

Global Health Limited
-Insider Trading Code as required under
Prohibition of Insider Trading ("PIT)
regulations

Awareness Session

Key Challenges in Compliance with PIT framework

- 1 Lack of awareness of the regulatory requirements and latest developments
- 2 Absence of stringent controls to enforce the regulation
- 3 Largely reactive activities with minimal to no formal prevention strategy
- 4 Lack of a stringent stance on dissemination of UPSI
- 5 Lack of defined roles and identification of insiders in possession of UPSI which triggers the process of leakages
- 6 Lack of policy framework for dealing with UPSI
- 7 Social media exposure

Insider Trading Code– Key Terms (1/2)



Unpublished Price Sensitive Information (UPI)

Unpublished Price Sensitive Information (UPI) - any information, relating to a company or its securities, directly or indirectly, that is not generally available ("Generally available" information means information that is accessible to the public on a non-discriminatory basis) which upon becoming generally available, is likely to materially affect the price of the securities

"UPI" includes, without limitation, information relating to the following:

- ▶ Financial results;
- ▶ Dividends;
- ▶ Change in capital structure;
- ▶ Mergers, de-mergers, acquisitions, de-listings, disposals and expansion of business and such other transactions;
- ▶ Changes in Key Managerial Personnel;



Insider

Insider means any person who is a connected person and/or in possession of or having access to UPI



Designated Persons

Insider trading policy to cover all Designated persons on the basis of their role and function and access to UPI including

1. Promoters of such company, directors of the Company and material subsidiaries, and fiduciaries
2. CEO and employees up to two levels below CEO irrespective of their role and access to UPI
3. Support staff including IT and secretarial staff having access to UPI

Insider Trading Code– Key Terms (2/2)



Key Restrictions

Communication Offence

No insider [and no person shall procure from or cause the communication by any insider of] shall communicate, provide, or allow access to any UPSI, relating to a company, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

Trading Offence

No insider shall trade in securities when in possession of unpublished price sensitive information (UPSI).

Legitimate purpose

shall include sharing of UPSI in the ordinary course of business by an insider with partners, collaborators, lenders, customers, suppliers, merchant bankers, legal advisors, auditors, insolvency professionals or other advisors or consultants

Additional Restrictions

- Designated persons and their immediate relatives shall not trade in securities when the trading window is closed.
- Shall not enter into a contra trade during the next 6 months following the prior trade
- Perpetual insiders can opt for trading plan

