

# CODE OF CONDUCT

## **Necessity**

As per clause 49-II(E) of the listing agreement, the Board shall lay down a code of conduct for all Board members and senior management of the Company to bind the Board members and those serving at various positions in the Organization to certain values.

## **CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD MEMBERS & SENIOR MANAGEMENT OF THE COMPANY**

### **1. Definition**

“Board Member” shall mean a Director of the Company.

“The company or the Organisation” shall mean Kernex Microsystems (India) Limited.

“Senior Management” shall mean personnel of the Company who 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 (Herein after collectively referred to as “Employee(s)”).

### **2. Purpose**

The prime purpose of the code is to create an environment wherein all the Board Members and Senior Management of the Company maintain ethical standards and to ensure compliance to the ethical standards that are laid down. This code of conduct will act as guidelines to

- Promote honest and ethical conduct.
- Maintain a corporate climate in which the integrity and dignity of each individual is valued and promoted.
- Assure compliance with laws, rules and regulations that govern the Company's business activities and
- Assure the proper use of the Company's assets

Ethical business conduct is critical to any business. As an employee, one's responsibility is to respect and adhere to these practices. Many of these practices reflect legal or regulatory requirements. Violation of these laws and regulations can create significant liability for the employees concerned, the Company, its directors, officers and other employees.

This Code does not specifically address every potential form of unacceptable conduct, and it is expected that the Board Members and Senior Management of the Company will exercise good judgment in compliance with the principles set out in this code and they have a duty to avoid any circumstances that would violate the letter or spirit of this code.

The code is intended to serve as a basis for ethical decision-making in the conduct of professional work. It may also serve as a basis for judging the merit of formal complaint pertaining to violation of professional ethical standards.

Further, the Company is committed to continuously reviewing and updating the policies and procedures of this code.

All company employees and trainees are expected to read and understand this code, uphold these standards in day-to-day activities, comply with all applicable policies and procedures.

Nothing in this code of Business Conduct and ethics shall constitute and shall not be construed to constitute a contract of employment for a definite term or a guarantee of confirmed employment.

### 3. **Applicability**

This code is applicable to the Board Members and all employees in and above officers level (Herein after collectively referred to as "Employee(s)")

### 4. **Specific Professional Responsibility**

Every Director and employee of the Company must live the Company's Values each day. For quick reference the Company's core values are

- a) **Ownership:** All the employees should feel Kernex is their Company and shall accept personal responsibility and accountability to meet business needs
- b) **Passion for winning:** The employees must believe that they are leaders in their area of responsibility with a deep commitment to deliver result and must be determined to be the best at doing what matters most.

- c) **People development:** Since, people are the Company's important asset, all the employees shall add value through result driven training and encourage and reward excellence.
- d) **Consumer focus:** Every employee of Kernex shall become superior in understanding consumer needs and develops products to fulfill them better.
- e) **Team Work:** The people at Kernex must work together on the principle of mutual trust and transparency in a boundary less organization and must be intellectually honest in advocating proposals, including recognizing risks
- f) **Innovation:** Continuous innovation in technology driven products and process is the basis for the success of Kernex and the employees must ensure the same.
- g) **Integrity:** The organization is committed to the achievement of business success with integrity and employees must ensure that they are honest with consumers, business partners and each other.
- h) **Highest quality:** Excellence is perhaps the most important obligation of a professional. At Kernex, people must strive to achieve the highest quality, effectiveness and dignity in all that they are responsible for each day.
- i) **Professional Competence:** Excellence depends on individuals who take responsibility for acquiring and maintaining professional competence. At Kernex, people must participate in setting standards for appropriate levels of competence, and strive to achieve those standards.
- j) **Professional review:** Quality professional work depends on professional reviewing and critiquing. Whenever appropriate, individual members should seek and utilize peer review as well as provide critical review of the work of theirs.

## 5. Enhancement of quality of working life

The Company expects all employees, agents and contractors to exercise good judgment to ensure the safety and welfare of employees, agents and contractors

and to maintain cooperative, efficient, positive harmonious and productive work environment and Business organization.

Organisational leaders are responsible for ensuring that a conducive environment is created for fellow employees to enable them delivering their best and towards this, they have to ensure human dignity of all our colleagues, their personal and professional development and thereby enhancement of quality of working life.

