

PURPLE FINANCE

Code of conduct for Independent Directors

Background:

This Code of Conduct is in adherence to the Schedule IV of Companies Act, 2013 (hereinafter referred to as “the Act”) and attempts to set forth the guiding principles on which the Independent Directors on the board of Purple Finance Limited (“PFL/the Company”) shall operate. 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 uphold ethical standards of integrity and probity;
- An Independent Director shall act objectively and constructively while exercising his/ her duties;
- An Independent Director shall exercise his/her responsibilities in a bona fide manner in the interest of the Company;
- An Independent Director shall devote sufficient time and attention to his/ her professional obligations for informed and balanced decision making;
- An Independent Director shall not allow any extraneous considerations that will vitiate his/ her 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;
- An Independent Director shall not abuse his/ her 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;
- An Independent Director shall refrain from any action that would lead to loss of his/ her independence;
- An Independent Director shall where circumstances arise which make an Independent Director lose his/ her independence, the Independent Director must immediately inform the Board accordingly;
- An Independent Director shall assist the Company in implementing the best corporate governance practices.

II. Role and functions:

- The independent Director shall help in bringing an independent judgment to bear on the Board’s deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- The independent Director shall bring an objective view in the evaluation of the performance of the Board and management;
- The independent Director shall scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- The independent Director shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- The independent Director shall safeguard the interests of all stakeholders, particularly the minority shareholders;
- The independent Director shall balance the conflicting interest of the stakeholders;

- The independent Director shall assist in determining 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;
- The independent Director shall 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 Director shall undertake appropriate induction and regularly update and refresh his/ her skills, knowledge and familiarity with the Company;
- The Independent Director shall seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Company;
- The Independent Director shall strive to attend all meetings of the Board of Directors and of the Board committees of which he/ she is a member;
- The Independent Director shall participate constructively and actively in the committees of the Board in which he/she is Chairperson or Member;
- The Independent Director shall strive to attend the general meetings of the Company;
- The Independent Director shall, where he/ she has 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;
- The Independent Director shall keep themselves well informed about the Company and the external environment in which it operates;
- The Independent Director shall not unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- The Independent Director shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company;
- The Independent Director shall 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;
- The Independent Director shall report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;
- The Independent Director shall, acting within his authority, assist in protecting the legitimate interests of the Company, shareholders and its employees;
- The Independent Director shall not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

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 Nomination and Remuneration Committee (NRC) or the Board shall review the fit and proper criteria as per all the statutory provisions applicable to all the Independent Directors and recommend the appointment to the Board/Shareholders for approval. The appointment of Independent Directors shall be intimated to Reserve Bank of India (RBI) immediately.
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 thereunder 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 expectations 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 as per the provisions of the Act as amended from time to time and on the basis of report of performance evaluation report.

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 3 [three] months 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 financial year, without the attendance of non-independent Directors and members of management;
2. All the independent Directors of the company shall strive to be present at such meeting;

3. The meeting shall:

- (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 on a yearly basis, 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.

IX. Miscellaneous:

In addition to this code of conduct, the Independent Director shall abide by the Code of Conduct for all the Directors of the Company and Directors Fit and Proper Guidelines issued by the Company as amended from time to time.