

NEW DELHI MUNICIPAL COUNCIL SMART CITY LIMITED

**CODE OF CONDUCT
FOR
BOARD MEMBERS
AND
SENIOR MANAGEMENT
PERSONNEL**

VISION

“TO BE THE GLOBAL BENCHMARK FOR A CITY CAPITAL”

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PREAMBLE

This Code of Conduct (the “Code”) has been adopted by NDMC Smart City Limited for the Directors and Senior Management of the Company.

This Code is expected to help maintain high standards of business conduct for the Company and to promote ethical conduct. This Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct. The purpose of this Code is to enhance ethical and transparent process in managing the affairs of the Company. Directors and Senior Management must act within the bounds of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the Company and its shareholders / stakeholders. Directors and Senior Management should ensure that they do not derive any undue personal benefit because of their position in the Company and / or exposure to certain confidential information coming to their knowledge.

With a view to maintain the high standards that the Company requires, the following Code should be observed by Directors and Senior Management while carrying out business of the Company.

DEFINITIONS

In this Code, unless repugnant to the meaning or context thereof, the following expressions, wherever used in this Code, shall have the meaning assigned to them below:

"Board Members" shall mean the Directors on the Board of Directors of the Company.

"Company" shall mean the New Delhi Municipal Council Smart City Limited.

"Relative" shall have the same meaning assigned to the term in Sections 2(77) and Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014. **(Refer Appendix-I)**

"Senior Management Personnel" shall mean personnel of the company who are members of its core management team. Normally this would comprise all the Senior Executive Directors, all the Executive Directors and Functional Heads.

"Employees" shall mean persons who are in the whole-time employment of the Company, including Senior Management Personnel.

“Independent Director” shall mean an Independent Director as defined in Section 2(47) and Section 149(6) and Schedule IV of the Companies Act, 2013.

In this Code, words importing masculine shall include feminine and words importing singular shall include plural or vice versa.

APPLICABILITY

This Code shall be applicable to the following persons:

- A) Board Members and,
- B) Senior Management Personnel

KEY REQUIREMENTS

Board Members and Senior Management Personnel shall act within the authority conferred upon them, keeping the best interests of the Company in view and observe the following:

- i. Shall act with utmost care, skill and diligence in relation to all dealings for the company;
- ii. Shall act in utmost good faith and adopt highest standards of personal and professional integrity, fairness, honesty, probity and ethical conduct and fulfill the fiduciary obligations without allowing their independence of judgment to be subordinated or compromised;
- iii. Shall not enter into any contract or arrangement without obtaining the approval of the Audit Committee and/ or the Board and where required, approval by a special resolution in the general meeting for related party transactions as mentioned in **Appendix-II**;
- iv. Shall avoid having any personal and/or financial interest in any business dealings concerning the Company;
- v. Shall avoid any dealing/relationship with a Contractor or Supplier (either directly or indirectly) that could compromise the ability to transact business on a professional, impartial and competitive basis or that may influence discretionary decision required to be made by the Board Members/ Senior Management Personnel/the Company;
- vi. Shall not exploit for their own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the opportunity is disclosed fully in writing to the Board of Directors in case of Board Members and the Chairman in case of Senior Management Personnel and the Board declines to pursue such opportunity for the company and allows him to avail such opportunity;
- vii. Shall not seek or accept, directly or indirectly any gift from anyone having business dealings with the Company, except for normal value, which are

- customarily given and are of commemorative nature for special events and should never be of a kind that could create an appearance of impropriety, inducement or in any manner influence a business decision;
- viii. Shall not commit any offence involving moral turpitude;
 - ix. Shall ensure workplace free of discrimination & harassment based on race, colour, religion, caste, age, gender, nationality, origin, disability, veteran status, or any other biases;
 - x. Shall act in accordance with and keeping in mind the Vision, Mission and Values of the Company;
 - xi. Shall exercise their responsibilities in a bona fide manner in the interest of the Company and act objectively and constructively while exercising their duties;
 - xii. Shall not allow any extraneous considerations that could vitiate their 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;
 - xiii. Shall assist the Company in implementing the best corporate governance practices;
 - xiv. Shall immediately bring to the notice of the Board about any unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

