envisaged to be an exception to the general rule prohibiting trading by insiders when in possession of unpublished price sensitive information, it is important that the trading plan does not entail trading for a reasonable period around the declaration of financial results as that would generate unpublished price sensitive information.*

- (iii) entail trading for a period of not less than twelve months;

NOTE: *It is intended that it would be undesirable to have frequent announcements of trading plans for short periods of time rendering meaningless the defence of a reasonable time gap between the decision to trade and the actual trade. Hence it is felt that a reasonable time would be twelve months.*

- (iv) not entail overlap of any period for which another trading plan is already in existence;

NOTE: *It is intended that it would be undesirable to have multiple trading plans operating during the same time period. Since it would be possible for an insider to time the publication of the unpublished price sensitive information to make it generally available instead of timing the trades, it is important not to have the ability to initiate more than one plan covering the same time period.*

- (v) set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected; and

NOTE: *It is intended that while regulations should not be too prescriptive and rigid about what a trading plan should entail, they should stipulate certain basic parameters that a trading plan should conform to and within which, the plan may be formulated with full flexibility. The nature of the trades entailed in the trading plan i.e. acquisition or disposal should be set out. The trading plan may set out the value of securities or the number of securities to be invested or divested. Specific dates or specific time intervals may be set out in the plan.*

- (vi) not entail trading in securities for market abuse.

NOTE: *Trading on the basis of such a trading plan would not grant absolute immunity from bringing proceedings for market abuse. For instance, in the event of manipulative timing of the release of unpublished price sensitive information to ensure that trading under a trading plan becomes lucrative in circumvention of regulation 4 being detected, it would be open to initiate proceedings for alleged breach of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003.*

- (3) The compliance officer shall review the trading plan to assess whether the plan would have any potential for violation of these regulations and shall be entitled to seek such express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the plan.

NOTE: *It is intended that the compliance officer would have to review and approve the plan. For doing so, he may need the insider to declare that he is not in possession of unpublished price sensitive information or that he would ensure that any unpublished price sensitive information in his possession becomes generally available before he commences executing his trades. Once satisfied, he may approve the trading plan, which would then have to be implemented in accordance with these regulations.*

- (4) The trading plan once approved shall be irrevocable and the insider shall mandatorily have to implement the plan, without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan.

Provided that the implementation of the trading plan shall not be commenced if any unpublished price sensitive information in possession of the insider at the time of formulation of the plan has not become generally available at the time of the commencement of implementation and in such event the compliance officer shall confirm that the commencement ought to be deferred until such unpublished price sensitive information becomes generally available information so as to avoid a violation of sub-regulation (1) of regulation 4.

NOTE: *It is intended that since the trading plan is an exception to the general rule that an insider should not trade when in possession of unpublished price sensitive information, changing the plan or trading outside the same would negate the intent behind the exception. Other investors in the market, too, would factor the impact of the trading plan on their own trading decisions and in price discovery. Therefore, it is not fair or desirable to permit the insider to deviate from the trading plan based on which others in the market have assessed their views on the securities.*

The proviso is intended to address the prospect that despite the six-month gap between the formulation of the trading plan and its commencement, the unpublished price sensitive information in possession of the insider is still not generally available. In such a situation, commencement of the plan would conflict with the over-riding principle that trades should not be executed when in possession of such information. If the very same unpublished price sensitive information is still in the insider's possession, the commencement of execution of the trading plan ought to be deferred.

- (5) Upon approval of the trading plan, the compliance officer shall notify the plan to the stock exchanges on which the securities are listed.

NOTE: *It is intended that given the material exception to the prohibitory rule in regulation 4, a trading plan is required to be publicly disseminated. Investors in the market at large would also factor the potential pointers in the trading plan in their own assessment of the securities and price discovery for them on the premise of how the insiders perceive the prospects or approach the securities in their trading plan.*

CHAPTER – III

DISCLOSURES OF TRADING BY INSIDERS

General provisions.

6. (1) Every public disclosure under this Chapter shall be made in such form as may be specified.

(2) The disclosures to be made by any person under this Chapter shall include those relating to trading by such person's immediate relatives, and by any other person for whom such person takes trading decisions.

NOTE: *It is intended that disclosure of trades would need to be of not only those executed by the person concerned but also by the immediate relatives and of other persons for whom the person concerned takes trading decisions. These regulations are primarily aimed at preventing abuse by trading when in possession of unpublished price sensitive information and therefore, what matters is whether the person who takes trading decisions is in possession of such information rather than whether the person who has title to the trades is in such possession.*

(3) The disclosures of trading in securities shall also include trading in derivatives of securities and the traded value of the derivatives shall be taken into account for purposes of this Chapter:

Provided that trading in derivatives of securities is permitted by any law for the time being in force.

