

# FIRSTSOURCE SOLUTIONS CODE OF CONDUCT FOR PROHIBITION OF INSIDER TRADING

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## INTRODUCTION

Insider trading means dealing in Securities of a Company listed/traded on any stock exchange in India based on, or when in possession of, unpublished price sensitive information.

With a view to govern the conduct of insiders on matters relating to insider trading, the Securities and Exchange Board of India ("SEBI") has formulated SEBI (Prohibition of Insider Trading) Regulations, 2015 (The "Regulations"). These Regulations would come into force on 15th May, 2015 and repeal the earlier Regulations issued by SEBI in this regard.

These Regulations require all listed companies to formulate a Code of Conduct to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with these regulations, adopting the minimum standards as set out in Schedule B to these Regulations without diluting the provisions of these Regulations in any manner.

Firstsource Solutions Limited ("the Company") has formulated this Code of Conduct called Firstsource Solutions Code of Conduct for Prohibition of Insider Trading ("the Code"). The Code shall come into force w.e.f. 15th May, 2015 and will supersede the earlier Firstsource Solutions Code of Conduct for Prevention of Insider Trading, as approved by the Board of Directors of the Company which was effective since 31st October, 2008.

All the designated persons and immediate relatives of designated persons are advised to carefully go through and familiarise themselves with and adhere to these Regulations and the Code.

## TITLE, COMMENCEMENT AND EXTENT

- I. This Code is called Firstsource Solutions Code of Conduct for Prohibition of Insider Trading ("the Code").
- II. The Code shall come into force w.e.f. 15<sup>th</sup> May 2015 and will supersede the earlier Firstsource Solutions Code of Conduct for Prevention of Insider Trading, as approved by the Board of Directors of the Company which was effective since 31st October, 2008.
- III. This Code is applicable to the designated persons, immediate relatives of designated persons and other connected persons as defined in this Code.

## 1. DEFINITIONS

In this Code, unless the context otherwise requires,

**"Act"** means the Securities and Exchange Board of India Act, 1992.

**"Board"** means the Board of Directors of the Company.

**"Code"** means this Firstsource Solutions Code of Conduct for Prohibition of Insider Trading by Insiders as modified from time to time.

**"Compliance Officer"** means any senior officer, designated so and reporting to the Board of Directors of the Company or head of organisation who is financially literate and is capable of appreciating requirements for legal and regulatory compliance under these regulations and who shall be responsible for compliance of policies, procedures, maintenance of records, monitoring adherence to the rules for the preservation of unpublished price sensitive information, monitoring of trades and the implementation of the codes specified in these regulations under the overall supervision of the Board of Directors of the Company or the head of organisation. The Company Secretary and/ or the CFO of the Company and/or any other officer of the Company as authorised by the Managing Director & CEO of the Company will act as the Compliance Officer.

“Explanation—For the purpose of this regulation, “financially literate” shall mean a person who has the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.”

**"Connected person"** means,-

(i) any person who is or has during the six months prior to the concerned act been associated with the Company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the Company or holds any position including a professional or business relationship between himself and the Company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

(ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established, -

- a) a relative of connected persons specified in clause (i); or
- b) a holding company or associate company or subsidiary company of the Company; or
- c) an intermediary as specified in section 12 of the Act or an employee or director thereof; or
- d) an investment company, trustee company, asset management company or an employee or director thereof; or
- e) an official of a stock exchange or of clearing house or corporation; or
- f) a member of board of trustees of a mutual fund or a member of the board of directors of the asset management company of a mutual fund or is an employee thereof; or a member of the board of directors or an employee, of a public financial institution as defined in section 2 (72) of the Companies Act, 2013; or
- g) an official or an employee of a self-regulatory organization recognised or authorized by the Board; or
- h) a banker of the Company; or
- i) a concern, firm, trust, Hindu undivided family, company or association of persons wherein a director of the Company or his relative or banker of the Company, has more than ten per cent, of the holding or interest;
- j) a firm or its partner or its employee in which a connected person specified in sub-clause (i) of clause (d) is also a partner;
- k) a person sharing household or residence with a connected person specified in sub-clause (i) of clause (d);]

NOTE: It is intended that a connected person is one who has a connection with the Company that is expected to put him in possession of unpublished price sensitive information. Relatives and other categories of persons specified above are also presumed to be connected persons but such a presumption is a deeming legal fiction and is rebuttable. This definition is also intended to bring into its ambit persons who may not seemingly not occupy any position in the Company but are in regular touch with the Company and its officers and are involved in the know of the Company's operations. It is intended to bring within its ambit those who would have access to or could access unpublished price sensitive information about any company or class of companies by virtue of any connection that would put them in possession of unpublished price sensitive information.

