

**CODE OF CONDUCT FOR REGULATING, MONITORING AND REPORTING OF TRADING BY  
INSIDERS**

**AND**

**CODE OF PRACTICES AND PROCEDURES FOR FAIR DISCLOSURE OF UNPUBLISHED PRICE  
SENSITIVE INFORMATION**

## **Preamble**

The Securities and Exchange Board of India (SEBI), in its endeavor to protect the interests of investors in general, had formulated the SEBI (Prohibition of Insider Trading) Regulations, 2015 under the powers conferred on it under the SEBI Act, 1992. These regulations were notified on 15<sup>th</sup> January, 2015 and came into force with effect from 120<sup>th</sup> Day from the date of its notification i.e. w.e.f. from 15<sup>th</sup> May, 2015. The SEBI has further amended these regulations vide its notification dated 31<sup>st</sup> December, 2018, the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 and will be applicable w.e.f. 1<sup>st</sup> April, 2019.

These regulations shall be applicable to all companies whose shares are listed on Indian stock exchanges. It is mandatory in terms of the Regulations for every listed company/entity to formulate a Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information.

In order to comply with the mandatory requirement of the Regulations, it was necessary to formulate and adopt a specific Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (hereinafter referred to as 'the Code') for Essar Securities Limited (hereinafter referred to as 'the Company') for use by its Promoters, Directors, Officers, Employees, Connected Persons.

The Code seeks to ensure timely, fair and adequate disclosure of price sensitive information to the investor community by the Company to enable them to take informed investment decisions with regard to the Company's Securities.

## **Definitions**

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

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

1.3 "Code" or "Code of Conduct" shall mean the Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information of Essar Securities Limited, as amended from time to time.

1.4 "Company" means Essar Securities Limited.

1.5 "Compliance Officer" means Company Secretary or such other senior officer, who is financially literate and is capable of appreciating requirements for legal and regulatory compliance under these regulations designated so and reporting to the Board of Directors 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.

1.6 "Connected Person" means:

(i) any person who is or has during the six months prior to the concerned act been associated with a 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) an immediate relative of connected persons specified in clause (i); or
- (b) a holding company or associate company or subsidiary 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
- (g) 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
- (h) an official or an employee of a self-regulatory organization recognised or authorized by the Board; or
- (i) a banker of the Company; or
- (j) a concern, firm, trust, hindu undivided family, company or association of persons wherein a director of the Company or his immediate relative or banker of the Company, has more than ten per cent, of the holding or interest.

1.7 Designated Persons shall include:

- (i) Promoter of the Company;
- (ii) Members of the Board of Directors of the Company including, executive or non-executive or independent or nominee directors;
- (iii) Chief Financial Officer/ Chief Financial officer/Company Secretary;
- (iii) every employee in the grade of Assistant General Managers and above;
- (iv) every employee in the finance, accounts, secretarial, Corporate Communications, IT and legal
- (v) department as may be determined and informed by the Compliance Officer; and any other employee as may be determined and informed by the Compliance Officer from time to time.

1.8 "Director" means a member of the Board of Directors of the Company.

1.9 "Employee" means every employee of the Company including the Directors in the employment of the Company.

1.10 "Generally available information" means information that is accessible to the public on a non-discriminatory basis.

1.11 "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.

1.12 "Insider" means any person who,

- (i) a connected person; or
- (ii) in possession of or having access to unpublished price sensitive information; or
- (iii) any person who is in receipt of unpublished price sensitive information for legitimate purpose.

1.13 "Key Managerial Person" means person as defined in Section 2(51) of the Companies Act, 2013.

1.14 "Legitimate purpose" shall include sharing of unpublished price sensitive information in the ordinary course of business by an insider with partner(s), collaborator(s), lender(s), customer(s), supplier(s),

merchant banker(s), legal adviser(s), auditors, insolvency professional(s) or other adviser(s) or consultant(s), provided that such sharing has not been carried out to evade or circumvent the prohibitions of these regulations.

1.15 "Promoter" 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:

1.16 "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;

1.17 "Takeover regulations" means the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and any amendments thereto;

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

1.19 "Trading Day" means a day on which the recognized stock exchanges are open for trading;

1.20 "Unpublished Price Sensitive Information" means: any information, relating to a 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 and such other transactions; and
- (v) changes in key managerial personnel

1.21 "Regulations" shall mean the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and any amendments thereto.

1.22 "Specified Persons" means the Directors, Connected Persons, Insiders, Designated Persons, Promoters and Immediate Relatives are collectively referred to as Specified Persons.

Words and expressions used and not defined in these regulations but defined in the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Depositories Act, 1996 (22 of 1996) or the Companies Act, 2013 (18 of 2013) and rules and regulations made thereunder shall have the meanings respectively assigned to them in those legislation.

