

Arohan Financial Services Limited

Code of Conduct for Board Members and Senior Management Personnel Policy Version 1.0



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Approved by : The Board

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1. PREFACE

Integrity, Responsiveness, Commitment and Team Spirit form integral part of the core beliefs of all activities at Arohan Financial Services 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 objective of this Code of Conduct for the Board of Directors (hereinafter referred to as the “this Policy” / “the Code”) including the Independent Directors (hereinafter referred to as the “Directors”) of Arohan Financial Services Limited (hereinafter mentioned as ‘the Company’) and Senior Management (hereinafter referred to as the “Managers”) is for bringing uniform understanding required to:

- Maintain the highest standard of Business Conduct & Ethics for the Company
- Provide guidance in difficult situations involving conflict of interest & moral dilemma and
- Ensures compliance with all applicable laws

2. BASIC GUIDELINES

The Company currently has Code of Conduct implemented, which govern the conduct of all employees of the Company including Directors and along with the same this Policy is applicable specifically to all Directors and Senior Management, including the Independent Directors.

This Code of Conduct has been framed and adopted by the Company in compliance with Regulation 17(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. DEFINITIONS & INTERPRETATION

3.1. In this Code, words / expressions shall have the meaning assigned to them below, which is based on the Companies Act, 2013.

Directors	All the members of the Board of Directors of the Company, including Independent Directors
Company	Arohan Financial Services Limited
Independent Directors	Director other than a managing director or a whole-time director or a nominee director as detailed in the Companies Act Section 149 (6).
Whole-time Directors	Board Members who are in whole-time employment of the Company.
Senior Management	All “Key Executives” of the Company as identified by the Executive Committee of the Company from time to

	time.
Relative	As defined in Section 2(77) of the Companies Act, 2013 read with The Companies (Specification of definitions details) Rules, 2014 as reproduced in Annexure – A .

3.2. In this Code, words and expression are done with no differentiation on Gender and words importing singular shall include plural or vice versa.

4. APPLICABILITY

This Code shall be applicable to All Directors and Senior Management.

5. DEFINED CODES TO COMPLY

The Directors and Senior Management shall, act within the authority advised upon them in the best interests of the Company, strictly comply the Code and will:

- 5.1.** Act in the best interest of the Company and its shareholders;
- 5.2.** Fulfill their fiduciary obligations to the Company and its shareholders;
- 5.3.** Act honestly, fairly, ethically and with integrity;
- 5.4.** Conduct in professional, courteous and respectful manner and not take improper advantage of their position;
- 5.5.** Act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgment to be subordinated;
- 5.6.** Use their sensible judgment to avoid all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Company;
- 5.7.** Not exploit own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the Company declines to pursue such opportunity for its business interest(s);
- 5.8.** Avoid conducting business on behalf of the Company except with the prior approval of the Board; with (a) a relative (b) a Private Limited Company in

which he or his relative is a Member or a Director (c) a Public Limited Company in which he along with his relative holds more than two per cent of its paid-up share capital; and (d) with a firm in which he or his relative is a partner;

- 5.9.** Disclose and avoid having any personal and/or financial interest in any business dealings concerning the Company;
- 5.10.** Avoid any dealings with a Contractor or Supplier that compromises the ability to transact business on a professional, impartial and competitive basis or influence decision to be made by the Company;
- 5.11.** Not hold any positions or jobs or engage in outside businesses or other interests that are prejudicial to the interests of the Company; and
- 5.12.** Inform the Board, at the earliest opportunity, any existing or potential conflict of interest situation.

Clarification: It would not be a conflict of interest for the Director & Senior Management of the Company or members of their immediate family to have dealings in normal course with and to obtain services from persons or entities who also deal/provide services to the Company, including legal, accounting or brokerage services, loans & services from banks or insurance from insurance companies etc., at rates customary for similarly situated customers.

