

RABO INDIA FINANCE LIMITED

CODE OF CORPORATE GOVERNANCE

I. PURPOSE OF THE CODE

Corporate governance is essentially a set of standards, systems and procedures aimed at effective, honest, transparent, and responsible management of a company within the applicable statutory and regulatory structures. This Code represents a set of desirable, if not necessarily ideal, corporate-governance practices to be adopted by the Company. The Code takes into account the relevant statutory requirements and Reserve Bank of India (RBI) directives and guidelines, as applicable to Rabo India Finance Limited (RIF/ the Company) as a Non Banking Financial Company, not accepting public deposits and having an asset size of over Rs. 100 crores.

The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress should be on its substance and spirit rather than on its form.

II. CORPORATE OBJECTIVE OF THE COMPANY

Good corporate governance practices help support and strengthen corporate actions aimed at achieving the corporate objective.

RIF being the ultimate subsidiary company of Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. ('Rabobank International'), the only AAA-rated private bank in the world (by Standard & Poor's, and Moody's KMV), pursues to achieve better governance as an ongoing process, thereby ensuring truth, transparency, accountability and responsibility in all our dealings with our employees, shareholders, customers and the community at large.

We at RIF believe that if a company wishes to succeed, it should essentially maintain global standards of corporate conduct towards all its stakeholders, employees, customers and the society. The Company recognizes the rewards of being well managed, and is aware of the importance of identifying and aligning its activities with larger interest of its employees, shareholder, customers and the community at large. To that end, we as a company have always focused on good corporate governance which is a key driver of sustainable corporate growth and long term value creation.

The primary objective is to create and adhere to a corporate culture of conscientiousness, transparency and openness. The Company aims to develop capabilities and identify opportunities that best serve the goal of value creation, thereby creating an outstanding organisation.

Above all, corporate governance must balance individual interest with corporate goals and operate within accepted norms or propriety, equity, fair play and a sense of justice.

III. BOARD OF DIRECTORS

A. *Role, responsibilities and authority*

1. The primary responsibility for good corporate governance of the company rests with its Board of Directors. The Board has been entrusted by Rabobank International with the responsibility of overall direction, supervision and control of the company.

2. The Board of Directors shall adopt a business plan and strategy after having obtained advice of the Managing Board of Rabobank International. The Board of Directors shall comprise of such number of Executive and Non-Executive Directors, which includes representatives of Rabobank International and Independent Directors, which meet the 'fit and proper' criteria, which will enable greater transparency in operation of the Company while seeking professional and valuable advice of industry experts.
3. The Board of Directors should ensure that the Company's powers, operations, dealings and disclosures are in conformity with applicable local laws and regulations.
4. In discharging this onerous responsibility, the Board has necessarily to rely on the management team (i.e. the chief executive officer, chief operating officer, Head – Corporate Commercial Banking and senior officers with executive functions) for assistance and information. Accordingly, the Board expects the management team to provide it with correct, timely, sufficient and meaningful information on various aspects of the Company as would enable the Board to perform its role effectively. The non-executive Directors shall have complete access to the Company's senior management.
5. Powers of the Company's Board are :
 - a. Subject to the provisions of Section 292 and section 293 of the Companies Act, 1956 ('the Act') and Article 100 of the Articles of Association of the Company ('AOA'), the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorized to exercise and do, provided that the Board shall not exercise any power or do any act or thing which is needed or required whether by the Act or in any other statute or by the Memorandum of Association of the Company ('MOA') or otherwise to be exercised or done by the Company in general meeting; provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or in any other Act or in the MOA of the Company or any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in general meeting but no regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if those regulations had not been made.
 - b. The shareholding and the Board of Directors of the Company shall be such that all major decisions regarding the Company and its control (such as without limitation, decisions regarding amendments to the AOA, issues of shares, appointment and dismissal of Managing Directors and members of the Board of Directors, appointment of auditor and dissolution/winding up of the Company) shall be controlled by Rabobank International at all times. Any resolution for the amendment of the MOA and AOA of the Company shall not be allowed to be passed in any meeting, unless with the prior written consent of Rabobank International.
 - c. Subject to the provisions of the Act, in particular to the prohibitions and restrictions contained in Section 292 and 293 thereof, the Board may, from time to time, entrust to and confer upon a Managing Director / Whole time Director for the time being such of the powers exercisable under these presents by the Board as it may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes and upon such terms and conditions and with such restriction as it think fit, and the Board may confer such powers either collaterally with, or to exclusion of, and in substitution for any of the powers of the Board in that behalf and may, from time to time, revoke, withdraw, alter or vary all or any of such powers. The Managing Director / Whole time Director may exercise all the powers entrusted to them by the Board of Directors in accordance with the Board's direction.