## 2. Role of Compliance Officer

2.1 The Compliance Officer shall report on insider trading to the Board of Directors of the Company and in particular, shall provide reports to the Chairman of the Audit Committee, if any, or to the Chairman of the Board of Directors at such frequency as may be stipulated by the Board of Directors.

2.2 The Compliance Officer shall assist all employees in addressing any clarifications regarding the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and the Company's Code of Conduct.

## 3. Preservation of "Price Sensitive Information"

3.1 All information shall be handled within the Company on a need-to-know basis and no unpublished price sensitive information shall be communicated to any person except in furtherance of the insider's legitimate purposes, performance of duties or discharge of his legal obligations.

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 SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 where the Board of Directors of the listed Company is of informed opinion that sharing of such information is in the best interest of the Company; or

- not attracting the obligation to make an open offer but where the Board of Directors of the listed Company is of informed opinion that sharing of such information is in the best interests of the Company and the Unpublished Price Sensitive Information is disseminated to be made generally available at least 2 trading days prior to the proposed transaction being affected 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 purposes as allowed under the Regulations and shall not otherwise trade in securities of the Company when in possession of unpublished price sensitive information.

### 3.2 Need to Know:

- (i) "need to know" basis means that Unpublished Price Sensitive Information should be disclosed only to those within the Company 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 employee should immediately be reported to the head of the department.

3.3 Limited access to confidential information, files containing confidential information shall be kept secure. Computer files must have adequate security of login and password, etc.

#### 4. Prevention of misuse of "Unpublished Price Sensitive Information"

Employees and connected persons designated on the basis of their functional role ("designated persons") in the Company shall be governed by an internal code of conduct governing dealing in securities.

##### 4.1 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.

##### 4.2 Trading Plan shall:

- (i) not entail commencement of trading on behalf of the insider earlier than six months from the public disclosure of the plan;
- (ii) not entail trading for the period between the twentieth trading day prior to the last day of any financial period for which results are required to be announced by the issuer of the securities and the second trading day after the disclosure of such financial results;
- (iii) entail trading for a period of not less than twelve months;
- (iv) not entail overlap of any period for which another trading plan is already in existence;
- (v) set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected; and
- (vi) not entail trading in securities for market abuse.

4.3 The Compliance Officer shall consider the Trading Plan made as above and shall approve it forthwith. However, he shall be entitled to take express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the plan as per provisions of the Regulations.

4.4 The Trading Plan once approved shall be irrevocable and the Insider shall mandatorily have to implement the plan, without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan.

However, the implementation of the trading plan shall not be commenced, if at the time of formulation of the plan, the Insider is in possession of any unpublished price sensitive information and the said information has not become generally available at the time of the commencement of implementation. The commencement of the Plan shall be deferred until such unpublished price sensitive information becomes generally available information. Further, the Insider shall also not be allowed to deal in securities of the Company, if the date of trading in securities of the Company, as per the approved Trading Plan, coincides with the date of closure of Trading Window announced by the Compliance Officer.

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

#### 5. Trading Window and Window Closure

5.1 (i) The trading period, i.e. the trading period of the stock exchanges, called 'trading window', is available for trading in the Company's securities.

(ii) The trading window shall be, inter alia, closed 7 days prior to and during the time the unpublished price sensitive information is published.

The closure of Trading Window for purposes other than declaration of financial results and for which a specific notice/intimation is required to be given to stock exchange shall commence from the date on which intimation of the date of Board meeting for consideration of any such Price Sensitive Information is given to Stock Exchange.

However, if the circumstances so warrant, the time for closing the Trading Window may be increased or decreased by the Compliance Officer with the approval of Director.

Trading restriction period can be made applicable from the end of every quarter till 48 hours after the declaration of financial results.

(iii) When the trading window is closed, the Specified Persons shall not trade in the Company's securities in such period.

(iv) All Specified Persons shall conduct all their dealings in the securities of the Company only in a valid trading window and shall not deal in any transaction involving the purchase or sale of the Company's securities during the periods when the trading window is closed, as referred to in Point No. (ii) above or during any other period as may be specified by the Company from time to time.

(vi) In case of ESOPs, exercise of option may be allowed in the period when the trading window is closed. However, sale of shares allotted on exercise of ESOPs shall not be allowed when trading is closed.

5.2 The Compliance Officer shall intimate the closure of trading window to all the designated person of the Company when he determines that a designated person or class of designated persons can reasonably be expected to have possession of unpublished price sensitive information. Such closure shall be imposed in relation to such securities to which such unpublished price sensitive information relates.