- 5.13. Directorship in Other Companies:** Unless specifically permitted by the Board, the Board Members shall not serve as Director of any other Company or as Partner of a Firm that is engaged in a competing business with the Company. Senior Management Personnel shall obtain prior approval of the Chairman and Managing Director/Competent Authority for accepting Directorship of any other company or partnership of a firm.
- 5.14. Gifts & Donations:** The Directors and the Senior Management shall neither receive nor offer or make, directly or indirectly, any gifts, donations or comparable benefits which are intended to or perceived to obtain undue favours in the transactions detrimental to the interest of the Company, except for nominal 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.
- 5.15. Continuous improvements:** All the Directors and Managers should strive hard to adopt a customer oriented approach and to make the

Company more competitive. They should endeavor to make continuous improvements in all the business plans & processes, should foster suggestions / take innovative steps for the betterment of the Company.

5.16. Insider Trading: The Directors and Senior Management shall comply with the Code of Internal Procedures and Conduct in dealing with the securities of the Company as applicable from time to time.

5.17. Confidentiality Of Information: Any information concerning the Company's business, its customers, suppliers, etc. to which the Directors and Senior Management have access or which is possessed by the Directors and Senior Management, must be considered privileged and confidential and should be held in confidence at all times, and should not be disclosed to any person, unless:

5.16.1. specifically authorized; or

5.16.2. the same is part of the public domain at the time of disclosure; or

5.16.3. is required to be disclosed in accordance with applicable laws.

5.18. Public Representation: The Company honours the information requirements of the public and its stakeholders. In all its public appearance with respect to disclosing information in relation to the Company's activities to public through any type of media, the financial community, employees and shareholders, the Company shall be represented only by specifically authorised directors and employees. It will be the sole responsibility of these authorised representatives to disclose Company related information.

5.19. HSE (Health, Safety & Environment): The Directors and Senior Management shall be committed to prevent the wasteful use of natural resources and minimize any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment.

5.20. Regulatory Compliance: Every Director and Senior Management shall comply with all applicable laws and regulations in their business conduct, both in letter and in spirit, at all locations where the Company operates. If the ethical and professional standards set out in the applicable laws and regulations are below that of the Code, then the standards of the Code shall prevail.

5.21. Protection of Assets: The Directors and Senior Management of the Company shall employ the assets of the Company and for the purpose of conducting the business for which they are duly authorised. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as proprietary information, all company data, relationships with customers and suppliers, etc.

5.22. Additional Requirements for Independent Directors: Along with complying this Code, Independent Directors are also required to adhere to the Code of Conduct (in line with Schedule-IV of the Companies Act, 2013) meant for Independent Directors of the Company (**Annexure – A**).

6. WAIVERS AND AMENDMENTS OF THE CODE

The Board of Directors is committed to continuously review and update the policies and procedures. Therefore, this Code is subject to modifications, waivers and amendments as the Board may think appropriate from time to time. The Board or any designated person/committee can waive compliance with this code for any director or Manager of the Company.

7. PLACEMENT OF THE CODE OF CONDUCT ON THE COMPANY WEBSITE:

As compliance of the Clause 46 (d) of the Companies Act-2013, this Code and any amendments thereto shall be posted on the website of the Company.

8. 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.

9. VIOLATION OF THE CODE

9.1. The Board of Directors has the power to take appropriate action against anyone or more found violating the provisions of this Code.

9.2. In case of violation of this Code by the Senior Management, the same shall be dealt by Chairman & Managing Director in accordance with the Violation of Code of Conduct Matrix of the Company.

9.3. Where the Company has suffered a loss due to such violation, it may pursue remedies against the individual.

Annexure - A

**EXTRACT OF SECTION 2(77) OF THE COMPANIES ACT, 2013 AND
RULES MADE THERE UNDER**

Meaning of “relative”

“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;

The Companies (Specification of definitions details) Rules, 2014-para 4 prescribed as under:

List of relatives in terms of clause (77) of section 2.- A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- (1) Father: provided that the term “Father” includes step-father.
- (2) Mother: Provided that the term “Mother” includes the step-mother.
- (3) Son: Provided that the term “Son” includes the step-son.
- (4) Son’s wife.
- (5) Daughter.
- (6) Daughter’s husband.
- (7) Brother: Provided that the term “Brother” includes the step-brother;
- (8) Sister: Provided that the term “Sister” includes the step-sister.

Annexure- B

SCHEDULE IV

[See section 149(8)]

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 there under and that the proposed director is independent of the management.

(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;

(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.