



TATA INDUSTRIES LIMITED

**INTERNAL GUIDELINES ON
CORPORATE GOVERNANCE**

Adopted by the Board of Directors on January 31, 2024

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<p>This document is owned by Tata Industries Limited and has been approved by the Board of Directors on January 31, 2024.</p> <p>Revisions, if any, will be made by the Board of Directors.</p>			

Document History

Version No.	Date	PI#	Description of Change	Author/ Revised By	Reviewed By	Approved By
1.1	January 31, 2024		Original Policy document	Deputy Company Secretary	CFO & CS	The BoD in its meeting dated January 31, 2024.

1. COMPANY’S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company recognises its role as a corporate citizen and endeavours 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 with constant efforts to raise the bar by adopting best practices.

The Company believes that good governance practices enable the Management to direct and control the affairs of the Company in an efficient manner and to achieve the Company’s goal of maximising value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision, while upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to a “Tata” company.

As a part of the Tata Group, Tata Industries Limited (TIL) has a strong legacy of fair, transparent and ethical governance practices. The Corporate Governance philosophy is further strengthened with the adherence to the principles of Tata Business Excellence Model as a means to drive excellence, the Key Performance Metrics for tracking progress on long-term strategic objectives and the Tata Code of Conduct (TCOC), which articulates the values, ethics and business principles and serves as a guide to the Company, its directors and employees, supplemented with an appropriate mechanism to report any concern pertaining to non-adherence to the TCOC. In addition, the Company has adopted a Policy against Sexual Harassment in the Workplace, a Fit and Proper Policy for ascertaining the fit and proper criteria of the directors at the time of appointment and on a continuing basis, an Anti-Bribery and Anti-Corruption Policy, an Anti-Money Laundering Policy, Conflict of Interest Procedure, Gifts and Hospitality Policy Whistle Blowers’ Policy and a Conflict-of-Interest Policy.

The Company has signed the Tata Brand Equity and Business Promotion (“BEBP”) Agreement with Tata Sons Private Limited thereby subscribing to the TATA BEBP Scheme. The Company abides by the TCOC and the norms for using the Tata Brand identity.

2. RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to adopt practices enhancing transparency in the operations of the Company and in compliance with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Master Direction – Scale Based Regulation) dated October 19, 2023, as amended from time to time, the Company has framed and adopted the “Internal Guidelines on Corporate Governance”.

3. SCOPE

These guidelines would formalise the existing Corporate Governance framework and practices across the functions and operations of the Company.

4. BOARD OF DIRECTORS

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders' value through supervision and strategic inputs. The Board of Directors along with the Committee(s) of Directors provide leadership and guidance to the Company's management to direct, supervise and control the performance of the Company.

The Board shall have a suitable combination of executive and non-executive Directors and all the Directors shall meet the "fit and proper" criteria, as prescribed by the Reserve Bank of India (RBI). The Directors bring to the Board, wide range of experience and skills and have a vital role to play in the matters, inter-alia, relating to policy formulation, implementation and strategic issues, which are crucial for the long-term development of the organization.

It is the primary responsibility of the Board of Directors to ensure overall compliance with the corporate governance framework of the Company. The principal functions of the Board are to oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with applicable laws and the Company's code of conduct, review the major strategic, financial and other objectives of the Company, nominate directors and evaluate the structure and practices of the Board to provide for sound corporate governance. The Board accomplishes these functions acting directly and/or through its Committees.

The Board shall meet at least four (4) times in a year, with a maximum time-gap between any two consecutive meetings of the Board not exceeding 120 days. The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the Meeting.

The Company, in consultation with the Directors, prepares and circulates the annual schedule of Board Meetings for a given financial year, to assist the Directors for planning, in advance, to participate in the meetings.

The remuneration, when payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval.

5. COMMITTEES OF THE BOARD

The Board constitutes its Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their terms of reference.

