



AXITA COTTON LIMITED

**Policy with respect to Obligations of
Directors and Senior Management**

Adopted in Board Meeting: 13/02/2019

Reviewed and amended in Board Meeting: 25/04/2022

1. INTRODUCTION

The Board of Directors of Axita Cotton Limited (“the Company”) has adopted the following policy with regard to Obligation of Directors and Senior Management. The Board may review and amend this Policy from time to time. This policy shall be applicable to the Company effective from February 13, 2019. This policy is in terms of Regulation 17(5) and 26 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Regulation 17(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“SEBI Listing Regulations”) requires a listed company to frame a Code of Conduct for all members of the Board of Directors and Senior Management, which, in accordance with Regulation 46 (2) (d) of the SEBI Listing Regulations shall be hosted on the website of the Company. The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) or any other officials who hold powers, duties and responsibilities of a CEO/ CFO is required to certify every year that there are, to the best of their/ his knowledge and belief, no transactions entered into by the listed entity during the year which are fraudulent, illegal or violate this Code.

2. OBJECTIVE

The Board of Directors and Senior Management must act within the boundaries of the authority conferred upon them, and a duty to comply with the requirements of applicable laws, while discharging their duties and responsibilities. The purpose of this Code is to provide mechanisms to report unethical conduct of Employees, Board of Directors and Senior Management Personnel and to promote and enhance transparency in corporate governance and to ensure that the affairs of the Company are conducted in an ethical manner and in compliance with applicable laws and regulations. The Principles prescribed in this Policy are general in nature, and lay down board standards of compliance and ethics, as required by Regulation 17 (5) (a) and 26 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. DEFINITIONS

“**Act**” means the Companies Act, 2013, as amended and the Rules made thereunder including any amendment thereof.

“**Company**” means “Axita Cotton Limited”.

“**Board of Director**” or “**Board**” means the Board of Directors of Axita Cotton Limited, as constituted from time to time.

“**Relative**” shall have the same meaning as defined in Section 2(77) of the Companies Act, 2013.

“**Senior Management**” shall mean personnel of the Company who are functional heads excluding Board of Directors. This would comprise all members of one management level below the Board.

“**Whole Time Director**” shall have the same meaning as defined in Section 2(94) of the Companies Act, 2013.

“Executive Director” means a whole-time director as defined in clause (94) of section 2 of the Companies Act, 2013.

“Non-Executive Director” shall mean Directors who are not in Whole Time Employment of the Company.

“Independent Directors” shall mean an Independent Director as per the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015. (as revised from time to time).

“Key Managerial Personnel”, in relation to a Company, means –

- the Chief Executive Officer or the managing director or the manager;
- the company secretary;
- the whole-time director;
- the Chief Financial Officer;
- such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- such other officer as may be prescribed

“Senior Management Personnel” shall mean personnel of the company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management one level below the executive directors, including all functional heads.

“SEBI (LODR) Regulations, 2015” means Listing Obligations and Disclosure Requirements, Regulations, 2015 as notified by the Securities and Exchange Board of India.

“Confidential Information” means any information concerning the Company’s Business which is not in public domain and to which only Board of Directors and Senior Management have access.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (LODR) Regulations, 2015, Securities Contract Regulation Act or any other applicable Law or Regulation.

4. **APPLICABILITY**

This Code is applicable to the Board of Directors and the Senior Management Personnel of Axita Cotton Limited (hereinafter referred to as the “Company”). The Board of Directors and the Senior Management Personnel are expected to familiarise themselves with this Code, understand, adhere to, comply with and uphold the provisions of this Code in their day-to-day functioning.

5. **DUTIES OF A DIRECTOR**

Section 166 of the Companies Act, 2013 provides for the duties of a director and runs as follows:

- 1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- 2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best

interests of the company, its employees, the shareholders, the community and for the protection of environment.

- 3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- 4) A director of a company 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.
- 5) A director of a company 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.
- 6) A director of a company shall not assign his office and any assignment so made shall be void.
- 7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

6. INDEPENDENT DIRECTORS

As per Section 149(8) of the Companies Act, 2013, The company and independent directors shall abide by the provisions specified in Schedule IV.

CODE FOR INDEPENDENT DIRECTORS

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

GUIDELINES OF PROFESSIONAL CONDUCT

An independent director shall:

- 1) uphold ethical standards of integrity and probity;
- 2) act objectively and constructively while exercising his duties;
- 3) exercise his responsibilities in a bona fide manner in the interest of the company;
- 4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- 5) not allow any extraneous considerations that will vitiate his 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;
- 6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- 7) refrain from any action that would lead to loss of his independence;
- 8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- 9) assist the company in implementing the best corporate governance practices.

