



Spandana Sphoorty Financial Limited

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

Date of Implementation:

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1. INTRODUCTION

Integrity, Responsiveness, Commitment and Team Spirit form integral part of the core beliefs of all activities at Spandana Sphoorty Financial Limited (hereinafter referred to as "the Company"), which has been the basis of its growth and development. In terms of the Regulation 15 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 [SEBI (LODR)] relating to 'Corporate Governance', as amended from time to time, it is mandatory that a separate legal and ethical standard of conduct is laid and be made applicable to all Board Members and all Senior Management Personnel of the Company. Hence, to meet this requirement, this Code of Conduct has been formulated by the Board. This Code broadly lays down the general principles to be followed by the Board Members and the Senior Management Personnel as a guide for making ethical decisions.

This Code of Conduct shall be called "The Code of Conduct for Board Members and Senior Management Personnel".

This Code envisages that the Board of Directors of the Company and Senior Management Personnel should act within the framework of and in compliance with the applicable laws.

The purpose of this Code is to enhance integrity, ethics & transparency in governance of the Company, and thereby reinforce the trust and confidence reposed in the Management of the Company by the shareholders and other stakeholders. The Board Members 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.

This code is in alignment with Company's Vision and Values to achieve the Mission & Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company.

This code may be modified by the Board from time to time to adopt the best practices and to comply with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

This Code shall come into force with effect from 14th June, 2018.



2. DEFINITIONS AND INTERPRETATION

In this Code, unless repugnant to the meaning or context thereof, the following expressions shall have the meaning given to them below:

- (i) The term “Company” or “Spandana” shall mean Spandana Sphoorty Financial Limited.
- (ii) The term “Board / Board of Directors” shall mean the collective body of the Directors of the Company.
- (iii) The term “Board Members” shall mean the Members on the Board of Directors of the Company.
- (iv) The term “Code of Conduct” shall mean this Code for or regulating, monitoring and reporting of trades for prohibition of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time.
- (v) The term “Independent Director” shall mean an Independent Director as defined in section 2(47) and Section 149(6) and Regulation 16(b) of the SEBI(LODR) with the Stock Exchanges where the shares of the Company are listed for trading, as revised from time to time.
- (vi) The term “Senior Management Personnel” shall mean employees of the Company who are members of its core management team excluding Board of Directors and would comprise of Chief Strategy Officer, Chief Risk Officer, Chief Financial Officer, Company Secretary.
- (vii) The Term “Public Spokesperson” shall mean the Officer of the Company nominated as such by the Company under the Code of Corporate Disclosure Practices for Prevention of Insider Trading.
- (viii) The term “Relative” shall mean ‘relative’ as defined in Section 2 (77) of the Companies Act, 2013 and Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014. (Refer Appendix-I)
- (ix) The term “Conflict of Interest” means where the interests or benefits of one person or entity interferes with the interests or benefits of the company.

In this Code, words importing masculine shall include feminine and words importing singular shall include plural or vice versa.

3. APPLICABILITY

- (i) This Code shall be applicable to the following persons:
 - a) All the Directors of Company including Independent Directors unless specifically exempted from provisions of this Code.
 - b) All Senior Management Personnel.



4. KEY REQUIREMENTS

Board Members and Senior Management Personnel shall act within the authority conferred upon them, keeping the best interests of the Company in view and observe the following:

- i) Shall act with utmost care, skill and diligence in relation to all dealings for the company;
- ii) Shall act in utmost good faith and adopt highest standards of personal and professional integrity, fairness, honesty, probity and ethical conduct and fulfill the fiduciary obligations without allowing their independence of judgment to be subordinated or compromised;
- iii) Shall not enter into any contract or arrangement without obtaining the approval of the Audit Committee and/ or the Board and where required, approval by a special resolution in the general meeting for related party transactions as mentioned in Appendix-II;
- iv) Shall avoid having any personal and/or financial interest in any business dealings concerning the Company;
- v) Shall avoid any dealing/relationship with a Lender or Borrower (either directly or indirectly) that could compromise the ability to transact business on a professional, impartial and competitive basis or that may influence discretionary decision required to be made by the Board Members/ Senior Management Personnel/the Company;
- vi) Shall not hold any position or job or engage in outside business or other interest that is prejudicial to the interests of the Company or that adversely affects the performance of duties with the company;
- vii) Shall not exploit for their own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the opportunity is disclosed fully in writing to the Board of Directors in case of Board Members and the Managing Director in case of Senior Management Personnel and the Board/MD declines to pursue such opportunity for the company and allows him to avail such opportunity;
- viii) Shall not seek or accept, directly or indirectly any gift from anyone having business dealings with the Company, except for normal value, which are customarily given and are of commemorative nature for special events and should never be of a kind that could create an appearance of impropriety, inducement or in any manner influence a business decision;
- ix) Shall not make any statement which has the effect of adverse criticism of any policy or action of the Government or of the Company or which is capable of



embarrassing the relations between the Company and the public including all the stakeholders or any foreign country;

Provided that nothing in this clause shall apply to any statement made or views expressed by a Board Member and Senior Management Personnel, which are purely factual in nature and are not considered as confidential, in his official capacity or in due performance of the duties assigned to him;

