

**CESC LIMITED**

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**CODE OF CONDUCT TO REGULATE, MONITOR AND REPORT TRADING BY INSIDERS**

[Pursuant to Regulation 9(1) of Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015]

**Introduction**

Regulation 9(1) of Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('the Regulations') requires a listed company to formulate a Code of Conduct to regulate, monitor and report trading by its designated persons (as defined below) and immediate relatives of designated persons, towards achieving compliance with the said Regulations and adopting the minimum standards set out in Schedule B to the Regulations.

To be compliant with the Regulations, as amended, a revised Code of Conduct to be effective from 1 April, 2019 to regulate, monitor and report trading by Insiders ('the Code') for the Company is hereby framed in substitution of the Company's earlier Code of Conduct:

**1. Definitions**

- (a) **"Act"** means the Securities and Exchange Board of India Act, 1992, as amended from time to time.
- (b) **"Board"** means board of directors of the Company.
- (c) **"Company"** or **"the Company"** means CESC Limited ("CESC").
- (d) **"Connected Person"** means:
  - (i) any person who is or has, during the six months prior to the concerned act, been associated with the 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himself and the Company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information ("UPSI") or is reasonably expected to allow such access.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 the 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.
- (e) **“Compliance Officer”** means Company Secretary of the Company.
- (f) **“Designated Persons”** means:
- (i) All Directors of the Company;
  - (ii) All Promoters of the Company;
  - (iii) Key managerial personnel as defined under Section 2(51) of the Companies Act, 2013.;
  - (iv) Other executive directors and all vice presidents of the Company and its Material Subsidiaries;
  - (v) Such employees of the Company and its Material Subsidiaries in finance, secretarial, investor relations and any other department as may be determined by the Compliance Officer from time to time;
  - (vi) The chief executive officer and employees up to two levels below chief executive officer of the Company and its Material Subsidiaries irrespective of their functional role in the Company or the Material Subsidiary, as the case may be or their ability to have access to UPSI;
  - (vii) Any support staff of the Company and its Material Subsidiaries who have access to UPSI as may be determined by the Compliance Officer from time to time; and

- (viii) Immediate Relatives of the persons mentioned above.
- (g) **"Generally Available Information"** means information that is accessible to the public on a non-discriminatory basis.
- (h) **"Insider"** means any person who is:
- (i) a Connected Person; or
  - (ii) in possession of ,or, having access to UPSI.
- (i) **"Immediate Relative"** means the 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;
- (j) **"Material Financial Relationship"** means a relationship in which one person is a recipient of any kind of payment such as by way of a loan or gift during the immediately preceding twelve months, equivalent to at least 25% of such payer's annual income but shall exclude relationships in which the payment is based on arm's length transactions;
- (k) **"Material Subsidiary"** shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year or such other company determined by the Company as material per its policy on determining material subsidiaries.
- (l) **"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.
- (m) **"Promoter Group"** shall have the meaning assigned to it under the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any modifications thereof;
- (n) **"Securities of the Company"** shall have the meaning assigned in accordance with the Securities Contracts (Regulations) Act, 1956 or any modification thereof. As on date, it will mean equity shares of the Company.
- (o) **"Trading"** means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and 'trade' shall be construed accordingly.
- (p) **"Trading day"** means a day on which the recognized stock exchanges are open for trading.
- (q) **"Unpublished Price Sensitive Information"** or **"UPSI"** means any information, relating to the 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 of the Company and shall, ordinarily include but not be restricted to, information relating to the following: -
- (i) financial results;

- (ii) dividends;
  - (iii) change in capital structure;
  - (iv) mergers, de-mergers, acquisitions, de-listings, disposals and expansion of business and such other transactions; and
  - (v) changes in key managerial personnel.
- (r) Other terms not defined here shall have the same meaning as assigned under the Regulations.