ROLE AND FUNCTIONS

The independent directors shall:

- 1) 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;
- 2) bring an objective view in the evaluation of the performance of board and management;
- 3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- 4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- 5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- 6) balance the conflicting interest of the stakeholders;
- 7) 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;
- 8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

DUTIES

The independent directors shall—

- 1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- 2) 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;
- 3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- 4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- 5) strive to attend the general meetings of the company;
- 6) 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;
- 7) keep themselves well informed about the company and the external environment in which it operates;
- 8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 9) 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;
- 10) ascertain and ensure that the company 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;
- 11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- 12) act within their authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 13) 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.

MANNER OF APPOINTMENT

- 1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board 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.
- 2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- 3) 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.
- 4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out:
 - a) the term of appointment;
 - b) 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;
 - c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
 - d) provision for Directors and Officers (D and O) insurance, if any;
 - e) the Code of Business Ethics that the company expects its directors and employees to follow;
 - f) the list of actions that a director should not do while functioning as such in the company; and
 - g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- 5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
- 6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

RE-APPOINTMENT

The re-appointment of independent director shall be on the basis of report of performance evaluation.

RESIGNATION OR REMOVAL

- 1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Companies Act, 2013.
- 2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within three months from the date of such resignation or removal, as the case may be.
- 3) Where the company 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.

SEPARATE MEETINGS

- 1) The independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management;
- 2) All the independent directors of the company shall strive to be present at such meeting;
- 3) The meeting shall:
 - a) review the performance of non-independent directors and the Board as a whole;
 - b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - c) 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.

EVALUATION MECHANISM:

- 1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- 2) 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.

TRAINING PROGRAMME

The independent directors shall attend the training programme as may be organized by the Company in order to familiarize them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc.

ADHERENCE TO THE APPLICABLE LAWS

- 1) The independent directors shall adhere to the provisions of the Companies Act, 2013 to the extent and as may be applicable to them.
- 2) They shall comply with the provisions of the SEBI (LODR) regulations, 2015.
- 3) They shall comply with the Code of Conduct for Board of Directors and Senior Management.
- 4) They shall comply with all the laws to the extent and as may be applicable to the Company.
- 5) They shall give a declaration that they meet the criteria of independence as provided in section 149(6) of the Companies Act, 2013 and regulation 16(1)(b) of the SEBI (LODR) regulations, 2015 as amended from time to time at the first meeting of the Board in which they participate as directors and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect their status as an independent director.
- 6) They shall from time to time furnish to the Company such declarations, disclosures, statements as may be required to be furnished by the Directors under the relevant laws.
- 7) An independent director shall be held liable in respect of such acts of omission or commission by the Company which had occurred with his/her knowledge, attributable through Board processes, and with his/her consent or connivance or where he/she had not acted diligently with respect to the provisions contained in the Companies Act, 2013 and SEBI (LODR) regulations, 2015 and other applicable acts/regulations.

7. OBLIGATIONS WITH RESPECT TO EMPLOYEES INCLUDING SENIOR MANAGEMENT, KEY MANAGERIAL PERSONS, DIRECTORS AND PROMOTERS UNDER REGULATION 26 OF THE LODR, 2015

- 1) A director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he/she is a director which shall be determined as follows:
 - a) the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies, high value debt listed entities' and companies under Section 8 of the Companies Act, 2013 shall be excluded;
 - b) for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.
- 2) Every director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take place.
- 3) All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis.
- 4) Senior management shall make disclosures to the board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

Explanation. - For the purpose of this sub-regulation, conflict of interest relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.

- 5) No employee including key managerial personnel or director or promoter of a listed entity shall enter into any agreement for himself/herself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution:

Provided that such agreement, if any, whether subsisting or expired, entered during the preceding three years from the date of coming into force of this sub-regulation, shall be disclosed to the stock exchanges for public dissemination:

Provided further that subsisting agreement, if any, as on the date of coming into force of this sub-regulation shall be placed for approval before the Board of Directors in the forthcoming Board meeting:

Provided further that if the Board of Directors approve such agreement, the same shall be placed before the public shareholders for approval by way of an ordinary resolution in the forthcoming general meeting:

Provided further that all interested persons involved in the transaction covered under the agreement shall abstain from voting in the general meeting.

