



## MADHUCON PROJECTS LIMITED

# **CODE OF CONDUCT FOR INDEPENDENT DIRECTORS**

### **Introduction**

At the core of Madhucon Projects limited (Company) is the value that is emphasised on adherence to good Corporate Governance and managing its affairs in a fair, honest, ethical, transparent and legal manner. This code of conduct policy is formulated to make sure that all independent directors of the Company work to the highest standards of ethics while maintaining a cordial business like atmosphere at all times. This Code is a guide to professional conduct for independent directors and the independent directors are expected to adhere to these standards and fulfill their responsibilities in a professional and faithful manner. This Code shall form part of the Code of Conduct for Board of Directors and Senior Management.

### **Definitions**

1.1 “Independent Director” means an Independent Director defined under as per:

(A)

Section 149 (6) of the Companies Act, 2013 defines: 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:-

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



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2. who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two (2) immediately preceding financial years or during the current financial year
3. 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 (2) % or more of its gross turnover or total income or Rs. 50,00,000/- or such higher amount as may be prescribed, whichever is lower, during the two (2) immediately preceding financial years or during the current financial year;
4. 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 an employee of the company or its holding, subsidiary or associate company in any of the three (3) 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 (3) financial years immediately preceding the financial year in which he is proposed to be appointed, of:-
  - (i) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
  - (ii) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten (10) % or more of the gross turnover of such firm;
5. holds together with his relatives two (2) % or more of the total voting power of the Company; or (iv) is a Chief Executive or director, by whatever name called, of any non- profit organisation that receives twenty-five (25) % or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two (2) % or more of the total voting power of the Company; or
6. who possesses such other qualifications as may be prescribed.

(B)

Regulation 16(b) of the LODR, 2015:

"Independent director" means a non-executive director, other than a nominee director of the listed entity:

1. who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;
2. who is or was not a promoter of the listed entity or its holding, subsidiary or associate company;
3. who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
4. who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two (2) immediately preceding financial years or during the current financial year;
5. none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two (2) % or more of its gross turnover or total income or Rs. 50,00,000/- or such higher amount as may be prescribed from time to time,



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whichever is lower, during the two (2) immediately preceding financial years or during the current financial year;

6. who, neither himself, nor whose relative(s):-
  - (A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three (3) financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (B) is or has been an employee or proprietor or a partner, in any of the three (3) financial years immediately preceding the financial year in which he is proposed to be appointed, of :-
    - I. a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
    - II. any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company IV. amounting to ten (10) % or more of the gross turnover of such firm;
  - (C) holds together with his relatives two (2) % or more of the total voting power of the listed entity; or
  - (D) is a chief executive or director, by whatever name called, of any non- profit organisation that receives twenty-five (25) % or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two (2) % or more of the total voting power of the listed entity;
  - (E) is a material supplier, service provider, or customer, or a lessor or lessee of the listed entity;
7. who is not less than 21 years of age.

1.2. “Act” means Companies Act, 2013 and any modifications and/or re- enactment thereof;

1.3. “Regulation” means regulation 16(b) and 25 of the LODR, 2015;

1.4 “Key Managerial Personnel” means a person as defined in section 2 (51) of the Act, and shall include :-

1. Executive Director;
2. Company Secretary; and
3. Chief Financial Officer.

1.5 “SEBI (LODR) Regulations, 2015”/“LODR,2015” means Listing Obligations and Disclosure Requirements Regulations, 2015 as notified by the Securities and Exchange Board of India on September 02, 2015 effective from December 01, 2015, and any modification and amendment thereto.

### **Guidelines of professional conduct**

The independent directors are expected to maintain the following guidelines/ standards while conducting their professional duty.

1. Independent directors shall uphold ethical standards of integrity and probity in the interests of the Company;



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2. They shall act objectively and constructively while exercising their duties;
3. They shall exercise their responsibilities in a bona fide manner in the interest of the Company;
4. They shall devote sufficient time and attention to their professional obligations for informed and balanced decision making;
5. They shall not allow any extraneous considerations that will 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;
6. They 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;
7. They shall refrain from any action that would lead to loss of their independence;
8. They shall immediately inform the Board where circumstances arise which makes them lose their independence;
9. They shall assist the Company in implementing the best corporate governance practices.

### **Role and obligations**

1. The independent directors shall 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. They shall bring an objective view in the evaluation of the performance of board and management;
3. They shall scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
4. They shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
5. They shall safeguard the interests of all stakeholders, particularly the minority shareholders;
6. They shall balance the conflicting interest of the stakeholders;



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7. They shall 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. They shall moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest.

