



**LERTHAI FINANCE LIMITED**

**POLICY ON CODE OF CONDUCT OF BOARD AND SENIOR MANAGEMENT**

## 1. Introduction

This CODE OF CONDUCT (hereinafter referred to as "the Code") has been framed and adopted by "LERTHAI FINANCE LIMITED" (hereinafter referred to as "the Company") with a view to promote good corporate governance.

Ethical business conduct is critical to the business carried on by the Company. Keeping this in mind, the Board of Directors of the Company have adopted the Code of Conduct for its Directors, Senior Management which helps maintain the standards of business conduct for the Company in terms of the Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The purpose of the Code is to enhance further an ethical and transparent process in managing the affairs of the Company and to deter wrong doing. The matters covered in the Code are of utmost importance to the Company, our shareholders and business partners.

It has come into force with effect from 1<sup>st</sup> April 2014 and future amendments/modifications shall take effect from the date stated therein.

## 2. Definitions and Interpretation

"**Board / Board of Directors**" shall mean the Board of Directors of the Company.

"**Independent Director**" means an independent director appointed by the Company in accordance with the provision of the Companies Act, 2013 and the rules thereunder and Listing Regulations (as may be applicable).

"**Senior Management Personnel**" shall mean personnel of the Company who are members of its core management team, excluding Board of Directors. The Senior Management Personnel shall include (i) Chief Financial Officer (CFO) (ii) Company Secretary & Compliance Officer (CS).

"**Relative**" shall mean 'relative' as defined in Section 2(77) of the Companies Act, 2013 read with rules thereunder.

All other words and expressions used but not defined in this Code but defined in the SEBI Act, 1992, the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/ or the rules and regulations made there under shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory

modification or re-enactment thereto, as the case may be.

### **3. Applicability**

This Code shall be applicable to the following persons:

- All members of the Board of Directors of the Company; and
- Senior Management Personnel as defined in clause 2 above of the Code.

### **4. Philosophy of the Code**

The Code envisages and expects that the Board Members and Senior Management Personnel must act within the authority conferred upon and in the best interest of the Company and its shareholders and observe the following:

**Trust and Integrity** - The success of our business is dependent on the trust and confidence we earn from our employees, vendors, lender customers and shareholders. We gain credibility by adhering to our commitments, displaying honesty and integrity. One is judged by its action. The Company is creating working environment conducive to its philosophy of Trust and Integrity.

**Conflict of Interest and Ethical conduct** - The Company is known for its highest professional standards of conduct and includes ethical handling of actual or apparent conflicts of interest between personal and professional relationship. In the event of apprehending of such conflict of interest, the relevant facts shall be disclosed explaining the circumstances that create or could create the conflicts of interest to the Board of Directors for further directions in the matter. It is also incumbent upon every director and Senior Management Personnel to make a full disclosure of any interest which they or their Relatives may have in a family business or a company or firm that is a competitor, supplier, customer or distributor of or has other business dealings with the Company and/or its subsidiaries.

**Use of Assets of the Company** - None of Directors, Senior Management Personnel and the employee shall exploit for their own personal gain, opportunities that are discovered through the use of Company's property, information or position, unless the opportunity is first disclosed in writing to the Company's Board of Directors. All will protect the Company's assets and information and may not use these for personal use, unless authorized to do so. Proper care should be taken to ensure that Company's assets are not misappropriated, loaned to others, or sold or donated, without appropriate authorization. Company's assets must be safeguarded against loss, damage, misuse or theft.

**Independence** - None of Directors, Senior Management Personnel and the employee shall

seek or accept or offer directly or indirectly through Relatives any gifts, donations, remuneration, hospitality, illegal payments, favor in whatsoever form howsoever described by the customers, vendors, consultants, etc., that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commitment of fraud, opportunity for committing any fraud.

**Compliance** - All the Directors, Senior Management Personnel and the employee shall comply with all applicable laws, rules and regulations. Directors and Senior Management Personnel must acquire appropriate knowledge of the legal requirements relating to the duties sufficient to enable them to recognize potential dangers. violations of applicable laws, rules and regulations.

**Insider Trading** - None of the Directors, Senior Management Personnel and the employee shall derive benefit or assist others (including but not limited to Relatives) to derive benefit by giving investment advice from the access to and possession of information about the Company, not in public domain and therefore constitute insider information. The Board Members and Senior Management Personnel shall make timely disclosures of (i) trading in the shares of the Company (ii) transactions having personal interest and (iii) related party transactions that are required to be made under laws, rules & regulations and code for prevention of insider trading in the securities of the Company.

**Confidentiality** - Directors / Senior Management Personnel are required to maintain the confidentiality of all confidential information that they receive or become privy to in connection with the Company's business, except when disclosure is authorized or legally mandated. Confidential information includes all nonpublic information that might prejudice the ability of the Company to pursue certain objectives, be of use to competitors or harm the Company and/or its stakeholders, if disclosed. When disclosure is authorized or legally mandated. Confidential information includes all nonpublic information that might prejudice the ability of the Company to pursue certain objectives, be of use to competitors or harm the Company and/or its stakeholders, if disclosed.

**Health and Safety** - Lerthai Finance Limited is dedicated to maintaining a healthy environment. A safety manual has been designed to educate employees and visitors on safety in the workplace. Being under the influence of illegal drugs and/or alcohol on the job is absolutely prohibited.