## **2. Obligations of an Insider**

### **2.1 Communication or procurement of UPSI**

- 2.1.2 No Insider shall communicate, provide, or allow access to any UPSI, relating to the Company or Securities of the Company, listed or proposed to be listed, to any person including other Insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
- 2.1.3 Designated Persons shall maintain the confidentiality of all UPSI. They shall pass on such information to any person, directly or indirectly, only on a need-to-know basis.
- 2.1.4 No person shall procure from or cause the communication by any Insider of UPSI relating to the Company or Securities of the Company, listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
- 2.1.5 Any UPSI may be communicated, provided, allowed access to or procured in connection with a transaction that meets either of the stipulations laid down in Regulation 3(3) of the Regulations, as amended from time to time.
- 2.1.6 Any person in receipt of UPSI pursuant to a legitimate purpose shall be considered an "insider" for the purpose of this Code of Conduct and due notice shall be given to such person to maintain confidentiality of UPSI in compliance with the Regulations.
- 2.1.7 Further, if any UPSI is shared with any third party in furtherance of a legitimate purpose, the Compliance Officer shall ensure that such third party is bound by non-disclosure or confidentiality agreements which shall also mention the duties and responsibilities of such Person with respect to such UPSI and the liabilities involved if such person misuses or uses such UPSI in breach of these Regulations.
- 2.1.8 The Company shall enter in a digital database the details of the person or entity with whom UPSI is shared.
- 2.1.9 The term "legitimate purposes" shall be determined in accordance with the Company's Insider Trading related Code of Fair Disclosure and Conduct, as amended from time to time.

## 2.2 Trading when in possession of UPSI

- 2.2.1 No Insider shall trade in Securities of the Company when in possession of UPSI.
- 2.2.2 An Insider trading in Securities of the Company when in possession of UPSI may prove his innocence by demonstrating the circumstances including the situations laid down in the first proviso to Regulation 4 (1) of the SEBI Regulations.
- 2.2.3 In the case of Connected Persons, the onus of establishing that they were not in possession of UPSI shall be on such Connected Persons and, in other cases, the onus would be on the Securities and Exchange Board of India (“SEBI”).

## 2.3 Trading Plan

An Insider shall be entitled to formulate a Trading Plan and present it to the Compliance Officer for approval and public disclosure pursuant to which trades may be carried out by him, or, on his behalf in accordance with such plan. Further details appear in Paragraph 4 below.

## 2.4 Trading Window and Preclearance of Trades

- 2.4.1 Designated Persons shall not trade in Securities of the Company when the Trading Window is closed.
- 2.4.2 When the Trading Window is open, trading by Designated Persons shall be subject to preclearance by the Compliance Officer if a Designated Person intends to deal in shares of the Company exceeding 2,500 in number (including such shares already purchased by the Designated Person till date during the current financial year) or such other limits as the Board may stipulate from time to time.
- 2.4.3 A Designated Person shall apply in Form 1 for pre-clearance of trade which may be granted/rejected by the Compliance Officer in the same Form 1. A Designated Person, dealing in the Company’s shares under pre-clearance shall disclose such dealings in Form 2 within 2 trading days thereof.
- 2.4.4 Further details appear in Paragraph 5 below.

## 3. Code of Fair Disclosure

- 3.1 A code of practices and procedures for fair disclosure of UPSI has been published on the Company’s official website. The Code is for adhering to the principles set out in the Schedule A to the Regulations.
- 3.2 The aforesaid code and every amendment thereto shall be promptly intimated to the Stock Exchanges where the securities of the Company are listed.

## 4. Trading Plan

- 4.1 The Trading Plan referred to in Paragraph 2.3 hereof 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 Company 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 of the Company 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 of the Company for market abuse.

4.2 The Compliance Officer shall review the Trading Plan to assess whether the plan would have any potential for violation of the Regulations and shall be entitled to seek such express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the plan. Provided that pre-clearance of trades shall not be required for a trade executed as per an approved Trading Plan. Provided further that trading window norms and restrictions on contra trade shall not be applicable for trades carried out in accordance with an approved Trading Plan.

4.3 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.

