

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **GUIDELINES ON CORPORATE GOVERNANCE**

#### **COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. As part of the Tata Group, the Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices.

The Corporate Governance philosophy has been strengthened with the implementation by the Company of the Tata Code of Conduct applicable to the Company and its employees. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these codes are available on the Company's website.

At the Meeting of the Board of Directors of the Company held on January 28, 2015, the Directors approved and adopted the Governance Guidelines for Board Effectiveness ("Guidelines"). These Guidelines are based on the Tata Group's deep belief in values, ethical conduct of business, commitment to social responsibility, respect for all stakeholders and sound corporate governance practices. The same are based on current and emerging best practices from both within and outside Tata companies and have been prepared keeping in view the provisions of the Companies Act, 2013 ("Act").

#### **Reserve Bank of India ("RBI") GUIDELINES ON CORPORATE GOVERNANCE**

In terms of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, issued by the RBI and as updated/amended from time to time ("Directions"), NBFCs are required to frame their internal guidelines on Corporate Governance with the approval of Board of Directors and ensure compliance of the provisions prescribed in the Directions. In pursuance of the aforesaid Directions, the Company had framed the following internal Guidelines on Corporate Governance.

#### **BOARD OF DIRECTORS**

The Board of Directors alongwith its Committees shall provide leadership and guidance to the Company's Management and direct, supervise and control the performance of the Company.

As per the Company's Articles of Association, the Board's strength is required to be a minimum of three to a maximum of twelve directors.

The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Woman Directors, as per the Guidelines / Regulations applicable to the Company.

Maximum Number of Directorships:

Pursuant to provisions of the Act, a Director shall not hold the office of Director in more than 20 companies and the maximum number of directorships in public companies shall not be more than 10.

Further, pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 ("SEBI LODR"):

- A director shall not be a director/independent director in more than seven equity listed entities
- A whole-time director / managing director shall serve as an independent director in not more than three equity listed entities.

None of the Directors on the Company's Board shall be a Member of more than 10 Board Committees and Chairperson of more than 5 Board Committees (Committees being Audit Committee and Stakeholders Relationship Committee) across all public companies in which they are Directors.

All the Directors shall make the necessary annual disclosure regarding their change in concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and committee positions and shall intimate changes as and when they take place.

The Directors shall act in accordance with the duties as provided under the Act and the SEBI LODR and the Independent Directors shall abide by the Code for Independent Directors under Schedule IV of the Act.

The Board shall periodically review Compliance Reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of non-compliance.

**BOARD MEETINGS**

Meetings of the Board of Directors shall be held atleast four times a year, such that not more than one hundred and twenty days shall intervene between two consecutive meetings.

## **CODE OF CONDUCT**

The Company shall adopt the Tata Code of Conduct for its employees including the Managing Director and a Code of Conduct for its Non-Executive Directors and Independent Directors. The same shall be posted on the Company's web-site.

## **COMMITTEES OF THE BOARD**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board shall constitute a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference. The minutes of the meetings of all Committees of the Board shall be placed before the Board for discussions / noting.

**Details of the various Committees are as under:**

**1. Audit Committee**

The Audit Committee shall function as per the Audit Committee Charter (Annexure – A)

**2. Stakeholders Relationship Committee**

The Stakeholders Relationship Committee shall function as per the Stakeholders Relationship Committee Charter (Annexure – B)

**3. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee shall function as per the Nomination and Remuneration Committee Charter (Annexure – C)

**4. Corporate Social Responsibility Committee**

The Corporate Social Responsibility Committee shall function as per the Corporate Social Responsibility Committee Charter (Annexure – D)

**5. Risk Management Committee**

The Risk Management Committee shall function as per the Risk Management Committee Charter (Annexure – E)

## **6. Investment Credit Committee**

The Investment Credit Committee shall function as per the Investment Credit Committee Charter (Annexure – F)

## **7. Committee for Review of Policies**

Role	To review: i) the various Codes / Policies adopted by the Company and suggest / approve such changes therein, as may be felt necessary; ii) the functioning of the grievances redressal mechanism under the Fair Practices Code adopted by the Company.
Quorum	Any two Members

## **8. Information Technology Strategy Committee**

The Information Technology Strategy Committee shall function as per the Information Technology Strategy Committee Charter (Annexure – G)

## **SHAREHOLDERS**

Shareholders shall be informed of details regarding the appointment or re-appointment of a Director.

## **DISCLOSURES**

The Company shall make the disclosures required to be made under the Companies Act, 2013 and the Rules framed there under, the RBI Guidelines, the SEBI LODR and such other laws and regulations as may be applicable to the Company.

## **MD/CFO CERTIFICATION**

The Managing Director and the CFO shall make the necessary certifications regarding the Financial Statements, internal controls, etc. to the Board.

## **COMPLIANCE OFFICER**

The Board of Directors shall designate a Compliance Officer to ensure compliance with applicable laws.

## **POLICIES ADOPTED BY THE COMPANY**

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the RBI Guidelines applicable to the company, the SEBI LODR and such other laws and regulations as may be applicable.

The policies adopted may be reviewed by the Board from time to time.

## Tata Capital Financial Services Limited - Board Audit Committee Charter

The role of the Audit Committee shall flow directly from the Board of Directors' oversight function on corporate governance which holds the Management accountable to the Board and the Board accountable to the shareholders. Acting as a catalyst in helping the Company achieve its objectives, the Audit Committee's review function will include the financial reporting process, the system of internal financial controls, the audit process, the Company's process for monitoring compliance with laws and regulations and the Tata Code of Conduct.

### Authority

The Audit Committee shall act and have powers in accordance with the terms of reference which shall include the following:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers it to be necessary.
- To have full access to information contained in the records of the Company.

### Composition

- The Audit Committee shall have minimum three Members, all being Non-Executive Directors, of which atleast 2/3<sup>rd</sup> of the Members shall be Independent Directors.
- All Members of the Audit Committee shall be financially literate and at least one Member shall have accounting or related financial management expertise.
- The Chairperson of the Audit Committee shall be an Independent Director.
- The Company Secretary shall act as Secretary to the Audit Committee Meetings.

### Meetings

- The Audit Committee shall meet periodically, but at least 4 times a year and not more than 120 days shall elapse between two successive Meetings.
- One Meeting shall be held before the annual accounts and quarterly/ half-yearly accounts / financial results are presented to the Board.
- The quorum for Meetings of the Audit Committee shall be either two Members or one-third of the Members of the Audit Committee, whichever is greater, with atleast two Independent Directors.
- The Chief Financial Officer, Internal Auditor and a Representative of the External (Independent) Auditors should be requested to be present as invitees for the Meetings of the Audit Committee. However, such persons shall not have the right to vote.
- The Audit Committee may invite such of the executives, as it considers appropriate (particularly, the Head of the Finance Function, to be present at the Meetings of the Audit Committee. Such persons shall not have the right to vote. On occasions considered necessary the Audit Committee may also meet without the presence of any executive of the Company
- The Auditors of the Company and the Key Managerial Personnel shall have a right to be heard at the Meetings of the Audit Committee when it considers the Auditors' Report but they shall not have the right to vote.