While the RBI Guidelines require setting up of an Audit Committee, Asset Liability Management Committee, Risk Management Committee, Nomination and Remuneration Committee whereas the Companies Act, 2013 requires the Company to constitute a Corporate Social Responsibility Committee. From governance perspective, the Company has also constituted an Approvals Committee.

In compliance with the applicable provisions of the Companies Act, 2013 and Master Direction – Scale Based Regulation and to meet business exigencies, the Company has constituted the aforementioned Board Committees.

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. Minutes of the meetings of the Board Committees shall be placed before the Board for its perusal and noting.

The Company has constituted following committees of the Board:

i. Audit Committee

Constitution:

Audit Committee shall comprise of at least 3 non-executive members of its Board of Directors. All members of Audit Committee shall be financially literate and at least one member shall have accounting or relevant financial management expertise. The Company Secretary shall act as the Secretary to the Committee.

Meetings:

The Committee may meet as often as may be required. The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Roles and Responsibilities:

In accordance with the terms of reference set out in Section 177 of the Companies Act, 2013, the Rules framed thereunder, and the Master Direction – Scale Based Regulation, as amended.

An Information System Audit of the internal systems and processes to be conducted at least once in two years to assess operational risks faced by the Company.

ii. Asset Liability Management Committee

Constitution:

The Asset Liability Management Committee (ALCO) shall comprise of members as may be identified by the Board from time to time. The CEO/ MD or the Executive Director (ED) should head the Committee. The Company Secretary shall act as the Secretary to the Committee.

Meetings:

The Committee may meet at least twice a year. The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Role and Responsibilities:

The terms of reference of ALCO are as below:

- a. Decision on desired maturity profile and mix of incremental assets and liabilities;

- b. Sale of assets as a source of funding;
- c. The structure, responsibilities, and controls for managing liquidity risk, and overseeing the liquidity positions of all branches;
- d. Asset Liability Management;
- e. Noting of RBI filings;
- f. Debt Composition and plan of the Company for fund raising, and
- g. Resource raising policy of the Company.

iii. Nomination and Remuneration Committee

Constitution:

Nomination and Remuneration Committee (NRC) shall consist of three or more non-executive directors out of which not less than two-third shall be non-executive directors. The Company Secretary shall act as the Secretary to the Committee.

Meetings:

The Committee shall meet at least once in a year. The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Role and Responsibilities:

The NRC shall have the powers, functions and duties as laid down in section 178 of the Companies Act, 2013. The NRC, inter alia, shall have following responsibilities:

- a. Overseeing the framing, review, and implementation of compensation policy of the company which should have the approval of the board;
- b. The NRC may work in close co-ordination with Risk Management Committee of the company to achieve effective alignment between compensation and risks;
- c. The NRC may ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on ICAAP;
- d. NRC may also ensure 'fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management;
- e. Performance evaluation of the Directors and Committees of the Board;
- f. Formulation of Processes/ Policies; and
- g. Retirals and Succession Planning of Key Managerial Personnel.

iv. Risk Management Committee

Constitution

The Risk Management Committee (RMC) shall comprise of members either at the Board or executive level. The Company Secretary shall act as the Secretary to the Committee.

Meetings

The Committee to meet at quarterly intervals. The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Role and Responsibilities:

- a. Overseeing the Company's risk management process and controls;
- b. Reviewing strategic plans and objectives for risk management, risk philosophy and risk optimisation;
- c. Reviewing compliance with risk management policies implemented by the Company and procedures used to implement the same;
- d. Reviewing risk assessment of the Company annually and exercising oversight of various risks including credit risk, financial & operational risks, technology risk, market risk, liquidity risk, investment risk, cyber security risk, forex risk, commodity risk, enterprise risk, etc; and
- e. Exercising oversight of the Company's risk tolerance, capital liquidity and funding.

v. Corporate Social Responsibility Committee

Constitution:

Corporate Social Responsibility Committee (CSR) of the Board shall consist of two or more directors, since the Company is not required to appoint Independent Directors under section 149 of the Companies Act, 2013. The Company Secretary shall act as the Secretary to the Committee.