**Open and Honest Communication** - At Company everyone should feel comfortable to speak his or her mind, particularly with respect to ethics concerns. All Directors, members of the Senior Management and officers have responsibility to create an open and supportive environment where employees feel comfortable raising any concern or questions. The Company benefits when employees exercise their power to prevent mistakes or wrongdoing

by asking the right questions at the right times. The Company shall investigate all reported instances of questionable or unethical behavior. In every instance where improper behavior is found to have occurred, the Company will take appropriate action. We will not tolerate retaliation against employees who raise genuine ethics concerns in good faith. The Company has open -door policy.

**Independent Director** - In addition to the above, the Company expects that the Independent Directors of the Company shall abide by the guidelines, roles, functions, duties and other relevant provisions as applicable to the Independent Director under the code for Independent Directors specified in schedule IV of the Companies Act, 2013, as may be amended from time to time. This code for Independent Director shall serve as a guide to professional conduct for Independent Directors. Adherence to these standards by Independent Directors and fulfillment 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. The Schedule IV of the Companies Act, 2013 as on the effective date of the Code is attached as **Annexure 1**.

## **5. Enforcement of Code of Conduct**

All Board Member and Senior Management Personnel shall be accountable for fully complying with the Code. Non-compliance of the provisions of this Code shall be reported to the Company Secretary, Lerthai Finance Limited at Office No. 312/313, Third Floor, Barton Centre, Mahatma Gandhi Road, Bangalore - 560001 through Email – at [dattatreya.dhage@nexcigm.com](mailto:dattatreya.dhage@nexcigm.com) .

The Company Secretary shall report breach of the Code, if any, which comes to his / her notice to the Board. The Company shall ensure confidentiality and protection to any person who has, in good faith, reported a violation ora suspected violation of law, of the Code or other Company policies, or against any person who is assisting in any investigation or process with respect to such a violation. Any failure of a Director / Senior Management Personnel to comply with the Code will result in referring his/ her actions / omissions to the Board of Directors. The Board will consider the reference and take such remedial action as deemed fit by it including removal of the person in question from the Board / Office.

## **6. Waivers and amendments of the Code**

We are committed to continuously reviewing and updating our policies and procedures. Therefore, the Code is subject to modification. Any amendment or waiver of any provision of the Code must be approved by the Company's Board of Directors and promptly disclosed as required by any applicable law. Any amendments or wavier must

be accompanied by appropriate controls designed to protect the Company.

**7. Placement of the Code on Website**

This Code and any amendment thereto shall be posted on the website of the Company.

**8. Compliance of the Code**

All the Directors and Senior Management Personnel shall monitor his or her personal compliance with the Code. All Board members and Senior Management Personnel shall within 30 days of close of every financial year affirm compliance with the Code in the format attached as **Annexure 2**. The Annual Compliance Report shall be forwarded to the Company Secretary of the Company.

**9. Acknowledgement of receipt of the Code**

All Board Members and Senior Management Personnel shall acknowledge the receipt of the Code in the acknowledgement form, attached as **Annexure 3**, indicating that they have received, read and agreed to comply with the Code and send the same to the Company Secretary of the Company. Upon revision of the Code, the Board Members and Senior Management Personnel shall acknowledge and execute an understanding of the Code. New Directors will sign such a deed at the time when their directorship begins.

**10. No Rights Created**

This Code is a statement of certain fundamental principles, ethics, values, policies and procedures that govern the Directors and Senior Management Personnel of the Company in the conduct of the Company's business. It is not intended to and does not create any rights in any employee, customer, client, supplier, competitor, shareholder or any other person or entity.

\*\*\*\*\*

## **Annexure 1**

### **Schedule IV of the Companies Act, 2013**

[See section 149(8) 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.

##### **A. 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.

##### **B. 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) scrutinize 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.

### **C. 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; strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- 3) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- 4) strive to attend the general meetings of the company;
- 5) 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;
- 6) keep themselves well informed about the company and the external environment in which it operates;
- 7) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 8) 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) 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;
- 10) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- 11) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 12) 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.
- 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.

**D. 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 fulfills the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
- 4) The appointment of independent directors shall be formalized through a letter of appointment, which shall set out
  - the term of appointment;
  - 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;
  - the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - provision for Directors and Officers (D and O) insurance, if any;
  - the Code of Business Ethics that the company expects its directors and employees to follow;
  - the list of actions that a director should not do while functioning as such in the company;
  - 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.

**E. Re-appointment:**

The re-appointment of independent director shall be on the basis of report of performance evaluation.

**F. 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.

**G. 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:
  - review the performance of non-independent directors and the Board as a whole;
  - review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - 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.

**H. 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.

**Annexure 2**

To  
Company Secretary  
Office No. 312/313  
Third Floor, Barton Centre,  
Mahatma Gandhi Road,  
Bangalore 560001

**Sub: Code of Conduct for Director and Senior Management Personnel of Lerthai  
Finance Limited ("Code of Conduct")**

Dear Sir

Reference above, I hereby confirm that I have complied with the above referred Code  
of Conduct during the financial year ended on 31st March .....

Thanks & regards,

Name: .....

Designation: .....

Date: .....

Note: to be submitted by 30th April each year

**Annexure 3**

To  
Company Secretary  
Office No. 312/313  
Third Floor, Barton Centre,  
Mahatma Gandhi Road,  
Bangalore 560001

**Sub: Code of Conduct for Director and Senior Management Personnel of Lerthai Finance Limited (“Code of Conduct”)**

Dear Sir

Reference above, I hereby acknowledge the receipt of the Code of Conduct for Directors and Senior Management Personnel and confirm that I have read and agree to comply with this Code of Conduct.

I also undertake to submit the Annual Compliance Report to the Company Secretary of the Company at the end of each financial year.

Thanks & regards,

Name: .....

Designation: .....

Date: .....