### Attendance at General Meetings

- The Chairperson of the Audit Committee shall be present at the Annual General Meeting of the Company to answer shareholders' queries. However, in case of Extraordinary General Meeting(s) the Chairperson of the Audit Committee, in his/her absence, may authorize any other Member of the Committee to attend the Extraordinary General Meeting(s) to answer shareholders' queries.

## Responsibilities

The Audit Committee shall have discussions with the Auditors periodically about internal financial control systems, the nature and scope of audit, including the observations of the Auditors and review the quarterly and year-to-date and annual financial statements and / or financial results before submission to the Board and recommend the same to the Board for its consideration and also oversee compliance of internal financial control systems. In addition, the responsibilities of the Audit Committee shall include the following:

## Financial Statements

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are true, fair, sufficient and credible.
- Reviewing with the Management the annual financial statements and the Auditors' Report thereon before submission to the Board, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement in the Board's Report in terms Section 134 (3) (c) of the Companies Act, 2013
  - Changes, if any, in accounting policies and practices and reasons for the same
  - Major accounting entries involving estimates based on exercise of judgment by the Management
  - Modified opinion(s) in the draft Auditors' Report, if any
  - Significant adjustments made in the financial statements arising out of audit findings
  - The going concern assumption
  - Compliance with Accounting Standards
  - Compliance with listing, and other legal requirements concerning financial statements
  - Scrutiny of inter-corporate loans and investments
  - Disclosure of contingent liabilities
  - Disclosure of any related party transactions as per the relevant Accounting Standards, the Companies Act, 2013 and Securities and Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), as amended from time to time.
  - The effect of regulatory and accounting initiatives as well as off- balance-sheet structures, on the financial statements.
  - Company's press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies.
  - Reviewing and evaluating the Company's financial and risk management systems.

## Review and Examination of Information

- Internal audit reports relating to internal control weaknesses.
- Financial Statements and draft Auditors Report thereon, including the draft limited review report of the Auditors.
- Management Discussion and Analysis of financial condition and results of operations.
- Reports relating to risk management and compliance with applicable laws.
- Management letters / letters of internal control weaknesses issued by the Statutory / Internal Auditors.

## Internal Control

- Evaluation of the internal financial controls, accounting policies, etc. with the Management, external and internal Auditors, and to review the adequacy of internal financial control systems.

### Risk Based Internal Audit (“RBIA”)

- Reviewing the Internal Audit Report and action taken thereon.
- Reviewing the adequacy and performance of the RBIA function, including the Internal Audit Charter, the structure of the internal audit department, approval of the RBIA Plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- The Head Internal - Audit shall have a direct and independent line of reporting to the Audit Committee and administratively to the Managing Director & CEO.
- Reviewing the appointment, removal and terms of remuneration of the Chief Internal Auditor.
- Discussing with the Internal Auditor any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations carried out by the Internal Auditor into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Reviewing and monitoring the performance and effectiveness of the Internal Audit process.
- Conducting Information Systems Audit of the internal systems and processes at least once in two years to assess operational risks.
- Appointment of Auditors to undertake such audits as may be directed by the Audit Committee /law/ Board, from time to time.
- The Head – Internal Audit with the Chief Internal Auditor shall meet the Audit Committee of the Board without the presence of Management once in every financial year.

### External Audit

- Recommending to the Board the appointment / re-appointment and removal / replacement of the Statutory (External) Auditors, fixation of the remuneration and terms of appointment of the Auditors and also approval for payment for any other services rendered by the Auditors, as permitted by law. While considering the appointment of the statutory auditor, the committee shall consider any order or pending proceedings relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any other competent authority or any Court.
- Discussing with the Statutory Auditors before the audit commences, the nature and scope of audit as well as post-audit discussion to ascertain any areas of concern.
- Reviewing and monitoring the Auditor’s independence and performance and the effectiveness of the audit process.

### Subsidiary companies

- The Audit Committee may recommend the adoption of policies, procedures and processes laid down by it to the Audit Committee of its subsidiaries, if any. Further, the Audit Committee may review the critical issues that may be referred by the Audit Committees of material subsidiaries, if any, to the Audit Committee of the Company.
- Reviewing the financial statements of the subsidiaries, if any, in particular the investments made by the subsidiary companies.
- Overseeing compliance with legal and regulatory requirements including the Tata Code of Conduct (“TCoC”) for the Company and its material subsidiaries.
- Overseeing financial reporting controls and processes for material subsidiaries.

### Fraud

- All cases above Rs. 1 crore are required to be monitored and reviewed by the Audit Committee.
- Additionally, a report containing details of attempted frauds involving an amount of Rs. 25 lakh and above shall be placed before the Audit Committee of the Board for its noting.



## Defaults

- Looking into the reasons for substantial defaults / delays in payments to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

## Others

- Audit Committee may consider and adopt the policies, procedures and processes laid down by the Audit Committee of the Holding Company. Further, critical issues may be referred by the Audit Committee to the Audit Committee of the Holding Company.
- Recommending the appointment of Chief Financial Officer to the Nomination and Remuneration Committee / Board of Directors, after assessing the qualifications, experience and background, etc. of the candidate.
- Reviewing the functioning of and compliance with the Company's Whistle Blower Policy.
- Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency with regard to monitoring the utilisation of proceeds of a public or rights issue or preferential issue or qualified institutions placement, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing the valuation of undertakings or assets of the Company, wherever it is necessary and the appointment of Registered Valuers.
- Reviewing on an annual basis, the utilization of loans and/ or advances from/investment by the Company in its subsidiary(ies) exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, if any, whichever is lower, including existing loans / advances / investments.
- Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders.
- Review the statement of deviations, if any, indicating the utilization of issue proceeds of the listed non-convertible debentures.

## Compliance\*

- Reviewing the Compliance policy of the Company at least annually and overseeing its implementation. Amendments, if any, in the Policy shall be subject to the approval of the Board.
- Reviewing on an annual basis progress in rectification/ implementation of recommendations pointed out in various audits and RBI Inspection reports.
- Review the compliance risk on a quarterly basis based on monitoring and testing results
- Approve the risk-based compliance testing and monitoring plan
- Reviewing the process for communicating the TCOC to Company personnel and for monitoring compliance therewith.
- Obtaining regular updates from the Management and Company legal counsel regarding compliance matters.
- Review the appointment/re-appointment, removal and terms of remuneration of the Chief Compliance Officer.

## Reporting Responsibilities

- The Audit Committee shall recommend to the Board, the quarterly, half yearly and annual Financial Statements and Financial Results after reviewing the same.
- The Audit Committee will update the Board, periodically.
- The Board's Report shall disclose the composition of the Audit Committee, brief description of the scope of the Audit Committee Charter, names of the Members and the Chairperson of the Audit Committee and brief details of Meetings and attendance at Audit Committee Meetings.
- The recommendations of the Audit Committee on any matter relating to financial management, management discussion and analysis of financial condition and result of operations after its review, including the Auditors' Report, shall be binding on the Board.
- If the Board does not accept the recommendations of the Audit Committee, it shall disclose the same in the Board's Report, together with the reasons therefor.

