

MAHINDRA RURAL HOUSING FINANCE LIMITED

CODE OF CONDUCT FOR SENIOR MANAGEMENT AND EMPLOYEES

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INTRODUCTION

The Mahindra Group led by its parent company, Mahindra & Mahindra Limited (M&M) which was incorporated in 1945 and which is the flagship Company of the Mahindra Group has now grown into a vastly diversified industrial house with an unparalleled reputation for the trust and confidence built around its products and services. Over the years, the Mahindra Group has transformed itself into a group that caters to the Indian and Overseas markets with a presence in vehicles, farm equipment, information technology, trade and finance related services, automotive components, real estate, leisure and infrastructure development.

The past decade has seen several exciting changes in India's economic thinking. The liberalized business and legal environment, privatization of the public sector, the globalization of the economy and the resulting freedom and challenges have resulted in a dramatic growth in business and business opportunities, and in the way business is conducted. In this environment, it is imperative to maintain the highest standards of corporate conduct and business principles; we should be concerned not just with maximizing profits and shareholder value, but be equally conscious of responsibilities to each of the stakeholders – employees, business associates and partners, financiers, society and the State.

In its pursuit towards this goal, Mahindra Group (M&M Group), has always laid emphasis on practices that reaffirm the fundamentals of effective governance; practices that maintain a balance between individual aspirations and corporate goals; practices that underline our core values; and, above all, practices that would result in delivering excellent products and services whilst, at the same time, striving to make the world a better place.

M&M Group recognizes that there are many aspects of Corporate Governance, each as important as the other. Ensuring an adequate return to shareholders is one of them. Being transparent in the conduct of business affairs and maintaining the trust and confidence of stakeholders is another facet of Corporate Governance. Corporate Governance is also concerned with the empowerment of employees and the ethics, values and morals of a company and its employees. Developing capabilities, identifying opportunities and integrating Corporate Social Responsibility with operations is yet another area that adds to value creation..... the list could go on. It is for us to ensure that all these are carefully woven together to produce a tapestry of myriad hues that symbolizes strong business relationships, shareholder trust, employee loyalty, respect in the community and excellence in all that we do.

This document is a reminder to each of us of the underlying principles governing the conduct of our businesses. These are, in a manner of speaking, a reaffirmation of the same principles upon which the founding fathers of the Mahindra companies built the edifice that we are all so proud of. It must, however, be borne in mind that this can neither be considered a panacea for all situations, nor an answer to every question.

We believe that adherence to this Code will be yet another journey of a thousand miles that has begun with this one step.

THE MAHINDRA GOVERNANCE POLICIES

Good corporate governance begins with a company's own internal practices and policies. While Corporate Governance issues are common across organizations, each company requires governance principles that are unique in their approach.

The principles that will guide our actions and the manner of conducting our businesses will be articulated in the sections that follow. These flow from our commitment to be a moving force in the nation's progress without in any way compromising our core values and our unswerving attachment to business ethics. These principles focus on issues that are considered to be significantly important to the Governance process as we see it.

The Board of Directors of M&M Group companies has a Corporate Governance Code on lines of M&M that would oversee the implementation of these policies and its compliance. It is also the responsibility of the Compliance Officer appointed in terms of this Code to review the efficacy of these policies and suggest amendments to make them responsive to the changing times.

For this initiative to be successful, the guiding principles should be clearly understood and put into practice at every level within the Company. This Code should be adhered to in letter and in spirit. The application of these principles would be governed by internally designed procedures that are unambiguous and clearly understood.

Good governance is, ultimately, the sine qua non for continued growth and prosperity.

MANAGEMENT

The management of the Company is entrusted in the hands of Directors who operate under the supervision and control of the Board.

The Management will ensure that the Company is being run on sound economic principles, with a balanced allocation of resources to support the Company's responsibilities to each of its stakeholders, maintaining at the same time, the proper focus on an acceptable return to the shareholders.

