

**NORTH KARNATAKA EXPRESSWAY LIMITED**  
**CODE OF CONDUCT FOR INDEPENDENT DIRECTORS**

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### **A. PREFACE**

1. The Companies Act, 2013 (“**Act**”) passed by the Parliament received assent of the President of India on 29th August, 2013. The Act consolidates and amends the law relating to companies and was notified in the Official Gazette on 30th August, 2013.
2. In light of such regulatory and legislative developments, and otherwise in the interest of better corporate governance, this Code of Conduct (“**Code**”) has been prepared which shall be adhered to with respect to the appointment, roles and duties of the Independent Directors of North Karnataka Expressway Limited (“**NKEL**”).

### **B. DISCLAIMER**

3. The contents of this Code are subject to the provisions of the Act. Further, NKEL reserves its right to amend and alter this Code, without any prior notice, in the event such amendment or alteration is pursuant to the requirements of law.

### **C. QUALIFICATIONS OF INDEPENDENT DIRECTORS**

4. The following criteria shall be adopted by NKEL for treating its Director(s) as Independent Director(s) or for appointing Independent Director(s).
  - a. Any person above the age of 21, who in the opinion of the Board of Directors of NKEL, is a person of integrity and possesses relevant expertise and experience;
  - b.(i) Such person should not have been a promoter of NKEL or its holding, subsidiary or associate company;
  - (ii) Such person should not be a relative of the promoters or Directors of NKEL, its holding, subsidiary or associate company;
  - c. Such person should not, apart from receiving director's remuneration, have or have had any pecuniary relationship with NKEL, its holding, subsidiary or associate company/ companies, or their promoters, or directors, during the current financial year; or the two immediately preceding financial years
  - d. None of the relatives of such person should have or have had any pecuniary relationship or transaction with NKEL, its holding, subsidiary or associate company/ companies, or their promoters, or directors, of an amount equal to or exceeding two per cent or more of the gross turnover or total income of such entity or fifty lakh rupees or such higher amount as may be prescribed by applicable law, whichever is lower, during the current financial year or the two immediately preceding financial years

- e. Neither such person nor any of his relatives should:—
- (i) hold or have held the position of a key managerial personnel or be or have been an employee of NKEL or its holding, subsidiary or associate company/ companies in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (ii) be or have been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
  - (A) a firm of auditors or company secretaries in practice or cost auditors of NKEL or its holding, subsidiary or associate company/ companies; or
  - (B) any legal or a consulting firm that has or had any transaction with NKEL, its holding, subsidiary or associate company/ companies amounting to ten per cent or more of the gross turnover of such firm;
  - (iii) hold individually or, together with his relatives, two per cent or more of the total voting power of NKEL; or
  - (iv) be a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from NKEL, any of its promoters, directors or its holding, subsidiary or associate company/companies or that holds two per cent or more of the total voting power of NKEL;

#### Explanation

For the purposes of this Paragraph 4:

- i. “key managerial personnel” shall mean “key managerial personnel” as defined in section 2(51) of the Act.
- ii. “Relative” shall mean “relative” as defined in section 2(77) of the Act and rules prescribed there under namely, anyone who is related to another, if—
  - (i) they are members of a Hindu Undivided Family; or (ii) they are husband and wife; or
  - (iii) one person is related to the other in such manner as may be prescribed under the Act”

#### **D. APPOINTMENT & TENURE**

- 5. An Independent Director of NKEL shall hold office for a term up to five consecutive years on the Board of NKEL and shall be eligible for reappointment for another term of up to five consecutive years on the passing of a special resolution by NKEL.
- 6. An Independent Director shall not hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after the expiration of three

year of of ceasing to become an Independent Director. Provided an Independent Director shall not, during the said period of three years, be appointed in or be associated with the NKEL in any other capacity, either directly or indirectly

Explanation

For the purposes of this Paragraph 7 & 8:

(i) Any tenure of an Independent Director on the date of commencement of this Act shall not be counted as a term under those paragraphs

7. Subject to the provisions of sections 197 and 198 of the Act, an Independent Director of NKEL shall not be entitled to any stock option and may receive remuneration by way of fee provided under sub-section (5) of section 197 of the Act, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.

8. An Independent Director shall not be liable to retire by rotation

#### **E. MEETINGS**

9. Without prejudice to the provisions of the Act, Independent Directors of NKEL shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management. All Independent Directors of NKEL shall strive to be present at such meeting.