6. As at present, the Board shall reserve for itself the power to make decisions on certain specified matters, including those which are required under statute, regulations and RBI directives and guidelines. In other matters, to facilitate and expedite decision-making, the Board may, as at present, delegate appropriate authority to committees of Directors, the Chief Executive Officer and other members of the management, or to specified other officers of the Company singly or jointly, as they may deem fit.

B. Composition

1. Until otherwise determined by a General Meeting, the number of Directors shall not be less than three.
2. Not less than two-third of the total number of Directors shall be persons whose period of office is liable to determination by retirement of Director by rotation.
3. At each Annual General Meeting of the Company one-third of or such the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, that the number nearest to one-third, shall retire from office.
4. The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those to retire shall, in default of and subject to any agreement among themselves, be determined by lot.
5. If at any Annual General Meeting all the Directors appointed hereby are exempt from retirement by rotations under Section 255 of the Act, then to the extent permitted by the said Section, subject to the foregoing provisions, the Director or Directors who shall not be liable to retire by rotation shall be determined by and in accordance with their respective seniorities as may be determined by the Board.
6. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires.
7. The majority of such Board shall at all times comprise of persons nominated by Rabobank International and its Chairman shall be appointed by Rabobank International. Rabobank International only shall have the right to remove any Directors so appointed and to appoint another Director or other Directors in his or their place and fill any vacancy in the office of such Director or Directors.

Appointment of Managing Director

- a. The business of the Company shall be carried on by one or more Managing Directors. The Managing Director(s) of the Company shall be appointed and dismissed by the Board of Directors.
- b. The Managing Director(s) shall function subject to the supervision, direction and control of the Board of Directors of the Company and on such terms and conditions as shall be approved by the Board of Directors of the Company and, if required by law, by the appropriate Government or statutory authority. The Managing Director(s) shall be the person(s) in charge of and responsible to the Company for the conduct of its business and shall be responsible to ensure full and due compliance with the statutory laws, rules and regulations required to be complied with by the Company and/or by the Directors and/or Managing Director(s) of the Company.

C. Information to shareholders

1. When a person is proposed to be appointed on the Board of the Company as a Director, the Board / shareholders will be provided with the following information:

- a. a brief resume of the person;
 - b. the nature of his knowledge, expertise or practical experience in one or more specific fields of relevance to the Company policies and operations;
 - c. the name of any other company of which he is a director or member of board committee(s); and
 - d. duly filled in form for 'fit and proper' person, if required.
2. When a person is appointed as a Director by the Board, relevant particulars of such Director shall be incorporated in the following annual report of the Board to the shareholders.

D. Other Directorships

Every Director shall promptly inform the Company of any appointment of the Director as a director of another company, or as a member or the chairman of any committee of any of the other companies, and of any changes in such membership/chairmanship.

E. Disqualification/Conflicts of interest

1. The Company's Directors shall be subject to the disqualifications / prohibitions contained in the Companies Act 1956 with respect to directorship of companies in general.
2. A Director shall not be a director of any other company, or partner or proprietor of a firm, where such directorship, partnership, or proprietorship involves or is likely to involve actual or potential conflicts of interest as a Director of the Company. A Director shall inform the Board / committee of any actual or potential conflicts of interest with respect to any matters that may come up for the consideration of the Board or of any committee of which he is a member, and shall refrain from participating in a discussion on the matter.
3. As per the Worldwide Compliance Standards of Rabobank International, an employee of the Company, before accepting any appointment of Director of a public/ private company (whether or not remunerated) must seek permission of Rabobank International, given that such positions impose obligations and the Company needs to clear that those obligations (whether actual or potential) do not conflict with its interests and do not result in exposure on the employee as an individual which could by association impact the Company's reputation. Further any position of an official or quasi-official nature (whether or not remunerated) where the employee has been invited to serve by a government officer, trade association, business society, professional journal, professional association, academic society or the like also requires permission of Rabobank International. An employee must not engage in any activity (paid or unpaid) outside normal working hours which, in Rabobank International's opinion, might constitute a conflict of interest with the Company's business and / or impair the employee's ability to perform his/ her duties fully and efficiently. In particular, under no circumstances should the employee engage directly or indirectly in any trade, profession or business in competition with that of Rabobank International.

