

ANNEXURE A

CODE OF CONDUCT

Sobha Limited has adopted this Code of Conduct for its Board Members and Senior Management Personnel under the provisions of Clause 49 of the Listing Agreement effective 28th October 2006 and amended on 20th January, 2007 and 08th August, 2014.

1. PREAMBLE:

PASSION AT WORK has been the driving force of SOBHA since its inception. By formulating a Code of Conduct, the commitment of Passion at Work is further reinforced in providing a greater commitment by the Board of Directors and Senior Management Personnel of the Company towards ethical values, social responsibility, transparency, accountability, fairness, integrity and compliance with the existing legislation so as to ensure that CORPORATE GOVERNANCE is implemented in its true letter and spirit and all the stakeholders of the company benefit in the long run by way of sustained growth and value addition.

2. SCOPE OF THE CODE:

The persons to whom it is applicable shall follow the code in its true letter and spirit and ensure that the same shall not be looked upon as a mere statutory requirement.

3. DEFINITIONS AND APPLICABILITY:

A. BOARD MEMBERS: Board Members shall mean the Directors on the Board of the Company.

B. SENIOR MANAGEMENT PERSONNEL: Senior Management Personnel shall mean the Core Management Team of the Company excluding the Board members. The following personnel are deemed as the Senior Management Personnel of the Company:

- Key Managerial Personnel or Key Executives [Chief Financial Officer and Company Secretary]
- Regional Office and Area Office Heads
- Head of the Contractual Operations
- Head of the Manufacturing Divisions [Glazing and Metal Works Division, Concrete Products Division and Interiors Divisions (including Mattresses)]

4. OBJECTIVES OF THE CODE:

This code of conduct directs the Board Members and the Senior Management Personnel of the Company to ensure that:

1. The highest standards of integrity and honesty are promoted throughout the organization.
2. Protection of the assets of the Company.
3. Compliance with the existing laws and regulations affecting the business.

4. Maintain a climate whereby every personnel of the Company are valued and he contributes to the fullest of his potential.
5. Creating value and wealth to all the stakeholders of the Company in long run.

5. THE CODE:

(i) HONESTY AND TRANSPARENCY:

To act in an honest and transparent manner and within the accepted ethical framework in all situations. To act with professional integrity in respect of all the transactions which have a direct or an indirect bearing or which can be influenced in the working of the company.

(ii) PRICE SENSITIVE INFORMATION:

The Board Members and the Senior Management personnel shall not divulge or disclose any Price Sensitive Information to any person or to any section of the media unless the same is vetted by the Board in its Meeting or persons/committees authorized by it, and shall be bound by the confidentiality clause mentioned elsewhere in this code.

(iii) INSIDER TRADING:

All the Employees and directors should observe the applicable laws and regulations including the Company's policies and codes as applicable to them with respect to the purchase and sale of the Company's securities. All non-public information about the Company should be considered confidential information. It is the responsibility of each employee and director to become familiar with and understand these laws, regulations, policies and codes, and to seek further explanations and advice concerning their interpretation, if required.

(iv) CONFLICT OF INTEREST:

The Board members and the Senior Management Personnel of the Company shall avoid business, relationship or activities, which may be in conflict of interest of Sobha or the group companies. Conflict of interest may not always be clear-cut. Any question therefore about a Board Member's or senior management personnel's actual or potential conflict of interest with Sobha should be brought promptly to the attention of the Chairman of the Board, who will review the question and determine a proper course of action, including whether consideration or action by the full board is necessary. Directors or senior management personnel involved in any conflict or potential conflict situation shall exclude themselves from any discussion or decision relation thereto.

(v) COMPLIANCE WITH THE STATUTES:

The Board members and the Senior Management personnel shall ensure that in the course of their functioning or employment, they shall endeavor to ensure that the management is complying with the applicable laws, rules and regulations that govern the conduct of the Company.

(vi) PROPRIETY FUNCTION:

In carrying out their duties and responsibilities, all employees and directors should endeavor to protect the Company's assets and proprietary information, and ensure that the same is being used by the

Company and its employees only for legitimate business purposes of the Company. Any suspected incident of fraud, mismanagement of Company's assets or theft should be immediately reported for investigation to the Chairman of the Board or such other person as designated in this regard.

(vii) GIFTS AND CHARITABLE CONTRIBUTIONS:

No Board Member & Senior Management of the Company or member of his or her immediate family, shall (directly or indirectly) solicit, accept or retain any gift, entertainment, trip, discount, service, or other benefit from any organization or person doing business or competing with the Company, other than (i) modest gifts or entertainment as part of normal business courtesy and hospitality that would not influence, and would not reasonably appear to be capable of influencing, such person to act in any manner not in the best interest of the Company or (ii) acceptance of a nominal benefit that has been disclosed to the Company. No Gifts shall be accepted by any of the aforesaid persons if there is any likely or potential conflict of interest with the Company.