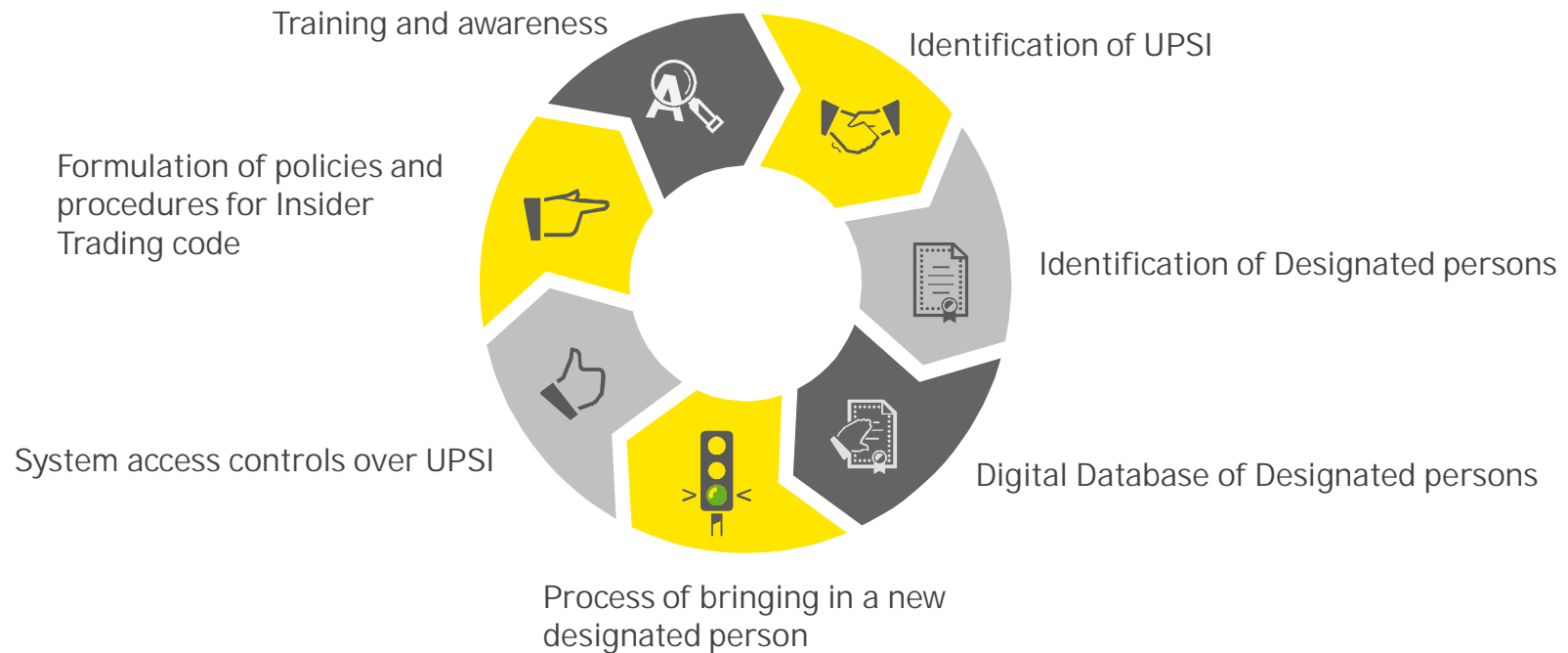


Pre clearance and Disclosure Requirement

- ▶ All Designated Persons or their Immediate Relatives who intend to deal (subscribe, buy, sell, pledge) in the Securities of the Company exceeding 1,000 in number or Rupees 10 lakhs in value, whichever is lower, during a calendar quarter should pre-clear the transactions
- ▶ Disclosure within two Trading Days of such transaction.

What leading organisations are doing

Key Internal Controls and processes



Initiatives taken by GHL for compliance with PIT regulations*

A. Formulated policy / framework for:

- Insider Trading Code
- Policy for determination of 'legitimate purposes'
- Policies and procedures for inquiry in case of leak of UPSI or suspected leak of UPSI
- Policy for proposed sanctions, disciplinary actions and penalties that maybe imposed for violation of the Companies Code/ policy and applicable regulations

B. Standard template for employee declaration and disclosures

- Pre-clearance of trade
- Reporting of trades executed
- Reporting of decisions not to trade after securing pre-clearance

C. Identified UPSI and Designated Persons (DP's)

- Designated persons to be covered by the code of conduct on the basis of their role and function in the organisation and the access to UPSI
- Defining business-specific criteria to identify designated person, UPSI and legitimate purpose for using UPSI

D. Implementing Structured Digital Database (SDD)

- SDD is maintained containing the names of such persons/ entities with whom UPSI is shared along with their PAN, with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database

E. Training & Awareness

- Mandatory trainings of the DP's on data security sensitisation
- Make DP's aware of the duties and responsibilities attached to the UPSI and liabilities on misuse
- Creating awareness for need of compliance

F. Implementing framework for system control on UPSI

- Guidance provided to Functional heads for system and physical control on UPSI and restrict sharing on need-to know basis only
- Benchmarking framework for access of system generated UPSI with designated persons on need to know basis

*- As informed by Compliance Officer of GHL

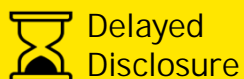
Responsibilities of Board of Directors and Audit Committee

Board of Directors/ Audit Committee shall ensure the following

- ▶ formulate a code of conduct to regulate, monitor and report trading by designated persons and immediate relative of designated persons towards achieving compliance with these regulations
- ▶ make a policy for determination of “legitimate purposes”
- ▶ maintain a structured digital database containing the names of such persons/ entities with whom UPSI is shared along with their PAN, with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database
- ▶ specify, in consultation with the compliance officer, the designated persons to be covered by the code of conduct on the basis of their role and function in the organisation and the access to UPSI
- ▶ review compliance with the provisions of SEBI regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively
- ▶ formulate written policies and procedures for inquiry in case of leak of UPSI or suspected leak of UPSI and accordingly initiate appropriate inquiries on becoming aware of leak of UPSI and inform the Board promptly of such leaks, inquiries and results of such inquiries

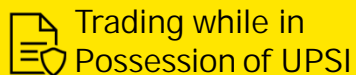


Insider Trading - Case Studies



Delayed Disclosure

Ben Dover, director in the Company, delayed in making the requisite disclosures with respect to change in her shareholding in the company. The regulator sent the notice to her for violation of provisions of the SEBI (PIT) regulations, intimating that the proceedings may be settled by paying the amount of INR 5 million which Ben Dover paid.