### Duties

The independent directors shall undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;

1. They shall 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;
2. They shall strive to attend all meetings of the Board of Directors and of the Board committees of which they are members;
3. They shall participate constructively and actively in the committees of the Board in which they are chairpersons or members;
4. They shall strive to attend the general meetings of the Company;
5. Where they have concerns about the running of the Company or a proposed action, they shall ensure that these are addressed by the Board and, to the extent that they are not resolved, they shall insist that their concerns are recorded in the minutes of the Board meeting;
6. They shall keep themselves well informed about the Company and the external environment in which it operates;
7. They shall not unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
8. They shall 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;
9. They shall ascertain and ensure that the Company has an adequate and functional vigil mechanism and ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
10. They shall report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;



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11. They shall while acting within their authority, assist in protecting the legitimate interests of the Company, shareholders and its employees;
12. They shall 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.

### **Obligations under Regulation**

1. A person shall not serve as an independent director in more than seven (7) listed entities:
2. Provided that any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three (3) listed entities.
3. The maximum tenure of independent directors shall be in accordance with the Act and rules made thereunder, in this regard, from time to time.
4. The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management, and all the independent directors shall strive to be present at such meeting.
5. The independent directors in the meeting referred in sub-regulation (3) shall, inter alia-
  - I. review the performance of non-independent directors and the board of directors as a whole;
  - II. review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non- executive directors;
  - III. assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.
6. An independent director shall be held liable only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.



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7. An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by the listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later: Provided that where the listed entity fulfils the requirement of independent directors in its Board without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.
8. The Company shall familiarise the independent directors through various programmes about the listed entity, including the following:
  - I. nature of the industry in which the Company operates;
  - II. business model of the Company;
  - III. roles, rights, responsibilities of independent directors; and d. any other relevant information.
  - IV.

### Manner of appointment

1. The appointment process of independent directors shall be independent of the Company management; while selecting independent directors the Board shall ensure that there is an appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively. The appointment of independent directors of the Company shall be approved at the meeting of shareholders.
2. The explanatory statement attached to the notice of the meeting for approving the appointment of an 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.
3. The appointment of the independent director shall be formalized through a letter of appointment, which shall set out:
  - I. the term of appointment;
  - II. 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;
  - III. the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - IV. provision for Directors and Officers (D and O) insurance, if any;
  - V. 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
  - VI. the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.



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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.

The terms and conditions of appointment of independent directors shall also be posted on the Company's website "www.\_\_\_\_\_".

### **Re-appointment, resignation and removal**

1. The re-appointment of an independent director shall be on the basis of a report of performance evaluation.
2. The resignation or removal of an independent director shall be in the same manner as is provided in Sections 168 and 169 of the Companies Act, 2013.
3. 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 180 days (one hundred and eighty) from the date of such resignation or removal, and/or as per the Listing Agreement with the Stock Exchange, as the case may be.
4. 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, then in that event the requirement of replacement by a new independent director shall not apply.

### **Separate meetings**

1. The independent directors of the Company shall hold at least 1 (one) meeting in a Financial Year, without the attendance of Non-Independent Directors and members of Management;
2. All the Independent Directors of the Company shall strive to be present at such meeting;
3. The meeting shall:-
  - I. review the performance of non-independent directors and the Board as a whole;
  - II. review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors;
  - III. assess the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### **Performance Evaluation**

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 re-appoint the independent director.





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### **Training Programme**

The independent directors shall attend the training programme as may be organized by the Company in order to familiarize them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc.

### **Adherence to the Applicable Laws**

1. The independent directors shall adhere to the provisions of the Companies Act, 1956 and the Companies Act, 2013 to the extent and as may be applicable to them.
2. They shall comply with the provisions of the SEBI (LODR) regulations, 2015.
3. They shall comply with the Code of Conduct for Board of Directors and Senior Management.
4. They shall comply with the Code of Business Ethics of the Company.
5. They shall comply with all the laws to the extent and as may be applicable to the Company.
6. They shall give a declaration that they meet the criteria of independence as provided in section 149(6) of the Companies Act, 2013 and regulation 16(1)(b) of the SEBI (LODR) regulations, 2015 as amended from time to time in the format as given in 'Declaration - I' at the first meeting of the Board in which they participate as directors and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect their status as an independent director.
7. They shall from time to time furnish to the Company such declarations, disclosures, statements as may be required to be furnished by the Directors under the relevant laws.
8. An independent director shall be held liable in respect of such acts of omission or commission by the Company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in the Companies Act, 1956 or the Companies Act, 2013 and the SEBI (LODR) regulations, 2015.

The above policy has been approved by the Board of Madhucon Projects Limited at its meeting held on 28<sup>th</sup> May, 2019.