F. Meetings and attendance

1. Subject to the provisions of Section 285 of the Act, the Board of Directors may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it thinks fit.
2. Subject to Section 287 of the Act, the quorum, for a meeting of the Board shall be one third of its strength (any fraction contained in that one third being rounded off as one), or two Directors, whichever is higher provided that (i) atleast one of the non-retiring Director appointed by Rabobank or his duly appointed Alternate shall have to be present to make up the quorum of any meeting of the Board of Directors; and (ii) non-executive independent directors, if any, shall not be counted for the purpose of forming a quorum (provided that where at any time the number of interested Directors exceeds or is equal

to two thirds of the total strength, the number of the remaining Directors who are not interested shall be the quorum during such time provided such number is not less than two).

3. Not less than (Seven) 7 days notice shall be given of the meetings of the Company's Board of Directors to all Directors whether in India or outside India.

Any emergency meeting of the Board may be held at shorter notice with the consent of Rabobank International.

4. If a meeting of the Board could not be held for want of quorum, then the meeting shall stand adjourned to such other time, date and place as may be fixed by the Directors present.
5. The Chairman on his own motion or the Secretary of the Company, if any, shall, upon the request in writing of two Directors of the Company or if directed by the Chairman of the Company, if any, convene a meeting of the Board by giving a notice, in writing to every Director for the time being in India, and at his usual address in India to every other Director and, in respect of non-Indian Directors, at their usual address outside India.
6. Rabobank International shall have the right to designate any one of the Directors as the Chairman of the Board of Directors. If the Chairman is not present at any meeting within fifteen minutes after the time appointed for holding the meeting, the Directors present may choose one of the Rabobank International Directors to be Chairman of the meeting.
7. Questions arising at any meeting of the Board shall be decided by a majority of votes and, in case of equality of votes, the Chairman of the meeting shall have a second or casting vote, provided that any decision taken by the Board in the manner aforesaid shall be considered null and void if it has not been assented to by the non-retiring Director appointed by Rabobank International or his duly appointed Alternate.
8. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or these Presents are for time being vested in or exercisable by the Board generally.
9. The Meetings and proceedings of any such committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceeding of the Directors so far as the same are applicable thereto.
10. A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, if the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the members of the Committee, (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors or members of the committee and has been approved by such of the Directors or members of the committee as are then in India, or by a majority of such of them as are entitled to vote on the resolution, provided that such resolution shall not be deemed to be passed if it has not been assented to by the Directors appointed by Rabobank International. Such a resolution shall be confirmed at the next Board Meeting where the quorum is present.
11. The Company subject to the provisions of Section 193(5) of the Act, shall cause minutes to be duly entered in a book or books provided for the purpose and contain a fair and correct summary :
 - a. Of the names of the Directors present at such meetings of the Board, and of any Committee of the Board
 - b. Of all orders made by the Board and Committee of the Board.

- c. Of all resolutions and proceedings of the meetings of the Board and Committees of the Board; and
- d. In the case of each resolution passed at a meeting of the Board, or Committees of the Board, the names of those Directors, if any dissenting from or not concurring in the resolution. Every such book shall be maintained and the minutes entered therein and signed in the manner laid down by section 193 of the Act and the minutes so entered and signed shall be received as conclusive.

G. Remuneration

1. The remuneration of a Director for his services shall be such sum as may be fixed by the Board for each meeting of the Board or a Committee thereof attended by him. The Directors may subject to the sanction of the Central Government or any other competent Authority (if any required) be paid such further remuneration as the Company in General Meeting shall, from time to time determine and such further remuneration shall be divided among the Directors in such proportion and manner as the Board may from time to time determine.
2. Subject to the provisions of the Act, if any Director being willing, shall be called upon to perform extra services (which expression shall include work done by the Directors as a member of any committee formed by the Directors or in relation to signing share certificates) or to make special exertions in going or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Directors, and such remuneration may be, either in addition to or in substitution for his share in the remuneration above provided.
3. A Director may be paid such sum as sitting fees for each meeting of the Board or Committee of the Board attended by him as may be decided by the Board of Directors, subject to the provision of the Companies Act, 1956 and Circulars, Notifications as prescribed by Ministry of Company Affairs from time to time.
4. Except as otherwise provided by these Articles and by any Contract of Service, all the Directors of the Company shall have in all matters equal rights and privileges and be subject to equal obligations and duties in respect of the affairs of the Company.