*\*Changes pertaining Compliance under the Scale Based Regulations will be effective from April 1, 2023.*

## Responsibilities under the Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices

- Setting forth the policies relating to and overseeing the implementation of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“Regulations”), as amended from time to time and the Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices (“Code”);
- Taking on record such reports as may be required from the Compliance Officer under the Code;
- Deciding penal and disciplinary action in respect of violation of the Regulations / Code; and
- Reviewing compliance with the provisions of the Code, at least once in a financial year and to verify that the systems for internal control are adequate and are operating effectively.

## Other Responsibilities

- Monitoring the effectiveness and reviewing the implementation of the Anti-Bribery and Anti-Corruption Policy, considering its suitability, adequacy and effectiveness.
- Performing activities and carrying out functions as contained in the Framework for Related Party Transactions adopted by the Board.
- Performing other activities related to this Charter as may be requested by the Board of Directors.
- Carrying out additional functions as contained in any regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee. Instituting and overseeing special investigations as needed.
- The Chairperson of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

## Review of Committee Charter

- The adequacy of this Charter shall be reviewed and reassessed by the Board of Directors from time to time, as it may deem appropriate (based on changes that may be brought about due to the regulatory framework or otherwise).

## Sitting Fees

- Members of the Committee shall receive such sitting fees, if any, for their services as Committee members as may be determined by the Board at its sole discretion.

## Committee Evaluation

The Committee shall undergo an annual self-evaluation of its performance and report the result to the Board. Indicative areas for evaluation as part of this exercise include:

- Degree of fulfilment of key responsibilities.
- Adequacy of Committee composition.
- Effectiveness of meetings.
- Committee dynamics.
- Quality of relationship of the Committee with the Board and the Management.

# TATA CAPITAL FINANCIAL SERVICES LIMITED

## CHARTER FOR THE STAKEHOLDERS RELATIONSHIP COMMITTEE OF THE BOARD OF TATA CAPITAL FINANCIAL SERVICES LIMITED

### 1. Applicability

Setting up of Stakeholders Relationship Committee ("SRC") of the Board is required in terms of Section 178 of the Companies Act, 2013 and the Rules framed thereunder and Regulation 20 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### 2. Composition

The SRC shall comprise of atleast three Directors, with at least one Independent as Members of the Committee. The Chairperson of the SRC shall be a Non-executive Director.

### 3. Meetings and Quorum

3.1 The SRC shall meet at least once in a year.

3.2 The quorum for Meetings of the SRC shall be one third of the members of the SRC or two members, whichever is higher.

3.3 The Company Secretary shall act as the Secretary to the SRC. The Secretary will, *inter alia*, keep minutes of proceedings of Meetings of SRC and report the actions taken on matters arising out of such meetings.

### 4. Attendance at General Meetings

The Chairperson of the SRC shall be present at the Annual General Meeting of the Company to answer queries of the shareholders. However, in case of Extraordinary General Meeting(s) the Chairperson of the SRC, in his/her absence, may authorize any other Member of the Committee to attend the Extraordinary General Meeting(s) to answer queries of the shareholders.

### 5. Role and Powers

The SRC shall:

- Review statutory compliances relating to the holders of securities issued by the Company.
- Consider and resolve the grievances of the holders of securities issued by the Company, including complaints related to transfer / transmission of securities, non-receipt of Annual Report/declared dividends / statutory notices/ payment of interest or principal amount on non-convertible debentures issued by the Company (NCDs), issue of new / duplicate certificates, general meetings, etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends / interest or principal amount on NCDs and

# TATA CAPITAL FINANCIAL SERVICES LIMITED

ensuring timely receipt of dividend warrants / timely receipt of interest or principal amount on NCDs /annual reports/statutory notices by the shareholders of the Company.

- Oversee compliances in respect of dividend payments / interest and redemption payment on NCDs and transfer of unclaimed amounts to the Investor Education and Protection Fund, as applicable.
- Oversee and review matters related to the transfer of securities issued by the Company
- Approve issuance of new/duplicate certificates of securities issued by the Company
- Review movements in shareholding and ownership structure of the Company
- Ensure setting up of proper controls on the performance and adherence to service standards of the Company by of the Registrar and Share Transfer Agent and oversee the same
- Recommend measures for overall improvement of the quality of investor services.
- Carry out such other functions as may be delegated by the Board from time to time.

## **5. Reporting**

The SRC will periodically report to the Board on various matters that have been referred to the Committee.

## **6. Compensation**

The Members of the SRC shall receive such sitting fees, if any, for their services as Committee Members as may be determined by the Board at its sole discretion.

## **7. Review of Committee Charter**

The adequacy of this Charter shall be reviewed and reassessed by the Board of Directors from time to time, as it may seem appropriate (based on changes that may be brought about to the regulatory framework or otherwise).

## **8. Compliance with the Charter**

The Chairperson of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

## **9. Committee Evaluation**

The Committee shall undergo an annual self-evaluation of its performance and report the result to the Board. Indicative areas for evaluation as part of this exercise include:

- Degree of fulfilment of key responsibilities,
- Adequacy of Committee composition,
- Effectiveness of meetings,
- Committee dynamics,
- Quality of relationship of the Committee with the Board and the Management.



# Board Committee Charter

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## *Nomination and Remuneration Committee Charter*

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## **1. Principles and Objectives**

- 1.1. The Nomination and Remuneration Committee ("Committee") of the Board of directors ("Board") of Tata Capital Financial Services Limited ("the Company") will report to the Board and shall:
- Support the Board in matters related to setup and composition of the Board, its Committees and the leadership team of the Company comprising Key Managerial Personnel ("KMP" as defined by the Companies Act, 2013) and the Executive team
  - Carry out the evaluation of every Director's performance and support the Board and Independent Directors, as may be required, in evaluation of the performance of the Board, its Committees and individual Directors
  - Support the Board in matters related to remuneration of Directors, KMPs, Executive team and other employees.
  - Extend oversight on the familiarization programme for Directors.
  - Extend oversight on the HR philosophy, HR and People strategy and key HR practices.

## **2. Composition**

- 2.1. The Committee shall comprise three or more Directors, out of which, atleast two third shall be Independent Directors.
- 2.2. All Directors of the Committee shall be Non-Executive Directors.
- 2.3. The Chairperson of the Committee shall be an Independent Director.
- 2.4. The Chairman of the Board (whether Executive or Non-Executive) may be appointed as a Member of the Committee but shall not chair the Committee.
- 2.3. The Chief Human Resources Officer of Tata Capital Limited may assist the Committee as required and may attend the meetings of the Committee as per requirement on invitation.
- 2.4. The Company Secretary of the Company shall act as the Secretary to the Committee and will be responsible for taking adequate minutes of the proceedings and reporting on actions taken in the subsequent meeting.
- 2.5. Representatives from Group Human Resources may attend the meetings of the Committee as per requirement on invitation.

## **3. Meetings and Quorum**

- 3.1. The Committee shall meet as often as needed to discuss matters. It is however, recommended that the Committee meets at least once during the year.
- 3.2. The quorum for a meeting of the Committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.

## **4. Authority and Power**

The Committee shall have the power to:

- Investigate any matter within the scope of this Charter or as referred to it by the Board.
- Seek any information or explanation from any employee or director of the Company.
- Invite such executives, as it considers appropriate to be present at the meetings of the Committee.
- Ask for any records or documents of the Company.