4.4 If at the time of formulation of the plan, the Insider is in possession of any UPSI that has not become generally available, the implementation of the Trading Plan shall not be commenced. The commencement of the Trading Plan shall be deferred until such UPSI becomes generally available information.

4.5 Upon approval of the Trading Plan, the Compliance Officer shall notify the plan to the stock exchanges on which the Securities of the Company are listed.

## 5. **Trading Window and Preclearance of Trades**

5.1 For compliance with the Regulations, a notional trading window shall be used as an instrument for monitoring trading by the Designated Persons, who may execute trades subject to compliance with the Regulations as stipulated for them.

5.2 The Trading Window shall be closed in accordance with applicable regulatory directive, or, when the Compliance Officer determines that a Designated Person or class of Designated Persons can reasonably be expected to have possession of UPSI. Accordingly, the Trading Window shall be, closed inter alia, at the time of:

- (i) Declaration of Financial Results (quarterly, half-yearly and annual)
- (ii) Declaration of Dividends (interim and/or final)

- (iii) Issue of securities by way of public/ rights/ bonus etc.
  - (iv) Any major acquisition/ expansion plans or execution of new projects
  - (v) Amalgamation, mergers, takeovers and buy-back
  - (vi) Disposal of whole or substantially the whole of the undertaking
  - (vii) Happening of any event as a result of which the Compliance Officer thinks fit that an UPSI exists.
  - (viii) Any information which, if disclosed, is likely to materially affect the prices of the securities of the Company.
- 5.3 Such closure of the trading window shall be imposed in relation to the Securities of the Company to which UPSI relates.
- 5.4 The timing for re-opening of the Trading Window shall be determined by the Compliance Officer taking into account various factors including the UPSI in question becoming generally available and being capable of assimilation by the market, which in any even shall not be earlier than forty- eight hours after the information becomes generally available. Trading restriction period can be made applicable for the end of every quarter till 48 hours after the declarations of financial results.
- 5.5 Prior to approving any trades, the Compliance Officer, for the purpose of preclearance, shall be entitled to seek declarations to the effect that the applicant is not in possession of any UPSI. He shall also have regard to whether any such declaration is reasonably capable of being rendered inaccurate.
- 5.6 Trades that have been pre-cleared have to be executed by a Designated Person within seven trading days, failing which fresh pre-clearance would be needed for the trades to be executed.
- 5.7 A Designated Person who is permitted to trade shall not execute a contra trade for six months following the prior transactions. However, the Compliance Officer may grant relaxation from strict applicability of such restriction for reasons to be recorded in writing, provided such restrictions do not violate the Regulations. If a contra trade is executed, inadvertently or otherwise, in violation of such restriction, the profits from such trade will be liable to be disgorged for remittance to SEBI for credit to the Investor Education and Protection Fund (IEPF) set up under the Companies Act, 2013. Provided that this shall not be applicable for trades pursuant to exercise of stock options and trades carried out in accordance with an approved trading plan.
- 5.8 In case the Compliance Officer or any of his / her Immediate Relative(s) wish to deal in the Securities, he / she would have to make an application to the Managing Director of the Company. The remaining provisions of this clause, as applicable to Designated Person, would also apply to the Compliance Officer.
- 5.9 In absence of the Compliance Officer, the Executive Director & Chief Financial Officer shall deal with the pre-clearance requests.
- 5.10 Any violation of the Regulations shall be promptly informed to SEBI by the Compliance Officer.

## **6. Disclosure Responsibilities and formats**

### **A. Initial Disclosures of holdings**

Every Promoter, member of the Promoter Group, key managerial personnel and director shall disclose (in SEBI prescribed format) to the Company his holding of Securities of the Company as on the date of these Regulations taking effect, within thirty (30) days of these Regulations taking effect;

Every person on appointment as a key managerial personnel or a director of the Company or upon becoming a Promoter or member of the Promoter Group shall disclose (in SEBI prescribed format) his holding of Securities of the Company as on the date of such appointment or becoming a Promoter or member of the Promoter Group, to the Company within seven (7) days of such appointment or on becoming a Promoter or member of the Promoter Group.