## **6. Transparency and Auditability**

All Company employees shall ensure that their actions in the conduct of business are totally transparent except where the needs of business security dictate otherwise. Such transparency shall be brought about through appropriate policies, systems and processes including involvement of more than one manager in recording decision logic and maintaining supporting records. All managers shall voluntarily ensure that their areas of operation are open to audit and the conduct and the conduct of their activities is totally auditable.

However, employees are expected to maintain the confidentiality of all material non-public information about the Company's business and affairs.

## **7. Proper use of Company's Assets**

Protecting the Company's assets is a key responsibility of every employee. Care should be taken to ensure that assets are not misappropriated, loaned to others or sold or donated without appropriate authorization. All company employees, agents and contractors are responsible for the proper use of Company assets and must safeguard such assets against loss, damage, misuse or theft.

The Company's assets should be used only for the legitimate business purposes of the Company. The Board Members and Employees of the Company are prohibited from using Company's asset, confidential or proprietary information or position for personal gain.

Further, the Board members and employees of the Company are perceived as trustees of Company's properties, funds and other assets and as such they owe fiduciary duty to each stakeholder, as their agent, for protecting the Company's assets. This can be done by establishing proper internal control systems and procedures and effectively insuring the same against any probable fire, burglary, fidelity and any other risk.

All software used by the employees to conduct Company business must be appropriately licensed and must ensure that they never use illegal or unauthorized copies of any software, as doing so may constitute copy right infringement and may expose them and the Company to potential civil and criminal liability.

The employees should also ensure that they utilize electronic communication devices like Computers, e-mail, connections to the Internet, intranet and extranet and any other public or private networks, voice mail, video conferencing, facsimiles and Telephones in a legal, ethical and appropriate manner. Posting or discussing information concerning the Company's services or business on the Internet without the prior written consent of the Managing Director of the Company is prohibited.

Further, The Company is required by applicable laws, rules and regulations to retain certain records and to follow specific guidelines in managing its records which include paper documents, CDs, Computer hard Disks, e-mail, floppy disks, microfilm or other related data. The employees, therefore, must ensure the same and failure to comply with such laws, rules or regulations in this regard can be severe for employees and the Company in the form of Civil and Criminal penalties.

## **8. Cost consciousness**

No employee shall misuse Company facilities except where such facilities have been provided for personal use either by policy or specific permission. Even in their use for Company purposes, employees shall exercise care to ensure that costs are reasonable and there is no wastage. Employees shall avoid ostentation in Company expenditure.

## **9. Compliance with Laws, Rules and Regulations**

All company employees must comply with all applicable laws, rules and regulatory orders and must acquire appropriate knowledge of the requirements relating to his/her duties sufficient to enable him/her to recognize potential dangers and to know when to seek advice from the Legal Counsel on specific Company policies and procedures. They should also obey the policies, procedures, rules and regulations of the Company

Any transaction undertaken in the name of the Company that would violate the laws of the land is prohibited. Particular attention is directed to the laws, rules and regulations relating to discrimination, Securities, anti-trust, Civil Rights and transactions with foreign officials, safety and the environment. If any uncertainty

arises as to whether a course of action is within the letter and spirit of the law, advice should be obtained from the Managing Director of the Company.

All public disclosures made by the Company, including disclosures in reports and documents filed with or submitted to the Statutory Authorities shall be complete in all material respects. All the Board members and employees are expected to carefully consider all inquiries from the Company related to the disclosure requirements and promptly supply complete and accurate responses and shall ensure compliance with all the legal and regulatory requirements.

## **10. Corporate Discipline**

The Company's flow of information is not rigid and people are free to express themselves. However, this informality should not be misunderstood. It means, there is free exchange of opinions in the process of arriving at a decision, but after the debate is over and a policy consensus has been established, all are expected to adhere and abide by it, even when in certain instances every one may not agree with it individually. In some cases policies act as a guide to action, in others they are designed to put a constraint on action. All the employees, therefore, must learn to recognize the difference and appreciate why we need to observe them.

Further, all employees are expected conduct themselves, both on and off-duty, in a manner that reflects credit to the Company. The sum total of every individual's personal attitude and behaviour has a bearing on the standing of Company and the way in which it is perceived within the organization and by the public at large.

## **11. Accounting and Payment Practices**

All the Board members and employees are expected to follow the Company's accounting policies. All accounting records should accurately reflect and describe corporate transactions. The recordation of such data must not be falsified or altered in any way to conceal or distort assets, liabilities, revenues or the nature of the activity.