**"Director"** means a Director on the Board of Directors of the Company.

**"Employee"** means every Employee of the Company and its Subsidiaries.

**"Designated Persons"** shall include

- i) Directors of the Company
- ii) All Promoters of the Company

- iii) Employees designated as or is equivalent to Senior Vice President level & above, who can reasonably be expected to have access to any unpublished price sensitive information, as may be designated by the Compliance Officer in consultation with the CFO of the Company, from time to time
- iv) Employees working in Finance Department, who can reasonably be expected to have access to any unpublished price sensitive information, as may be designated by the Compliance Officer in consultation with the CFO of the Company, from time to time.
- v) Others Employees and Persons who can reasonably be expected to have access to any price sensitive information on the basis of their role and function, as may be designated by the Compliance Officer in consultation with the CFO of the Company or other functional heads, from time to time.
- vi) Such employees of the Company and its Material Subsidiaries in finance, secretarial, investor relations and any other department as may be determined by the Compliance Officer from time to time;
- vii) The chief executive officer and employees up to two levels below chief executive officer of the Company and its Material Subsidiaries irrespective of their functional role in the Company or the Material Subsidiary, as the case may be or their ability to have access to UPSI;
- viii) Designated Persons shall also include their Immediate Relatives

**"Generally available information"** means information that is accessible to the public on a non-discriminatory basis and shall not include unverified event or information reported in print or electronic media.

**"Immediate relative"** means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities.

**"Insider"** means any person who is:

- i) a connected person; or
- ii) in possession of or having access to unpublished price sensitive information.

NOTE: Since "generally available information" is defined, it is intended that anyone in possession of or having access to unpublished price sensitive information should be considered an "insider" regardless of how one came in possession of or had access to such information. Various circumstances are provided for such a person to demonstrate that he has not indulged in insider trading. Therefore, this definition is intended to bring within its reach any person who is in receipt of or has access to unpublished price sensitive information. The onus of showing that a certain person was in possession of or had access to unpublished price sensitive information at the time of trading would, therefore, be on the person leveling the charge after which the person who has traded when in possession of or having access to unpublished price sensitive information may demonstrate that he was not in such possession or that he has not traded or he could not access or that his trading when in possession of such information was squarely covered by the exonerating circumstances.

**“legitimate purpose”** mean shall include sharing of unpublished price sensitive information in the ordinary course of business by an insider with partners, collaborators, lenders, customers, suppliers, merchant bankers, legal advisors, auditors, insolvency professionals or other advisors or consultants, provided that such sharing has not been carried out to evade or circumvent the prohibitions of these regulations.

Any person in receipt of unpublished price sensitive information pursuant to a “legitimate purpose” shall be considered an “insider” for purposes of these regulations and due notice shall be given to such persons to maintain confidentiality of such unpublished price sensitive information in compliance with these regulations.

**“Intermediary”** means persons as specified in section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) or an employee or director thereof.

**“Key Managerial Personnel”** means a person as defined in section 2(51) of the Companies Act, 2013.

**“Material Financial Relationship”** means a relationship in which one person is a recipient of any kind of payment such as by way of a loan or gift from a designated person during the immediately preceding twelve months, equivalent to at least 25% of the annual income of such designated person but shall exclude relationships in which the payment is based on arm’s length transactions.

**“Material Subsidiary”** shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year or such other company determined by the Company as material per its policy on determining material subsidiaries.

**“Officer of the Company”** means and includes any Director, Key Managerial Personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act.

**“Promoter”** means and shall have the meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any modification thereof.

**“Promoter Group”** shall have the meaning assigned to it under the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any modifications thereof.

**“Regulations”** means the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

**“SEBI”** means the Securities and Exchange Board of India.

**“Securities”** shall have the meaning assigned to it under the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or any modification thereof except units of a mutual fund.

**“Specified Persons”** means the Directors, connected persons, the Insiders, the Designated Persons and the promoters and their immediate relatives who are collectively referred to as Specified Persons.

**“Subsidiaries”** shall have the meaning as described in the Companies Act, 2013.

**“Takeover Regulations”** means the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and any amendments thereto.

**“Trading”** means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly.

**“Trading day”** means a day on which the recognized stock exchanges are open for trading.

**“Unpublished price sensitive information”** means any information, relating to the Company or its securities, directly or indirectly, that is not generally available, which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: -

- (i) financial results
- (ii) dividends;
- (iii) change in capital structure;
- (iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business, award or termination of order/contracts not in the normal course of business and such other transactions;
- (v) changes in key managerial personnel, other than due to superannuation or end of term, and resignation of a Statutory Auditor or Secretarial Auditor
- (vi) material events in accordance with the listing agreement.
- (vi) change in rating(s), other than ESG rating(s);
- (vii) fund raising proposed to be undertaken;
- (viii) agreements, by whatever name called, which may impact the management or control of the company;
- (ix) fraud or defaults by the company, its promoter, director, key managerial personnel, or subsidiary or arrest of key managerial personnel, promoter or director of the company, whether occurred within India or abroad;
- (x) resolution plan/ restructuring or one time settlement in relation to loans/borrowings from banks/financial institutions;

