Annexure 5

SUNDARAM FINANCE LIMITED

CO-LENDING POLICY

PART A – SFL as Originator

1. Background and Purpose

Reserve Bank of India has issued circular dated November 05, 2020 on Co-Lending (RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04.09.01/2020-21) superseding its earlier circular dated September 21, 2018 on co-origination by banks and non-banking financial companies for lending to priority sectors. This policy, for entering a Co-Lending arrangement with the banks, has been formulated in line with the RBI guidelines.

2. Objectives

Sundaram Finance Limited (the "**Company**", "Also Originator") proposes to engage with select banks & NBFCs ("**Co-Lenders**") to explore co-lending opportunities across all its existing and new products / segments in line with the RBI Regulations from time to time.

3. Engagement Models with Co-Lender under Co-Lending model ("CLM")

The Company shall, on the basis of discussion with eligible Co-Lender, enter into co-lending arrangements on the basis of any of the following models.

Model – 1: Prior irrevocable commitment on the part of the Co-Lender to mandatorily take its share in the individual loans originated and sanctioned by the Company.

(Or)

Model – 2: Co-Lender can exercise its discretion to take or reject its share of loans originated & sanctioned by Company subject to Co-Lender's due diligence.

21, PATULLOS ROAD, CHENNAI-600 002

Model -1

The Master Agreement to be entered into by the Co-Lender and Company for implementing CLM shall provide for the Co-Lender to mandatorily take its share of the individual loans originated by the Company in its books. The Co-Lender and the Company shall put in place suitable mechanisms for ex-ante due diligence by the Co-Lender as required by the RBI regulations.

Model -2

If the Co-Lender can exercise its discretion regarding taking into its books the loans originated by the Company as per the Agreement, the arrangement will be akin to a direct assignment transaction. Accordingly, Co-Lender shall ensure compliance with all the requirements in terms of RBI Guidelines on Transactions Involving Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities, vide RBI Circular RBI/2011-12/540 DBOD No. BP. BC-103/21.04.177/2011-12 dated May 07,2012 with the exception of Minimum Holding Period (MHP), which shall not be applicable in such transactions undertaken in terms of this CLM. The MHP exemption shall be available only in cases where the prior agreement between the banks and NBFCs contains necessary terms as stipulated in the RBI guidelines.

4. Products for Co-Lending

Lending under the Co-Lending can be undertaken in all existing products of the Company qualifying under the RBI Circular. It can also be undertaken for any new products that are specifically developed for the purpose of CLM.

5. Guidelines for Co-Lending

a. Board approved policy

The Company, through this Policy proposes the Co-Lending Policy to comply with the RBI circular and to explore the Co-lending arrangements with Co-Lenders.

b. Eligibility Criteria

All banks authorised by RBI for business operations in India are eligible for co-lending. The Agreement/MOU shall be entered with the co-lending Banks/NBFCs for the period/s as mutually agreed between the Bank/NBFC and the Company i.e., either for specific period or perpetually.

21, PATULLOS ROAD,
CHENNAI-600 002

The agreement with banks/NBFCs shall normally be on non-exclusive basis. However, on mutual agreement, exclusivity can be agreed for specific product or specific region/geography.

The Company shall consider any engagement only with those banks/NBFCs that would have good reputation and market standing.

The Company shall not enter into Co-lending arrangement with foreign banks having less than 20 branches.

The Company shall not enter into a Co-lending arrangement with any Banks/NBFC belonging to the promoter Group.

c. Sharing of risk and rewards

Both the Co-Lending Models would involve sharing of risk and rewards between the Co-Lender and the Company for ensuring appropriate alignment of respective business objectives, as mutually agreed between the Co-Lender and the Company. A minimum 20% of the credit risk by way of direct exposure shall be on the Company's books till maturity and the balance will be on the Co-Lender's books.

d. Due Diligence

The Company will adhere to the applicable KYC/AML regulatory guidelines as prescribed by RBI and any other regulation as stipulated by RBI, from time to time. However, as mutually agreed, the Company will provide such support as may be requested by the Co-lender for their KYC compliance.

e. Credit Appraisal

A separate Standard Operating Process (SOP) or equivalent document will be created in discussion with each Co-Lender, if required.

f. Borrower loan documentation

The enabling disclosures of the Co-Lending arrangement to be made in the loan agreement as mandated in the RBI circular.

21, PATULLOS ROAD, CHENNAI-600 002

g. Common/ Escrow Account

The Company shall maintain the individual borrower's account for their respective exposures. All transactions (disbursements/ repayments) between the Co-Lender and the Company relating to CLM shall be routed through the Company's escrow account maintained by the Co-Lender, in order to avoid inter-mingling of funds. The Master Agreement shall clearly specify the manner of appropriation between the Co-Lender and the Company.

h. Representation and warranties

The Master Agreement may contain necessary clauses on representations and warranties which the Company shall be liable for in respect of the share of the loans taken into its books by the Co-Lender.

i. Monitoring and recovery

The Co-Lender and the Company shall establish a framework for monitoring and recovery of loans, as mutually agreed upon in the Master Agreement.

j. Creation of security and charge

The Co-Lender and the Company shall arrange for creation of security and charge as per mutually agreeable terms, wherever applicable.

k. Provisioning/ Reporting Requirements

The Company and Co-Lender shall adhere to the asset classification and provisioning requirement, as per the respective regulatory guidelines applicable to them. Reporting to Credit Information Companies shall be carried out as mutually agreed.

l. Audit

The loans under the CLM shall be included in the scope of internal/statutory audit within the Co-Lender and Company to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirements.

m. Assignment/Change in loan amounts

Any assignment of their share by the Co-Lender/the Company to a third party can be done only with the consent of the other party. Any change in CLM loan limit being offered under the Co-Lending arrangements shall be done only with the mutual consent of the Company and the Co-Lender.

Notwithstanding the termination of Master Agreement between the Co-Lender and the Company, both the Co-Lender and the Company shall formulate a policy to ensure uninterrupted borrower service till repayment of the loans originated under the Co-Lending arrangement.

n. Customer service and grievance redressal

(i) The Company shall be the single point of interface for the customers and shall enter into a loan agreement with the borrower, which shall clearly contain the features of the arrangement and the roles and responsibilities of the Company and Co-Lender.

(ii) The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both.

(iii) Sharing of Fees and expenses as may be mutually agreed between the Co-Lender and the Company.

(iv) Servicing fees / any other commercial terms to be mutually agreed with the Co-Lender

(v) The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the Co-Lender and the Company shall be applicable in respect of loans given under the arrangement.

(vi) With regard to grievance redressal, suitable arrangement must be put in place by the Co-Lender to resolve any complaint registered by a borrower with the Company within 30 days, failing which the borrower would have the option to escalate the same with the concerned Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.

6. Policy review and administration

The Policy shall be amended or modified with approval of the Board. The Policy shall be reviewed and updated periodically for any changes. Consequent upon any amendments in RBI guidelines/ circular or by any other name or any change in the position of the Company, necessary changes in this Policy shall be incorporated and approved by the Board. Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rule, regulation or enactment shall prevail over this Policy.

21, PATULLOS ROAD, CHENNAI-600 002