Tata Capital Limited - Board Audit Committee Charter

The role of the Audit Committee shall flow directly from the Board of Directors' 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 controls, the audit process, 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 it to be 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 the 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 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 for Meetings of the Audit Committee 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 requested 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. Such persons shall not have the right to vote. On occasions the Audit Committee 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 at the meetings of the Audit Committee when it considers the Auditors' Report but they 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 recommend the same to the Board for its consideration 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
  - Scrutiny of inter-corporate loans and investments
  - Disclosure of contingent liabilities
  - Any related party transactions as per Accounting Standard 18 and the Companies Act, 2013
  - Reviewing and evaluating the Company's financial and risk management policies and risk management systems.

Review and Examination of Information

- Internal audit reports relating to internal control weaknesses.
- Financial statements and draft auditors' 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 the Internal Audit Report and action taken thereon.
- Reviewing the adequacy of the 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 Auditor any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations carried out by the Internal Auditor 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
- Conducting Information Systems Audit of the internal systems and processes atleast once in two years to assess operational risks.

External Audit

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

- Reviewing and monitoring the auditor's independence and performance and the effectiveness of the audit process

Subsidiary companies

- Reviewing the financial statements of the subsidiaries, in particular the investments made by the subsidiary companies.
- Overseeing compliance with legal and regulatory requirements including the Tata Code of Conduct ("TCoC") by its material subsidiaries.
- Overseeing financial reporting controls and processes for material subsidiaries.

Related Party Transactions

Transactions with Related Parties or any subsequent modification thereto shall be dealt with by the Audit Committee, as under:

- All Related Party Transactions in the ordinary course of business and at arm's length basis which are above Board approved materiality limits would require prior approval of the Audit Committee.

- A Statement of all Related Party Transactions in the ordinary course of business and at arm's length basis which are below Board approved materiality limits, will be placed before the Audit Committee for noting, on a half yearly basis.

- All Related Party Transactions which are not in the ordinary course of business or not at arm's length basis, would require prior approval of the Audit Committee.

The Audit Committee will have the discretion to:

- grant omnibus approval for Related Party Transactions
- recommend / refer any matter relating to Related Party Transaction to the Board for approval.

Defaults

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

Others

- Reviewing on a quarterly basis / annual basis the functioning of and compliance with 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 making appropriate recommendation to the Board.
- Reviewing the valuation of undertakings or assets of the Company, wherever it is necessary and the appointment of Registered Valuers.

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 TCoC 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 the members and the Chairperson of the Audit Committee and brief details of meetings and attendance at Audit Committee Meetings.
- 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 therefor.

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 ("Regulations") and the Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices ("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.

Other Responsibilities

- Performing other activities related to this Charter as may be requested by the Board of Directors.
- Carrying 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.
- Instituting and overseeing special investigations as needed.
- Confirming annually to the Board that all responsibilities outlined in this Charter have been carried out.