

TATA CLEANTECH 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.

At the Meeting of the Board of Directors of the Company held on February 16, 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").

RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI had, on May 8, 2007 and July 11, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company had framed the following internal Guidelines on Corporate Governance. Further, RBI vide Circular No. RBI/2014-15/299 DNBR (PD) CC No. 002/03.10.001/2014-15 dated November 10, 2014, made certain amendments to the Guidelines issued earlier. The Guidelines on Corporate Governance are being amended to give effect to the Governance Guidelines issued by Tata Sons Limited and amended framework as contained in the recently issued RBI Circular.

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 nine 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.

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. 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 Stakeholders Relationship Committee) across all 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 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. **Nomination and Remuneration Committee**

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

3. **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	Three Non-Executive Directors <u>Secretary of the Committee</u> : Company Secretary
Frequency of meetings	At least once every quarter
Quorum	Any two members

4. **Finance and Asset Liability Supervisory Committee**

The Finance and Asset Liability Supervisory Committee shall function as per the Finance and Asset Liability Supervisory Committee Charter (Annexure – C)

5. **Investment Credit Committee**

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

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 and such other laws and regulations as may be applicable to the Company.

CEO/CFO CERTIFICATION

The CEO i.e. the Manager 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, and such other laws and regulations as may be applicable.

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

Annexure A - Audit Committee Charter

Tata Cleantech Capital Limited - Board Audit Committee Charter

The Audit Committee's role shall flow directly from the Board of Director's 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 organization achieve its objectives, the Audit Committee's review function will include the financial reporting process, the system of internal control, the audit process and the Company's process for monitoring compliance with laws and regulations and the 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 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 majority 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 members of the Audit Committee shall elect a Chairman from amongst themselves, who shall necessarily be an Independent Director.
- The Company Secretary shall act as the Secretary to the Committee Meetings.

Meetings

- The Audit Committee shall meet periodically, but at least 4 times a year and not more than 4 months shall elapse between two successive meetings.
- One meeting shall be held before the annual accounts and quarterly/ half yearly accounts are presented to the Board.
- The quorum shall be either two members or one-third of the members of the Audit Committee; whichever is higher including one Independent Director.
- The Finance Director, Internal Auditor and a Representative of the External Auditor should be invited to be present as invitees for the meetings of the Audit Committee.
- 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 Committee, who shall not have the right to vote, but, on occasions it 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 in the meetings of the Audit Committee when it considers the Auditor's Report but shall not have the right to vote.

Responsibilities

The Audit Committee shall have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and also oversee compliance of internal 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 correct, sufficient and credible.
- Reviewing with the Management the annual financial statements before submission to the Board, focusing primarily on:
- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of sub-section (5) of section 134 of the Companies Act, 2013
- Any changes in accounting policies and practices and reasons for the same
- Major accounting entries based on exercise of judgment by management
- Qualifications in the draft audit report
- Significant adjustments made in the financial statements arising out of audit findings
- The going concern assumption
- Compliance with Accounting Standards
- Compliance with the requirements of the stock exchanges, if applicable, and legal requirements concerning financial statements
- Any related party transactions as per Accounting Standard 18 and Companies Act, 2013
- Reviewing the Company's financial and risk management policies and evaluation of the Company's Risk management systems.
- Disclosure of contingent liabilities.

Review and Examination of Information

- Internal audit reports relating to internal control weaknesses.
- Financial statements and draft auditor's 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 compliance with laws and to risk management.
- 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 control systems.

Internal Audit

- Reviewing of the Internal Audit Report and action taken thereon.

- Reviewing the adequacy of internal audit function, including the Audit Charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Reviewing the appointment, removal and terms of remuneration of the Chief Internal Auditor.
- Discussing with the Internal Auditors any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the Internal Auditors 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

External Audit

- Recommending to the Board the appointment / re-appointment and removal / replacement of Auditor, fixation of the remuneration and terms of appointment of the auditor and also approval for payment for any other services permitted by law.
- Discussing with Statutory Auditors before the audit commences, the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

Subsidiary companies

- The Audit Committee of the Company shall also review the financial statements, in particular the investments made by the subsidiary companies.

Related Party Transactions

- All transactions with Related Parties or any subsequent modification thereto shall be approved by the Audit Committee.

Defaults

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

Others

- Reviewing the functioning and compliances as regards the Company's Whistle Blower Policy.
- Monitoring the end use of funds raised through Public Offers, rights issues, preferential issues, etc. and related matters on a quarterly basis / annual basis and make appropriate recommendation to the Board.
- Reviewing the valuation of undertakings or assets of the Company, wherever it is necessary and appointment of Registered Valuer.

Compliance

- Reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

- Reviewing the findings of any examinations by regulatory agencies, and any auditor observations.
- Reviewing the process for communicating the Tata Code of Conduct to Company personnel, and for monitoring compliance therewith.
- Obtaining regular updates from the Management and Company legal counsel regarding compliance matters.

Reporting Responsibilities

- The Audit Committee will update the Board, periodically.
- The Directors' Report shall disclose the composition of the Audit Committee, brief description of the scope of the Audit Committee Charter, names of members, Chairperson, meetings and attendance.
- The recommendations of the Audit Committee on any matter relating to financial management including the audit 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 Directors' Report together with the reasons therefore.

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 & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (“the Regulations”) and the Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices (“the Code”); Taking on record such reports as may be required from the Compliance Officer under the Code; and
- Deciding penal and disciplinary action in respect of violation of the Regulations / Code by any Specified Person.