(viii) CONFIDENTIAL INFORMATION:

Board Members and the Senior Management Personnel of the Company shall maintain the confidentiality of the information in their possession and shall not use for their personal gain or otherwise during the course of employment or at any time thereafter. The information possessed by the aforesaid members shall be used only for the benefit of the Company and shall not be inappropriately disclosed.

(ix) GENERAL GUIDELINES FOR CONDUCT:

The Directors shall act in the best interests of the Company and shall make reasonable efforts thrive to do the following:

1. Attend the Meetings of the Board of Directors and of the committees formed from time to time.
2. To contribute effectively and efficiently the functioning of the Board and the Committees.
3. To ensure that the Statutory Compliances are done in a time bound manner and the policies of the Company are complied with.

(x) ADHERENCE TO THE GLOBAL BENCHMARKS:

The Board Members as well as the Senior Management shall ensure that their functions and actions are in conformity with the Global Best Practices and try to set Global Benchmarks so as to retain and maximize the Shareholders Value in the long run. They shall be committed to supply goods and services of the promised quality & standards, backed by after sales service consistent with the requirements of the consumers.

(xi) FAIR DEALING:

In carrying out their duties and responsibilities, the Senior Management Personnel of the Company and directors should endeavor to deal fairly, and should promote fair dealing by the Company, its employees and agents, with customers, suppliers and competitors. No employee or director should seek to take unfair advantage of anyone (including the Company) through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

(xii) RECORD KEEPING AND REPORTING:

The Company shall keep adequate books and records to substantiate the Financial Statements of the Company and shall ensure that the information kept and issued in the public domain is accurate and reflects the Company's transactions and such information and the relevant books, records and documents are in compliance within the framework of the existing laws of legal reporting and the companies policies on internal controls and reporting.

(xiii) CO-OPERATION WITH GROUP AND ASSOCIATE COMPANIES:

The Management shall cooperate with other group companies and associates companies by sharing physical, human and management resources as long as this does not adversely affect its business interests and shareholders value. In the procurement of products and services, the Company shall give preference to another group company or associate company so long as it can provide these on an arms length basis.

(xiv) EQUAL OPPORTUNITIES WITHIN THE COMPANY:

The Officers shall ensure that equal opportunities are provided to all employees of the Company and all qualified applicants for employment, without regard to their race, caste, religion, color, ancestry, marital status, sex, age & nationality and that no discrimination or exploitation is done in this regard.

(xv) DUTIES OF INDEPENDENT DIRECTORS:

In addition to the aforementioned duties, the Independent Directors shall adhere to the Code for Independent Directors as detailed in Schedule IV of the Companies Act, 2013 as amended from time to time. Code for Independent Directors is reproduced as Appendix to this Code of Conduct.

(xvi) NON-COMPLIANCE OF THE CODE:

The Board members and the Senior Management personnel shall ensure the Compliance of this code in its true letter and spirit. The Code is a Public Document and violations of the code observed by any person shall be reported to the Chairman of the Company and / or the Chairman of the Audit Committee who shall have the powers to investigate into the reported violation and a report shall be placed in the immediate Audit Committee Meeting or the Board Meeting as the case may be and suitable action shall be taken as per the consensus arrived at such Meeting.

(xvii) AMENDMENT AND WAIVERS OF THE CODE:

Any amendment to this Code must be approved by the Board of Directors and shall be publicly disclosed as required by any applicable law or regulations in force. Any waiver of this Code for the benefit of any Senior Management personnel or Director of the Company may be made only by the Company's Board of Directors and shall be disclosed promptly as required by applicable laws and regulations including the rules of any exchange on which the Company's securities are listed or traded.

(xviii) ACKNOWLEDGEMENT OF RECEIPT OF THE CODE:

All Board Members shall acknowledge receipt of this Code or any modification(s) thereto, in the acknowledgement form and forward the same to the Company Secretary indicating that they have received, read, understood and agreed to comply with this Code.

(xix) PERIODIC REPORTING OF COMPLIANCE

All Board Members and the Senior Management Personnel shall affirm compliance with the code on an annual basis at the end of financial year of the Company as per the applicable reporting requirements.

Appendix to the Code of Conduct

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.

I. 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.

II. 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.

III. 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
- 7) Board meeting;
- 8) keep themselves well informed about the company and the external environment in which it operates;
- 9) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 10) 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;
- 11) 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;
- 12) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- 13) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 14) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information,
- 15) unless such disclosure is expressly approved by the Board or required by law.

IV. 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 there under 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.

V. Re-appointment:

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

VI. 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 Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days 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.

VII. Separate meetings:

- (1) The independent directors of the company shall hold at least one meeting in a 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.

VIII. 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.