(4) The disclosures made under this Chapter shall be maintained by the company, for a minimum period of five years, in such form as may be specified.

Disclosures by certain persons.

7. (1) Initial Disclosures.

(a).Every promoter, key managerial personnel and director of every company whose securities are listed on any recognised stock exchange shall disclose his holding of securities of the company as on the date of these regulations taking effect, to the company within thirty days of these regulations taking effect;

(b).Every person on appointment as a key managerial personnel or a director of the company or upon becoming a promoter shall disclose his holding of securities of the company as on the date of appointment or becoming a promoter, to the company within seven days of such appointment or becoming a promoter.

(2) *Continual Disclosures.*

(a). Every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;

(b). Every company shall notify the particulars of such trading to the stock exchange on

which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.

Explanation. — It is clarified for the avoidance of doubts that the disclosure of the incremental transactions after any disclosure under this sub-regulation, shall be made when the transactions effected after the prior disclosure cross the threshold specified in clause (a) of sub-regulation (2).

Disclosures by other connected persons.

(3) Any company whose securities are listed on a stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and trading in securities of the company in such form and at such frequency as may be determined by the company in order to monitor compliance with these regulations.

NOTE: *This is an enabling provision for listed companies to seek information from those to whom it has to provide unpublished price sensitive information. This provision confers discretion on any company to seek such information. For example, a listed company may ask that a management consultant who would advise it on corporate strategy and would need to review unpublished price sensitive information, should make disclosures of his trades to the company.*

CHAPTER – IV

CODES OF FAIR DISCLOSURE AND CONDUCT

Code of Fair Disclosure.

8. (1) The board of directors of every company, whose securities are listed on a stock exchange, shall formulate and publish on its official website, a code of practices and procedures for fair disclosure of unpublished price sensitive information that it would follow in order to adhere to

each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner.

NOTE: *This provision intends to require every company whose securities are listed on stock exchanges to formulate a stated framework and policy for fair disclosure of events and occurrences that could impact price discovery in the market for its securities. Principles such as, equality of access to information, publication of policies such as those on dividend, inorganic growth pursuits, calls and meetings with analysts, publication of transcripts of such calls and meetings, and the like are set out in the schedule.*

(2) Every such code of practices and procedures for fair disclosure of unpublished price sensitive information and every amendment thereto shall be promptly intimated to the stock exchanges where the securities are listed.

NOTE: *This provision is aimed at requiring transparent disclosure of the policy formulated in sub-regulation (1).*

Code of Conduct.

9. (1) The board of directors of every listed company and market intermediary shall formulate a code of conduct to regulate, monitor and report trading by its employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B to these regulations, without diluting the provisions of these regulations in any manner.

NOTE: *It is intended that every company whose securities are listed on stock exchanges and every market intermediary registered with SEBI is mandatorily required to formulate a code of conduct governing trading by its employees. The standards set out in the schedule are required to be addressed by such code of conduct.*

(2) Every other person who is required to handle unpublished price sensitive information in the course of business operations shall formulate a code of conduct to regulate, monitor and report trading by employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B to these regulations, without diluting the provisions of these regulations in any manner.

NOTE: *This provision is intended to mandate persons other than listed companies and market intermediaries that are required to handle*

unpublished price sensitive information to formulate a code of conduct governing trading in securities by their employees. These entities include professional firms such as auditors, accountancy firms, law firms, analysts, consultants etc., assisting or advising listed companies, market intermediaries and other capital market participants. Even entities that normally operate outside the capital market may handle unpublished price sensitive information. This provision would mandate all of them to formulate a code of conduct.

(3) Every listed company, market intermediary and other persons formulating a code of conduct shall identify and designate a compliance officer to administer the code of conduct and other requirements under these regulations.

NOTE: *This provision is intended to designate a senior officer as the compliance officer with the responsibility to administer the code of conduct and monitor compliance with these regulations.*

CHAPTER – V

MISCELLANEOUS

Sanction for violations.

10. Any contravention of these regulations shall be dealt with by the Board in accordance with the Act.

Power to remove difficulties.

11. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars: Provided that where any direction is issued by the Board in a specific case relating to interpretation or application of any provision of these regulations, it shall be done only after affording a reasonable opportunity of being heard to the concerned persons and after recording reasons for the direction.

Repeal and Savings.

12. (1) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 are hereby repealed.