DUTIES OF DIRECTORS

- i. The Director(s) of the Company:
- ii. shall act in accordance with the articles of the company, subject to the provisions of the Companies Act, 2013 as amended from time to time;
- iii. shall act in good faith in order to promote the objects of the company for the benefit of its
- iv. members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment;
- v. shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
- vi. shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company;
- vii. shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company;
- viii. shall not assign his office and any assignment so made shall be void;

SPECIFIC DUTIES OF INDEPENDENT DIRECTORS

The independent directors shall:

- i. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- ii. 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;
- iii. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- iv. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- v. strive to attend the general meetings of the company;
- vi. where they have 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;
- vii. keep themselves well informed about the company and the external environment in which it operates;
- viii. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- ix. 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;
- x. report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- xi. acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- xii. 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.

HEALTH, SAFETY AND ENVIRONMENT

The Directors and Senior Management Personnel of the Company shall provide safe and healthy working environment, prevent wasteful use of natural resources and shall ensure minimum impact on the ecological environment of the use and disposal of any material.

PROTECTION OF ASSETS

The Directors and Senior Management Personnel of the Company shall protect the assets including physical assets, information and intellectual rights of the Company and shall not use the same for personal gains.

COMPLIANCE OF LAW

The Board Members and Senior Management Personnel shall comply with all laws, rules and regulations as applicable including those relating to the business of the Company.

DECLARATION BY THE BOARD AND SENIOR MANAGEMENT PERSONNEL

All Board Members, Senior Management Personnel shall affirm compliance with the Code of Conduct on annual basis. The Annual Report of the company shall contain a declaration to this effect signed by the Chief Executive Officer, in terms of DPE guidelines.

FINANCIAL REPORTING AND RECORDS

The Company shall prepare and maintain its accounts fairly and accurately in accordance with the accounting and financial reporting standards, which represents generally accepted guidelines, principals, standards, laws and regulations of the country in which a Company conduct its affairs. Internal Accounting and audit procedures shall fairly and accurately reflect all of the Company's business transactions and disposition of assets. All required information shall be accessible to Company's auditors and other authorized parties and government agencies. There shall be no willful omissions of the Company transactions from the books and records, no advance income recognition, and no hidden bank account and funds.

Any willful material mis-representation of and/or misinformation on the financial accounts and reports shall be regarded as a violation of this code, apart from inviting appropriate civil or criminal action under the relevant laws.

EQUAL OPPORTUNITIES

The Company shall provide equal opportunities to all its employees and all qualified applicants for employment in accordance with the policies of the Government and requirements of the organisation. All Board Members and Senior Management Personnel of the Company shall treat each other with dignity to maintain a work environment free of sexual harassment, whether physical, verbal or psychological.

CONFLICT OF INTEREST

All Board Members and Senior Management Personnel must avoid transactions in which their personal interest could conflict with the interest of the Company. This is an area in which there are no comprehensive guidelines but the guiding principle is that any conflict must be disclosed to the higher management for guidance and appropriate action.

The Senior Management Personnel shall make prompt disclosure of related party transactions to the company. In case of Board Members, the Disclosures in pursuance of Section 184 of the Companies Act, 2013 may be given.

CONFIDENTIALITY

The Company's confidential information is a valuable asset. Everyone within the Company shall keep all information and other materials confidential, and shall not, without prior consent of Board of Directors, divulge the information to any other person or use the information other than for carrying out the main purpose.

All confidential information must be used for the benefit and in the best interest of the Company. No employee shall disclose or use any confidential information gained in the course of employment with the Company for personal profit or for the advantage of any person. No employee shall provide any information either formally or informally to the press or any other publicity media unless specifically authorized to do so.

REPORTING CONCERN

Every employee of the Company shall promptly report to the management any actual or possible violation of this code, or an event/activity, of which, he or she becomes aware of that could affect the business or reputation of the Company.

