

KARNATAKA STATE FINANCIAL CORPORATION

Annexure-II

CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL

PURPOSE

Since the outstanding listed non-convertible debt instruments of the Corporation was more than the threshold limit of Rs.500.00 crores as on 31/03/2021, it is treated as a High Value Debt Listed Entity. Hence, Regulations 16 to 27 of the SEBI (LODR) Regulations, 2015 which deal with Corporate Governance are applicable to the Corporation from September 2021 to March 2023 on 'comply or explain' basis and thereafter on mandatory basis. As per Regulation 17(5) (a), the Board of Directors shall lay down a code of conduct for all members of the Board of Directors and the Senior Management Personnel of the listed entity. As per Regulation 17(5)(b), the code of conduct shall suitably incorporate the duties of independent directors (ID) as laid down in the Companies Act, 2013. It is explained under Regulation 16(viii) that in case of a 'high value debt listed entity' which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non- executive directors on its board shall be treated as independent directors. Hence, all the non-executive directors on the Board of KSFC are treated as independent directors.

The purpose of this Code is to enhance integrity, ethics & transparency in governance of the Corporation and thereby reinforce the trust and confidence reposed in the Management of the Corporation by the shareholders and other stakeholders. The Directors and Senior Management Personnel are expected to familiarize themselves with this Code and to understand, adhere to, comply with and uphold the provisions of this Code and the standards laid down hereunder in their day to day functioning. As far as senior management personnel of the Corporation is concerned, this code of conduct is in additions to the provisions of the KSFC Staff Regulations, 1965, Services (Conduct) Regulations, 2004, Services (C C & A) Rules, 2003 which are applicable to all the employees of the Corporation. If there is any contradiction in the code of conduct applicable to the Senior Management Personnel of the Corporation, the provisions of KSFC Staff Regulations, 1965, Services (Conduct) Regulations, 2004, Services (C.C.& A.) Rules, 2003 shall prevail.

GUIDELINES

The Directors and Senior Management Personnel must act in good faith and in such manner as they reasonably believe to be in the best interests of the Corporation. The Directors and Senior Management Personnel are also expected to:

- a. comply with all applicable laws, regulations, confidentiality obligations and other corporate policies, of the Corporation;
- b. follow all policies, procedures and internal control systems of the Corporation;
- c. act honestly, in good faith and in the best interests of the Corporation.

HONESTY AND INTEGRITY

All Directors and Senior Management Personnel of the Corporation shall conduct their activities on behalf of the Corporation and on their own behalf, with honesty, integrity and fairness. The Directors and Senior Management Personnel of the Corporation will act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgment to be subordinated. The Directors and Senior Management of the Corporation will act in the best interest of and fulfill their fiduciary obligations to the Corporation and its shareholders.

CONFLICT OF INTEREST

The Directors and Senior Management Personnel of the Corporation should not enter into any transaction or engage in any practice, directly or indirectly, that would tend to influence him/her to act in any manner other than in the best interests of the Corporation. Every Director and Senior Management Personnel should make a full disclosure to the Board of any transaction that they reasonably expect, could give rise to actual conflict of interest with the Corporation and seek Board authorization to pursue such transaction.

CORPORATION'S PROPERTY

Every Director and Senior Management Personnel should endeavor to ensure that they use the Corporation's assets, proprietary information and resources only for legitimate business purpose of the Corporation and not for personal gains.

CONFIDENTIAL INFORMATION

The Directors and Senior Management Personnel should maintain confidentiality of information entrusted to them in carrying out their duties and responsibilities. The matters discussed at the Board/ Committee Meetings must not be disclosed outside appropriate and reasonable circles. The Corporation's confidential information and proprietary information shall not be inappropriately disclosed or used for personal gain or advantage of any Director and Senior Management Personnel. These obligations apply

not only during the term of the Directors and Senior Management Personnel, but thereafter as well unless the said information becomes public.

GIFTS, DONATIONS & ENTERTAINMENT

The Directors and Senior Management Personnel shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of its business. However, the Directors and Senior Management Personnel may accept and offer nominal gifts, which are customarily given and are of a commemorative nature, for special events.

FAIR DEALING

The Directors and Senior Management Personnel should endeavor to deal fairly and not seek to take unfair advantage of the Corporation through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unfair dealing

SAFETY

The Directors and Senior Management Personnel shall respect safety and health of all employees and provide working conditions, which are safe and healthy.

EQUAL OPPORTUNITIES

The Directors and Senior Management Personnel shall endeavor to provide equal opportunities to all employees and aspirants for employment in the Corporation irrespective of gender, caste, religion, race or colour, merit being the sole differentiating factor. The Directors and Senior Management Personnel shall prevent and redress sexual harassment at work place and institute good employment practices.

NON-COMPETE

The Directors and Senior Management Personnel shall not take up directly or indirectly any activities competing with the business of the Corporation.

CORDIAL RELATIONS

The Directors and Senior Management Personnel shall endeavor to make all efforts to establish cordial relationships with all stakeholders of the Corporation with whom they interface while carrying out their duties for the Corporation and would try to make positive contributions to the communities in which they perform such duties.

COMPLIANCE WITH LAWS AND REGULATIONS

In carrying out their duties and responsibilities, Directors and Senior Management Personnel should comply and endeavor to ensure that the management is causing the Corporation to comply with applicable laws, rules and regulations. The Directors and Senior Management Personnel should comply with all applicable laws, rules and regulations for the time being in force. In addition, if any Director becomes aware of any information that he believes constitutes evidence of a material violation of any laws, rules or regulations applicable to the Corporation or operation of its business, by the Corporation, any employee or another Director, then such Director should bring such information to the attention of the Chairman of the Audit Committee.

INSIDER TRADING

None of the Directors or the Senior Management Personnel shall derive any benefit nor assist to derive any benefit by giving investment advice from access to and possession of information about the Corporation, which is not in public domain or constitutes insider information.

DUTIES OF DIRECTORS

Every Director of the Corporation shall endeavor to comply with the provisions of Section 166 of the Companies Act, 2013, relating to the duties of directors. In addition, Independent Directors shall also perform the duties as prescribed in Schedule IV of the Companies Act, 2013, as amended from time to time.

NON-COMPLIANCE

Suspected violations of this Code may be reported to the Chairman of the Board or the Chairman of the Audit Committee. All reported violations shall be appropriately investigated. Any waiver of this Code must be approved by the Board of Directors and publically disclosed if required by any applicable law.

DISCLOSURE

This Code of Conduct will be published on the website of the Corporation after approval of the Board of Directors of the Corporation and on such publishing it is treated as known to all the directors and the Senior Management Personnel of the Corporation and they are bound by this Code of Conduct.