Other Responsibilities

- Performing other activities related to this Charter as requested by the Board of Directors.
- Carry out additional functions as is contained in the listing agreement or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.
- Instituting and overseeing special investigations as needed.
- Confirming annually that all responsibilities outlined in this Charter have been carried out.

Annexure B- 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 Cleantech Capital Limited ("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 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 for Directors, KMPs, Executive team and other employees.
- Extend oversight on the familiarization programme of 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 Non-Executive Directors, out of which, not less than one-half shall be Independent Directors.

2.2. 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 Head of Human Resources of the Company 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.

2.6. The Company Secretary shall act as Secretary to the committee. The Secretary will, inter-alia, keep minutes of the Meetings of the committee and report the actions taken on matters arising out of earlier meetings.

3. Meetings

3.1. The Committee may establish an Annual Work Plan ("AWP") for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

3.2. The Committee shall meet as often as needed to discuss matters. It is however, recommended that the Committee meet at least twice a during the year.

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 their 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, 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.
- 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.
- 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, if any.
- Recommend to the Board, the appointment of KMP and Executive

team members. The Committee shall consult the Audit Committee of the Board before recommending the appointment of the Chief Financial Officer (“CFO”).

5.2. Evaluation related:

- 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. This shall include “*Formulation of criteria for evaluation of Independent Directors and the Board.*”
- Oversee the performance review process for the KMPs and Executive team with the view that there is an appropriate cascading of goals and targets across the Company.

5.3. Remuneration related:

- Recommend the Remuneration Policy for the Directors, KMPs, Executive team and other employees. This includes review and recommendation of the design of annual and long term incentive plan (includes deferred payment plans, equity plans, etc.) for Managing Director (“MD”)/ Executive Directors (“ED”), KMPs and the Executive team. While formulating such a policy, the Committee shall ensure that:
 - 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;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - remuneration to Directors, KMPs and Executive team involves a balance between fixed and incentive pay reflecting short and long- term performance objectives appropriate to the working of the Company and its goals
- On an annual basis, recommend to the Board, the remuneration 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 Executive team.
- Review matters related to remuneration and benefits payable upon retirement and severance to MD/ EDs, KMPs and Executive team.
- Review matters related to voluntary retirement and early separation schemes for the Company.
- Provide guidelines for remuneration of Directors on material subsidiaries, if any.
- 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, if any (as may be applicable).

- Assist the Board in fulfilling its Corporate Governance responsibilities relating to remuneration of Board, KMPs and Executive team members. This includes review and approval of any information related to Directors, KMPs, 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 Strategy, Philosophy and Practices:

- Review HR and People strategy and its alignment with the business strategy periodically or when a change is made to either.
- Review the efficacy of HR practices including those for leadership development, rewards and recognition, talent management and succession planning (specifically for Board, KMPs and Executive team).

5.6. Other functions:

- Perform other activities related to the Charter as requested by the Board, from time to time.
- Decide 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 Board and Management.

8. Review of Charter

The adequacy of this Charter shall be reviewed and reassessed by the Committee, periodically and appropriate recommendations shall be made to the

Board to update the Charter based on the changes that may be brought about due to any regulatory framework or otherwise.

9. 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 harmonize 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 term “material subsidiary” shall have the same meaning assigned to this phrase under the applicable law. However, if the law does not prescribe any definition, then, a subsidiary shall be considered as material if the investment of the company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

Annexure C- Finance and Asset Liability Supervisory Committee Charter

CHARTER FOR THE FINANCE AND ASSET LIABILITY SUPERVISORY COMMITTEE OF THE BOARD OF TATA CLEANTECH CAPITAL LIMITED

1. Objective of the Finance and Asset Liability Supervisory Committee

- 1.1 The Finance and Asset Liability Supervisory Committee (“Committee”) of the Board of Directors (“Board”) of Tata Cleantech Capital Limited (“Company”) shall oversee the implementation of the Asset Liability Management system and shall periodically review its functioning in line with the requirements /directions /guidelines issued from time to time by the Reserve Bank of India for Non Banking Financial Companies.

2. Composition

- 2.1 The Committee shall comprise of any three Directors as Members.
- 2.2 The Chairman of the Committee shall be a Non-Executive Director of the Company.

3. Meetings and Quorum

- 3.1 The Committee shall meet at least once every quarter.
- 3.2 Any two members or one-third of the Members of the Committee, whichever is greater, shall be the quorum for Committee meetings.
- 3.3 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.
- (i) Chief Financial Officer
 - (ii) Head – Treasury
 - (iii) Head – Risk

- 3.4 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.

4. Role and Powers

The Committee will, *inter-alia*, specifically oversee the following:

- a) Compliance with RBI Prudential Norms/Directions/Guidelines for Asset Liability Management
- b) Debt Composition and plan of the Company for fund raising
- c) Tenor of the Liabilities.

5. Reporting

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

6. Compensation

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 to the regulatory framework or otherwise).

Annexure D- Investment Credit Committee Charter

CHARTER FOR THE INVESTMENT CREDIT COMMITTEE OF THE BOARD OF TATA CLEANTECH CAPITAL LIMITED

1. Objective

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

2. Composition

The ICC shall comprise of atleast three Non Executive Directors, one of which 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.

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/modify/disapprove financing/credit proposals, which in terms of the Board approved 'Delegation of Authority Matrix', have been delegated by the Board to the ICC.
- To approve investments in Debentures/Commercial Paper, Equity Shares and Preference Shares, as approved by the Board

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

TCCL/Secretarial/Guidelines on Corporate Governance/V 1.2/April 2015

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).