Meetings:

The Committee may meet as often as may be required. The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Role and Responsibilities:

In accordance with the terms of reference set out under Section 135 of the Companies Act, 2013 and Rules framed thereunder.

vi. Approvals Committee

Constitution:

Approvals Committee to comprise of at least two Directors of the Board. The Company Secretary shall act as the Secretary to the Committee.

Meetings:

The Committee may meet as often as may be required.

Role and Responsibilities:

Given below, inter alia, are gist of the responsibilities of the Approvals Committee:

- a. Opening and closing of bank accounts and demat accounts;
- b. Modifying instructions/changing signatories for the operation of existing bank and demat accounts;
- c. Approve renewal of facilities with banks;
- d. Appointing representatives of the Company to attend and vote at general meetings of companies in which the Company is a shareholder/debenture holder;

- e. Grant Specific Powers of Attorney or Authorisations to executives of the Company or other persons in connection with the business of TIL and its Divisions; and
- f. Approve the affixing of the Common Seal of the Company on any document executed/to be executed by Directors/officials authorised by the Company.

6. PERFORMANCE EVALUATION

The Nomination and Remuneration Committee and the Board of Directors of the Company shall evaluate the performance of every director in accordance with the provisions of section 134 and 178 of the Companies Act, 2013.

7. STATUTORY AUDITORS

The Board and the Audit Committee shall be responsible for the appointment of the Statutory Auditors who demonstrate professional eligibility and independence as per the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) bearing reference no. RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021. Declaration to be obtained every year from the Statutory Auditors affirming their eligibility for being appointed as Statutory Auditors of the Company.

8. INTERNAL AUDITORS

The Company shall comply with Risk-Based Internal Audit (RBIA) Guidelines as prescribed by RBI, from time to time, and with the applicable provisions under Companies Act, 2013 for appointment of Internal Auditors who shall perform independent and objective assessment of internal controls, processes and procedures instituted by the Company.

9. SECRETARIAL AUDITORS

The Board shall appoint independent Company Secretary in Practice, in accordance with the provisions of section 204 of the Companies Act, 2013 and Rules made thereunder to conduct the Secretarial Audit of the Company.

10. CHIEF RISK OFFICER (CRO)

The Company has appointed a CRO with specified role and responsibilities in terms of Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, as amended and Master Direction – Scale Based Regulation.

Appointment of CRO

The CRO shall be a senior official in the hierarchy of the Company and shall possess adequate professional qualification/ experience in risk management.

The CRO shall be appointed for a fixed tenure with the approval of the Board.

Reporting Line

CRO shall have direct reporting lines to the MD & CEO/ ED/ RMC of the Board. In case the CRO reports to the MD & CEO/ ED, the RMC/ Board shall meet the CRO on one-to-one basis without the presence of the MD & CEO/ ED, at least on a quarterly basis.

The CRO shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets.

There shall not be any 'dual hatting' i.e. the CRO shall not be given any other responsibility.

Responsibilities of CRO

The CRO shall have such role and responsibilities as may be entrusted pursuant to the Master Direction – Scale Based Regulation, Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, as amended, and such functions as may be directly assigned by the RMC and Board of Directors.

11. CHIEF COMPLIANCE OFFICER (CCO)

The Company has appointed a CCO leading the compliance function with specified role and responsibilities in terms of the RBI circular on Compliance Function and Role of Chief Compliance Officer (CCO) - NBFCs dated April 11, 2022 under RBI guidelines on 'Scale Based Regulation'.

Appointment of CCO

The CCO shall be a senior executive of the Company with a position not below three levels from the CEO/ ED.