Trading while in Possession of UPSI

Mustafa Leek, promoter of Good Burger Limited, traded in the scrip of Good Burger Limited during the possession of UPSI along with his five family members. The company made the official announcement on 10 January 2021 after market hours. The information was UPSI between 01 November 2020 to 10 January 2021. Mustafa Leek shared the UPSI with his five family members during the UPSI period and they traded in the scrip of the company during this period. For violation, these persons paid ₹50 crore, which included settlement amount, disgorgement of ill-gotten gains along with interest charges.



Sharing of UPSI

Mr. Turner (Employee and DP) of Cupcake Limited was part of core team involved in acquisition of Wonka Industries Limited. Mr. Turner has divulged the information regarding acquisition of the company to Mr. Moon, another employee of Cupcake, who was not part of core team. Mr. Moon passed the information to Mr. Sun. Then Mr. Sun along with the help of his uncle and relative bought 2,00,000 shares of Wonka at ₹30 based on Unpublished Price Sensitive Information ("UPSI"). The acquisition of the company Wonka was fixed at ₹100 per share. The acquired shares were sold at a profit of ₹1 Crore. Cupcake Limited terminated the service of Mr. Turner for breach of the company policy.



Closed Trading Window

Manuel Labor, the promoter and director of Iron Media Limited, entered into contra trades on three occasions during period January 2021 to May 2021, thereby violating the code of conduct of Iron Media Limited and minimum standards for code of conduct specified under insider trading rules. The trading window was closed at that time. Also, Manuel bought shares exceeding the threshold stipulated by the company's code of conduct without obtaining pre-clearance from the firm while the trading window was open, in violation of rules. The case was settled after paying INR 20 lakhs to the regulator.



Procedural Lapse

PMS of spouse of Jolly person, Independent Director in Time Limited, purchased 2,000 shares during open trading window without obtaining pre-clearance of trade. The Audit Committee concluded that this was an inadvertent trade made without intent to violate the Company's insider trading Policy. However, penalty of Rs. 2 lacs was levied and remitted to Investor Protection Education Fund (IPEF) in line with the PIT Regulations

Extract of SEBI (PIT) FAQ

Q. Can a managing director trade in its own company's shares with pre - clearance alone or a trading plan is necessary?

Yes, managing director can trade with pre-clearance alone, if not in possession of UPSI. However, if the code of conduct of the company mandates trading plan for persons who may be perpetually in possession of unpublished price sensitive information, such persons shall abide by such code of conduct.

Q. In case promoter gifts shares of the company to his niece who is not part of promoter group & not financially dependent on promoter, Is gift of shares to be considered as trading under SEBI (PIT) Regulations?

"Trading" means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and accordingly gifting shall be construed as dealing in shares. Thus, gift is a trade and the promoter shall be required to comply with requirement of disclosure, pre-clearance and contra trade restrictions.

Q. Nominee directors sharing information to their bank or financial institution for legitimate purpose, will it be covered as communication of UPSI?

Sharing of UPSI by director for legitimate purpose with the Bank/FIs, would be considered as communication of UPSI. Accordingly, the same would be recorded in the SDD of the company.

(a) Whether SEBI's intent is to prohibit creation of pledge or invocation of pledge for enforcement of security while in possession of UPSI?
(b) Whether creation of pledge or invocation of pledge is allowed when trading window is closed?

Yes. However, the pledgor or pledgee may demonstrate that the creation of pledge or invocation of pledge was bona fide and prove their innocence under proviso to sub-regulation (1) of regulation 4 of the Regulations. (The said proviso mentions that in respect of a pledge of shares for a bonafide purpose such as raising of funds, subject to pre-clearance by the compliance officer and compliance with the respective regulations made by the Board)

Key Takeaways

Please familiarise with the Company's updated 'Code of Conduct for Prevention of Insider Trading' and 'Policy for determination of Legitimate Purposes' for sharing of UPSI.

Disclose the required details for yourself, your immediate family and persons sharing a material financial relationship with you. Please share the details annually and when the information changes

Trade only when the trading window is open, and not in possession of UPSI and the trade has pre-clearance from Compliance Officer. Otherwise, formulate a trading plan and get it approved from the Compliance Officer.

Disclose details of securities traded (by self and/or immediate relatives) within 2 trading days

Remember to not share UPSI with anyone, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. All information should be handled on a need-to-know basis

In case of doubts, consult the Compliance Officer at compliance@medanta.org