BUSINESS PROCESSES

Strong Business Processes lead to a more efficacious system of governance.

The Management shall, within its overall corporate plan, define and document a strategy that would eventually lead to superior performance, quality products, world class management practices and enhanced value to its shareholders.

The **Board, as Trustees of resources** that have been placed at their disposal for the running of the businesses, will select such Business Processes that are strong and robust to support the judicious utilization of these resources, thereby optimizing long-term returns. It is recognized that there can be no one universal model of a Business Process – different situations need specific solutions, which would be selected in keeping with the uniqueness of the situation and the demands of legal compliances and regulations.

Systems and policies should be clear and transparent, and shall be documented in manuals that serve as a valuable tool for learning and governance.

Any specialized knowledge and experience will be shared and made available for the benefit of all the constituents of the Mahindra companies.

BUSINESS ETHICS

The Mahindra companies are committed to seeking long term success with no compromise on ethical business standards.

The highest standards of integrity, impartiality, equity and objectivity shall be observed in every activity that encompasses the business, so as to uphold and enhance the reputation of the “Mahindra” trade name.

Our businesses shall be conducted in keeping with the exacting standards that are contained in this Code. Our Management and employees shall diligently comply with the requirements of this section, and the regulations applicable to the country in which they transact business.

Management and employees are expected to remain independent in any decision that they may be required to take and should disclose any interest – personal, professional, academic or business – which may arise directly or indirectly through their relatives, that may conflict with their responsibilities.

Business decisions shall be taken in a manner that supports full and open competition and secures for the Company the best products and services at the most competitive price.

The Company does not espouse the payment or receipt of gifts or bribes for business or financial gain. As a corollary, no employee or representative of the Company should do anything that could give an impression that the Company could be influenced in this manner.

It might be customary, at times, to give or exchange unsolicited gifts during the traditional festive seasons or during certain corporate events. These should be restricted to promotional or advertising material or such items that are customary or considered to be prudent or of a symbolic nature by the Management, having regard to the nature of the business, the type of markets in which the Company is operating and the event being observed. It would however be unethical and incorrect to gift items where there is an intention to derive any benefit in return.

An exceptionally stringent view will be taken of anyone who violates this policy.

EMPLOYEES

The Company recognizes that the success of its operations is dependent to a large extent on the commitment and support of its workforce.

We are an equal opportunities employer. Employment decisions are to be made with no reference to religion, caste, sex or any non-job related handicap. Discrimination and harassment of any kind will be dealt with in the most severe manner. Terms and conditions of employment will be competitive.

Employees will display the highest level of ethics and integrity in every sphere of activity and will abide by the rules and regulations of the organization.

Every employee will be given an assignment that best suits the employee's capabilities and will be sufficiently empowered to function at an optimal level. Adequate opportunities will be provided to our workforce to upgrade their skills. Every employee is entitled to equal consideration for any open job opportunity within the Company and due importance will be given to Succession Planning.

Innovation and well-reasoned risk taking shall be supported, but performance will be demanded. Employees shall have no rights or lien over any inventions that arise in the course of employment.

Suggestions from the workforce for the betterment of processes and practices will always be welcomed.

Employees are expected to devote their full time attention to the business of the Company and not take on any competing assignments either directly or indirectly without proper authorizations.

Company property – equipment and intellectual property rights such as patents, trademarks, copyrights, designs, strategies, plans, trade secrets and similar items that are not in the public domain – should be used only in the course of and for Company business, with proper care and safeguards.

Solicitation or acceptance of gifts is strictly forbidden except in cases where items are gifted with no expectation of business or personal gain. The payment or receipt of bribes is prohibited.

Employees must avoid any form of activity that would result in a conflict of interest situation or a potential conflict of interest situation, such that the ability of the employee to perform objectively or impartially could get impaired.