- (xi) admission of winding-up petition filed by any party /creditors and admission of application by the Tribunal filed by the corporate applicant or financial creditors for initiation of corporate insolvency resolution process against the company as a corporate debtor, approval of resolution plan or rejection thereof under the Insolvency and Bankruptcy Code, 2016;
- (xii) initiation of forensic audit, by whatever name called, by the company or any other entity for detecting mis-statement in financials, misappropriation/ siphoning or diversion of funds and receipt of final forensic audit report;
- (xiii) action(s) initiated, or orders passed within India or abroad, by any regulatory, statutory, enforcement authority or judicial body against the company or its directors, key managerial personnel, promoter or subsidiary, in relation to the company;
- (xiv) outcome of any litigation(s) or dispute(s) which may have an impact on the company;
- (xv) giving of guarantees or indemnity or becoming a surety, by whatever named called, for any third party, by the company not in the normal course of business;
- (xvi) granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.

Explanation 1- For the purpose of sub-clause (ix):

- a. 'Fraud' shall have the same meaning as referred to in Regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.
- b. 'Default' shall have the same meaning as referred to in Clause 6 of paragraph A of Part A of Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Explanation 2- For identification of events enumerated in this clause as unpublished price sensitive information, the guidelines for materiality referred at paragraph A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be specified by the Board from time to time and materiality as referred at paragraph B of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be applicable."Words and expressions used and not defined in this Code of Conduct but defined in the Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act, 2013, as amended, and rules and regulations made thereunder shall have the meanings respectively assigned therein.

## 2. DUTIES OF COMPLIANCE OFFICER

1. He/she shall maintain a record of Designated Persons and their immediate relatives, and any changes made to their list.

2. He/she shall intimate to the Designated Persons about the period during which the Trading Window would be closed and the date when the Trading Window would be reopened.
3. He/she shall maintain a record of 'Trading Window Closure Period' as intimated from time to time.
4. He/she shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of Unpublished Price-Sensitive Information, pre-clearing of Designated Persons' and their Immediate Relatives' trades, monitoring and regulating of their trades and the implementation of the Code under the overall supervision of the Board of Directors of the Company.
5. He/she shall maintain records of all the declarations submitted in the appropriate forms given by the Directors, Officers and Designated Persons for a minimum period of five years.
6. The Compliance Officer shall report to the Board of Directors and place before the Chairman of the Audit Committee on yearly basis, details of trading made by Designated Persons along with accompanying documents executed under the pre-clearance procedure, if any.
7. He/she shall intimate to all the Stock Exchanges on which the Securities of the Company are listed, the disclosure which are required to be notified to the Stock Exchanges under Regulation 7 of SEBI (Prohibition of Insider Trading Regulations), 2015.
8. He/she shall ensure that Trading Window Closure Period and the date of its reopening are promptly intimated to all concerned.
9. He/she shall be responsible for overseeing and co-ordinating disclosure of unpublished price sensitive information to stock exchanges, analysts, shareholders and media and educating staff on disclosure policies and procedure.
10. He/she shall ensure that designated persons trade in securities only when compliant with the code of conduct.
11. He/she shall implement a notional trading window as an instrument to monitor trades by designated persons.
12. He/she shall close the trading window when designated persons are likely to have access to unpublished price sensitive information (UPSI).
13. During the closure of the trading window, he/she shall ensure that designated persons and their immediate relatives do not trade in the concerned securities.
14. If UPSI does not originate from the listed company, he/she may decide not to close the trading window.
15. He/she shall ensure the trading window is closed from the end of each financial quarter until 48 hours after the declaration of financial results.
16. He/she shall coordinate with the Audit Committee and the Board to ensure the gap between clearance of accounts and the board meeting is minimal, preferably on the same day, to avoid leaks.

17. He/she shall not apply trading window restrictions to:

- Specific exempted transactions provided in clauses (i) to (iv) and (vi) of the proviso to sub-regulation (1) of regulation 4,
- Pledge of shares for bona fide purposes, subject to pre-clearance,
- Rights issues, conversion of warrants/debentures, buybacks, open offers, etc.,
- Other mechanisms as specified by SEBI from time to time.

18. He/she shall determine the timing for re-opening of the trading window.

19. He/she shall re-open the trading window only after at least 48 hours from the time the UPSI becomes generally available and is assimilated by the market

20. When the trading window is open, he/she shall grant pre-clearance for trades that exceed the threshold specified by the board.

### 3. PRESERVATION OF PRICE SENSITIVE INFORMATION

1) The Designated persons shall maintain the confidentiality of all unpublished Price Sensitive Information in their possession.

2) The Specified Persons shall not advise, communicate, counsel, inform or pass on such information to any person, directly or indirectly, other than communication required to be made/done in the ordinary course of business, or under any law.

3) Unpublished Price Sensitive Information shall be handled on a "need-to-know" basis, i.e., unpublished Price Sensitive Information should be disclosed only to those who need the information to discharge their duty and/or functions.