5.3 The Compliance Officer after taking into account various factors including the unpublished price sensitive information in question becoming generally available and being capable of assimilation by the market, shall decide the timing for re-opening of the trading window, however in any event it shall not be earlier than forty-eight hours after the information becomes generally available.

5.4 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.

## 6. Pre-clearance of trades

6.1 All Specified Persons, who intend to deal in the securities of the Company when the trading window is opened and if the value of the proposed trades is more than Rs. 10 Lakhs (market value) or 1% of total shareholding, whichever is less, should pre-clear the transaction. 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 pre-dealing procedure shall be hereunder:

(i) An application may be made in the prescribed Form to the Compliance officer indicating the estimated number of securities that the Specified Employee intends to deal in, the details as to the depository with which he has a security account, the details as to the securities in such depository mode and such other details as may be required by any rule made by the company in this behalf.

(ii) An undertaking shall be executed in favour of the Company by such (Designated Person) incorporating, inter alia, the following clauses, as may be applicable:

- (a) That the employee/director/officer does not have any access or has not received "Price Sensitive Information" up to the time of signing the undertaking.
  - (b) That in case the Designated Person has access to or receives "Price Sensitive Information" after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance Officer of the change in his position and that he/she would completely refrain from dealing in the securities of the Company till the time such information becomes public.
  - (c) That he/she has not contravened the code of conduct for prevention of insider trading as notified by the Company from time to time.
  - (d) That he/she has made a full and true disclosure in the matter.
  - (iii) All Specified Persons and their shall execute their order in respect of securities of the Company within one week after the approval of pre-clearance is given. The Specified Person shall file within 2 (two) days of the execution of the deal, the details of such deal with the Compliance Officer in the prescribed form. In case the transaction is not undertaken, a report to that effect shall be filed.
  - (iv) If the order is not executed within seven days after the approval is given, the employee/director must pre-clear the transaction again.
  - (v) All Specified Persons 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. All Specified Persons shall also not take positions in derivative transactions in the shares of the Company at any time. In case of any 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 Securities and Exchange Board of India (SEBI) for credit to the Investor Protection and Education Fund administered by SEBI under the Act.
- In case of subscription in the primary market (initial public offers), the above mentioned entities shall hold their investments for a minimum period of 30 days. The holding period would commence when the securities are actually allotted.
- (vi) The Compliance Officer may waive off the holding period in case of sale of securities in personal emergency after recording reasons for the same. However, no such sale will be permitted when the Trading window is closed.

## 7. Other Restrictions

7.1. The disclosures to be made by any person under this Code shall include those relating to trading by such person's immediate relatives, and by any other person for whom such person takes trading decisions.

7.2. The disclosures of trading in securities shall also include trading in derivatives of securities and the traded value of the derivatives shall be taken into account for purposes of this Code.

7.3 The disclosures made under this Code shall be maintained for a period of five years.

## 8. Reporting Requirements for transactions in securities

### Initial Disclosure

8.1 Every promoter/ Key Managerial Personnel/Director/Officers/Designated Persons of the Company, shall within thirty days of these regulations taking effect, shall forward to the Company the details of all holdings in securities of the Company presently held by them including the statement of holdings of dependent family members in the prescribed Form.

8.2 Every person on appointment as a key managerial personnel or a director of the Company or upon becoming a promoter 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.

#### Continual Disclosure

8.3 Every promoter, designated person and director 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 Rs.10 Lakhs.

The disclosure shall be made within 2 working days of:

- (a) the receipt of intimation of allotment of shares, or
- (b) the acquisition or sale of shares or voting rights, as the case may be.

#### 9. Disclosure by the Company to the Stock Exchange(s)

9.1 Within 2 days of the receipt of intimation under Clause 8.3, the Compliance Officer shall disclose to all Stock Exchanges on which the Company is listed, the information received.

9.2 The Compliance officer shall maintain records of all the declarations in the appropriate form given by the directors / officers / designated persons for a minimum period of five years.

#### 10. Dissemination of Price Sensitive Information

10.1 No information shall be passed by Specified Persons by way of making a recommendation for the purchase or sale of securities of the Company.

10.2 Disclosure/dissemination of Price Sensitive Information with special reference to analysts, media persons and institutional investors:

The following guidelines shall be followed while dealing with analysts and institutional investors:

- Only public information to be provided.
- At least two Company representatives be present at meetings with analysts, media persons and institutional investors.
- Unanticipated questions may be taken on notice and a considered response given later. If the answer includes price sensitive information, a public announcement should be made before responding.
- Simultaneous release of information after every such meet.

#### 11. Penalty for contravention of the code of conduct

11.1 Every Specified Person shall be individually responsible for complying with the provisions of the Code (including to the extent the provisions hereof are applicable to his/her dependents).

