

## TATA CAPITAL 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.

### **RBI GUIDELINES ON CORPORATE GOVERNANCE**

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company has framed the following internal Guidelines on Corporate Governance.

### **BOARD OF DIRECTORS**

The Board of Directors along with 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 and Non-Executive directors, with not less than fifty percent of them being Non-Executive Directors. In case of a Non-Executive Chairman, at least one-third of the Board should consist of Independent Directors and, in case of an Executive Chairman, one-half of the Board should consist of Independent Directors.

A Director shall not hold the office of Director in more than 15 companies. None of the Directors on the Company's Board shall be a Member of more than 10 Board

Committees and Chairman of more than 5 Board Committees (Committees being Audit Committee and Investors' Grievance Committee) across all companies in which they are Directors. All the Directors shall make the necessary annual disclosure regarding their directorships and Committee positions and shall intimate changes as and when they take place.

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.

The Company has adopted the following Guidelines relating to Corporate Governance

1.	Size of the Board - Not more than 12 Members - Offices of the Chairman and Managing Director to be separate.
2.	Nominations Committee of the Board - To be set up for the purpose of identifying Independent Directors to be inducted on the Company's Board and to take steps to refresh the composition of the Board, from time to time.
3.	Executive Committee of the Board - To be set up to review key items before presentation to the Board, such as, business and strategy review, capital and revenue budgets, etc. - CEO and CFO to be members of the Committee, if members of the Board. If not, they may be invited to attend the meetings, with the permission of the Chairman of the
4.	Appointment of Executive Directors - Number of Executive Directors (including Managing Directors) to be not more than one-third of the total strength of the Board. - Should not hold office beyond the age of 65 years or earlier, as determined by the Board.
5.	Appointment of Non- Executive Directors - Number of Non-Executive Directors to be not less than two-third of the total number of Directors. - Number of Independent Directors to be not less than one-third of the total number of Directors. - Ex-Managing Directors/Executive Directors may be invited to rejoin the Board as Non-Executive Directors, but preferably after an interval of 3 years. - Retirement age not to exceed 75 years. - Tenure of upto nine years, to be considered a threshold for granting further tenure/s based, inter alia, on merit and contribution of each Director.

## Board Meetings

Meetings of the Board of Directors shall be held at least four times a year, with a maximum time-gap of four months between any two consecutive meetings. The minimum information to be statutorily made available to the Board, shall be furnished to the Directors.

## 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. 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. While the RBI Guidelines mentioned above, require the setting up of an Audit Committee, Asset Liability Supervisory Committee, Risk Management Committee and Nominations Committee, the Listing Agreement for Debentures issued to the public, requires the setting up of an Audit Committee, the Remuneration Committee and Shareholders/Investors Grievance Committee. The Nominations Committee and Executive Committee of the Board have been set up by the Company as per the practice in the Tata Group.

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

#### Audit Committee

Role	<p>As per the Audit Committee Charter, a gist of which is given, below:</p> <ul style="list-style-type: none"> <li>- Recommend appointment and removal of Statutory Auditors and their remuneration, nature and scope of audit.</li> <li>- Ensure adequacy of internal controls and compliances and recommend remedial measures.</li> <li>- Oversee financial reporting process and disclosure of financial information.</li> <li>- Review financial statements before submission</li> </ul>
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	<ul style="list-style-type: none"> <li>- Act as the link between Statutory Auditors, Internal Auditors and Board of Directors.</li> <li>- Review accounting policies</li> <li>- Monitor compliance with Tata Code of Conduct</li> <li>- Review working of Ethics Committee and review significant related party transactions.</li> <li>- Review findings of internal investigations / fraud / irregularities, etc.</li> <li>- Monitoring usage of proceeds from an issue including public issue, rights issues, preferential issues, etc. on a quarterly basis/annual basis and make appropriate recommendation to the Board.</li> <li>- Carry out additional functions as contained in the listing agreement or other regulatory requirements applicable to the company or in the terms of reference of the Audit Committee.</li> </ul>
Composition	<ul style="list-style-type: none"> <li>- Minimum three Non - Executive Directors as Members, two-thirds of which, shall be Independent Directors.</li> <li>- All Members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.</li> <li>- The Chairman of the Audit Committee shall be an independent director.</li> <li>- The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the company. The Finance Director, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meetings of the Audit Committee.</li> </ul> <p><u>Secretary of the Committee</u> : Company Secretary</p>
Frequency of meetings	At least four times a year and not more than four months shall elapse between two meetings.

Quorum	Two Members or one third of the Members of the Audit Committee whichever is greater, but there should be a minimum of two independent members present.
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### Shareholders/Investors Grievance Committee

Role	To specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.
Composition	To be under the chairmanship of a Non-Executive Director.  <u>Secretary of the Committee:</u> Company Secretary
Quorum	Any two Members.

### Finance and Asset Liability Supervisory Committee

Role	(a) To approve all individual borrowings, structured instruments, finalise terms of the credit facilities, etc. within the overall limits approved by the Board. (b) To oversee the implementation of the Asset Liability Management system and to periodically review its functioning.
Composition	Managing Director and any two other Directors  <u>Secretary of the Committee:</u> Company Secretary
Frequency of meetings	For (a) above, as and when required For (b) above, at least once a year
Quorum	Any two members

### Investment Credit Committee

Role	<ul style="list-style-type: none"> <li>- To approve SME /Infrastructure and other financing proposals, which in terms of the Board approved 'Delegation of Authority Matrix', requires the approval of the Board.</li> <li>- To approve personal and business loans of upto Rs.1 crore within the Company's existing authority limit.</li> </ul>
Composition	<p>Managing Director and atleast three Non Executive Directors, one of which shall be an Independent Director.</p> <p><u>Secretary of the Committee:</u> Company Secretary</p>
Frequency of meetings	As may be required.
Quorum	Any two members