The Committee may also engage (on reasonable terms acceptable to the Board and at the expense of the Company) independent consultants and other advisors and seek their

advice on matters related to discharge of its responsibilities.

## 5. Responsibilities

The responsibilities of the Committee shall include the following:

### 5.1. **Board Composition and Succession related:**

- Recommend to the Board the setup and composition of the Board.  
This shall include “*Formulation of the criteria for determining qualifications, “fit and proper” status, positive attributes and independence of a director*”. This also includes periodical review of composition of the Board with the objective of achieving an optimum balance of size, skills, independence, knowledge, age, gender and experience.
- Support the Board in matters related to the setup, review and refresh of the committees.
- Devise a policy on Board diversity.
- For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description.
- Recommend to the Board, the appointment or reappointment of Directors. For the purpose of identification of prospective Directors, the Committee may be supported by Group Human Resources, use the services of an external agencies, if required. The Committee shall consider candidates from a wide range of backgrounds having due regard to diversity and the time commitments of the candidates.
- As NRC of the parent/ holding company, recommend to the Board of the parent/ holding Company, how the Company will vote on resolutions for appointment of Directors on the Boards of its material subsidiary companies.
- Recommend to the Board, the appointment and changes in the following positions/functions, irrespective of managerial grade:
  - Chief Financial Officer
  - Company Secretary
  - Chief Risk Officer
  - Chief Compliance Officer
  - Head – Credit
  - Head – Internal Audit
  - Chief Operating Officer – Commercial and SME Finance Division
  - Chief Operating Officer – Consumer Finance and Advisory Business

Appointment and changes in the positions/functions, other than above, and forming part of the Executive Team, who are direct reports of the Managing Director and who are in Grade M8 and above, to be approved by the Managing Director and the Committee and the Board of Directors to be informed of the said change, subsequently.

- The Committee shall consult the Audit Committee of the Board before recommending the appointment of the Chief Financial Officer (“CFO”), the Head-Internal Audit and the Chief Compliance Officer. The Committee shall consult Risk Management Committee of the Board before recommending the appointment of the Chief Risk Officer.



5.2. **Evaluation related:**

- The Committee shall specify the manner and criteria for effective evaluation of performance of Board, its Committees and individual Directors including Independent Directors to be carried out either by the Board, by the Committee or by an independent external agency. The Committee shall support the Board and Independent Directors, as may be required, in the evaluation process and shall also review its implementation and compliance.
- Oversee the performance review process for the KMPs and the Executive team with the view that there is an appropriate cascading of goals and targets across the Company.
- Recommend to the Board as to whether to extend or continue the term of appointment of the independent director, inter alia, on the basis of the report of performance evaluation of independent directors.

5.3. **Remuneration related:**

- Oversee the framing, review, implementation and recommend to the Board for its approval the Remuneration Policy for the Directors, KMPs, the Executive team and other employees.
- Review of the Compensation structure i.e. design of annual and long term compensation plan (including share linked instruments, mix of cash and share linked instruments, deferred payment plans which may be subject to malus/ claw back arrangements, etc.)
- While formulating such a policy, the Committee shall ensure that :
  - The Policy has the necessary provisions as required under the applicable laws and regulations.
  - the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
  - compensation levels are supported by the need to retain earnings of the Company and the need to maintain adequate capital
  - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - remuneration to Directors, KMPs and the Executive team involves a balance between fixed and variable pay reflecting short and long- term performance objectives appropriate to the working of the Company and its goals
- The NRC may work in close co-ordination with Risk Management Committee to achieve effective alignment between compensation and risks;
- On an annual basis, recommend to the Board, the remuneration, in whatever form payable to Directors, KMPs and Executive team of the Company. This includes review and recommendation of actual payment of annual and long term incentives for MD/ EDs, KMPs and the Executive team.
- Review matters related to remuneration and benefits payable upon retirement and severance to MD/ EDs, KMPs and the Executive team.
- Review matters related to voluntary retirement and early separation schemes for the Company.
- Provide guidelines for remuneration of Directors on material subsidiaries.
- As NRC of the parent/ holding company, recommend to the Board of the parent/ holding company how the Company will vote on resolutions for remuneration of directors on the Boards of its material subsidiary companies.
- Assist the Board in fulfilling its Corporate Governance responsibilities relating to

remuneration of Board, KMPs and the Executive team members. This includes review and approval of any information related to Directors, KMPs, the Executive team and their remuneration to be presented in the Annual Report or other external communications (statutory or otherwise).

5.4. **Board Development related:**

- Oversee familiarization programmes for Directors.

5.5. **Review of HR Practices:**

- Review the efficacy of HR practices including those for leadership development, rewards and recognition, talent management and succession planning (specifically for Board, KMPs and the Executive team).

5.6. **Attendance at General Meetings:**

- In accordance with the provisions of the applicable laws, the Chairperson of the Committee or in his/her absence, any other Member of the Committee, so authorised by him/her on his/her behalf shall attend the general meetings of the Company to address the shareholders' queries.

5.7. **Other functions:**

- Perform other activities related to the Charter as requested by the Board, from time to time.
- Scrutinise the declarations received from the proposed / existing Directors to undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold office as a Director on the Board and decide on the acceptance or otherwise of the Directors and ensure "Fit and Proper" status of Directors at the time of appointment and on continuing basis and that there is no conflict of interest in appointment of directors on Board of the Company, KMPs and Senior Management.
- Recommend commission payable to the Directors, subject to the prescribed limits and approval of the shareholders.
- Perform such other duties and responsibilities as may be consistent with the provisions of the NRC charter.

**6. Reporting**

The Committee will periodically report to the Board on various matters that it has considered.

**7. Committee Evaluation**

The Committee shall undergo an annual self-evaluation of its performance and report the result to the Board. Indicative areas for evaluation as part of this exercise include:

- Degree of fulfilment of key responsibilities,
- Adequacy of Committee composition,
- Effectiveness of meetings,
- Committee dynamics,
- Quality of relationship of the Committee with the Board and the Management.

**8. Review of Charter**

The adequacy of this Charter shall be reviewed and reassessed by the Board of Directors from time to time, as it may seem appropriate (based on changes that may be brought about due to the regulatory framework or otherwise).

## **9. Compliance with the Charter**

The Chairman of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

## **10. Subsidiary Companies (if applicable)**

Subsidiary companies of the Company shall also form Nomination and Remuneration Committee, as applicable under law. The Committee shall share with its subsidiary companies, such policies and practices as would enable the Boards and the NRCs of those companies to harmonise their policies and practices with those of the parent Company. If required, it shall also provide any assistance that such subsidiaries may require.

### **Notes:**

1. The Executive team shall mean Senior Management Personnel (as defined under 'Explanation' to Section 178 of the Companies Act, 2013 and as per Regulation 16 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015) comprising:
  - a. Key Managerial Personnel, Chief Operating Officer – Commercial and SME Finance Division, Chief Operating Officer – Consumer Finance and Advisory Business, Chief Compliance Officer, Chief Risk Officer, Head – Credit and Head - Internal Audit, irrespective of managerial grade; and
  - b. Business Head, Sales Head, Product Head, Head of Collections, Head of Operations and HR Head, who are direct reports of the Managing Director and who are in Grade M8 and above.
2. The term “material subsidiary” shall have the same meaning assigned to this phrase under the applicable law.