- x) Shall not commit any offence involving moral turpitude;
- xi) Shall follow the Risk Management framework/policy established by the Company;
- xii) Shall ensure workplace free of discrimination & harassment based on race, colour, religion, caste, age, gender, nationality, origin, disability, veteran status, or any other biases;
- xiii) Shall not use IT system of the Company for purposes that may be regarded as derogatory, defamatory or obscene or otherwise considered irresponsible and/or compromise the protection and security of IT systems;
- xiv) Shall be accountable to the stakeholders i.e. shareholders, debtors, creditors, lenders, borrowers, customers, Government etc. in discharge of the duties of the Company;
- xv) Shall not contribute (whether directly or indirectly) any funds, credit, property or services of the Company to any Political Parties;
- xvi) Shall act in a socially responsible manner, within the applicable laws, rules and regulations, customs and traditions of the countries in which the Company operates;
- xvii) Shall act in accordance with and keeping in mind the Vision, Mission and Values of the Company;
- xviii) To promote alertness & awareness for safety and the protection of human life/property and environment;
- xix) Shall exercise their responsibilities in a bona fide manner in the interest of the Company and act objectively and constructively while exercising their duties;
- xx) Shall not allow any extraneous considerations that could vitiate their 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;



- i) Shall not abuse their 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;
- ii) Shall assist the Company in implementing the best corporate governance practices;
- iii) Shall become and remain familiar with Company's business and the economic and competitive environment in which the Company operates and understands Company's business plan, strategies and objectives;
- iv) Shall immediately bring to the notice of the Board about any unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

5. Duties of Directors:

The Director(s) of the Company:

- i) shall act in accordance with the articles of the company, subject to the provisions of the Companies Act, 2013 as amended from time to time;
- ii) 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;
- iii) shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
- iv) 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;
- v) 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;
- vi) shall not assign his office and any assignment so made shall be void;

6. Specific Duties of Independent Directors:

The independent directors shall –

- 1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;



- 2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- 3) strive to attend all meetings of the Board of Directors and of the Board committees of which he 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 behavior, 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.

7. HEALTH, SAFETY AND ENVIRONMENT

The Directors and Senior Management Personnel of the Company shall provide safe and healthy working environment, prevent wasteful use of natural resources and shall ensure minimum impact on the ecological environment of the use and disposal of any material.



8. PROTECTION OF ASSETS

The Directors and Senior Management Personnel of the Company shall protect the assets including physical assets, information and intellectual rights of the Company and shall not use the same for personal gains.

9. CONFLICT OF INTEREST

The Board Members and Senior Management Personnel of the Company shall not involve in taking any decision on a subject matter in which a conflict of interest arises or which in his/her opinion is likely to arise and shall make disclosures to the competent authority relating to all material financial and commercial transactions, if any, where they or any of their relatives have personal interest that may have a potential conflict with the interest of the company at large.

The Directors and Senior Management of the Company shall not be present at the meeting where discussion on the resolution relating to contract or arrangement with a related party is being taken.

Competent authority, in case of Board Members shall be Board of Directors and Managing Director in case of Senior Management Personnel.

10. COMPLIANCE OF LAW

The Board Members and Senior Management Personnel shall comply with all laws, rules and regulations as applicable including those relating to the business of the Company.

11. OTHER DIRECTORSHIPS

Unless specifically permitted by the Board in case of Board members and by the Managing Director in case of Senior Management Personnel, the Board Members and Senior Management Personnel shall not serve as Director of any other Company or as Partner of a Firm/Limited Liability Partnership or management position in any other entity that is engaged in a business competing with the Company or with which the Company has business relations. This clause is not applicable to the Independent Directors and Nominee Directors.



Senior Management Personnel shall obtain prior approval of the Company or partnership of a firm/ Limited Liability Partnership or management position in any other entity.

12. PREVENTION OF INSIDER TRADING

The Board Members and Senior Management Personnel shall comply with the Code of Internal Procedures and Conduct for Prevention of Insider Trading, in dealing with securities of the Company.

13. CORPORATE DISCLOSURE PRACTICES AND EXTERNAL COMMUNICATION WITH MEDIA AND INVESTORS

The Code of Corporate Disclosure Practices regulates disclosure of “Unpublished Price Sensitive Information”. The Public Spokesperson is responsible for overseeing and coordinating disclosure of “Unpublished Price Sensitive Information” to stock exchanges, analysts, shareholders and media including drafting of the press release or the text of the information to be posted on the Company’s web-site/released to the press with the approval of the Director (Finance). No person except the Public Spokesperson or those authorized by the Public Spokesperson, shall disclose any information relating to the Company’s Securities to analysts/research persons and institutional investors. The Board Members and Senior Management Personnel shall comply with the Code of Corporate Disclosure Practices.

14. RELATED PARTY DISCLOSURES

The Board Members shall make disclosure of related party transactions to the Board of Directors and the Senior Management Personnel shall make disclosure of the related party transactions to the Managing Director as per the provisions of the Companies Act, 2013 and Rules framed thereunder.