Explanation – For the purposes of this sub-regulation, ‘interested person’ shall mean any person holding voting rights in the listed entity and who is in any manner, whether directly or indirectly, interested in an agreement or proposed agreement, entered into or to be entered into by such a person or by any employee or key managerial personnel or director or promoter of such listed entity with any shareholder or any other third party with respect to compensation or profit sharing in connection with the securities of such listed entity.

8. COMPLIANCES

The Members of Board and Senior Management Personnel shall:

- a) Function and discharge their responsibilities in accordance with all applicable laws, rules and regulations.
- b) Function within the authority conferred upon them by the Company, keeping the best interest of the Company in view.
- c) Act in good faith in order to promote the objects of the Company for the benefit of all the stakeholders of the Company.
- d) Act with due and reasonable care, skill and diligence.
- e) Exercise independent judgement while performing his duties.
- f) Strictly adhere to the policy of the company.
- g) Avoid discrimination and harassment in any form, on the basis of race, religion and gender.
- h) Ensure maintenance of a healthy and safe work environment in the company.
- i) 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. Where such a situation is not avoidable, the person shall disclose the matter in writing to his / her superior and in the case of any Director; such disclosure should be made to the Board.
- j) Not achieve or attempt to achieve any undue gain or advantage either to himself or his relatives, partners, or associates and if he is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Company.
- k) Maintain the confidentiality of any information (which is not available in the public domain) concerning the Company’s business, its customers, suppliers, etc., and to which they have access except if required under any applicable law.
- l) Protect the Company’s assets including physical assets, information and intellectual rights and shall not use the same for personal gain.
- m) Comply with the Code of Practice and Procedure for Fair Disclosure of Unpublished Price Sensitive Information as well as the Code of Conduct for dealing in Company’s securities framed under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended.

9. AFFIRMATION OF COMPLIANCE OF THE POLICY

As required under the Regulation 26(3) of LODR, 2015, all Directors and Senior Management shall affirm compliance with this Policy on annual basis (as per Annexure-A).

10. CONFLICTS OF INTEREST

All Directors & Officers should be scrupulous in avoiding situations wherein financial or personal considerations tend to compromise the exercise of professional judgments in discharging of their duties. They should not allow personal interests to conflict with the interests of the Company. Acceptance of any undue offer, gift, money or money's worth or favour, whether for himself/ herself or for family members, from any business associates, is prohibited.

11. COMMUNICATION WITH MEDIA

Only the Chairman and Managing Director and Whole Time Director with the consent of Chairman can interact with the media on any matter pertaining to the Company. No members of the Board and Senior Management Personnel of the Company can comment on any article/ in radio/ TV broadcast etc.

12. DISCLOSURES

All Directors and Officers should ensure to provide full, fair, accurate, timely and understandable disclosures in all reports and documents required to be presented to shareholders, investors and other Government Authorities.

13. NON COMPLIANCE WITH THIS CODE

If a member of the Board of Directors or Senior Management Personnel of the Company contravenes the provisions of this Code, then such contravention shall be reported to the Board of Directors and the concerned person shall be punishable with such fine as the Board may deem fit.

14. CONFIDENTIALITY

All Directors and Officers should respect the confidentiality of all the confidential information, regarding the Company including but not limited to technical processes, patents, business processes, product developments, R&D, expansion plans, prices of goods, raw materials and Plant & Machinery, its customers, suppliers, employees, associates etc., acquired by them in the course of their duties. No such information is to be disclosed except when it is authorised or legally required. The use of such information for his or her own advantage or profit is prohibited.

15. PUBLICATION OF THE CODE

The policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

16. REVIEW/ AMENDMENT

The Board of Directors may review and amend this Code, as and when deemed fit. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Code, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Code shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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ANNEXURE – A

To,
The Compliance Officer,
Axita Cotton Limited
Address: Servey No. 324 357 358 Kadi Thol
Road Borisana Kadi Mahesana-382715, Gujarat.

ANNUAL COMPLIANCE CERTIFICATE

Financial Year ended on March 31, _____.

I certify that:

1. I have received a copy of and have read the Code of Conduct for Directors and Senior Management of the Company.
2. I have not violated the said Code of Conduct

I further certify that to my knowledge neither I nor any member of my immediate family has any interest or connection, or has in the past twelve months engaged in any activity, which might conflict with Company's interest, except as previously reported to the Company from time to time.

Dated:

Name:

Signature: _____