CODE FOR NEW DIRECTOR(S)

This Code of Conduct will equally apply to a new board member(s), Senior Management Personnel and Employees from the time when their employment/directorship in the Company begins.

AMENDMENT TO THE CODE

The Code is subject to modification / amendment from time to time. Any amendment to the provision(s) of the Code must be approved by the Board and communicated to the Directors and Senior Management.

PLACEMENT OF THE CODE ON WEBSITE

This Code and any amendment thereto shall be hosted on the website of the Company.

BREACH OF THIS CODE

The matters covered in this Code of Conduct and Ethics are of utmost importance to the Company, its Board Members, Senior Management Personnel and Employees, shareholders, Government, its business partners and are essential to the Company's ability to conduct its business in accordance with its stated values. We expect all of our Board Members and Senior Management Personnel to adhere to these rules in carrying out their duties for the Company. In case of breach of this Code by the any Board Member or Senior Management Personnel, the same shall be considered by the Board of Directors for initiating appropriate action, as deemed necessary.

In case of breach of this code by the Board Members and Senior Management Personnel, the same shall be placed before the Board of Directors for necessary action.

ACKNOWLEDGEMENT FORM

Directors and Senior Management shall annually sign an acknowledgement form appearing at the end of the Code indicating that they have received, read, understood and agree to comply with the Code.

Acknowledgement Form

I have received and read the Company's Code of Conduct and Ethics. I understand the standards and policies contained in the Company's Code of Conduct and Ethics and understand that there may be additional policies or laws specific to my job.

I further agree to comply with the Company's Code of Conduct and Ethics.

Signature :

Name :

Designation :

DIN :

Date :

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EXTRACT OF SECTION 2 (77) OF THE COMPANIES ACT, 2013

Definition of “relative”, with reference to any person, means anyone who is related to another, if

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed*;

***LIST OF RELATIVES AS PER RULE 4 OF THE COMPANIES (SPECIFICATION OF DEFINITIONS DETAILS) RULES, 2014**

- (i) Father (including step-father)
- (ii) Mother (including step-mother)
- (iii) Son (including step-son)
- (iv) Son’s Wife
- (v) Daughter
- (vi) Daughter’s Husband
- (vii) Brother (including step-brother)
- (viii) Sister (including step-sister)

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Definition of related party as per section 2 (76) of the Companies Act, 2013 read with Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014:

“Related Party”, with reference to a company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any company which is—

- (a) a holding, subsidiary or an associate company of such company; or
- (b) a subsidiary of a holding company to which it is also a subsidiary;
- (c) such other person as may be prescribed;

As per Rule 3 of the Companies (Specifications of Definitions Details) Rules, 2014, a director or key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be related party.

Extract of Section 188 of the Companies Act, 2013 read with Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014

(1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:

Provided further that no member of the company shall vote on such ¹[resolution], to approve any contract or arrangement which may be entered into by the company, if such member is a related party

Provided also that nothing contained in the second proviso shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval

Explanation.—In this Sub-section—
(a) the expression “office or place of profit” means any office or place—
(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
(b) the expression “arm’s length transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

(2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement.

(3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a ³[resolution] in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement ⁹[shall be voidable at the option of the Board or, as the case may be, of the shareholders] and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(5) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall,—

(i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

(ii) In case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014:

(3) For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a²[resolution], a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,-

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mention below-

- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) leasing of property any kind amounting to ten percent or more of the net worth of company or ten per cent or more of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation.- It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

(2) In case of wholly owned subsidiary, the resolution is passed by the holding company shall be sufficient for the purpose of entering into the transaction between the wholly owned subsidiary and the holding company.

(3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:-

(a) name of the related party;

(b) name of the director or key managerial personnel who is related, if any;

(c) nature of relationship;

(d) nature, material terms, monetary value and particulars of the contract or arrangements;

(e) any other information relevant or important for the members to take a decision on the proposed resolution.