

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT FOR DIRECTORS

INTRODUCTION

Mahindra & Mahindra Financial Services Limited is committed to conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct.

This Code of Conduct ("Code") reflects the business practice and principles of behaviour that support this commitment. The Board of Directors ("the Board") is responsible for setting the standards of conduct contained in the Code and for updating these standards as appropriate to reflect legal and regulatory developments. The Code is intended to provide guidance and help in recognizing and dealing with ethical issues and to help foster a culture of honesty and accountability. Every Director is expected to read and understand this Code and its application to the performance of his or her duties, functions and responsibilities.

Every Director must -

- (i) represent the interests of the shareholders of the Company;
- (ii) exhibit high standards of integrity, commitment and independence of thought and judgement;
- (iii) dedicate adequate time, energy and attention to ensure the diligent performance of his/her duties including making all reasonable efforts to attend Board or Committee Meetings and act in accordance with the Articles of Association of the Company;
- (iv) act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of environment.
- (v) exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

- (vi) not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- (vii) not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Company.
- (vii) not assign his office and any assignment so made shall be void.
- (viii) comply with every provision of this Code.

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 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) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) 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.

COMPLIANCE OFFICER

The Company has designated Mr. Ramesh Iyer, Managing Director to administer this Code.

Directors, at their discretion, may make any report or complaint provided for in this Code to the Chairman of the Board of the Company or to the Compliance Officer. The Compliance Officer will refer complaints submitted to the Chairman of the Board.

COMPLIANCE WITH APPLICABLE LAWS

In the discharge of their duties and responsibilities, Directors must comply with all applicable laws, rules and regulations. These would include securities laws, insider trading laws and the Company's insider trading compliance policies.

CONFLICTS OF INTEREST

Directors must avoid conflicts of interest. Directors should also be mindful of, and seek to avoid, conduct which could reasonably be construed as creating an appearance of a conflict of interest.

While Directors should be free to make personal investments and enjoy social relations and normal business courtesies, they must not have any interests that adversely influence the performance of their duties, functions and responsibilities as Directors of the Company. A conflict of interest can arise when a Director or a Member of his/her immediate family receives improper personal benefits as a result of his/her position as a Director of the Company. A conflict situation can also arise when a Director takes an action or has an interest that may make it difficult for him or her to perform his or her duties, functions and responsibilities objectively and effectively.

While the Code does not attempt, and indeed it would not be possible, to describe all conceivable conflicts of interest that could develop, the following are some examples of situations which may constitute conflicts of interest:

- Working, in any capacity, for a competitor, customer, supplier or other third party while employed by the Company.
- Competing with the Company for the purchase or sale of property, products, services or other interests.
- Directing business to a supplier owned or managed by, or which employs, a relative or friend.
- Receiving loans or guarantees of obligations as a result of one's position as a Director.
- Accepting bribes, kickbacks or any other improper payments for services relating to the conduct of the business of the Company.
- Accepting, or having a Member of a Director's family accept, a gift from persons or entities that deal with the Company, where the gift is being made in order to influence the Director's actions as a Member of the Board, or where acceptance of a gift could otherwise reasonably create the appearance of a conflict of interest.

Conflicts of interest may not always be clear-cut. Any question therefore about a Director's actual or potential conflict of interest with the Company 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 involved in any conflict or potential conflict situations shall excuse themselves from any discussion or decision relating thereto.

CORPORATE OPPORTUNITY

Directors shall not -

1. compete with the Company; or
2. take for themselves personally any business opportunities that belong to the Company or are discovered through the use of corporate property, information or position; or
3. use corporate property, information or position for personal gain.

CONFIDENTIALITY

All Directors must maintain the confidentiality of confidential information entrusted to them or disclosed or acquired by them in carrying out their duties and responsibilities, except where such disclosure is authorised by the Company or is required by laws, regulations or legal proceedings.

The term “confidential information” includes, but is not limited to, non-public information that might be of use to competitors of the Company or harmful to the Company or its customers, if disclosed. Whenever feasible, Directors should consult the Chairman of the Board or the Compliance Officer if they believe they have a legal obligation to disclose confidential information.

FAIR DEALING

Directors should endeavour to deal fairly with the Company’s customers, suppliers, competitors, officers and employees. No Director shall take unfair advantage of the Company’s customers, suppliers, competitors or employees through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice. Gifts or entertainment in any form that is likely to result in a feeling of expectation of personal obligation should not be extended or accepted.

PROTECTION AND PROPER USE OF COMPANY ASSETS

Directors should perform their duties in a manner that protects the Company’s assets and ensures their efficient use. The Company’s assets should be used for legitimate business purposes.

REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOUR

Directors are encouraged to promptly contact the Chairman of the Board or the Compliance Officer if the Director believes that he or she has observed illegal or unethical behaviour by any employee, officer or director, or by any one purporting to be acting on the Company’s behalf or any violation or possible violation of this Code and the reporting Director has any doubt as to the best course of action in a particular situation. Confidentiality will be maintained, to the extent permitted by law.

PUBLIC COMPANY REPORTING

As a public company, it is of critical importance that the Company’s filings with the Securities and Exchange Board of India, the Reserve Bank of India and/or the concerned Stock Exchange(s) on which the securities of the Company are or may be listed be full, fair, accurate, timely and understandable. The Directors shall provide

information necessary to ensure that the Company's published reports meet these requirements. The Company expects Directors to provide prompt and accurate answers to enquiries relating to its public disclosure requirements.

AMENDMENT, MODIFICATION AND WAIVER

This Code may be amended, modified or waived only by the Company's Board of Directors and must be publicly disclosed if required by any applicable law or regulation. As a general policy, the Board will not grant waivers to the Code.