IV. BOARD COMMITTEES

Subject to the restrictions contained in the Companies Act, the Board may delegate any of their powers to a committee of Directors consisting of such Director or Directors, or one or more Directors and a member or members of the Company, as it thinks fit or to the Managing Director or any other officer of the Company.

The Committees of the Board of RIF presently are:

- a. Audit and Compliance Committee
- b. Risk Committee
- c. Balance Sheet and Risk Management Committee (earlier called Asset Liability Committee)
- d. Credit Committee

A. Audit and Compliance Committee

1. The Audit and Compliance Committee that is already functioning shall continue to function, taking note of the statutory provisions and the RBI guidelines regarding the role and functions of such committees.

2. As at present, the Board shall determine the composition of the Committee from time to time. The Committee shall comprise of not less than three members of the Board of Directors including Independent Directors.
3. The Secretary of the Company shall continue to be the secretary to the Committee.
4. The Committee may, as at present, invite the Chief Operating Officer, the heads of the internal audit, compliance, finance and accounting functions, any other official of the Company as the Committee may determine, representative(s) of the Company's statutory auditors, and any financial consultant or other expert, to attend meetings of the Committee and respond to the Committee's queries or offer information or clarification sought by the Committee.
5. Two members of the total number of members of the Committee shall form the quorum provided at least one of the non retiring directors appointed by Rabobank International or his duly appointed Alternate shall have to be present to make up the quorum of the Audit and Compliance Committee.
6. The main functions of the Audit and Compliance Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial reports and other information provided by RIF such as – (i) internal control systems; (ii) auditing, accounting and financial reporting processes; (iii) compliance with the applicable local statutory, regulatory and global compliance standards.

Based upon their findings the Audit and Compliance Committee encourages continuous improvement of RIF's policies, procedures and practices at all levels.

The Audit & Compliance Committee's primary duties and responsibilities are to (i) serve as an independent and objective body to monitor RIF's financial reporting process, compliance and internal controls, (ii) review and appraise the audit and compliance efforts of RIF's external and internal auditors and compliance officer, and (iii) provide an open communication channel among external auditors, senior management, internal auditor, compliance officer and members of the Audit and Compliance Committee of the Board.

7. Responsibilities and Duties
 - a. Review of reports and documents such as:
 - i. Annual financial statements
 - ii. Reports of Internal Audit;
 - iii. Inputs on Compliance
 - iv. Other reports or documents of external auditors.and recommend the adoption of such documents by the Board and or monitor the action plans arising from such documents
 - b. Recommend to the Board of Directors the selection and appointment of external auditors and approve their fees and other compensation. On an annual basis, the committee should review and discuss the external auditors' significant relationships with RIF, to determine the independence of the auditors. Furthermore the committee will recommend the scope to be set on the work performed by the external auditors.
 - c. Recommend and advise the Board of Directors for consideration of the annual financial statements.
 - d. Periodically review with the external auditors (without management involved) the status and quality of internal controls, management information and management follow-up.

- e. Review with the external auditor the functioning of the internal auditor.
 - f. Review with internal auditor the scope of his work and any significant difficulties encountered during the course of the audit.
 - g. Review periodically the code of conduct and ensure that management has established a system to enforce this code. Review with the heads of legal, compliance and company secretary all matters related to legal and compliance issues to ensure that RIF operates in full compliance with local and Rabobank standards.
 - h. Perform any other activity consistent with RIF's Articles of Association, as the committee or the Board deems necessary or appropriate.
8. In carrying out its functions as aforesaid, the Committee shall have full access to information contained in the Company's records and may seek information from any employee of the Company, or, if considered necessary, obtain outside legal or other professional advice or discuss with outsiders having the relevant expertise.
9. The minutes of the Committee's meetings and decisions taken by the Committee other than at meetings shall be promptly submitted to the Board.

B. Risk Committee

The terms of reference of the Risk Committee includes review of Operational Risk (including sub risks for operational risk), Information Communications technology Risk, Rights and Duties of Clients, Outsourcing Risk and Integrity Risk.

However the scope of the Committee may extend beyond the above specified risk if not within the purview of other committees and functions. Apart from reviewing risks, the Risk Committee approves new products and reviews specific structured deals.

