

# **Code of Ethics & Conduct**

*(amended by the Board of Directors w.e.f. 1st April 2019)*

## **APPLICABILITY**

This Code is applicable to all the Directors of the Company and its Senior Management personnel. Senior Management personnel shall mean officials of the Company who are members of its core management team (excluding the Board of Directors) and normally this shall comprise all members of management one level below the Chief Executive Officer/ Managing Director/ Whole-time Director and shall specifically include Company Secretary and Chief Financial officer.

Every Director and Senior Management Personnel is expected to comply with the letter and spirit of this code, to the extent applicable to him.

## **REGULATORY COMPLIANCES**

In carrying out their duties and responsibilities, Directors and Senior Management are expected to ensure compliance with all applicable laws, rules and regulations relevant to the Company.

## **HONESTY, INTEGRITY & ETHICAL CONDUCT**

Every Director and Senior Management personnel must:-

- (i) Represent the interest of the shareholders of the Company;
- (ii) Exhibit high standards of honesty, integrity, commitment and independence of thought and judgement;
- (iii) Dedicate adequate time, energy and attention to ensure the diligent performance of his/her duties including making all reasonable efforts to attend Board of Committee Meetings; and
- (iv) Comply with every provision of this Code.

## **CONFIDENTIALITY**

The principle of honesty extends to issues of confidentiality of information. Directors and Senior Management are required to maintain the confidentiality of all material non-public information relating to the Company's business and affairs that they receive or become privy to in connection with the Company's business, while continuing as such and even after ceasing to be such a director or employee for a reasonable period of say three years except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might prejudice the ability of the Company to pursue its objectives, to be of use to competitors or harm the Company, if disclosed.

Directors and Senior Management must not use confidential information for their own advantage or profit directly or indirectly.

## **CONFLICTS OF INTEREST**

A conflict of interest exists where the interests or benefits of the Company are in conflict with those of a person/business entity. Directors and Senior Management are required to preserve, protect & promote the interests of the Company through their conduct and acts ensuring in the process that their personal interests and/or interests of their nominators would be sub-servient to the interests of the Company. In other words, the interest of the Company would be paramount for all concerned.

Directors and Senior Management's duty to the Company demands that he/she avoids and discloses actual and apparent conflicts of interest. Brief guideline in this regard is given below:

- A. Employment / Outside employment:** In consideration of employment with the Company, Whole time Directors and Senior Management are expected to devote their full attention to the business interests of the Company. They should avoid any relationship, influence, or activity that might impair, or even appear to impair, their ability to make objective and fair decisions when performing their job. Company policies prohibit Employees from accepting simultaneous employment with suppliers, customers, developers or competitors of the Company, or from taking part in any activity that enhances or supports a competitor's position.
- B. Outside directorships and employment:** It is a conflict of interest to serve as a Director of any other organization which is doing the similar business in which the Company is engaged. Directors & Senior Management must first obtain approval from the Company's Board of Directors before accepting a directorship of such an organisation.
- C. Related parties:** As a general rule, Whole time Directors & Senior Management should avoid conducting Company business with a relative, or with a business in which a relative is associated in any significant role. Relatives include parents, spouse and children.
- D. Payments or gifts from others:** Whole time Directors & Senior Management shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of its business. However, they may accept and offer nominal gifts, which are customarily given.
- E. Corporate opportunities:** Directors & Senior Management shall not exploit for their own personal gain the opportunities that are discovered through the use of corporate property, information or position, without prior full disclosure by them and consent thereupon from the Board of Directors of the Company.

Conflicts of interest may not always be clear-cut. Any question therefore about a Whole-time Director/Director's/Senior Management's actual or potential conflict of interest with the Company should be brought promptly to the attention of the Chairman of the Board, who will review the question and determine a proper

course of action, including whether consideration or action by the full Board is necessary.

## **PROTECTION AND PROPER USE OF COMPANY ASSETS**

Whole-time Director and Senior Management personnel should perform their duties in a manner that protects the Company's asset and ensures their efficient use. The Company's assets should be used for legitimate business purposes.

## **REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOUR**

Directors/Whole-time Directors/Senior Management personnel are encouraged to promptly contact the Chairman of the Board or the Compliance Officer if illegal or unethical behaviour by an employee, officer or director, or by any one purporting to be acting on the Company's behalf or any violation or possible violation of this Code is observed. Confidentiality will be maintained, to the extent permitted by Law.