The CCO shall be appointed for a minimum fixed tenure of not less than 3 years. In exceptional cases, the Board / Board Committee may relax the minimum tenure by one year, provided appropriate succession planning is put in place.

The CCO shall have a good understanding of the industry and risk management practices, knowledge of regulations, legal requirements, and have sensitivity to Supervisory expectations.

Reporting Line

The CCO shall have direct reporting lines to the ED/ MD & CEO and / or Board / Board Committee.

In case the CCO reports to the ED/ MD & CEO, the Board / Board Committee shall meet the CCO at quarterly intervals on a one-to-one basis, without the presence of the senior management, including ED/ MD & CEO.

The CCO shall not have any reporting relationship with the business verticals. Further, the performance appraisal of the CCO shall be reviewed by the Board / Board Committee.

There shall not be any 'dual hatting' i.e. the CCO shall not be given any other responsibility.

Responsibilities of CCO

The CCO shall have such role and responsibilities as may be entrusted pursuant to the RBI guidelines on 'Scale Based Regulation', as amended, and RBI circular on Compliance Function and Role of Chief Compliance Officer - NBFCs dated April 11, 2022, including but not limited to:

- a. Assist the Board and the Senior Management in overseeing the implementation of Compliance Policy;
- b. Play the central role in identifying the level of Compliance risk in the organisation;
- c. Ensure compliance of regulatory/ supervisory directions given by RBI in both letter and spirit in a time-bound and sustainable manner;
- d. Attend to compliance with directions from other regulators in cases where the activities of the entity are not limited to the regulation/supervision of RBI;
- e. The Compliance Department may also serve as a reference point for the staff from operational departments for seeking clarifications / interpretation of various regulatory and statutory guidelines.

12. HEAD OF INTERNAL AUDIT (HIA)

The Company has appointed a HIA with specified role and responsibilities in terms of Risk-Based Internal Audit (RBIA) framework issued by RBI vide circular dated February 3, 2021.

Appointment of HIA

The HIA shall be a senior executive with the ability to exercise independent judgement. The HIA shall have the authority to communicate with any staff member and get access to all records that are necessary to carry out the entrusted responsibilities.

The HIA shall be appointed for a fixed tenure with the approval of the Board.

Reporting Line

HIA shall have direct reporting lines to the MD & CEO/ ED. Further, the Audit Committee/ Board shall meet the HIA at least once in a quarter, without the presence of the senior management (including the MD & CEO/ WTD).

The HIA shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets.

There shall not be any 'dual hatting' i.e. the HIA shall not be given any other responsibility.

Responsibilities of HIA

The HIA shall have such role, responsibilities and other general expectations pursuant to the Master Direction – Scale Based Regulation, the RBIA framework issued by RBI vide circular dated February 3, 2021, and such functions as may be directly assigned by the Audit Committee/ Board.

13. KEY MANAGERIAL PERSONNEL

The Company shall appoint key managerial personnel (KMP), as applicable, pursuant to the provisions of section 203 of the Companies Act, 2013. The Company shall adhere to

the Guidelines on Compensation of KMP and Senior Management, as may be approved by the Board. Except for directorship in a subsidiary, KMP shall not hold any office (including directorships) in any other NBFC-Middle Layer or NBFC-Upper Layer. However, they can assume directorship in NBFC-Base Layer.

14. DISCLOSURES AND TRANSPARENCY

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees shall ensure and make necessary disclosures to the Company, Regulators, Statutory Authorities, Shareholders, or other stakeholders as may be required by the applicable laws/ policies of the Company.

The following information shall be put to the Board of Directors at regular intervals:

- a. Progress made in putting in place a progressive risk management system, risk management policy and strategy followed.
- b. Conformity with corporate governance standards viz; in composition of various committees, their role and functions, periodicity of the meetings and compliance.
- c. Updates of the various committees' meetings.

15. REVIEW OF THE GUIDELINES

These guidelines shall be reviewed by the Board as and when required.