4) Unpublished price sensitive information may be communicated, provided, allowed access to or procured, in connection with a transaction which entails:

- an obligation to make an open offer under the Takeover Regulations where the Board of Directors of the Company is of informed opinion that the sharing of such information is in the best interests of the Company; or
- not attracting the obligation to make an open offer under the takeover regulations but where the Board of Directors of the Company is of informed opinion that the sharing of such information is in the best interests of the Company and the information that constitute unpublished price sensitive information is disseminated to be made generally available at least two trading days prior to the sharing of such information being effected in such form as the Board of Directors may determine to be adequate and fair to cover all relevant and material facts.

However, the Board of Directors shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations on the part of such parties and such parties shall keep information so received confidential, except for the limited purpose and shall not otherwise trade in securities of the Company when in possession of unpublished price sensitive information. Further, the board of directors shall ensure that a structured digital database is maintained containing the names of such persons or entities as the case may be with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such databases shall be maintained with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.

#### 5) Need to Know:

- I. "need to know" basis means that Unpublished Price Sensitive Information should be disclosed only to those who need the information to discharge their duty and whose possession of such information will not give rise to a conflict of interest or appearance of misuse of the information.
- II. All non-public information directly received by any designated person should immediately be reported to the head of the department.

#### 6) Chinese Walls

- i. Identification of Inside Areas and Public Areas: To prevent the misuse of confidential information the Company shall establish procedures and processes which separate/demarcate those areas of the Company which routinely have access to UPSI, considered "Inside Areas" from other departments providing support services, considered "Public Areas".
- ii. The Designated Persons in an Inside Area shall not communicate any UPSI to any one in Public Area.
- iii. Even on a particular side of the Chinese Wall, UPSI may not be shared among Designated Persons or any other recipient of such information, except on a need to know basis.
- iv. In exceptional circumstances persons from Public Areas may be brought "over the wall" and given confidential information strictly on "need to know basis". Upon the transmission of UPSI in the foregoing manner, the relevant person from the public area, if not already a Designated Person, will be deemed to be a Designated Person and shall become bound by this Insider Trading Code.
- v. Crossing the Chinese Wall: To complete or assist in a particular mandate or assignment of an Inside Area of the Chinese Wall, assistance of Designated Persons in the Public Area may be required for discussion on or as a part of a team for such mandate or assignment. In such an instance, the Designated Persons in the Public Area would be considered as having "Crossed the Chinese Wall" and have come on the Inside Area of the Chinese Wall, only during the duration of the mandate/assignment. Approval of the head of the

concerned business must be obtained to Cross the Chinese Wall and such precautions taken, as may be stipulated. Such "crossing of Chinese Wall" should be reported to the Compliance Officer for his records.

- vi. Responsibilities post Crossing of the Wall: While any Designated Persons from the Public Area is in the Inside Area after having crossed the Chinese Wall, he shall strictly maintain the confidentiality of the transaction or UPSI and will be subject to general principles governing confidentiality and the handling and use of UPSI.
- vii. Persons crossing the Chinese Wall shall be provided with only such information as is reasonably necessary and appropriate for him to accomplish the purpose for which the Chinese Wall is crossed from the Public Area to the Inside Area.
- viii. In case of doubt whether certain information falls within the scope of or not the same may be brought to the attention of the Compliance Officer for clarity.

## 4. LIMITED ACCESS TO UNPUBLISHED PRICE SENSITIVE INFORMATION

- 1) All files, papers and records containing unpublished Price Sensitive Information should be kept secure.
- 2) In case of unpublished Price Sensitive Information being available in the computer files, the same should be secured in the appropriate manner.

## 5. PREVENTION OF MISUSE OF UNPUBLISHED PRICE SENSITIVE INFORMATION

- 5.1 Notwithstanding anything contained in the Code, the Designated Persons shall not engage in trading in Securities, whether on their own account, or on account of their immediate relatives or on the Company's account, and further shall ensure that their immediate relatives shall also not engage in trading in Securities on their own account, if such Designated Person is in possession of any unpublished Price Sensitive Information. When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession. In the case of connected persons, the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on the Board.
- 5.2 The Chief Executive Officer, Managing Director or such other analogous person of the Company, intermediary or fiduciary shall put in place adequate and effective system of internal controls to ensure compliance with the requirements given in these regulations to prevent insider trading.