(2) Notwithstanding such repeal,—

(a) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or

liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed; and

(b) anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

- (3) After the repeal of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

SCHEDULE A

[See sub-regulation (1) of regulation 8]

Principles of Fair Disclosure for purposes of Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information

1. Prompt public disclosure of unpublished price sensitive information that would impact price discovery no sooner than credible and concrete information comes into being in order to make such information generally available.
2. Uniform and universal dissemination of unpublished price sensitive unpublished price sensitive information to avoid selective disclosure.
3. Designation of a senior officer as a chief investor relations officer to deal with dissemination of information and disclosure of unpublished price sensitive information.
4. Prompt dissemination of unpublished price sensitive information that gets disclosed selectively, inadvertently or otherwise to make such information generally available.
5. Appropriate and fair response to queries on news reports and requests for verification of market rumours by regulatory authorities.

6. Ensuring that information shared with analysts and research personnel is not unpublished price sensitive information.
7. Developing best practices to make transcripts or records of proceedings of meetings with analysts and other investor relations conferences on the official website to ensure official confirmation and documentation of disclosures made.
8. Handling of all unpublished price sensitive information on a need-to-know basis.

SCHEDULE B

[See sub-regulation (1) and sub-regulation (2) of regulation 9]

Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders

1. The compliance officer shall report to the board of directors and in particular, shall provide reports to the Chairman of the Audit Committee, if any, or to the Chairman of the board of directors at such frequency as may be stipulated by the board of directors.
2. All information shall be handled within the organisation on a need-to-know basis and no unpublished price sensitive information shall be communicated to any person except in furtherance of the insider's legitimate purposes, performance of duties or discharge of his legal obligations. The code of conduct shall contain norms for appropriate Chinese Walls procedures, and processes for permitting any designated person to "cross the wall".
3. Employees and connected persons designated on the basis of their functional role ("**designated persons**") in the organisation shall be governed by an internal code of conduct governing dealing in securities. The board of directors shall in consultation with the compliance officer specify the designated persons to be covered by such code on the basis of their role and function in the organisation. Due regard shall be had to the access that such role and function would provide to unpublished price sensitive information in addition to seniority and professional designation.
4. Designated persons may execute trades subject to compliance with these regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring trading by the designated

persons. The trading window shall be closed when the compliance officer determines that a designated person or class of designated persons can reasonably be expected to have possession of unpublished price sensitive information. Such closure shall be imposed in relation to such securities to which such unpublished price sensitive information relates. Designated persons and their immediate relatives shall not trade in securities when the trading window is closed.

5. The timing for re-opening of the trading window shall be determined by the compliance officer taking into account various factors including the unpublished price sensitive information in question becoming generally available and being capable of assimilation by the market, which in any event shall not be earlier than forty-eight hours after the information becomes generally available. The trading window shall also be applicable to any person having contractual or fiduciary relation with the company, such as auditors, accountancy firms, law firms, analysts, consultants etc., assisting or advising the company.

6. When the trading window is open, trading by designated persons shall be subject to preclearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate. No designated person shall apply for preclearance of any proposed trade if such designated person is in possession of unpublished price sensitive information even if the trading window is not closed.

7. The compliance officer shall confidentially maintain a list of such securities as a "restricted list" which shall be used as the basis for approving or rejecting applications for preclearance of trades.

8. Prior to approving any trades, the compliance officer shall be entitled to seek declarations to the effect that the applicant for preclearance is not in possession of any unpublished price sensitive information. He shall also have regard to whether any such declaration is reasonably capable of being rendered inaccurate.

9. The code of conduct shall specify any reasonable timeframe, which in any event shall not be more than seven trading days, within which trades that have been pre-cleared have to be executed by the designated person, failing which fresh pre-clearance would be needed for the trades to be executed.

10. The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act.

11. The code of conduct shall stipulate such formats as the board of directors deems necessary for making applications for pre-clearance, reporting of trades executed, reporting of decisions not to trade after securing pre-clearance, recording of reasons for such decisions and for reporting level of holdings in securities at such intervals as may be determined as being necessary to monitor compliance with these regulations.

12. Without prejudice to the power of the Board under the Act, the code of conduct shall stipulate the sanctions and disciplinary actions, including wage freeze, suspension etc., that may be imposed, by the persons required to formulate a code of conduct under sub-regulation (1) and sub-regulation (2) of regulation 9, for the contravention of the code of conduct.

13. The code of conduct shall specify that in case it is observed by the persons required to formulate a code of conduct under sub-regulation (1) and sub-regulation (2) of regulation 9, that there has been a violation of these regulations, they shall inform the Board promptly.

U. K. SINHA
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA