

Shapoorji Pallonji Finance Private Limited

Co-Lending Policy



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Annexure 1: Due-Diligence checklist for Participating Regulated Entity .

1. Background

The Co-Lending Policy (hereinafter referred to as “Policy”) has been reinstated in line with the **Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025** bearing reference no.RBI/DOR/2025-26/352 DOR.STR.REC.271/21.04.048/2025-26 dated November 28, 2025 (“RBI Guidelines”) issued by the Reserve Bank of India (“RBI”) to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the non-banking financial companies (“NBFCs”).

The Policy covers general principles and practices followed by Shapoorji Pallonji Finance Private Limited (“SP Finance”/ “the Company”) to enter into Co-Lending Arrangement (“CLA”) with all scheduled commercial banks (excluding Small Finance Banks, Local Area Banks, Regional Rural Banks), AIFIs, NBFCs, and HFCs, (“Participating Regulated Entity”/“PRE”) effective January 1, 2026. The Policy will be applicable to all categories of products and services offered by the Company as per SP Finance’s Credit Policy and Product Note as amended from time to time or as mutually agreed with the PRE under the co-lending arrangement and apply to related operations such as customer sourcing, underwriting, pricing, loan processing, loan servicing, monitoring and collection activities.

2. Eligibility

The Policy is applicable only in case of following:

- CLA with all commercial banks (excluding Small Finance Banks, Local Area Banks, Regional Rural Banks), AIFIs, NBFCs, and HFCs as may be specified by RBI from time to time.
- Co-lending can be made w.r.t. both Priority Sector Lending and Non-Priority Sector Lending as per the applicable RBI Guidelines.

Before entering into a CLA with a PRE, SP Finance shall mutually agree with PRE on loan products and its parameters, which are eligible under the respective CLA and in compliance with the extant RBI Guidelines.

3. Due-Diligence checklist for Participating Regulated Entity

SP Finance will conduct comprehensive due diligence of the prospective PRE as mandated as per the Guidelines both at the time of onboarding and annually thereafter. The prescribed format for this assessment is annexed herewith as Annexure 1.

4. Modes of Arrangement

SP Finance shall enter into CLA as per the below mentioned modes or options:

The CLA would entail joint contribution of credit at the facility level, by both the SP Finance and PRE (individually referred as “Lender” and collectively referred as “Lender(s)”) basis ex-ante due diligence by the PRE. The arrangement must comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services issued by RBI and as amended from time to time.

The CLA shall entail respective shares of the Lenders to be reflected in the books of both Lenders without delay after disbursement by the originating Lender to the borrower, in any case not later than 15 calendar days from the date of disbursement. PRE can ensure that the exposure is reflected in its book within 15 calendar days of disbursement for the loans originated by SP Finance as per the CLA, If SP Finance is unable to transfer the share of exposure to the PRE under the CLA within 15 calendar days, the loan(s) shall remain on the books of SP Finance. Any

The CLA would involve sharing risks and rewards between the Lenders, for ensuring appropriate alignment of respective business objectives, as per the pre-agreed proportion and mutually decided agreement between the Lenders.

5. Minimum Retention Requirement under RBI Co-Lending

Guidelines

In compliance with the Guidelines, SP Finance will retain at least 10% of each individual loan exposure on its own books, ensuring risk alignment and adherence to regulatory norms.

6. Master Agreement for Co-Lending

Co-Lending Agreement”) shall be entered into between PRE and SP Finance outlining the terms and conditions of the CLA including but not limited to specific details of product, areas of operations, provisions related to segregation of responsibilities as well as borrower/customer interface and protection issues, grievance redressal mechanism, criteria for origination of loans, criteria for selection of borrowers, fees payable for lending services, if any, time-frame for exchanging critical information, and SP Finance being the single point of interface with the borrower/customer, and other terms and conditions as mutually agreed between the Lenders.

The authority to enter into co-lending partnership with PRE on behalf of SP Finance shall be as approved by the Board of Directors or their Committee authorized in this regard from time to time.

7. Loan Sanction

SP Finance shall recommend to the PRE the proposals as eligible for joint lending. The PRE, under its irrevocable commitment to take into its books its share of the individual loans as originated by the SP Finance, shall subject to ex-ante due diligence mechanism as agreed between PRE and SP Finance, agree to sanction

the facility to the applicant. Necessary documentation shall be done as per the detailed standard operating procedure (“SOP”) which will be created in discussion with the PRE following the execution of the Co-Lending Agreement

The loan agreement signed with the borrower shall make an upfront disclosure regarding the segregation of the roles and responsibilities (such as sourcing, and servicing) of each Lender, including clear identification of the entity being the single point of interface with the borrower/customer. All required details of CLA shall be disclosed appropriately to the concerned borrower as laid down under RBI (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, as amended from time to time.

8. Target Borrower Segment

The target borrower segment will be as per the Credit Policy and Product Note of SP Finance or as mutually agreed with the PRE.