### 5.3 The internal controls shall include the following:

- all employees who have access to unpublished price sensitive information are identified as designated employee;
- all the unpublished price sensitive information shall be identified, and its confidentiality shall be maintained as per the requirements of these regulations;
- adequate restrictions shall be placed on communication or procurement of unpublished price sensitive information as required by these regulations;
- lists of all employees and other persons with whom unpublished price sensitive information is shared shall be maintained and confidentiality agreements shall be signed or notice shall be served to all such employees and persons;
- all other relevant requirements specified under these regulations shall be complied with;
- periodic process review to evaluate effectiveness of such internal controls.
- The board of directors of the Company and the board of directors or head(s) of the organisation of intermediaries and fiduciaries as defined in Regulation 9 (1) shall ensure that the Chief Executive Officer or the Managing Director or such other analogous person ensures compliance with regulation 9 and sub-regulations (1) and (2) of the Regulation.
- The Audit Committee of the Company or other analogous body for intermediary or fiduciary shall review compliance with the provisions of these regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.
- The Company shall formulate written policies and procedures for inquiry in case of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information, which shall be approved by board of directors of the company and accordingly initiate appropriate inquiries on becoming aware of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information and inform the Board promptly of such leaks, inquiries and results of such inquiries.
- The whistle-blower policy of the Company includes such provisions to make employees aware of such policy to enable employees to report instances of leak of unpublished price sensitive information.
- In case of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information and on initiation of inquiry by the Company the relevant intermediaries and fiduciaries shall co-operate with the Company in connection with such inquiry conducted by the Company.

## 6. TRADING PLAN

An insider shall be entitled to formulate a trading plan for dealing in securities of the Company and present it to the Compliance Officer for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan.

**NOTE:** This provision intends to give an option to persons who may be perpetually in possession of unpublished price sensitive information and enabling them to trade in securities in a compliant manner. This provision would enable the formulation of a trading plan by an insider to enable him to plan for trades to be executed in future. By doing so, the possession of unpublished price sensitive information when a trade under a trading plan is actually executed would not prohibit the execution of such trades that he had pre-decided even before the unpublished price sensitive information came into being.

Trading Plan shall:

- (i) not entail commencement of trading on behalf of the Insider earlier than one hundred and twenty calendar days from the public disclosure of the plan;

Note: It is intended that to get the benefit of a trading plan, a cool-off period of one hundred and twenty calendar days is necessary. Companies declare their results quarterly and there exists a trading restriction, in terms of these Regulations, from quarter end to two days after declaration of quarterly result, which, it is seen, is generally a period of around one month for most companies. Thus, one hundred and twenty calendar days] period is considered reasonably long for unpublished price sensitive information that is in possession of the insider when formulating the trading plan, to become generally available. It is also considered to be a reasonable period for a time lag in which new unpublished price sensitive information may come into being without adversely affecting the trading plan formulated earlier. In any case, it should be remembered that this is only a statutory cool-off period and would not grant immunity from action if the insider were to be in possession of the same unpublished price sensitive information both at the time of formulation of the plan and implementation of the same.

- (iv) not entail overlap of any period for which another trading plan is already in existence;

Note: Clause (ii) and (iii) is Omitted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2024 (w.e.f. September 24, 2024).

**NOTE:**

It is intended that it would be undesirable to have multiple trading plans operating during the same time period. Since it would be possible for an insider to time the publication of the unpublished price sensitive information to make it generally available instead of timing the trades, it is important not to have the ability to initiate more than one plan covering the same time period.

- (v) set out following parameters for each trade to be executed:

- (i) either the value of trade to be effected or the number of securities to be traded;
- (ii) nature of the trade;

- (iii) either specific date or time period not exceeding five consecutive trading days;
- (iv) price limit, that is an upper price limit for a buy trade and a lower price limit for a sell trade, subject to the range as specified below:
  - a. for a buy trade: the upper price limit shall be between the closing price on the day before submission of the trading plan and upto twenty per cent higher than such closing price;
  - b. for a sell trade: the lower price limit shall be between the closing price on the day before submission of the trading plan and upto twenty per cent lower than such closing price

Explanation:

- (i) While the parameters in sub-clauses (i), (ii) and (iii) shall be mandatorily mentioned for each trade, the parameter in sub-clause (iv) shall be optional.
- (ii) The price limit in sub-clause (iv) shall be rounded off to the nearest numeral
- (iii) Insider may make adjustments, with the approval of the compliance officer, in the number of securities and price limit in the event of corporate actions related to bonus issue and stock split occurring after the approval of trading plan and the same shall be notified on the stock exchanges on which securities are listed.]

**NOTE:** It is intended that while regulations should not be too prescriptive and rigid about what a trading plan should entail, they should stipulate certain basic parameters that a trading plan should conform to and within which, the plan may be formulated with full flexibility. The nature of the trades entailed in the trading plan i.e. acquisition or disposal should be set out. The trading plan may set out the value of securities or the number of securities to be invested or divested. Specific dates or specific time period may be set out in the plan. However, there should be an outer limit on the duration of the time period, so that while it allows the insider to split their trades across different dates, duration should not be so long that it is prone to misuse.

Further, to protect the insider from unexpected price movements, he may, at the time of formulation of trading plan, provide price limits within the range specified in these Regulations.]

- (vi) not entail trading in securities for market abuse.

**NOTE:** Trading on the basis of such a trading plan would not grant absolute immunity from bringing proceedings for market abuse. For instance, in the event of manipulative timing of the release of unpublished price sensitive information to ensure that trading under a trading plan becomes lucrative in circumvention of regulation 4 being detected, it would be open to initiate proceedings for alleged breach of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003.

