

PALI COMMERCIAL CO LTD

CODE OF CONDUCT OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

1. Preamble

In order to maintain the high standards, the following rules / code of conduct should be observed in all the activities of the Board and the Senior Management.

This code will apply to:

- All Directors and
- Senior Management. “Senior Management” shall mean personnel of the company who are members of its core management team and all functional heads.

Independent directors of the Company are subject to certain additional duties and standards of conduct under the Companies Act, 2013 which are set out in Annexure 1 to this Code.

All Directors and Senior Management must act within the bounds of authority conferred upon them with a duty to make and enact informed decisions and policies in the best interests of the company and its stakeholders.

The Company Secretary will act as the facilitator, who will be available to all the directors and senior management personnel to answer questions and to help them comply with the code.

2. Honesty and integrity

- They shall conduct their activities, on behalf of the company, with honesty, integrity and fairness.
- They will act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgement to be subordinated.
- They will act in the best interests of the company and fulfil the fiduciary obligations.

3. Conflict of interest

They shall not engage in any business, relationship or activity, which is likely to develop a conflict of interest with the Company. Conflicts can arise in many situations, it is not possible to cover every possible conflict situation and at times, it will not be easy to distinguish between proper and improper activity. Some of the common circumstances that may lead to actual or potential conflict of interest are:

- Any activity / employment that interferes with the performance or responsibility to the company or is otherwise in conflict with or prejudicial to the company
- Investments by them / their family members viz. parents, spouse and sons / daughters, in unlisted entities of competitors, customers, suppliers and any other investments that compromise their responsibility to the company

4. Compliance

Efforts have to be taken to ensure compliance with all applicable laws, rules and regulations, both in letter and spirit.

Any possible violation of law, rules, regulations or the code of conduct has to be reported to the Company Secretary, who will be available to assist in interpreting the appropriateness of any event or action or proposed event or action, in this context.

5. Other directorships

They should avoid serving on Boards or in Senior Management positions or in a controlling position of a direct competitor or customer or supplier which is likely to lead to potential conflict of interest.

6. Confidentiality of information

Any information concerning the company's business, its customers, suppliers and other stakeholders which is not in the public domain and which they possess or have access to, must be kept in strict confidence unless disclosure is authorized or becomes a legal requirement.

7. Insider trading

They should not derive any benefit or assist others in deriving any benefit it by giving investment advice based on their access to and possession of information about the company, not in public domain and therefore constituting insider information. They shall comply with the insider trading policy which has been framed by the company in compliance to the guidelines issued by SEBI.

8. Gifts and donations

They should not receive or offer, directly or indirectly, any payments, gifts, donations, hospitality and comparable benefits which are intended or perceived to be intended to influence any business favours.

9. Protection of assets

They must protect the company's assets and should not use the company's assets or manpower or company-related information for their personal purposes, unless approved by the Board (in the case of Directors) or the MD (in the case of Senior Management personnel).

10. Periodic review

In the last month of every financial year or whenever this code is revised, every director/ senior management personnel must acknowledge understanding of the code and execute an undertaking to continue complying with it. New directors / senior management personnel shall execute such undertaking at the time of their induction.

Annexure 1

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:

- 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 they are a member;
- 4) participate constructively and actively in the Board Committees in which they are chairpersons or members;
- 5) strive to attend the general meetings of the Company;
- 6) Ensure, where they have concerns about the running of the Company or a proposed action, that these are addressed by the Board of Directors;
- 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 Board Committee;
- 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 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 Code of Conduct;
- 12) Act within their authority and assist in protecting the legitimate interests of the Company, shareholders and its employees;
- 13) Not to disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans and unpublished price sensitive information, unless such disclosure is expressly approved by the Board of Directors or required by law.

IV. 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;
 - 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.