We will comply with all labour related legislations of the Central and the State Governments, and, in particular, will neither employ nor advocate the employment of child labour or forced labour.

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Employees will be encouraged to align their interest with those of the Company through participation in applicable Stock Option Plans.

Employees will be provided with a safe and healthy work environment. Employees will be expected to maintain cordial relations with and respect one another, and will conduct themselves in a manner that would be befitting the organization.

We value individual dignity, uphold the right to express disagreement and respect the time and efforts of our workforce.

OUR PRODUCTS AND SERVICES

Our product and services shall be technologically competitive and, whilst fulfilling the needs of our customers, shall offer the best possible value to the customer. They shall be suited for the purpose for which they are merchandised, and shall be recognized for their quality, durability, reliability and safety.

Our products and services shall comply with all applicable standards and legislations applicable in the country of sale.

Mutually beneficial relationships of an enduring nature shall be built with customers.

Our response to the needs and expectations of customers shall be speedy, courteous and effective.

No false or misleading claims shall be made whilst marketing our products or services.

Our service standards shall be of the highest order.

Customer complaints and warranties shall be attended to the fullest satisfaction of the customer and in accordance with laid down policies with no additional inconvenience being caused to the customer.

Our products and services shall not be marketed for any anti-national or illegal activities.

Our product brochures and other marketing information shall clearly list out the known potential risks associated with the use of the products or services and ways to diffuse or eliminate the risks.

We will endeavour to make available an adequate supply of spares to service our products, particularly should there be a need to discontinue the manufacture of any item or product model.

LEGAL AND OTHER COMPLIANCES

We shall conduct our businesses as a responsible corporate citizen, and shall follow the applicable legal framework of the country in which we operate by the letter of the law and in spirit. M&M Group expects all the employees in its group companies to function in line with this principle.

Since our businesses are spread over multiple locations, a common approach shall be adopted in matters that impact us at more than one location.

The exchange of consideration of whatever nature to overcome difficulties in the operation or implementation of legislation is expressly prohibited.

COMPETITION

The Company believes that for business to be successful, competition has to be vigorous, free and fair.

We shall compete through the inherent quality and excellence of our products and services, never through illegal, unethical or unfair business practices.

We respect our competitors' proprietary information. We also respect our competitors' rights.

We shall not try to secure an advantage by ridiculing the competition. Whilst our information memoranda should never be misleading in any manner, it should not fail to highlight our competitive strengths.

We shall support the development of laws that promote, encourage or result in fair competition.

BUSINESS PARTNERS AND JOINT VENTURES

A proper choice of business partners is vital for the success of the Company.

Associations shall be encouraged, in India or abroad, with such entities as are able to add value to the Company's products or services, or help fulfill the strategic growth plans of the Company.

Only such persons shall be selected to be our business partners where there is a complete match in the partners' manner of conduct of business, core values and other business principles and processes.

We shall maintain mutually lasting and beneficial relationships with all our suppliers, customers and other business partners, including Joint Venturers.

We shall respect the interests of all our business partners and in our dealings with them, shall act with fairness, integrity and transparency.

Business partners shall not be expected, directly or through employees, or vice versa, to do anything in the course of their dealings with the Company that is not permitted under this Code.

RECORD KEEPING

Accounting and other records will be maintained in keeping with the highest standards of excellence and transparency. The highest level of integrity is expected of those to whom are entrusted the responsibility of maintaining the books of account and other records of the Company.

In recording transactions in the books of account of the Company, no attempts shall be made to disguise the true nature of the transactions being recorded.

Records shall be maintained in accordance with all applicable laws and regulations. In addition, the accounts shall comply with the applicable Accounting Standards of The Institute of Chartered Accountants of India or the relevant accounting body or regulatory authority in whose jurisdiction the Company functions.

Accounting policies that are selected for the preparation of accounts shall be applied consistently, and judgments and estimates that are made shall be reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the Balance Sheet date and of the profits or losses of the Company for the year ended on that date.