The Compliance Officer shall review the trading plan to assess whether the plan would have any potential for violation of these regulations and shall be entitled to seek such express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the plan.

Provided that pre-clearance of trades shall not be required for a trade executed as per an approved trading plan.

Provided further that trading window norms shall not be applicable for trades carried out in accordance with an approved trading plan.

NOTE: It is intended that the compliance officer would have to review and approve the plan. For doing so, he may need the insider to declare that he is not in possession of unpublished price sensitive information or that he would ensure that any unpublished price sensitive information in his possession becomes generally available before he commences executing his trades. Once satisfied, he may approve the trading plan, which would then have to be implemented in accordance with these regulations.

The Trading Plan once approved shall be irrevocable and the Insider shall mandatorily have to implement the plan, without being entitled to either execute any trade in the securities outside the scope of the trading plan or to deviate from it except due to permanent incapacity or bankruptcy or operation of law

Provided that the implementation of the trading plan shall not be commenced if any unpublished price sensitive information in possession of the insider at the time of formulation of the plan has not become generally available at the time of the commencement of implementation

Provided further that if the insider has set a price limit for a trade under sub-clause (iv) of clause (v) of sub-regulation 2, the insider shall execute the trade only if the execution price of the security is within such limit. If price of the security is outside the price limit set by the insider, the trade shall not be executed.

Explanation: In case of non-implementation (full/partial) of trading plan due to either reasons enumerated in sub-regulation 4 or failure of execution of trade due to inadequate liquidity in the scrip, the following procedure shall be adopted:

- (i) The insider shall intimate non-implementation (full/partial) of trading plan to the compliance officer within two trading days of end of tenure of the trading plan with reasons thereof and supporting documents, if any.

- (ii) Upon receipt of information from the insider, the compliance officer, shall place such information along with his recommendation to accept or reject the submissions of the insider, before the Audit Committee in the immediate next meeting. The Audit Committee shall decide whether such non-implementation (full/partial) was bona fide or not.
- (iii) The decision of the Audit Committee shall be notified by the compliance officer on the same day to the stock exchanges on which the securities are listed
- (iv) In case the Audit Committee does not accept the submissions made by the insider, then the compliance officer shall take action as per the Code of Conduct.

**NOTE:** It is intended that since the trading plan is an exception to the general rule that an insider should not trade when in possession of unpublished price sensitive information, changing the plan or trading outside the same would negate the intent behind the exception. Other investors in the market, too, would factor the impact of the trading plan on their own trading decisions and in price discovery. Therefore, it is not fair or desirable to permit the insider to deviate from the trading plan based on which others in the market have assessed their views on the securities 56[except in situations beyond the control of the insider

The first proviso is intended to address the prospect that despite the one hundred and twenty calendar days gap between the formulation of the trading plan and its commencement, the unpublished price sensitive information in possession of the insider is still not generally available. In such a situation, commencement of the plan would conflict with the over-riding principle that trades should not be executed when in possession of such information. If the very same unpublished price sensitive information is still in the insider's possession, the execution of the trading plan should not be commenced.

The second proviso is intended to address the scenario where the insider has set a price limit for a trade and due to adverse fluctuation in market prices, the price of the security is outside the price limit set by the insider, the trade shall not be executed. However, if the insider wishes to trade irrespective of the fluctuation in market price, he may not set any price limit at the time of formulation of the trading plan.

The compliance officer shall approve or reject the trading plan within two trading days of receipt of the trading plan and notify the approved plan to the stock exchanges on which the securities are listed, on the day of approval.

**NOTE:** It is intended that given the material exception to the prohibitory rule in regulation 4, a trading plan is required to be publicly disseminated. Investors in the market at large would also factor the potential pointers in the trading plan in their own assessment of the securities and price discovery for them on the premise of how the insiders perceive the prospects or approach the securities in their trading plan.

Upon approval of the trading plan, the compliance officer shall notify the plan to the stock exchanges on which the securities are listed.

## 7. REPORTING REQUIREMENTS

### 7.1 Disclosure of holding by Directors and officers - Initial Disclosure

7.1 (b) Every person on appointment as key managerial personnel or a director of the Company or upon becoming a promoter or member of the promoter group shall disclose his holding of securities of the Company as on the date of appointment or becoming a promoter, to the Company within seven days of such appointment or becoming a promoter. (Annexure-II)

Note: Clause (a) Omitted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2021 (w.e.f. April 26, 2021)

### 7.2 Continual Disclosure

- 1) Every promoter, member of the promoter group, designated person and all the directors of the Company shall disclose to the Company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified (Annexure-III).
- 2) The Company shall notify the particulars of such trading to the stock exchanges on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.

Explanation — It is clarified for the avoidance of doubts that the disclosure of the incremental transactions after any disclosure under this sub-regulation, shall be made when the transactions effected after the prior disclosure cross the threshold specified in clause (a) of sub-regulation (2).