9. Escrow Accounts

PRE and SP Finance shall open an Escrow Accounts for pooling respective loan contributions for disbursement and for loan repayments from borrowers/obligors, without holding the funds for usage of float. The Escrow Agreement shall specify the manner of appropriation of funds between SP Finance and PRE.

10. Commercial

- Interest rate- The ultimate borrower may be charged mutually agreed interest rate which shall be the blended rate of Interest which is calculated as an average rate of interest derived from the interest rates charged by SP Finance and the PRE, weighted by the proportionate funding share as agreed between SP Finance and the PRE. SP Finance shall price its part of the exposure in a manner found fit as per the risk appetite/assessment of the borrower and the RBI regulations issued from time to time as by the Lenders conforming to the extant guidelines applicable to both.
- Fees and Expense sharing for other activities- Appropriation between the Lenders basis the mutual agreement with PRE and SP Finance.
- Servicing Fees / Referral fees for Cross-sell /Any other commercial terms– would be as mutually agreed with PRE and SP Finance.

11. Monitoring and Recovery

Each of the Lender i.e. SP Finance and PRE shall create the framework for day- to-day monitoring and recovery of the loan, as mutually agreed as per the Co-Lending Agreement executed between the parties.

12. Creation of Security

The creation of security and charge, if any shall be as per mutually agreeable terms between SP Finance and

PRE.

13. Asset Classification and Regulatory Reporting

Each of the Lenders shall follow a borrower level asset classification for their respective exposure to a borrower, implying that if either SP Finance or its PRE classifies its exposure to a borrower under CLA as SMA / NPA on account of default in the CLA exposure, the same classification must be mirrored by the other for the borrower under CLA.

Each of the Lenders shall carry out their respective reporting requirements including reporting to Credit Information Companies (“CICs”), under their respective applicable law and regulations for their share of lending. SP Finance shall adhere to its broader provisioning/reporting standards even in the case of a co-lent loan.

14. Assignment /Transfer or change in loan limits

Any assignment/transfer of loans by any of the Lenders and any change in loan limit of the co-lent facility can be done only with the mutual consent of both the Lenders in accordance with the Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025 or any other directions/guidelines issued by RBI in this regard from time to time.

15. Recourse to the Company

In the event, the PRE intends to claim priority sector status in accordance with the applicable guidelines in respect of its share of credit while engaging in the CLA, SP Finance shall ensure that priority sector assets on the PRE’s books will at all times be without recourse to SP Finance.

16. Grievance Redressal

In relation to customer grievance redressal, suitable mechanism has been put in place by SP Finance/PRE to resolve any complaint registered by the borrower within 30 days. The mechanism on customer grievance redressal is available on the website of SP Finance/PRE, and the customers can raise / register their request / complaint through:

(<https://www.shapoorjipallonjifinance.com/Complaint%20Management%20System/users/register-complaint-new.php>).

The extant guidelines relating to customer service and fair practices code and the obligations enjoined upon the PRE and SP Finance shall be applicable mutatis mutandis in respect of loans given under the CLA.

17. Outsourcing of Services

SP Finance will adhere to extant guidelines on outsourcing of financial services and the Outsourcing Policy approved by the Board.

18. Audit

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

19. Business Continuity Plan

Notwithstanding termination of Co-Lending Agreement, both Lenders agree and acknowledge that Borrower servicing shall be rendered till each loan originated under this Co-Lending Agreement is completely repaid or settled as detailed in the SOP.

20. Default Loss Guarantee

SP Finance may provide default loss guarantee of up to 5% of loan outstanding in respect of loans under CLA subject to its approval by the Credit Committee and / or Board of SP Finance as maybe applicable which will be governed by the provision of Master Directions of Reserve Bank of India for the same as amended from time to time and the Board approved Default loss Guarantee policy of SP Finance dated 17th January 2024, as amended from time-to-time.

21. Public Disclosure

Both lenders, shall publish on their respective websites a list of active co-lending partners. In addition, they must disclose in the Notes to Accounts, on an annual basis, details such as the quantum of the co-lending portfolio, weighted average interest rate, applicable fees, sectoral composition, loan performance indicators, and any Default Loss Guarantee (DLG) arrangements. These disclosures are mandated under the RBI (NBFC-Transfer and Distribution of Credit Risk) Directions, 2025, to ensure transparency and full regulatory compliance.

22. Policy Review

The Policy shall be subjected to an annual review by the Board, and any warranted modifications will also be taken up for the approval of the Board. If there are any amendments in the regulations, revision in the Policy shall be placed for the approval of the Board of Directors or their Committee authorized in this regard.

Note:

- Each Program and parameters of each Co-lending partnership will be covered in detail under the respective Co-lending Agreement to be executed between the Lenders from time to time.
- Transaction to be reconciled on Monthly or Quarterly basis as per the mutual agreement between the Company and the Co-lender(s).

Annexure 1: Due-Diligence checklist for Participating Regulated Entity



Due-Diligence for
Co-Lender for Participating