



CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

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Kerala Financial Corporation

(Incorporated under the State Financial Corporations Act of 1951)
Head Office, Vellayambalam, Thiruvananthapuram – 69503, Kerala, India

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INTRODUCTION

The purpose of this Code is to enhance integrity, ethics & transparency in governance of the Corporation and thereby reinforce the trust and confidence reposed in the Management of the Corporation by the shareholders and other stakeholders. The Directors and Senior Management Personnel are expected to familiarize themselves with this Code and to understand, adhere to, comply with and uphold the provisions of this Code and the standards laid down hereunder in their day to day functioning. As far as senior management personnel of the Corporation is concerned, this code of conduct is in additions to the provisions of the KFC Staff Regulations, 1966. If there is any contradiction in the code of conduct applicable to the Senior Management Personnel of the Corporation, the provisions of KFC Staff Regulations, 1966, shall prevail.

1. DEFINITION

The definitions of some of the key terms used in this Policy are given below:

- **'Board of Directors'** means all directors of the Corporation defined as per Section 10 of State Financial Corporations Act, 1951.
- **'Independent Directors'** means all non Executive Director of the Corporation other than a nominee directors as defined under Regulation 6(b) of SEBI(LODR) Regulations, 2015.
- **'Audit Committee'** means the Audit Committee of Directors constituted by the Board of Directors of the Corporation under Section 18(3) of the State Financial Corporations Act, 1951 and Regulation 18 of the SEBI(LODR) Regulations, 2015.
- **'Senior Management Personnel'** means all the employees in the category of Deputy General Managers and above, Head of Departments (HoDs), Board/ Company Secretary.
- **'Employee'** means every employee of the Corporation (Regular or Part time or Contractual).
- **'Stakeholders'** means and includes shareholders, bondholders, other investors, lenders and customers of the Corporation.
- **'Disciplinary Action'** means any action that can be taken on the completion of/during the investigation proceedings as is deemed to be fit considering the gravity of the matter as per Regulation 39 of KFC Staff Regulations, 1966.

2. GUIDELINES

The Directors and Senior Management Personnel must act in good faith and in such manner as they reasonably believe to be in the best interests of the Corporation. The Directors and Senior Management Personnel are also expected to:

- a. comply with all applicable laws, regulations, confidentiality obligations and other corporate policies, of the Corporation;
- b. follow all policies, procedures and internal control systems of the Corporation;
- c. act honestly, in good faith and in the best interests of the Corporation.

3. HONESTY AND INTEGRITY

All Directors and Senior Management Personnel of the Corporation shall conduct their activities on behalf of the Corporation and on their own behalf, with honesty, integrity and fairness. The Directors and Senior Management Personnel of the Corporation will act in good faith, responsibly, with due care/ competence/ diligence, without allowing their independent judgment to be subordinated. The Directors and Senior Management of the Corporation will act in the best interest of and fulfill their fiduciary obligations to the Corporation and its shareholders.

4. CONFLICT OF INTEREST

The Directors and Senior Management Personnel of the Corporation should not enter into any transaction or engage in any practice, directly or indirectly, that would tend to influence him/ her to act in any manner other than in the best interests of the Corporation. Every Director and Senior Management Personnel should make a full disclosure to the Board of any transaction that they reasonably expect, could give rise to actual conflict of interest with the Corporation and seek Board authorization to pursue such transaction.

5. PROPRIETARY INFORMATION

Every Director and Senior Management Personnel should endeavor to ensure that they use the Corporation's assets, proprietary information and resources only for legitimate business purpose of the Corporation and not for personal gains.

6. CONFIDENTIAL INFORMATION

The Directors and Senior Management Personnel should maintain confidentiality of information entrusted to them in carrying out their duties and responsibilities as laid down under Section 40 of SFC Act, 1951. The matters discussed at the Board/ Committee Meetings must not be disclosed outside. The Corporation's confidential information and proprietary information shall not be inappropriately disclosed or used for personal gain or advantage of any Director and Senior Management Personnel. These obligations apply not only during the term of the Directors and Senior Management Personnel, but thereafter as well unless the said information becomes public.

7. GIFTS, DONATIONS & ENTERTAINMENT

The Directors 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, the Directors may accept and offer nominal gifts, ordinarily not exceeding Rs.1000 which are customarily given and are of a commemorative nature, for special events. For Senior Management Personnel the guidelines given at para 16 shall be applicable.

8. FAIR DEALING

The Directors and Senior Management Personnel should endeavor to deal fairly and not seek to take unfair advantage of the Corporation through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unfair dealing.

9. SAFETY

The Directors and Senior Management Personnel shall respect safety and health of all employees and provide working conditions, which are safe and healthy.

10. EQUAL OPPORTUNITIES

The Directors and Senior Management Personnel shall endeavor to provide equal opportunities to all employees and aspirants for employment in the Corporation irrespective of gender, caste, differently abled religion, race or

colour; merit being the sole differentiating factor. The Directors and Senior Management Personnel shall prevent and redress sexual harassment at work place and institute good employment practices.

11. NON-COMPETE

The Directors and Senior Management Personnel shall not take up directly or indirectly any activity competing with the business of the Corporation.

12. CORDIAL RELATIONS

The Directors and Senior Management Personnel shall endeavor to make all efforts to establish cordial relationships with all stakeholders of the Corporation with whom they interface while carrying out their duties for the Corporation and would try to make positive contributions to the communities in which they perform such duties.