C. Balance Sheet and Risk Management Committee ('BRMC')

The terms of reference of BRMC includes responsibility for the prudential planning and management of the balance sheet items, in order to achieve optimal return on capital employed, whilst maintaining acceptable levels of risks (such as liquidity, market, operational etc.) and adhering to policies and regulations.

D. Credit Committee

The terms of reference of Credit Committee includes approving and reviewing credit applications for grant of loans.

Nomination Committee

1. In addition to the above existing Committees of the Board, in accordance with the Reserve Bank of India's Guidelines on Corporate Governance issued vide Notification No. RBI/2006-07/385 DNBS.PD/CC 94/03.10.042/2006-07 ("the RBI Guidelines"), the Board may at any time constitute a Nomination Committee, which shall comprise of at least three Directors, all of them non-executive. The Committee's decisions shall be taken only at meetings, at which all the members are present, or by circulation of the proposals to all the members in case it is difficult to hold a meeting at which all the members can be present.
2. The Committee, when constituted, shall:
 - a. develop, for Board approval, a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors;

- b. review, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by Rabobank; and
 - c. recommend to the Board, candidates for election (including re-election) or appointment (including re-appointment) to the Board.
 3. The Secretary, who shall also act as the Secretary to the Committee, shall ensure that all appointments or elections of Directors to the Board are properly made and shall obtain all necessary information from the Directors or candidates recommended by the Committee to ensure that they are not disqualified to act as Directors of the Company under any statute or regulatory directives or guidelines and that by appointing or electing them as Directors, the Company would meet its statutory and regulatory obligations.

V. MANAGEMENT'S RESPONSIBILITIES

1. The Management (i.e. the Managing Directors) is responsible for :
 - a. the day-to-day operations of the Company
 - b. developing, in consultation with the Board where necessary, appropriate policies, strategies and plans, and implementing Board-approved policies, strategies and plans; and
 - c. the Company's compliance with applicable statutory and regulatory requirements
2. The management shall:
 - a. Introduce and maintain appropriate data bases and management information systems that can capture, process and retrieve information needed for the effective functioning of the Board and the management.
 - b. Provide to the Board and/or Board committees, as appropriate, with correct, timely, sufficient and meaningful information about the Company's operations, risk assessment, exposure and management, financial condition, performance vis-à-vis plans, human resources, statutory and regulatory compliance, and other aspects; and
 - c. Promptly inform the Board and/or Board committees, as appropriate, of any market development, business trend or risk exposure, impairment or loss of the Company's assets or resources which may have a significant bearing on the Company's operations or financial condition.

VI. ENTERPRISE RISK MANAGEMENT ('ERM')

ERM initiatives have been taken by the Management as a part of Strategy Asia Team towards the overall desire of Rabobank to become an "in control" organization operating in a "no surprise" environment.

The ERM programme is aimed at closely reviewing the management of enterprise level risk and determined recommendations for a more comprehensive risk management process. The drive for ERM is focused on aligning risk appetite with strategy, enhancing risk response decisions, reducing operational uncertainties and losses and improving deployment of capital.

The programme involves developing a strategic risk profile at the corporate level relative to the strategic objectives of RIF and assigning risk ownership. Under the programme, detailed mapping are conducted for the main businesses of lending, advisory and treasury. The mapping is used to identify risks at various stages in the processes. All functions conduct a self assessment to identify key risk indicators and mitigating controls. Self assessment raises

awareness levels and risk management policy. Additionally, a Chief Risk Officer has been appointed to provide a further focused approach to risk management.

RIF is primarily exposed to credit risk, market risk, interest rate risk, liquidity risk and operational risk. These risks are supervised and managed by the Credit Committee, the Balance Sheet and Risk Management Committee, the Risk Committee and the Audit and Compliance Committee.

Fair Practices Code:

The RBI issued a notification no. DNBS (PD) CC No. 80 / 03.10.042 / 2005-06 dated September 28, 2006, pursuant to which it prescribed the broad guidelines on fair practices to be framed and approved by the Board of Directors of NBFCs and that such fair practices code to be published and disseminated on the website of the NBFCs. Pursuant to the same, the Company has framed and adopted a Fair Practices Code for its customers and has also laid down a Customer Compliant Policy for easy reference and disposal of customer complaints.

Rabobank International also prescribes the Rabobank International Worldwide Compliance Standards which the Company and its employees must apply and comply in the course of day to day business.

This Code of Corporate Governance has been adopted by the Board of Directors of RIF at its meeting held on July 19, 2007 and is subject to future changes from time to time.