# TATA CAPITAL FINANCIAL SERVICES LIMITED

## CHARTER FOR THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE OF THE BOARD OF TATA CAPITAL FINANCIAL SERVICES LIMITED

### 1. Applicability

Setting up of a Corporate Social Responsibility Committee (“CSRC”) of the Board is required in terms of Section 135 of the Companies Act, 2013 (“Act”), the Rules framed thereunder (“CSR Rules”) and Schedule VII to the Act, as amended from time to time.

### 2. Composition

2.1 The CSRC shall comprise three or more Directors, out of which, at least one Director shall be an Independent Director and one shall be a Non-Independent Non-Executive Director.

### 3. Meetings and Quorum

3.1 The CSRC shall meet at least twice a year.

3.2 The quorum for Meetings of the CSRC shall be one third of the members of the Committee or two members, whichever is higher.

3.3 The Company Secretary shall act as Secretary to the CSRC. The Secretary will, *inter alia*, keep minutes of the proceedings of Meetings of CSRC and report the actions taken on matters arising out of earlier meetings.

### 4. Role and Powers

The Committee shall have the powers to:

- Formulate and recommend to the Board, a CSR Policy which shall include the guiding principles for selection, implementation and monitoring of the activities to be undertaken by the Company as specified in Schedule VII of the Act or any amendment thereto (“CSR Activities”) as well as formulation of the annual action plan by the Company.
- Formulate and recommend to the Board an Annual Action Plan in pursuance of the CSR Policy and in accordance with the applicable Rules. Recommend alteration in such plan to the Board of Directors at any time during the financial year, based on the reasonable justification to that effect.
- Recommend the amount of expenditure to be incurred on CSR activities.
- Monitor the CSR Policy of the Company from time to time and institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company.
- Oversee the Company’s conduct with regard to its corporate and societal obligations and its reputation as a responsible corporate citizen.
- Oversee activities impacting the quality of life of the beneficiaries of the CSR projects.
- Carry out such other functions as may be delegated by the Board from time to time.

# TATA CAPITAL FINANCIAL SERVICES LIMITED

## 5. Reporting

- 5.1 Progress reports on CSR activities to be circulated to the Board of Directors on a quarterly basis
- 5.2 The Company's Boards' Report shall include an Annual Report from the CSRC on CSR, containing such details as provided in the Annexure to the CSR Rules as also the details about the CSR Policy developed and implemented by the Company on CSR initiatives taken during the year.

## 6. Compensation

The Members of the CSRC shall receive such sitting fees, if any, for their services as Committee members as may be determined by the Board at its sole discretion.

## 7. Review of Committee Charter

The adequacy of this Charter shall be reviewed and reassessed by the Board of Directors from time to time, as it may seem appropriate (based on changes that may be brought about due to the regulatory framework or otherwise).

## 8. Compliance with the Charter

The Chairperson of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

## 9. Committee Evaluation

The Committee shall undergo an annual self-evaluation of its performance and report the result to the Board. Indicative areas for evaluation as part of this exercise include:

- Degree of fulfilment of key responsibilities,
- Adequacy of Committee composition,
- Effectiveness of meetings,
- Committee dynamics,
- Quality of relationship of the Committee with the Board and the Management.

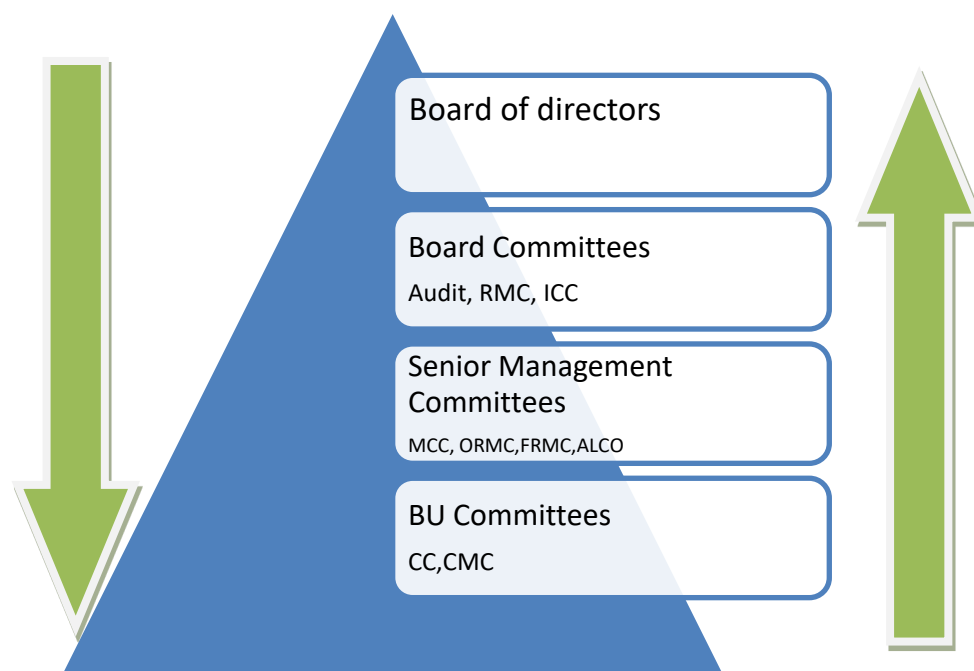
## CHARTER FOR THE RISK MANAGEMENT COMMITTEE FOR TCFSL

The objective of the Risk Charter is to ensure that the organization functions within the guidelines laid down by the Board.

### Risk Management: Philosophy

- To build profitable and sustainable business with conservative risk management approach.
- To have risk management as an integral part of the organization's business strategy.
- To undertake businesses that are well understood and within acceptable risk appetite.
- To manage the risks proactively across the organization.
- To adopt best risk management practices with resultant shareholder value creation and increased stakeholder confidence.
- To develop a strong risk culture across the organization.

### TCFSL Risk Management Committee oversight structure



### Risk Management Organization:

The Board of Directors oversee the Company's risk management processes and controls, while Management is charged with the day-to-day management of the Company's risks.

The Board:

- Sets objectives for risk management and risk philosophy.
- Shall be responsible for monitoring and reviewing of risk management plan

## CHARTER FOR THE RISK MANAGEMENT COMMITTEE FOR TCFSL

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- Approves and reviews compliance with policies implemented by the organization and reviews risk assessment of the organization annually.

The Risks Management Function shall be managed by the various Committees (which consists of Committees of the Board and Senior Management Committees) set up by the Board with the support of the Risk Department.

### **Risk Management Committee of the Board (“RMC”):**

The purpose of the Committee is to assist the Board in its oversight of various risks including (i) Credit Risk (ii) Market & Liquidity Risk (iii) Operational Risk (Process, People, Outsourcing, Technology, Business Continuity and Fraud) (iv) Strategic Risks (including emerging and external risks) (v) Compliance and Governance (vi)Reputation Risk(vii) Information Security and Cyber Security Risk. etc.