10. The Independent Directors of NKEL in the said meeting shall, *inter-alia*:

- i. review the performance of non-independent directors and the Board as a whole;
- ii. review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors;
- iii. 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.

#### **F. LIABILITY OF INDEPENDENT DIRECTORS**

11. An Independent Director of NKEL shall be held liable under law, only in respect of such acts of omission or commission by NKEL which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently

#### **G. TRANSPARENCY IN CONDUCT OF BUSINESS**

12. The Independent Directors of NKEL shall ensure that their actions in the conduct of

business are totally transparent except where the needs of business security dictate otherwise. Such transparency shall be brought about through appropriate policies, systems and processes.

**H. WORK ENVIRONMENT FREE OF HARASSMENT AND DISCRIMINATION:**

13. NKEL is committed to ensuring that the Independent Directors are treated with fairness and dignity. Accordingly, the Independent Directors of NKEL shall refrain from indulging in any discriminatory practice based on race, caste, color, sex, age, religion, ethnic or national origin, disability or any other unlawful basis.

**I. ADHERENCE TO SCHEDULE IV OF THE ACT**

14. The Independent Directors of NKEL shall ensure adherence to the “Code for Independent Directors” stipulated in Schedule IV of the Act. For ease of reference, the stipulations in the said “Code for Independent Directors” are attached as Annexure I

## ANNEXURE I

### I. Guidelines of professional conduct:

An Independent Director of NKEL shall:

- (a) uphold ethical standards of integrity and probity;
- (b) act objectively and constructively while exercising his duties;
- (c) exercise his responsibilities in a bona fide manner in the interest of NKEL;
- (d) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (e) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of NKEL as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (f) not abuse his position to the detriment of NKEL or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (g) refrain from any action that would lead to loss of his independence;
- (h) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (i) assist NKEL in implementing the best corporate governance practices.

### II. Role and functions:

The Independent Directors of NKEL shall:

- (a) 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;
- (b) bring an objective view in the evaluation of the performance of board and management;
- (c) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (d) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (e) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (f) balance the conflicting interest of the stakeholders;
- (g) 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;
- (h) moderate and arbitrate in the interest of NKEL as a whole, in situations of conflict between management and shareholder's interest.

### III. Duties :

The Independent Directors of NKEL shall —

- (a) undertake appropriate induction and regularly update and refresh their skills, knowledge and

- familiarity with NKEL;
- (b) 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 NKEL;
- (c) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (d) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (e) strive to attend the general meetings of NKEL;
- (f) where they have concerns about the running of NKEL 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;
- (g) keep themselves well informed about NKEL and the external environment in which it operates;
- (h) not unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (i) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interests of NKEL;
- (j) ascertain and ensure that NKEL 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;
- (k) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (l) acting within his authority, assist in protecting the legitimate interests of NKEL, shareholders and its employees;
- (m) 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:**

- (a) Appointment process of independent directors shall be independent of NKEL's management; while selecting Independent Directors, the Board of NKEL 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.
- (b) The appointment of Independent Director(s) of NKEL shall be approved at the meeting of the shareholders.
- (c) 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.
- (d) The appointment of Independent Directors shall be formalised through a letter of appointment, which shall set out:
  - (i) the term of appointment;
  - (ii) 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;
  - (iii) the fiduciary duties that come with such an appointment along with accompanying liabilities;

- (iv) provision for Directors and Officers (D and O) insurance, if any;
- (v) the Code of Business Ethics that NKEL expects its directors and employees to follow;
- (vi) the list of actions that a director should not do while functioning as such in the company; and
- (vii) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (e) The terms and conditions of appointment of Independent Directors shall be open for inspection at the registered office of NKEL by any member during normal business hours.
- (f) 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 Directors of NKEL shall be on the basis of a report of performance evaluation

**VI. Resignation or removal:**

- (a) 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.
- (b) An Independent Director who resigns or is removed from the Board of NKEL 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.
- (c) Where NKEL 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:**

- (a) The independent directors of NKEL shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (b) All the independent directors of NKEL shall strive to be present at such meeting;
- (c) The meeting shall:
  - (i) review the performance of non-independent directors and the Board as a whole;
  - (ii) review the performance of the Chairperson of NKEL, taking into account the views of executive directors and non-executive directors;
  - (iii) 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:**

- (a) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the Director being evaluated.
- (b) 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.