- 3) The above disclosures shall be made in such form and such manner as may be specified by the Board from time to time

### 7.3 Disclosure of Transactions by Other Connected Persons

Any company whose securities are listed on a stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and trading in securities of the company in such form and at such frequency as may be determined by the company in order to monitor compliance with these regulations

NOTE: This is an enabling provision for the Company to seek information from those to whom it has to provide unpublished price sensitive information. This provision confers discretion on the Company to seek such information. For example, the Company may ask that a management consultant who would advise it on corporate strategy and would need to review unpublished price sensitive information, should make disclosures of his trades to the Company.

## 7.4 Annual Disclosure of holdings by Designated Persons

The Designated Persons shall report the level of holdings in securities of the Company held by them and their immediate relatives along with the details of trades executed during the financial year on an annual basis as on March 31 of every financial year, on or prior to April 30 of the next Financial Year (Annexure-V).

## 7I. PROTECTION AGAINST RETALIATION AND VICTIMISATION

1. i) Employees of the Company shall be safeguarded against any discharge, termination, demotion, suspension, threats, harassment, directly or indirectly or discrimination in case of a Voluntary Information Disclosure Form filed by the said Employee with the Securities and Exchange Board of India, irrespective of whether the information is considered or rejected by the Securities and Exchange Board of India or he or she is eligible for a Reward under these regulations, by reasons of filing a Voluntary Information Disclosure Form under these regulations;
- ii) testifying in, participating in, or otherwise assisting or aiding the Securities and Exchange Board of India in any investigation, inquiry, audit, examination or proceeding instituted or about to be instituted for an alleged violation of insider trading laws or in any manner aiding the enforcement action taken by the Securities and Exchange Board of India; or
- iii) breaching any confidentiality agreement or provisions of any terms and conditions of employment or engagement solely to prevent any employee from cooperating with the Board in any manner.

For the above purpose “employee” means any individual who during employment may become privy to information relating to violation of insider trading laws and files a Voluntary Information Disclosure Form under these regulations and is a director, partner, regular or contractual employee, but does not include an advocate.

2. Nothing in these regulations shall prohibit any Informant who believes that he or she has been subject to retaliation or victimisation by his or her employer, from approaching the competent court or tribunal for appropriate relief

3. Notwithstanding anything contained in sub-regulation (2), any employer who violates this Chapter may be liable for penalty, debarment, suspension, and/or criminal prosecution by the Board, as the case may be:

Provided that nothing in these regulations will require the Board to direct reinstatement or compensation by an employer.

4. Nothing in these regulations shall diminish the rights and privileges of or remedies available to any Informant under any other law in force.

## 8. PENALTY FOR CONTRAVENTION OF THE CODE

- 1) All the Designated Persons shall be individually responsible for complying with the provisions of the Regulations and the Code to the extent applicable.
- 2) Any Director who violates the Code shall be subject to disciplinary action, as may be deemed fit by the Board of Directors of the Company. Any other Designated Person who violates the Code shall be subject to disciplinary action, which may include freeze on salary, ineligibility for future participation in the stock option plans or suspension / termination of service / contract, or any other action as may be deemed fit by the Company.

The action by the Company shall not preclude SEBI from taking any action for violation of the Regulations.

## 9. INFORMATION TO SEBI IN CASE OF VIOLATION OF THE REGULATIONS

- 9.1 In case any violation of the Regulation is observed by the Compliance Officer/Company, SEBI shall be informed of the same.

## 10. TRADING WINDOW

- 1) The "Trading Window" for the purpose of this Code shall mean the period during which trading in Securities of the Company is permitted.
- 2) Subject to clause 5.1 of the Code, Designated Persons and their immediate relatives shall engage in trading in Securities of the Company only when the Trading Window is open. If such designated person is in possession of unpublished price sensitive information, he will not be allowed to trade in Securities of the Company even if the Trading Window is open.