The Committee shall

- Approve and review compliance with risk policies, monitors breaches / triggers trips of risk tolerance limits and directs action.
- Provide the enterprise risk overview to the board in line with various policies
- Review and analyse risk exposure related to specific issues and highlight the same to the Board .
- 
- Nurture a healthy and independent risk management function in the company
- Inculcate risk culture within the organization
- Approve the Enterprise wide Risk Management (ERM) framework which shall include:
  - a) A framework for identification of internal and external risks specifically faced by the Company, in particular including (i) Credit Risk (ii) Market & Liquidity Risk (iii) Operational Risk (Process, People, Outsourcing, Technology, Business Continuity and Fraud) (iv) Strategic Risks (including emerging and external risks) (v) Compliance and Governance (vi)Reputation Risk(vii) Information Security and Cyber Security Risk. or any other risk as may be determined by the Committee.
  - b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - c) Business continuity plan.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.
- Review the appointment, removal and terms of remuneration of the Chief Risk Officer.
- Have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

### **Business Risk Assessment**

The RMC shall evaluate the adequacy of the risk management system of the Company. To obtain reasonable assurance with respect to the Company's risk management practices, the RMC shall periodically review:

- the nature and extent of the risks facing the Company, the industry and the economy as a whole;
- the extent and categories of risk which it regards as acceptable for the Company to bear;
- the likelihood of the risks concerned materializing;
- the Company's ability to reduce the risks that do materialize;
- 
- Discuss with the Management, the Company's policies with respect to risk assessment and risk management, including appropriate guidelines to govern the process, as well as the Company's major financial risk exposures including policy for foreign exchange and derivative transactions and the steps Management has undertaken to control them.

### **Composition:**

The Committee shall comprise of Executive Chairman and two Non-Executive Directors as members including at least one Independent Director. The Chairman of the Committee shall be a Non-Executive Director.

### **Meetings and Quorum**

The Committee shall meet at least once in every quarter.

Any two members or one-third of the members of the Committee, whichever is greater, shall be the quorum for the Committee meetings.

The Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the Committee. However, Chief Risk Officer ("CRO")-TCL, CRO – TCFSL and Chief Financial Officer ("CFO") – TCFSL shall be the permanent invitees to the RMC meeting.

The Company Secretary shall act as the Secretary to the Committee Meetings. The Secretary will keep adequate minutes of the proceedings and report on actions taken in the subsequent meeting.

### **Reporting**

The Committee will periodically report to the Board on various matters that it has considered and inform the Board about the nature and content of its discussions, recommendations and Actions to be taken.



**Following Board and internal committees will discharge responsibilities as outlined below as a part of comprehensive risk management:**

- A. Audit Committee:** The Audit Committee shall overview the Internal Financial Controls and the Risk Management Systems. The constitution and the role and powers of Audit Committee are laid down in the Audit Committee Charter as approved by the Board.
- B. Investment Credit Committee of the Board (“ICC”):** Provide guidance on nature of investments/ Loans / Credit Substitutes that shall be undertaken, and approve credit limits for various counterparties, where exposures in aggregate exceed a certain level. The constitution and the role and powers of ICC are laid down in the ICC Charter as approved by the Board.
- C. Asset- Liability Management Committee (“ALCO”):** ALCO shall review the Liquidity Risk and Interest Rate Risk on a regular basis and suggest necessary actions based on its view and expectations on the liquidity and interest rate profile.  
  
The constitution and the role and powers of ALCO are laid down in the ALCO Charter forming part of Asset Liability Management Policy as approved by the Board.
- D. Management Credit Committee (“MCC”):**  
The constitution and the role of the MCC would be as per the extant Delegation of Authority (“DOA”) as approved by the Board.
- E. Credit Committee (“CC”):** The constitution and the role of the CC would be as per the extant Delegation of Authority (“DOA”) for CSFD and CFAB as approved by the Board.
- F. Credit Monitoring Committee (“CMC”):**  
CMC is conducted in line with CMC Policy. The constitution and the role of the CMC would be as per the CMC Policy.
- G. Operational Risk Management Committee (“ORMC”):**  
ORMC is the oversight committee for operational risk. The constitution, meeting and quorum requirements and the role and responsibilities of the ORMC would be as per the ORM Policy.
- H. Fraud Risk Management Committee (“FRMC”) :**  
FRMC is the oversight committee for fraud risk. The constitution, meeting and quorum requirements and the role and responsibilities of the FRMC would be as per the FRM Policy.
- I. Information and Cyber Risk Management:** Information Security policy is designed to protect Information and Information Systems from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide Confidentiality, Integrity, Availability, Authenticity while, the Cyber Security policy is designed to Prevent, Detect, Respond and Recover in an effective manner, from Cyber Attacks arising out of the various threat vectors, with the sole objective of building Organisational Resilience.

Technology Risk management is carried out as per the guidance under RBI Master Directions for IT in NBFC Sector. Security Operations Center (SOC) is established for security incident and events management (SIEM). Vulnerability and Risk assessments are carried out on an annual basis. The assessment process is common across Information Risk as well as Cyber Security Risks. The results of the assessments are shared with the respective stakeholders and placed at the Information Technology and Strategy Committee (ITSC) for review.

### **Risk Management Department**

The CRO of the Company reports to the Managing Director of the Company and has an oversight relationship with the CRO - TCL. The Risk Management Committee of the Board meets the CRO of the Company without the presence of the Managing Director on a quarterly basis. The roles and responsibilities of the CRO of the Company are attached as Annexure 1.

The department primarily operationalise risk management framework approved by RMC. CRO is supported by Credit & Risk team – CSFD, Credit & Risk team – CFAB, Enterprise wide Risk Management & Operational risk management team, Market risk management team, Fraud risk management team, risk containment unit and Information and Cyber security Management team.

In accordance with the framework, risk management policies and processes have been developed to manage Credit Risk, Market Risk and Operational risk within the company. A strong risk management team comprising experienced members with requisite expertise has been set up to manage various risks within Tata Capital and subsidiaries.

The Credit Risk management activity involves - ongoing reviews of policies, deviations tracking, delegation of authority, risk sign offs on individual deal approvals in both Corporate and Retail businesses wherever risk is part of a Committee based decisioning structure, portfolio reviews and reporting. Use of analytics and credit score cards has also been commenced in credit decisioning and for the purpose of differentiated collection strategies, delinquency management and pricing. The Interest Rate Risk is actively managed through monitoring the duration and stress test scenario which are presented to ALCO / RMC of the Board periodically. Operational Risk is managed through Risk Control and Self-Assessment (RCSA) exercise across businesses and functions, process reviews, branch reviews and score cards like Branch Operations Score Card (BOSC) , Central Operations Score Card (COSC). Key Risk Indicators are also monitored and presented with details of cases which are above the defined tolerance limit. There is Operational Risk Management Committee which periodically reviews the operational risks within the company and its subsidiaries/associates and takes corrective actions as appropriate. There is FRMC supported by Fraud Risk Management Team that reviews frauds (actual and attempted) and takes actions in terms of process improvements and people management.

Risk containment unit (RCU) is a pre-approval control on documentary frauds. The unit carries out documentary checks on sample basis to minimize risks associated with fraudulent documents submitted by the customer at the time of loan application.