### **B. Continual Disclosure of trades**

Every member of the Promoter group and Designated Person of the Company shall disclose in Form -3 to the Company (in SEBI prescribed format) the number of such Securities of the Company acquired or disposed of within two (2) trading days of such transaction if the value of the Securities of the Company traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of Rs.10,00,000/- (Rupees Ten lakh) or such other value as may be specified;

The Company shall within a period of two (2) working days from the date of receipt of such disclosures, inform the Stock Exchanges particulars of such trading.

### **C. Other Disclosures**

Every Designated Person shall disclose names and Permanent Account Number (“PAN”) or any other identifier authorized by law of the following persons to the company on an annual basis and as and when the information changes in Form 4:

(i) immediate relatives;

(ii) persons with whom such Designated Person(s) shares a Material Financial Relationship; and

(iii) phone, mobile and cell numbers which are used by them.

In addition, the names of educational institutions from which Designated Persons have graduated and names of their past employers shall also be disclosed on a one time basis.

## **7. Miscellaneous Provisions**

7.1 In respect of any non-compliance of this Code (or the Code referred to in Paragraph 3.1. hereof), the Compliance Officer shall report to the Board and in particular, shall provide reports to the Chairman of the Board at least once every year, or more frequently if so stipulated by the Board, or if the Compliance Officer so considers it necessary.

7.2 In addition to the above, the Audit Committee shall review compliance with the provisions of these Regulations at least once in a financial year and shall verify that the systems for internal



controls which are required to be maintained per these Regulations are adequate and are operating effectively.

- 7.3 All information shall be handled within the Company on a need-to-know basis and no UPSI shall be communicated to any person except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
- 7.4 In compliance with the Chinese Walls procedures, all files, papers and records including computer files shall be kept secure and employees in possession of such files, papers and records shall be provided with necessary infrastructure to maintain confidentiality and they shall not communicate to or share with anyone other than communication required to be made in the ordinary course of business or under law.
- 7.5 The Compliance Officer shall, inter alia, be responsible for:
- (a) maintaining an up-to-date list of the Designated Persons and records of all declarations submitted by them; and
  - (b) maintaining records of all the declarations received from the Designated Persons for a minimum period of eight years.
- 7.6 The Company shall initiate appropriate inquiries on becoming aware of leak of UPSI or suspected leak of UPSI in accordance with the policy formulated by the Board and inform the Board promptly of such leaks, inquiries and results of such inquiries.
- 7.7 Penalty for contravention of Code of Conduct
- (i) Every Designated Person shall be individually responsible for complying with the applicable provisions of this Code (including to the extent the provisions hereof are applicable to their Immediate Relatives).
  - (ii) Without prejudice of SEBI's power under the Act, in the event of any contravention of this Code, wage freeze, suspension, recovery, clawback and other appropriate sanctions and disciplinary actions may be imposed in a manner that the Compliance Officer may recommend on a case to case basis and agreed to by the Board or a committee thereof.
  - (iii) Action taken by the Company for violation of the Regulations and the Code against any person will not preclude SEBI from taking any action for violation of the Regulations or any other applicable laws/rules/regulations, which may include a penalty which shall not be less than ten lakh rupees but which may extend to twenty five crore rupees or three times the amount of profits made out of insider trading, whichever is higher
- 7.8 The terms of the Model Code of Conduct for Prevention of Insider Trading for Listed Companies as contained in Schedule B to the Regulations, to the extent not specifically provided herein, shall continue to apply as if the same have been specifically set out herein.

7.9 The Compliance officer shall provide necessary clarification to any query raised by the Designated Person(s) or any other person in respect of the Code and /or the Regulations.

7.10 Relevant blank Forms referred to in this code will be supplied on request.



COMPANY SECRETARY & COMPLIANCE OFFICER  
CESC LIMITED

5 February, 2019