Proper and sufficient care will be taken for the maintenance of adequate records, accounting or otherwise, and in accordance with the provisions of applicable legislation, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Unless otherwise warranted, the accounts will be prepared on a going concern basis.

Information meant for Management that is derived from the books of account of the Company shall be prepared using the same standard of excellence as the published accounts.

Results that are published or otherwise disseminated by the Company shall not, in any manner, be misleading.

POLITICAL AND TRADE AFFILIATIONS

The Mahindra companies do not support any specific political party nor do they have any particular political affiliations. Accordingly therefore, no contributions can be made, directly or indirectly, to any political party or for any political purpose without the prior approval of the Board of Directors of the Company, and in strict compliance with applicable legislation.

We shall co-operate with the Government, Chambers of Commerce and Trade Associations in matters concerning the industry with a view to promoting, protecting and enhancing our business interests.

Employees are free to contribute to or participate in the political process or to a trade association so long as it does not create a conflict of interest situation or impinge upon their work-related commitments.

Employees associated with political parties or the political process or trade associations should ensure that by their participation, they do not give the impression of representing or being the spokesperson of the Company.

We shall not comment on the political process except in those matters that have a bearing on the operations of the Company or of the Mahindra companies.

COMMUNICATION AND INFORMATION

Effective communication is vital to avoid misrepresentations, misstatements, misleading impressions and untruths. All communication material shall be prepared against this backdrop and should be adequately backed by documentation to support any claims or statements made.

We shall, on a timely basis, provide reliable and meaningful information about our products, services, operating results, shareholding structure and other activities to legitimately interested persons and as may be required by law, subject to considerations of the legal requirements, cost and confidentiality.

Given the sensitivities involved, certain designated persons or groups of persons will be authorized to communicate on specified matters, and no other person would be expected to communicate in an out-of-turn manner on those matters.

We will maintain communication with our employees through our internal communication systems and by the consultative process.

THE COMMUNITY

The Mahindra companies would like to be counted amongst those industrial houses that strive to create a better society.

The Company supports a deep integration of Corporate Social Responsibility into its operations. By so doing, it seeks to remain responsive to the demands and expectations of its employees, local communities and other stakeholders, and influence the quality of life and economic prospects of people across the country.

There is no restriction on the opportunities for involvement, which would include Child care, Community Centres, Crisis Management, Education, Environmental Protection, Medical Relief, Rural Development, Sports, Art, Culture and the Performing Arts, and Philanthropy. It is not essential that these programs be related to the business of the Company.

The technology used in the manufacture of our products shall not result in effluents or toxic waste being released unless treated in accordance with the prevalent pollution control laws.

Every effort shall be made to maintain the ecological balance, conserve scarce natural resources and avoid pollution.

Employees are encouraged to contribute to society and their communities during their leisure time.

COMPLIANCE, MONITORING AND REPORTING

The success of this Code lies in its implementation and periodic review.

The Compliance Officer and the Board of Directors of the Company will be responsible for ensuring that these principles are properly communicated to and understood by all to whom these are addressed.

As these are broad guiding principles, detailed procedures will be laid down by each Business Unit within the Company to suit its individual needs.

Every employee of the Company to whom this Code applies will be required to formally acknowledge that having received and understood the Code, he/she will abide by its prescriptive principles.

There will, most certainly, be doubts, for which clarifications will be required. Employees are encouraged to seek these clarifications from the Compliance Officer, and be watchful of situations that could result in an impropriety.

The Compliance Officer will be responsible for monitoring compliances with the provisions of this Code. The Compliance Officer shall review the provisions of the Code from time to time and suggest such amendments as it considers necessary for the Code to be relevant in changing circumstances.

Employees are expected to report any non-compliance or potential non-compliance to the Compliance Officer, which promises complete confidentiality in respect of matters referred to it.

Compliance with the Code is mandatory at all levels.