11.2 Any Specified Person who trades in securities or communicates any information for trading in securities, in contravention of this Code may be penalised and appropriate action may be taken by the Company.

11.3 Specified Persons who violate the Code shall also be subject to disciplinary action by the Company, which may include wage freeze, suspension, ineligibility for future participation in employee stock option plans, etc.

11.4 The action by the Company shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 2015.

## 12. Maintenance of Structured Digital Database

12.1 The Company shall maintain a structured digital database containing the names of such persons or entities as the case may be with whom information is shared under this code read with PIT Regulations, along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available.

12.2 The said digital database shall be maintained with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.

## 13. Mechanism for prevention of Insider Trading

The Company has adopted system of internal controls which mainly consist of the following, to prevent dealing in securities by insiders with misuse of unpublished price sensitive information

13.1 All employees who have access to unpublished price sensitive information are identified as designated persons.

13.2 All unpublished price sensitive information shall be identified and its confidentiality shall be maintained by designated persons and others who have knowledge of unpublished price sensitive information.

13.3 Adequate restriction shall be placed on procurement, communication and sharing of unpublished price sensitive information by designated person and others who have knowledge of unpublished price sensitive information.

13.4 List of persons and other persons with whom unpublished price sensitive information is shared shall be maintained and confidentiality agreement shall be executed or notice shall be served to all such persons.

13.5 Audit Committee shall review once in a financial year, the process to evaluate effectiveness of the above said internal controls and shall verify that the system for internal control are adequate and are operating effectively.

13.6 Audit committee shall review at least once in a financial year, compliance with this code read with PIT Regulations.

## 14. Dealing in case of suspected leak or leak of Unpublished Price Sensitive Information (UPSI)

### 14. 1 Inquiry for Leakage of UPSI

All UPSI shall be handled on a need to know basis only. In case of any UPSI is proposed to be provided, the person proposing to provide the information shall consult Chief Financial Officer /Company Secretary in advance.

In case any UPSI is leaked or is suspected to be leaked by any insider, Chief Financial Officer /Company Secretary will investigate the matter and collect / gather the evidences and will report to the Chairman of Audit Committee. The Chairman of the Audit Committee will thereafter convene meeting of Audit Committee depending on severity of the matter.

#### 14.2 Process for inquiry

All the matters concerning leak of UPSI or suspected leak of UPSI, will be thoroughly investigated by Chief Financial Officer /Company Secretary may at their discretion, consider involving external investigators for the purpose of the investigation.

Chief Financial Officer /Company Secretary may ask the concerned insider to remain present for investigation, discussion etc. and for such investigation task team may ask for personal bank account statement or such other details or documents as it deems fit.

#### 14.3 Report to Audit Committee for appropriate action

Chief Financial Officer /Company Secretary will report to the Chairman of the Audit Committee and upon receipt of report by the Chairman, he will convene meeting of the Audit Committee, depending on severity of the matter. The Audit Committee based on such report decide the suitable action including but not limited to withholding of salary /termination of employment / monetary penalty.

#### 14.4 Powers of Chief Financial Officer /Company Secretary

The powers of Chief Financial Officer /Company Secretary for inquiry under this clause are as under.

- To investigate the matter
- To ask concerned insider for personal presence, examination, cross examination etc
- To call for personal information/documents from insider
- To file complaint, if required, before police authority / Designated cell under Information Technology Act, 2000
- To retain the documents gathered during investigation
- To report to Audit Committee

#### 15. Code of Fair Disclosure

A code of practices and procedures for fair disclosure of unpublished price sensitive information for adhering each of the principles is set out below:

i. Prompt public disclosure of unpublished price sensitive information that would impact price discovery no sooner than credible and concrete information comes into being in order to make such information generally available.

ii. Uniform and universal dissemination of unpublished price sensitive unpublished price sensitive information to avoid selective disclosure.

iii. Designation of a senior officer as a chief investor relations officer to deal with dissemination of information and disclosure of unpublished price sensitive information.

iv. Prompt dissemination of unpublished price sensitive information that gets disclosed selectively, inadvertently or otherwise to make such information generally available.

v. Appropriate and fair response to queries on news reports and requests for verification of market rumours by regulatory authorities.

vi. Ensuring that information shared with analysts and research personnel is not unpublished price sensitive information.

vii. Developing best practices to make transcripts or records of proceedings of meetings with analysts and other investor relations conferences on the official website to ensure official confirmation and documentation of disclosures made.

viii. Handling of all unpublished price sensitive information on a need-to-know basis.

#### 16. Formats for disclosures

All disclosures shall be made in such forms / formats as may be prescribed by the SEBI under the Regulations from time to time or by the Compliance Officer of the Company, if any form / format are not prescribed by the SEBI.