### Risk Management Committee

Role	Review the Risk Management process in the Company and the working of Risk Management Working Committee in the areas of portfolio, credit, off balance sheet and operational risk.
Composition	<p>Chairman, Managing Director and one/two Non-Executive Directors.</p> <p><u>Secretary of the Committee :</u> Company Secretary</p>
Frequency of meetings	At least once every quarter
Quorum	Any two Members

## Remuneration Committee

Role	<ul style="list-style-type: none"> <li>- To review the performance of the Managing/Whole-time Directors on predetermined parameters.</li> <li>- To review and recommend remuneration/compensation packages for the Executive Directors, within prescribed limits.</li> <li>- To decide commission payable to the directors, subject to prescribed limits and approval of shareholders.</li> <li>- To formulate and administer ESOPs.</li> <li>- To review employee compensation vis-à-vis industry practices and trends.</li> <li>- To review the performance of direct reportees to the Managing Director and their compensation structure.</li> </ul>
Composition	<p>At least three non-executive Directors, of which two-third (if not all) shall be Independent Directors.</p> <p><u>Secretary of the Committee</u> : Head of HR</p>
Frequency of meetings	At least once a year
Quorum	Any two members
Remuneration Policy	<p>The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavours to attract, retain, develop and motivate a high performance workforce. The Company shall follow a compensation mix of fixed pay, benefits and variable pay. Individual performance pay shall be determined by business performance and the performance of the individuals measured through the annual appraisal process.</p> <p>The Company shall pay remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission / incentive remuneration (variable component) to its Managing Director. Annual increments shall be decided by the Remuneration Committee within the salary scale approved by the members and are effective April 1, each year. The Remuneration Committee shall decide on the commission / incentive remuneration payable to the Managing Director, based on the performance of the Company as well as that of the Managing Director.</p>

	<p>The Non-Executive Directors shall not be entitled to receive any remuneration from the Company except by way of Sitting Fees and Commission. The fees/compensation, if any, paid to Non-Executive Directors, including Independent Directors, shall be fixed by the Board of Directors. However, the prior approval of the shareholders would have to be sought, in the event of the fees being in excess of the limits prescribed under the Companies Act, 1956.</p> <p>The Remuneration Policy may be reviewed from time to time.</p>
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### Nominations Committee

Role	<ul style="list-style-type: none"> <li>- To identify Independent Directors to be inducted to the Board, from time to time.</li> <li>- To take steps to refresh the composition of the Board.</li> </ul>
Composition	<p>Three or four members, including Chairman of the Board and at least two Independent Directors, one of whom would be the Chairman.</p> <p>Chairman of the Company to be a permanent member during his tenure of Chairmanship of the Board. For other members, two terms of three years each.</p> <p><u>Secretary of the Committee:</u> Company Secretary</p>
Frequency of meetings	At least once a year.
Quorum	Any two members



## Executive Committee

Role	<p>To review the following items before these are presented to the Board:</p> <ul style="list-style-type: none"> <li>- Business and strategy review</li> <li>- Long term financial projections and cash flows.</li> <li>- Capital and Revenue Budgets and Capital Expenditure programmes.</li> <li>- Acquisitions, divestments and business restructuring proposals.</li> <li>- Senior management succession planning.</li> <li>- Customer service initiatives and innovative measures for enhancing quality of service and customer satisfaction.</li> <li>- Any other item as may be decided by the Board.</li> </ul>
Composition	<p>Chairman of the Board (who would be the Chairman of the Committee), the Managing Director, the Executive Directors, if any, and at least two Non-Executive Directors (of which one should be independent).</p> <p>The CEO and CFO to be permanent invitees in case they are not executive directors.</p> <p><u>Secretary of the Committee</u> : Company Secretary</p>
Frequency of meetings	<p>As and when the Board of the Company expands to a strength of about 10-12 Directors, the Executive Committee would become functional and would meet at such intervals as may be determined at that time.</p>
Quorum	<p>Any two Members or 1/3 of the total strength of the Committee, whichever is the higher.</p>

## SUBSIDIARY COMPANIES

The signed minutes of the Board Meetings of the subsidiary companies shall be placed at every Board Meeting of the Company, along with a brief summary of the contents of the Minutes. The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the subsidiary company. At least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the material non-listed subsidiary companies.

The Audit Committee of the holding company shall also review the functioning of the Audit Committees of the subsidiary companies.

## SHAREHOLDERS

Shareholders shall be informed of details regarding the appointment or re-appointment of a Director. Half yearly results and presentations made by the Company to analysts shall be put on the Company's web-site or sent to the Stock Exchange on which listed.

## DISCLOSURES

The Company shall make the following disclosures, as statutorily required:

- Basis of related party transactions
- Disclosure of accounting treatment
- Board disclosures – Risk Management
- Proceeds from public issues, rights issues, preferential issues, etc.
- Remuneration of Directors
- Management
- Shareholders

## CEO/CFO CERTIFICATION

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

## COMPLIANCE OFFICER

The Company Secretary shall be the Compliance Officer of the Company.

## POLICIES ADOPTED BY THE COMPANY

The following policies have been framed and adopted by the Company, viz.

- a) Fair Practices Code
- b) KYC and PMLA Policy
- c) Whistle Blower Policy
- d) Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices
- e) Investment Policy
- f) Policy on Demand and Call Loans
- g) Policy for Determining Interest Rates, Processing and Other Charges
- h) Policy on Affirmative Action for SC/ST communities.

The above policies may be reviewed from time to time.