The Company's responsibilities to its stockholders and the investing public require that all transactions be fully and accurately recorded in the Company's books and records in compliance with all applicable laws. All required information shall be accessible to the Company's auditors and other authorized persons and Government agencies. False or misleading entries, unrecorded funds or assets or payments without appropriate supporting documentation and approval are strictly prohibited and violate Company policy and the law. Additionally, all documentation supporting a transaction should fully and accurately describe the nature of the transaction and be processed in a timely fashion.

## 12. Discrimination and Harassment

The Company is committed to providing a workplace free of discrimination and harassment based on race, colour, religion, age, gender, disability or any other biases. It would be the endeavour of the every Board member and employees of the Company to see that work place is free from such environment.

If any Officer or Associate is discriminated, he may lodge a complaint of discrimination or harassment to the Managing Director of the Company.

## 13. Securities Transaction and Confidential Information

An employee or a Director or a representative of Kernex and his immediate family shall not derive any benefit or assist others to derive any benefit from the access to and possession of information about the Company, which is not in the public domain and thus constitutes insider information.

An employee or a Director or a representative of Kernex shall not make or maintain a substantial financial interest or investment in a Company which is a supplier, customer, distributor of or has other business dealings with the Company. The ownership of up to 1% of the subscribed share capital of a publicly held company shall not ordinarily constitute a substantial financial interest.

An employee or a Director or a representative of Kernex shall not use or proliferate information which is not available to the investing public and which therefore constitutes insider information for making or giving advice on investment decisions on the securities of Kernex on which such insider information has been obtained.

Such insider information might include the following:

- Acquisition and Divestiture of business or business units
- Financial information such as profits, earnings and dividends
- Announcement of new product introductions or developments
- Asset revaluations
- Investment decisions/plans
- Restructuring plans
- Major supply and delivery agreements
- Raising Finances

The Company's confidential information is a valuable asset which includes product architectures, Source codes, product plans and road maps, names and list of customers, dealers, and employees and financial information. This information is the property of the Company and may be protected by patent, trademark, copy right and trade secrete laws. 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 other person. No employee shall provide any information either formally to the press or to any other publicity media unless specifically authorized to do so.

#### **14. Accountability to the stakeholders**

All of those to whom the Company serve, be it its customers, without whom the Company will not be in the business, its shareholders, who have an important stake in Company's business and all its employees, who have a vested interest in making tit all happen – are Company's stakeholders. And the Board members and employees must keep in mind at all times that they are accountable to the Company's stakeholders.

"Insider Information" gained from the Company or otherwise must not be used for personal gains. The Board members and employees must undertake to comply with the Company's Code of Conduct for prevention of Insider Trading.

#### **15. Conflict of Interest**

Generally, a conflict exists when the personal interests or activities of Board Member or employee of the Company may influence the exercise of his or her independent judgment in the performance of one or more duties to the Company. Even the appearance of a conflict of interest may be as damaging as an actual conflict and should be avoided.

The Board member or employee of the Company should neither enter into any transaction nor engage in any practice directly or indirectly that would tend to influence him/her to act in any manner other than in the best interest of the Company nor exercise discretionary authority nor make /influence any recommendation or decision on behalf of the Company that would result in an undisclosed personal financial benefit to such person or to members of his or immediate family.

Generally, Directors or employees may not exploit for their own personal gain opportunities that are discovered through the use of corporate property, information



or position unless the opportunity is disclosed fully in writing to the Company's Board of Directors and the Board of Directors declines to pursue such opportunity.

## **16. Relationship with Suppliers and Customers**

All company employees shall ensure that in their dealings with suppliers and customers, the Company's interests are never compromised. Accepting gifts and presents of more than a nominal value, gratuity payments and other payments from suppliers or customers will be viewed as a serious breach of discipline as this could lead to compromising the Company's interests. The Company's policy is to purchase supplies based on need, quality, service, price and terms and conditions and under no circumstances should any employee of the Company attempt to coerce suppliers in any way.

If Board members or employees are considering investing in a enterprise of customer, supplier, developer or competitor, he/she must first take great care to ensure that these investments do not compromise his/her responsibilities to the Company.