- 3) The trading window shall be closed from the end of every quarter till 48 hours after the declaration of financial results. and at any other time as designated by the Compliance Officer in consultation with the Managing Director and CEO or the CFO of the Company, if any Price Sensitive Information is unpublished, including but not limited to the following:
  - a) Declaration of financial results (quarterly, half yearly and annual)
  - b) Declaration of dividends (interim and final)
  - c) Change in capital structure i.e. Issue of Securities by way of public/rights/bonus etc.
  - d) Any major expansion plans or Undertaking of new business
  - e) Buy-back, mergers, demerger, delistings
  - f) Changes in key managerial personnel;
  - g) Disposal of whole or substantially whole of the undertaking
  - h) Any significant changes in policies, plans or operations or during such other events as may be considered Price sensitive.
- 4) The timing for re-opening of the trading window shall be determined by the Compliance Officer taking into account various factors including the unpublished price sensitive information in question becoming generally available and being capable of assimilation by the market, which in any event shall not be earlier than forty-eight hours after the information becomes generally available. Unless otherwise specified by the Compliance Officer, the Trading Window shall be opened 48 hours after the information relating to items specified in clause 9.3 above is made public. The Trading Window shall also be applicable to any person having contractual or fiduciary relation with the Company, such as auditors, accountancy firms, law firms, analysts, consultants etc., assisting or advising the Company.
- 5) When the Trading Window is open, trading by Designated Persons shall be subject to preclearance by the Compliance Officer, if the value of the proposed trade exceeds the threshold as mentioned in clause 11.1 below. No Designated Person shall apply for pre clearance of any proposed trade if such Designated Person is in possession of unpublished price sensitive information even if the Trading Window is not closed.
- 6) The Trading Window restrictions shall not apply in respect of following cases subject to there should be no breach of regulation 3 of the Regulation i.e. insider shall prove his innocence that communication/procurement of UPSI has been done in furtherance of legitimate purposes, performance of duties or discharge of legal obligations and both parties should have made a conscious and informed trade decision:
  - i) the transaction should be an off-market inter-se transfer between insiders who were in possession of the same UPSI;
  - ii) the transaction was carried out through the block deal window mechanism between persons in possession of UPSI;

- iii) the transaction was carried out pursuant to a statutory or regulatory obligation; and the transaction was bona fide in nature;
- iv) the transaction was undertaken pursuant to the exercise of stock options and the exercise price was pre-determined in compliance with applicable regulations;
- v) the trades were pursuant to a trading plan in accordance with regulation 5;
- vi) pledge of shares for a bonafide purpose such as raising of funds, subject to preclearance by the compliance officer and compliance with the respective regulations made by the Board;
- vii) transactions such as acquisition by conversion of warrants or debentures, subscribing to rights issue, further public issue, preferential allotment or tendering of shares in a buy-back offer, open offer, delisting offer.

Provided that, for unpublished price sensitive information not emanating from within the Listed Company, trading window may not be closed

## 11. PRE CLEARANCE OF TRADES

11.1 The Designated Persons who intend to deal in Securities of the Company or whose immediate relatives intend to deal in Securities of the Company exceeding Rs. 5 lakh in value or 25,000 shares, whichever is lower, or such trades as may be decided by the Board from time to time, should pre-clear the transaction with the Compliance Officer. However, no Designated Person shall be entitled to apply for pre-clearance of any proposed trade if such Designated Person is in possession of unpublished price sensitive information even if the Trading Window is not closed and hence he shall not be allowed to trade. The Compliance Officer shall be entitled to seek declarations to the effect that the applicant for pre-clearance is not in possession of any unpublished price sensitive information. He shall also have regard to whether any such declaration is reasonably capable of being rendered inaccurate. The pre-dealing procedure shall be hereunder:

- A. Application for pre-clearance of proposed Dealing in Securities of the Company along with an undertaking should be made to the Compliance Officer, indicating the estimated number and value of Securities to be dealt in and such other details as mentioned in Annexure-VI.
- B. The Compliance Officer shall consider the application made as above, and may clear/refuse to clear the same, without assigning any reasons for refusal to clear the same.

- C. In the event the clearance in terms of sub-clause B above has been given, the concerned Designated Persons and their immediate relatives shall carry out the Dealing in Securities of the Company within 7 business days after such clearance. If the proposed Dealing in Securities is not completed within the said period of 7 business days, then concerned Designated Person must seek fresh pre-clearance approval for the proposed Dealing in Securities of the Company by following the procedure mentioned in this clause.
- D. If the trade is not executed after securing pre-clearance, then this should be reported by the concerned Designated Person along with the reasons for such decisions to the Compliance officer.
- E. The Designated Persons shall disclose the details of dealings in Securities of the Company by them/ their immediate relatives to the Compliance Officer within 7 days from the end of the calendar month in which trade is executed for which pre-clearance approval was taken (Annexure-VII).
- F. Pre- clearance approval of the trades of the Compliance Officer - The Preclearance application of the Compliance Officer shall be made to the CFO or the Managing Director & CEO of the Company. The procedure and other restrictions in respect of pre-clearance of trades of the Compliance Officer shall be the same as applicable to the Directors, Officers and designated persons of the Company.
- 2) The Designated Persons and their immediate relatives who buy or sell any number of shares of the Company shall not enter into an opposite transaction i.e. sell or buy any number of shares during the next six months following the prior transaction. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the SEBI for credit to the Investor Protection and Education Fund administered by the SEBI under the Act.
- 3) In case the sale in Securities is necessitated by personal exigency of the Designated Persons or their immediate relatives, they may seek the waiver of the holding period specified in clause 5.2 above by making an application to the Compliance Officer (Annexure-VIII). The holding period may be waived by the Compliance Officer after recording in writing, the reasons of personal exigency of Designated Employees and their immediate relatives, provided that such relaxation does not violate the Regulations.
- 4) The Designated Persons shall also not take positions in derivative transactions in the securities of the Company at any time.