15. CONFIDENTIALITY OF INFORMATION

Subject to the Code of Corporate Disclosure Practices as may be prevalent in the Company from time to time any information concerning the Company’s business, its customers, borrowers, etc. to which the Board Members and Senior Management Personnel have access or which are in their possession, must be considered confidential and held in confidence.

No Board Member and Senior Management Personnel shall provide any information either formally or informally, to the press or any other media, unless specifically authorized. The Board Members and Senior Management Personnel shall also be required to maintain confidentiality of information for a period of 3 months after separation from the Company. Provided that Board Members and



Senior Management Personnel shall in consultation/under intimation to the Public Spokesperson of the Company be free to disclose such information which is:

- (a) part of the public domain at the time of disclosure; or
- (b) authorized or required to be disclosed pursuant to a decision of the Board or any of its Sub-Committees; or
- (c) required to be disclosed in accordance with applicable laws, rules, regulations, guidelines, or directions from the Ministry of Power.

16. CLARIFICATIONS REGARDING THE CODE

Any member of the Board or Senior Management personnel requiring any clarification regarding this Code may contact Company Secretary/any officer specifically designated by the Board of Directors.

17. ENFORCEMENT OF CODE OF CONDUCT

- A. Company Secretary shall be the Compliance Officer for the purpose of this Code.
- B. Each Board Member and Senior Management Personnel shall be accountable for fully complying with this Code.
- C. Compliance Officer shall report breach of this Code, if any, which comes to his notice to the Board of Directors of the Company.
- D. The Company shall ensure confidentiality and protection to any person who has, in good faith, reported a violation or as suspected violation of law or of this Code or other Company policies, or against any person who is assisting in any investigation or process with respect to such a violation.

18. CONSEQUENCES OF NON- COMPLIANCE OF THIS CODE

- (i) In case of breach of this Code by any of the Directors or Senior Management Personnel, the same shall be considered by the Board of Directors for initiating appropriate action, as deemed necessary.

19. AMENDMENTS TO THE CODE

The provisions of this Code can be amended/ modified by the Board of Directors of the Company from time to time and all such amendments/ modifications shall take effect from the date stated therein. All Directors and Senior Management shall be duly informed of such amendments and modifications.



APPENDIX-I

**CODE OF
CONDUCT FOR
BOARD MEMBERS AND SENIOR MANAGEMENT
PERSONNEL EXTRACT OF SECTION 2 (77) OF
THE COMPANIES ACT, 2013**

Definition of “**relative**”, with reference to any person, means anyone who is related to another, if

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed*;

***LIST OF RELATIVES AS PER RULE 4 OF THE COMPANIES (SPECIFICATION OF DEFINITIONS DETAILS) RULES, 2014**

- (i) Father (including step-father)
- (ii) Mother (including step-mother)
- (iii) Son (including step-son)
- (iv) Son’s Wife
- (v) Daughter
- (vi) Daughter’s Husband
- (vii) Brother (including step-brother)
- (viii) Sister (including step-sister)



APPENDIX - II

CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL

A. Definition of related party as per section 2 (76) of the Companies Act, 2013 read with Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014:

“**Related Party**”, with reference to a company, means –

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any body corporate which is –
 - (a) a holding, subsidiary or an associate company of such company;
 - (b) a subsidiary of a holding company to which it is also a subsidiary; or
 - (c) an investing company or the venture of a company;
- (ix) such other person as may be prescribed;

As per Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014, a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be related party.

B. Definition of Related Party Transactions as per Regulation 2(zc) of SEBI LODR:

“**Related Party transaction** means a transfer of resources, services or obligations between a listed entity and related party, regardless of whether a price is charged and a ‘transaction’ with a related party shall be construed to include a single transaction or group of transactions in a contract:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s)

C. Formulation of Policy:

The company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.



Provided that a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Extract of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014

- (1) Except with the consent of the Board of Directors given by a resolution at meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to –
- (a) sale, purchase or supply of any goods or materials;
 - (b) selling or otherwise disposing of, or buying, property of any kind;
 - (c) leasing of property of any kind;
 - (d) availing or rendering of any services;
 - (e) appointment of any agent for purchase or sale of goods, materials, services or property;
 - (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
 - (g) underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:

Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party.

Provided also that nothing contained in the second proviso shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties.

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation. – In this sub-section, –

- (a) the expression “office or place of profit” means any office or place –
 - (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - (ii) where such office or place is held by an individual other than a director or by any



firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- (b) the expression “arm’s length transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014:

(3) For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into-

- (a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below -
- (i) sale, purchase or supply of any goods or materials directly or through appointment of agents amounting to ten per cent or more of the annual turnover as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - (ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents amounting to ten per cent or more of net worth as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - (iii) leasing of property of any kind amounting to ten percent or more of the net worth or exceeding ten percent of turnover as mentioned in clause (c) of sub-section (1) of section 188;
 - (iv) availing or rendering of any services directly or through appointment of agents amounting to ten percent or more of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;
- (b) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
- (c) remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The Turnover or Net Worth referred in the above sub-rules shall be on the basis of the Audited Financial Statement of the preceding Financial year.