## **INSIDER TRADING**

Directors and Senior Management should observe all applicable laws and regulations for prevention of insider trading including the Company policies and codes as applicable to them with respect to the purchase and sale of the Company's securities.

## **CRITERIA FOR EXERCISING THE AUTHORITY**

It is imperative on the whole-time Directors and Senior Management personnel incurring or authorizing transactions or expenditure to be guided by highest standards of financial propriety, remembering always:

- that maximising revenues and minimising expenditure is the hall mark of a successful business and that expenditure should not prima facie be more than what the occasion/item demands.
- to exercise the same vigilance on expenditure incurred from the funds of the Company as a person of ordinary prudence would exercise when spending his/her own money and, in case of any conflict of interest, to without hesitation, place the Company's interest ahead of the individual.
- that powers for sanctioning expenditure of a particular type should be exercised in such a manner that the approved expense is justifiable in all aspects and is not a source of profit to the recipient.
- that the assets of the Company are not to be misused but employed for the purpose of conducting the business for which they are duly authorised.

Whole-time Directors / Senior Management vested with authority are responsible for enforcing strict financial discipline and utmost economy at every step. He/she is responsible and accountable for observance of the provisions of this Code, both by his/her own office and by offices/departments under his/her charge.

## **PUBLIC REPRESENTATION OF THE COMPANY**

In all its public appearances with respect to disclosing Company and business information to public constituencies such as the Media, the Financial Community, Employees and Shareholders, Company shall be represented only by specifically authorised Directors and Senior Management. It will be the sole responsibility of these authorised representatives to disclose information on the Company always keeping in mind to serve the best interest of the Company.

## **DUTIES OF DIRECTORS**

1. Subject to the provisions of the Companies Act, 2013 and rules thereof, the Director shall act in accordance with the Articles of Association of the Company.
2. The Director 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. The Director shall exercise his / her duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
4. The Director shall not involve in a situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
5. The Director shall not achieve or attempt to achieve any undue gain or advantage either to himself / herself or to his / her relatives, partners, or associates and if such director is found guilty of making any undue gain, he / she shall be liable to pay an amount equal to that gain to the Company.
6. The Director shall not assign his / her office and any assignment so made shall be void.

## **CODE FOR INDEPENDENT DIRECTORS**

In addition to compliance with the other provisions of this Code, the Independent Directors shall also be bound by the following additional provisions in respect of their conduct as Independent Directors on the Board of the Company.

### **I. Guidelines of professional conduct:**

The Independent Director shall:

- 1) uphold ethical standards of integrity and probity;
- 2) act objectively and constructively while exercising his / her duties;

- 3) exercise his / her responsibilities in a *bona fide* manner in the interest of the Company;
- 4) devote sufficient time and attention to his / her professional obligations for informed and balanced decision making;
- 5) not allow any extraneous considerations that will vitiate his / her 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 / her 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 / her independence;
- 8) where circumstances arise which make an independent director lose his / her 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) strive to attend meetings of the independent directors whenever held;
- 7) 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;
- 8) keep themselves well informed about the Company and the external environment in which it operates;
- 9) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 10) 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;
- 11) 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;
- 12) report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;
- 13) acting within his authority, assist in protecting the legitimate interests of the Company, Shareholders and its Employees;

14) 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.

## **VIOLATIONS OF THE CODE**

Every effort should be made to uphold and promote the principles of this Code. Not only it is important for Directors and Senior Management to adhere to the principles expressed in this Code, but they are also expected to encourage and support adherence by other Employees of the Company.

The Company will take appropriate action against a Director and/or Senior Management personnel whose actions are found to be violative of this Code after giving him/her a reasonable opportunity of being heard.

## **WAIVERS AND AMENDMENTS OF THE CODE**

This Code is subject to continuous review and updation in line with any changes in law, changes in the Company's philosophy, business policies, plans or otherwise as may be deemed necessary from time to time.

## **ANNUAL AFFIRMATION**

All the Directors / Senior Management to whom the code applies shall, after close of every financial year affirm compliance with the Code indicating their continued understanding of and compliance with the code. The duly signed Annual Compliance Declaration shall be forwarded to the Compliance Officer of the Company.

For any clarifications, please contact Mr. Parvesh Madan, Company Secretary of the Company and who is also the Compliance Officer for the purpose of this code. ([pmadan@smlisuzu.com](mailto:pmadan@smlisuzu.com)).