13. COMPLIANCE WITH LAWS AND REGULATIONS

In carrying out their duties and responsibilities, Directors and Senior Management Personnel should comply and endeavor to ensure that the management is causing the Corporation to comply with applicable laws, rules and regulations. The Directors and Senior Management Personnel should comply with all applicable laws, rules and regulations for the time being in force. In addition, if any Director/ Employee becomes aware of any information she/ he believes that constitutes evidence of a material violation of any laws, rules or regulations applicable to the Corporation or operation of its business, by the Corporation, any employee or another Director, then the Director/ Employee should bring such information to the attention of the Chairman of the Audit Committee. If any Director/ Employee becomes aware of any information she/ he believes that constitutes evidence of a material violation of any laws, rules or regulations applicable to the Corporation or operation of its business, by the Chairman of the Audit Committee, then the Director/ Employee should bring such information to the attention of the Chairman of the Board.

14. INSIDER TRADING

None of the Directors or the Senior Management Personnel shall derive any benefit nor assist to derive any benefit by giving investment advice from access to and possession of information about the Corporation, which is not in public domain or constitutes insider information.

15. DUTIES OF DIRECTORS

Every Director of the Corporation shall endeavor to comply with the provisions of Section 166 of the Companies Act, 2013, relating to the duties of Directors (see Annexure I). In addition, Independent Directors shall also perform the duties as prescribed in Schedule IV of the Companies Act, 2013, as amended from time to time (see Annexure II).

16. DUTIES OF SENIOR MANAGEMENT PERSONNEL

All Senior Management Personnel shall strictly abide by Regulations 24 to 36 of KFC Staff Regulations, 1966.

17. NON-COMPLIANCE

Suspected violations of this Code may be reported to the Chairman of the Board or the Chairman of the Audit Committee. All reported violations shall be appropriately investigated. Any waiver of this Code must be approved by the Board of Directors and publically disclosed if required by any applicable law.

18. DISCLOSURE

This Code of Conduct will be published on the website of the Corporation after approval of the Board of Directors of the Corporation and on such publishing it is treated as known to all the Directors and the Senior Management Personnel of the Corporation and they are bound by this Code of Conduct.

Chairman and Managing Director

(3) A private company may by its articles provide for any disqualifications for appointment as a director in addition to those specified in sub-sections (1) and (2):

Provided that the disqualifications referred to in clauses (d), (e) and (g) of sub-section (1) shall not take effect—

(i) for thirty days from the date of conviction or order of disqualification;

(ii) where an appeal or petition is preferred within thirty days as aforesaid against the conviction resulting in sentence or order, until expiry of seven days from the date on which such appeal or petition is disposed off; or

(iii) where any further appeal or petition is preferred against order or sentence within seven days, until such further appeal or petition is disposed off.

165. Number of directorships. — (1) No person, after the commencement of this Act, shall hold office as a director, including any alternate directorship, in more than twenty companies at the same time:

Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed ten.

Explanation.— For reckoning the limit of public companies in which a person can be appointed as director, directorship in private companies that are either holding or subsidiary company of a public company shall be included.

(2) Subject to the provisions of sub-section (1), the members of a company may, by special resolution, specify any lesser number of companies in which a director of the company may act as directors.

(3) Any person holding office as director in companies more than the limits as specified in sub-section (1), immediately before the commencement of this Act shall, within a period of one year from such commencement,—

(a) choose not more than the specified limit of those companies, as companies in which he wishes to continue to hold the office of director;

(b) resign his office as director in the other remaining companies; and

(c) intimate the choice made by him under clause (a), to each of the companies in which he was holding the office of director before such commencement and to the Registrar having jurisdiction in respect of each such company.

(4) Any resignation made in pursuance of clause (b) of sub-section (3) shall become effective immediately on the despatch thereof to the company concerned.

(5) No such person shall act as director in more than the specified number of companies,—

(a) after despatching the resignation of his office as director or non-executive director thereof, in pursuance of clause (b) of sub-section (3); or

(b) after the expiry of one year from the commencement of this Act,

whichever is earlier.

(6) If a person accepts an appointment as a director in contravention of sub-section (1), he shall be punishable with fine which shall not be less than five thousand rupees but which may extend to twenty-five thousand rupees for every day after the first during which the contravention continues.

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.

167. Vacation of office of director.— (1) The office of a director shall become vacant in case—

(a) he incurs any of the disqualifications specified in section 164;

(b) he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;

(c) he acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;

(d) he fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of section 184;

(e) he becomes disqualified by an order of a court or the Tribunal;

(f) he is convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than six months:

Provided that the office shall be vacated by the director even if he has filed an appeal against the order of such court;

(g) he is removed in pursuance of the provisions of this Act;

(h) he, having been appointed a director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company.

(2) If a person, functions as a director even when he knows that the office of director held by him has become vacant on account of any of the disqualifications specified in subsection (1), he shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

(3) Where all the directors of a company vacate their offices under any of the disqualifications specified in sub-section (1), the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed by the company in the general meeting.

(4) A private company may, by its articles, provide any other ground for the vacation of the office of a director in addition to those specified in sub-section (1).

168. Resignation of director.— (1) A director may resign from his office by giving a notice in writing to the company and the Board shall on receipt of such notice take note of the same and the company shall intimate the Registrar in such manner, within such time and in such form as may be prescribed and shall also place the fact of such resignation in the report of directors laid in the immediately following general meeting by the company:

Provided that a director shall also forward a copy of his resignation along with detailed reasons for the resignation to the Registrar within thirty days of resignation in such manner as may be prescribed.

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 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.

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- (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;

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- (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.