Data Science unit provides support for developing risk reporting dashboard, proactive risk management measures such as early warning signals, collection analysis, etc.

The Enterprise Wide Risk is managed through periodical reviews at the Risk Committee of the Board. This covers portfolio distribution across sectors, concentration risk etc.

Risk department will be authorized to rate the various businesses/functions based on an agreed criteria and publishing the scores on a periodic basis.

In the RMC of the Board, detailed reviews of the portfolio, adherence to the policies, high value deals, deviation analysis, changes in policies etc. are presented and reviewed. The risk in the ALM as also operational risk and fraud risk summary reviews are presented to the RMC of the Board. The RMC normally meets every quarter.

### **Risk Management Process is detailed in ERM Framework**

A Brief summary of which is given below:

- **Risk Assessment**

TCFSL shall carry out quarterly risk assessment for the key risks mentioned in “Annexure 2”. Heatmap covering key risk areas is presented basis identified score card parameters and thresholds. Impact and Probability of risks are two dimensions of the heat map.

- **Risk Monitoring**

- Heatmap covering key risk areas (Information Technology, Information Security & Cyber Security, People, Outsourcing, Process, Business continuity, Compliance & Governance, Reputational Risk, Credit Risk and Market & Liquidity Risk) is presented basis identified score card parameters and thresholds.
- Liquidity, interest rate risk and currency risk are been monitored as per the guidance of ALM and Forex risk policy defined key risk parameters.
- Regular entity level reviews are undertaken by way of various committees like CMC (Corporate), RRR (Retail and mortgages), etc.
- Information Security, Cyber Security and Data Privacy risks are monitored through a combination of various techniques as per the IS policies:
  - Monitoring and analyzing the information security and cyber security alerts
  - Monitoring the data leakage and identity / access management violations
  - Testing of Business continuity and disaster recovery plans
  - Monitoring of third parties posing IS risks to the entity

- **Risk reporting**

Ongoing monitoring of risks are performed and reported in the following committees:

## CHARTER FOR THE RISK MANAGEMENT COMMITTEE FOR TCFSL

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Type of risk	Reporting
ERM	RMC
Credit risk	CMC, ICC, RMC, RRR etc.as applicable
Market and Liquidity Risk	ALCO, RMC, ALCO Support Group, etc.
Operational Risk	ORMC, FRMC, RMC, etc.
Information Security and Cyber Security Risk	ORMC, RMC, ITSC
Compliance, Governance and Reputation	RMC

### Compensation

Members of the Committee shall receive such sitting fees and/ or commission, if any, for their services as Committee members as may be determined by the Board.

### Review of Committee Charter

The adequacy of this Charter shall be reviewed and reassessed by the Board of Directors from time to time, as it may seem appropriate (based on changes that may be brought about to the regulatory framework or otherwise).

### Compliance with the Committee Charter

The Chairman of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

### Committee Evaluation

The Committee shall undergo an annual self-evaluation of its performance and report the result to the Board. Indicative areas for evaluation as part of this exercise include:

- Degree of fulfilment of key responsibilities,
- Adequacy of Committee composition,
- Effectiveness of meetings,
- Committee dynamics,
- Quality of relationship of the Committee with the Board and the Management.

### Key Responsibility of the CRO

The Key Responsibilities of CRO of the Company is defined as per Annexure 1.

### Annexure 1

**Reporting to:** Managing Director of TCFSL

**Oversight Relationship with:** CRO, TCL

#### **Key Responsibilities of the Role:**

- The Chief Risk Officer (CRO) is responsible for enabling the efficient and effective governance of significant risks to the business of the TCFSL and its various segments.
- CRO is responsible for the company's risk management practices evaluating, managing and reporting the external and internal risks to the organization.
- CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products (retail or wholesale) shall be vetted by the CRO from the angle of inherent and control risks. The CRO's role in deciding credit proposals shall be limited to being an advisor.
- The Board shall put in place policies to safeguard the independence of the CRO. In this regard, the CRO shall have direct reporting lines to the MD / RMC of the Board. In case the CRO reports to the MD, the RMC/ Board shall meet the CRO without the presence of the MD, at least on a quarterly basis.

#### **Major Deliverables:**

- Define the Risk Policy for the firm and obtain due approvals for the same from the Risk Committee of the Board. The Risk Policy to cover strategic, reputational, operational, financial, cyber and compliance-related risks.
- Assist the business team in identification of markets, products and processes in line with the Risk Policy of the firm.
- Identify and analyze risks related to broader loan portfolio and ensure portfolio quality.
- Establish risk thresholds for various risks factors and exposures (e.g. borrowers' limits, exposure limits, customer category, ticket size, etc.) in partnership with the business.
- Develop the systems for risk analysis of credit proposals, risk documentation and loan approval process.
- Vote on loan proposals when invited as a member of a credit committee.
- Develop qualitative and quantitative risk models for assessing risk and report the performance on risk parameters to the Executive Management and the Board.
- Build early warning signals for key risk parameters.
- Leverage technology to predict risk outcomes.
- Build and implement cybersecurity strategy.
- Strategize and implement fraud risk management framework.
- Working effectively with the business to institutionalize best practices for risk management.
- Embed a culture of informed risk-taking through training, communication and promotion of agreed risk frameworks.

**CHARTER FOR THE RISK MANAGEMENT COMMITTEE FOR TCFSL**

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<p><b>Interactions with:</b></p> <ol style="list-style-type: none"> <li>1) Regulator</li> <li>2) Board of Directors</li> <li>3) Executive Leadership team</li> <li>4) Sales Heads</li> <li>5) Credit Team</li> <li>6) Customers</li> <li>7) Channel Partners &amp; Vendors</li> <li>8) Industry Analysts</li> <li>9) Rating Agencies</li> </ol>	<p><b>Invitee / Membership:</b></p> <p><u>Business Committees</u></p> <p>Credit Committee: Member</p> <p>Management Credit Committee: Member</p> <p>ALCO: Member</p> <p><u>Board and Board Committees</u></p> <p>Board : Invitee</p> <p>ICC : Invitee</p> <p>RMC : Invitee</p> <p>ACM : Invitee</p> <p>IT Strategy : Invitee</p>
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**Annexure 2**

**Types of Risks**

<b>Risk Areas</b>
People
Outsourcing
Business Continuity
Information security
Process
Credit Risk
Technology
Reputation
Market Risk
Liquidity Risk
Compliance & Governance Risk

# TATA CAPITAL FINANCIAL SERVICES LIMITED

## Annexure F

### CHARTER FOR THE INVESTMENT CREDIT COMMITTEE OF THE BOARD OF TATA CAPITAL FINANCIAL SERVICES LIMITED

#### 1. Objective

The Investment Credit Committee (“ICC”) of the Board of Directors (“Board”) of Tata Capital Financial Services Limited (“Company”) shall approve financing and investment proposals from the various business dimensions of the Company.

#### 2. Composition

The ICC shall comprise the Executive Chairman and not less than two Non-Executive Directors, of which atleast one shall be an Independent Director.

#### 3. Meetings and Quorum

3.1 The ICC shall meet as may be required.

3.2 The quorum for Meetings of the ICC shall be one third of the members of the Committee or two members, whichever is higher, including at least one Independent Director.

