

# PNEUMATIC HOLDINGS LIMITED

## CODE FOR THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT OF PNEUMATIC HOLDINGS LIMITED

(As approved by the Board of Directors of the Company in its meeting held on 29 June 2015,  
to be effective from 01 July 2015)

### 1. APPLICABILITY

This Code shall be applicable to each member of the Board of Directors of Pneumatic Holdings Limited ('the Company') hereinafter referred to as 'a Director', as well as employees of the Company one level below the Board, being members of the 'Senior Management' of the Company, or such other employee of the Company as may be designated as member of the Senior Management for the purpose of this Code by the Executive Director of the Company from time to time (hereinafter referred to as 'Senior Management')

### 2. OBJECTIVE

- a. To enhance the standards of ethical conduct, which are based on core Kirloskar group values.
- b. To evolve as good corporate citizens by implementing highest degree of transparency, integrity, accountability and corporate social responsibility.
- c. To further achieve good corporate governance by complying with all laws, rules, and regulations applicable to the company and fulfilling responsibilities towards stakeholders.
- d. To set standards of professional conduct for independent directors on the Board of the Company, with the aim of promoting confidence of the investment community, minority shareholders, regulators and companies in the institution of independent directors.

### 3. THE CODE

Every person to whom this Code applies will be bound by the following, to the extent applicable. However, serial number 4 shall apply additionally to only independent directors on the Board of the Company.

#### A. Regulatory Compliance

- i. To comply with all applicable laws, rules, regulations and regulatory orders.
- ii. To acquire appropriate up-to-date knowledge of requirements of compliance under various applicable statutes.



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- iii. To ensure proper legal compliance and management system is in place for reporting status of compliance under various laws.

## **B. Honest and Ethical Conduct**

To act in utmost good faith and in accordance with highest standards of personal and professional integrity, honesty and ethical conduct in respect of all transactions.

## **C. Conflict of Interest**

To avoid scrupulously 'conflict of interest' with the Company. A conflict of interest exists where the interest of a Director or member of the Senior Management conflict with those of the Company

## **D. Corporate Opportunities**

- i. Not to exploit for their own personal gain, opportunities that are discovered through the use of the Company's property (including intellectual property), information or position.
- ii. Not to divert to his / her own advantage any business opportunity that the Company is pursuing.

## **E. Fair Dealing**

To deal fairly with the stakeholders and employees of the Company.

## **F. Protecting Company's Confidential Information**

- i. To maintain the confidentiality of sensitive information of the Company and its business or that of any stakeholder to which the Company has a duty of confidentiality to maintain, except when disclosure is authorised or legally mandated. The confidential information includes all information not in the public domain that might be used to competitors or harmful to the Company or companies in the Kirloskar group.
- ii. Not to use confidential information for own advantage or profit

## **G. Use and Protection of Company's Assets**

- i. To protect Company's assets and properties, including intellectual property and ensure its efficient use.
- ii. To ensure the use of Company's property for legitimate business purpose.



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## H. Disclosure of Interest

To disclose the necessary information to the Company at regular intervals in respect of various declarations under the various acts, rules and regulations, including the Companies Act, 2013, and the details of related parties from time to time.

## I. Compliance of Insider Trading Code

To comply with the provisions of the Code of Conduct for Prohibition of Insider Trading approved by the Board of Directors in its meeting held on 29 June 2015.

## J. Contribution in Strategic Planning

- i. To Exercise independent judgment and if required, oppose, in case the vital interest of the Company is affected.
- ii. To promote ethical and responsible decision making.
- iii. To contribute in the most effective manner to achieve the Vision and Mission of the Company.

## K. Meetings

- i. To endeavor to attend and actively participate in all the meetings of the Board of Directors and its Committees, where he/she is a member, as well as general meetings of the members of the Company.
- ii. Not to remain present when any discussion on any matter is in progress in which he/she is interested as a director and he/she shall not participate or vote on any discussion on any matter in which he/she is interested as a director.

## L. To Act as a Trustee

- i. To exercise his / her powers for the purpose they were conferred, for the benefit and prosperity of the Company at all times.
- ii. The Director to discharge his/her fiduciary duty as a Trustee in a fair impartial manner.

## 4. CODE FOR INDEPENDENT DIRECTORS

In addition to compliance with the provisions of serial numbers 1 to 3 of this Code, the independent directors shall also be bound by the following additional provisions in respect of their conduct as independent directors on the Board of the Company.



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## A. Guidelines of Professional Conduct:

The independent director shall:

1. uphold ethical standards of integrity and probity;
2. act objectively and constructively while exercising his/her duties;
3. exercise his/her responsibilities in a *bona fide* manner in the interest of the company;
4. devote sufficient time and attention to his/her professional obligations for informed and balanced decision making;
5. not allow any extraneous considerations that will vitiate his/her 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/her 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/her independence;
8. where circumstances arise which make an independent director lose his/her independence, the independent director must immediately inform the Board accordingly;
9. assist the Company in implementing the best corporate governance practices.

## B. Role and Functions:

The independent director 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 the 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.



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## C. 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. strive to attend meetings of the independent directors whenever held;
7. 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;
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 behavior, 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, unless such disclosure is expressly approved by the Board or required by law.

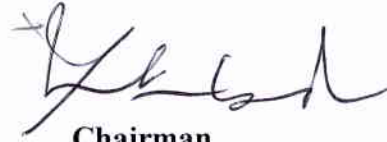


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## 5. CERTIFICATION

Each of the directors on the Board of the Company and senior management shall file with the Executive Director of the Company, a declaration as to compliance with the provisions of this Code by the 10<sup>th</sup> of April every year, starting from April 2015.

**For Pneumatic Holdings Limited**



**Chairman**



**Date: 29 June 2015**

**Place: Pune**