If employee's job puts him in contact with any Company's customers or potential customers, it is critical for him to remember that he represent the Company to the people with whom he is dealing and he must remember that that goodwill is one of Company's most important asset and the Company's employees must act to preserve and enhance its reputation.

## **17. Out side Employment /Directorship**

Employees of the Company are expected to devote his/her full time and efforts during the normal working hours to the service of the Company. No such person shall engage in any business or secondary employment that interferes with his/her obligations and responsibilities to the Company or shall serve on the Board of Directors of any corporation not owned or controlled by the Company, other than a non-profit, charitable, religious, civic or educational organization without prior written approval of the Managing Director of the Company.

## **18. Dealing with people in the organization**

In dealing with each other, employees shall uphold the values which are at the core of our HR philosophy, trust, teamwork, mutually and collaboration, meritocracy, objectivity, self respect and human dignity. Indeed, these values will form the basis of our HR Management systems and processes. In areas such as selection and

recruitment, meritocracy will be the only criterion and all managers will scrupulously avoid considerations other than merit and suitability. Performance management systems including appraisals, remunerations and rewards will focus on meritocracy, equity and upholding Company values.

## **19. Identifying, mitigating and managing Business Risks**

It is the organisation's responsibility to follow institutionalized Company's Risk Management Framework (CRMF) to identify the Business risks that surround our function or area of operation and to assist the Company-wide process of managing such risks, so that Company may achieve its wider business objectives. All the employees should continuously ask themselves "What can go wrong and what am I doing to prevent it from going wrong."

## **20. Health and Safety**

The Company attaches great importance to a healthy environment and to the safety of its employees. Conditions should be such that there are no serious or fatal accidents. Good physical working conditions, high standards of hygiene and house keeping are essential. The Board expects all fatal accidents to be reported together with a detailed report signed by the Managing Director of the Company. Particular attention should be paid to training of employees to increase safety awareness and adoption of safe working methods.

## **21. Environment Policies**

The Company recognizes management of environmental issues relating to its business as a key component of responsible corporate citizenship and therefore accords the highest corporate priority to it. We believe this is the key determinant of sustainable development. Accordingly, the Company is committed to the "BEST PRACTICES" in environmental matters arising out of its business and activities.

## **22. Free and Fair competition**

No employee shall at any time or under any circumstances enter into an agreement or understanding, written or oral, express or implied, with any competitor concerning prices, discounts, other terms or conditions of sale, profits or profit margins, costs, allocation of product or geographic markets, allocation of customers, limitations on

production, boycotts of customers or suppliers or bids or the intent to bid or even discuss or exchange information on these subjects.

### **23. Related Parties**

As a general rule, the Company should avoid conducting its business with a relative or with a business in which a relative is associated in any significant role.

If such related party transaction is unavoidable, the person concerned must fully disclose the nature of transaction to the Managing Director of the Company. If determined to be material to the Company by MD, the Company's Audit Committee must review and approve in writing in advance such related party transactions. The most significant related party transactions, particularly those involving the Company's directors or executive officers, must be reviewed and approved in writing in advance by the Company's Board of Directors. The company must report all such material related party transactions under applicable accounting standards, SEBI, Companies Act'1956. Further, any dealings with a related party must be conducted in such a way that no preferential treatment is given to this business.

### **24. DUTIES OF INDEPENDENT DIRECTORS SHALL BE TO:**

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 his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
13. Not to 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.
14. Comply with the Articles of Association of the company, Code of Conduct for Independent Directors, any relevant internal guidelines and codes, including (but not limited to) the Code of Conduct for Board and Senior Management and KERNEX's Code on Insider Trading.
15. Promptly declare, so far as you are aware, the nature of any interest, whether direct or indirect, in any contract or proposed contract entered into by the Company.

## **25. Disciplinary Actions:**

The matters covered in this code of business conduct and ethics are of the utmost importance to the Company, its stock holders and its business partners and are essential to the Company's ability to conduct its business in accordance with its stated values. The Company expects all its employees, agents, contactors and consultants to adhere to these rules in carrying out their duties for the Company.

The Company will take appropriate action against any employee, agent, contractor or consultant whose actions are found to violate these policies or any other policies of the Company. Disciplinary actions may include immediate termination of employment or business relationship at the Company's sole discretion. Where the Company has suffered a loss, it may pursue its remedies against the individuals or entities responsible. Where laws have been violated, the Company will cooperate fully with the appropriate authorities.