However, under exceptional circumstances, the Meeting may be held without the presence of an Independent Director with the prior permission of Chairman of the Board.

3.3 The Company Secretary shall act as Secretary to the ICC. The Secretary will, *inter alia* keep minutes of the proceedings and report on actions taken in the subsequent meeting.

#### 4. Role and Powers

The ICC shall have the powers to:

- To approve Commercial Finance and Retail Business credit proposals, as per the authority granted by the Board to the ICC, from time to time, in terms of the Board approved 'Delegation of Authority Matrix'.
- To approve investments in Debentures / Commercial Paper, Equity Shares, Preference Shares and other instruments, in terms of the Board approved Commercial and SME Finance Division (“CSFD”) Investment Policy.
- To approve the opening and operating of Letters of Credit, Trade Credit, Forex facility, etc. for customers of the CSFD.
- To approve Sale / Purchase of Non Performing Assets as per the Policy for Sale / Purchase of Non Performing Assets, as may be approved by the Board of Directors, from time to time.
- To assess the ordinary course of business and arm’s length pricing of the related party transactions that are being approved by the ICC.
- To periodically review proposals approved by Management Credit Committee.
- Carry out such other functions as may be delegated by the Board, from time to time.

# TATA CAPITAL FINANCIAL SERVICES LIMITED

## 5. Reporting

The ICC will periodically report to the Board on various matters that have been referred to the Committee.

## 6. Compensation

The Members of the Committee shall receive such sitting fees, if any, for their services as Committee Members, as may be determined by the Board at its sole discretion.

## 7. Review of Committee Charter

The adequacy of this Charter shall be reviewed and reassessed by the Board of Directors from time to time, as it may seem appropriate (based on changes that may be brought about due to the regulatory framework or otherwise).

## 8. Compliance with the Charter

The Chairman of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

## 9. Committee Evaluation

The Committee shall undergo an annual self-evaluation of its performance and report the result to the Board. Indicative areas for evaluation as part of this exercise include:

- Degree of fulfilment of key responsibilities,
- Adequacy of Committee composition,
- Effectiveness of meetings,
- Committee dynamics,
- Quality of relationship of the Committee with the Board and the Management.



## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

### **CHARTER FOR THE INFORMATION TECHNOLOGY STRATEGY COMMITTEE OF THE BOARD OF DIRECTORS OF TATA CAPITAL FINANCIAL SERVICES LIMITED**

#### **1. Applicability**

The Information Technology (“IT”) Strategy Committee (“Committee”) of the Board of Directors (“Board”) of Tata Capital Financial Services Limited (“Company”) is constituted pursuant to the ‘Master Direction – Information Technology Framework for the NBFC Sector’ dated June 8, 2017, for Non-Banking Finance Companies (“NBFCs”), issued by Reserve Bank of India (“the RBI IT Directions”).

#### **2. Objectives**

The Committee shall carry out review and amend the IT strategies in line with the Corporate Strategies, Board Policy Reviews, Cyber Security Arrangements and any other matter related to IT Governance. The deliberations of the Committee may be placed before the Board. The Committee shall work in partnership with other Board Committees and Senior Management to provide inputs.

#### **3. Composition**

3.1 The Committee shall comprise of the following:

- a) At least one Independent Director;
- b) At least one Non-Executive Director;
- c) Executive Chairman;
- d) the Chief Information Officer (“CIO”) and
- e) the Chief Technology Officer (“CTO”), if any.

3.2 The Chairperson of the Committee shall be an Independent Director of the Company.

#### **4. Meetings and Quorum**

4.1 The Committee shall meet at least twice in a financial year and not more than six months should elapse between two Meetings.

4.2 Any two Directors and CIO and CTO (if any) (to be present for all the Meetings), shall be the quorum for Committee Meetings.

4.3 The Committee may invite such of the executives, as it considers appropriate, to be present at Meetings of the Committee. However, the following shall be permanent invitees to Meetings of the Committee:

## TATA CAPITAL FINANCIAL SERVICES LIMITED

- a) Ms. Aarthi Subramanian, Director, Tata Capital Limited (“TCL”), the holding company and Group Chief Digital Officer, Tata Sons Private Limited, the ultimate holding company.
  - b) CIO (irrespective of the Tata Capital entity in which he/she is appointed)
  - c) CTO (irrespective of the Tata Capital entity in which he/she is appointed)
  - d) Chief Risk Officer, TCL;
  - e) Chief Information Security Officer (irrespective of the Tata Capital entity in which he / she is appointed) ; and
  - f) Technology Head - Enterprise Architecture & IT Governance
- 4.4 The Company Secretary shall act as Secretary to the Committee. The Secretary will, *inter alia*, keep minutes proceedings of Meetings of the Committee and report the actions taken on matters arising out of earlier meetings.

### 5. Roles and Powers

The Committee shall have the following roles and powers:

- (a) To approve IT strategy and policy documents and ensure that the Management puts an effective strategic planning process in place;
- (b) To ascertain that the Management had implemented processes and practices that ensure that the IT delivers value to the business;
- (c) To ensure IT investments represent a balance of risks and benefits and that budgets are acceptable;
- (d) Monitor the method that the Management used to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- (e) To ensure proper balance of IT investments for sustaining the Company’s growth and being aware about exposure towards IT risks and controls;
- (f) To constitute the Steering Committee and review the discussions of the said Committee periodically;
- (g) To institute an effective governance mechanism and risk management process for all outsourced IT operations and to do all such acts as may be required under the Directions in respect of the outsourced IT operations;
- (h) To do any or all things that may be done by the Board of Directors in accordance with the RBI IT Directions, as amended from time to time;
- (i) To do such other things related to IT as may be recommended by the Board of Directors to the Committee;
- (j) To review the IT / Information Systems Audit (“IS”) report and provide its observation / recommendations to the Board;
- (k) To review the IS audit framework and recommend changes, if any, to the Board;
- (l) To recommend the appointment of IT / IS auditor to the Board; and

## **TATA CAPITAL FINANCIAL SERVICES LIMITED**

(m) To approve engagement of any external service provider for IS audit services.

### **6. Reporting**

The Committee will periodically report to the Board on various matters that have been referred to the Committee.

### **7. Compensation**

Sitting Fees for the Meetings of the Committee shall be paid to the Independent Directors and the Non-Executive Directors (other than Managing Director or employees of Tata Capital Limited and its subsidiaries) as approved by the Board of Directors of the Company for any Committee constituted by the Board. Sitting fees shall not be paid to the Permanent Invitees for the Committee Meetings.

### **8. Review of Committee Charter**

The adequacy of this Charter shall be reviewed and reassessed by the Board of Directors from time to time, as it may seem appropriate (based on changes that may be brought about to the regulatory framework or otherwise).

### **9. Compliance with the Charter**

The Chairman of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

### **10. Committee Evaluation**

The Committee shall undergo an annual self-evaluation of its performance and report the result to the Board. Indicative areas for evaluation as part of this exercise include:

- Degree of fulfilment of key responsibilities,
- Adequacy of Committee composition,
- Effectiveness of meetings,
- Committee dynamics,
- Quality of relationship of the Committee with the Board and the Management.