

## 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 Company achieve its objectives, the Audit Committee's review function will include the financial reporting process, the system of internal financial controls, the audit process, the Company's process for monitoring compliance with laws and regulations and the Tata 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 at least 2/3<sup>rd</sup> of the Members 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 Chairperson of the Audit Committee shall be an Independent Director.
- The Company Secretary shall act as Secretary to the Audit Committee Meetings.

### Meetings

- The Audit Committee shall meet periodically, but at least 4 times a financial year and not more than 120 days shall elapse between two consecutive Meetings.
- One Meeting shall be held before the annual accounts and quarterly/ half-yearly accounts / financial results 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 greater, with at least two Independent Directors.
- The Chief Financial Officer, Internal Auditor and a Representative of the External (Independent) Auditors should be requested to be present as invitees for the Meetings of the Audit Committee. However, such persons shall not have the right to vote.
- 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 Audit Committee. Such persons shall not have the right to vote. On occasions considered necessary, 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.

### Attendance at General Meetings

The Chairperson of the Audit Committee shall be present at the Annual General Meeting of the Company to answer shareholders' queries. However, in case of Extraordinary General Meeting(s) ("EGM"), the Chairperson of the Audit Committee, in his/her absence, may authorize any other Member of the Committee to attend the EGM to answer shareholders' queries.

## Responsibilities

The Audit Committee shall have discussions with the Auditors periodically about internal financial control systems, the nature and scope of audit, including the observations of the Auditors and review the quarterly & year-to-date and annual financial statements and/or financial results before submission to the Board and recommend the same to the Board for its consideration and also oversee compliance of internal financial 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 true, fair, correct, sufficient and credible.
- Reviewing with the Management the quarterly & year-to-date and annual financial statements and/or financial results and the Auditors' report thereon before submission to the Board, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement in the Board's Report in terms of Section 134(3)(c) of the Companies Act, 2013
  - Changes, if any, in accounting policies and practices and reasons for the same
  - Major accounting entries involving estimates based on exercise of judgment by the Management
  - Modified opinion(s) in the draft Auditors' Report, if any
  - Significant adjustments made in the financial statements arising out of audit findings
  - The going concern assumption
  - Compliance with Accounting Standards
  - Compliance with the listing and other legal requirements concerning financial statements
  - Scrutiny of inter-corporate loans and investments
  - Disclosure of contingent liabilities
  - Disclosure of any related party transactions as per the relevant Accounting Standards, the Companies Act, 2013 and Securities and Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as amended from time to time.
  - The effect of regulatory and accounting initiatives as well as off- balance-sheet structures, on the financial statements.
  - Company's press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies.
  - Reviewing and evaluating the Company's financial 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 risk management and compliance with applicable laws.
- 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 financial control systems.

## Risk Based Internal Audit ("RBIA")

- Reviewing the Internal Audit Report and action taken thereon.
- Reviewing the adequacy and performance of the RBIA function, including the Internal Audit Charter, the structure of the internal audit department, approval of the RBIA Plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

- The Chief Internal Auditor shall have a direct and independent line of reporting to the Audit Committee and administratively to the Managing Director & CEO.
- 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.
- Appointment of Auditors to undertake such audits as may be directed by the Audit Committee /law/ Board, from time to time.
- The Chief Internal Auditor shall meet the Audit Committee of the Board without the presence of Management once in every financial year.

#### Information Systems (“IS”) Audit

- Exercising oversight of IS Audit (part of the overall Internal Audit function) of the Company and ensuring that Information Systems Audit of the internal systems and processes is conducted at least once in two years to assess operational risks
- Review high and moderate issues highlighted related to Information Technology (“IT”) / Information Security / Cyber Security and provide appropriate direction and guidance to the Management.
- Approve Information Security (IS) Audit Policy of the Company and review it annually.
- To approve engagement of any external service provider for IS audit services, where skills are lacking within the IA function. The responsibility and accountability for such external IS audits would continue to remain with the competent authority within Internal Audit function.

#### External Audit

- Recommending to the Board the appointment / re-appointment and removal / replacement of the Statutory (External) Auditors, fixation of the remuneration and terms of appointment of the Auditors and also approval for payment for any other services rendered by the Auditors, as permitted by law. While considering the appointment of the statutory auditor, the committee shall consider any order or pending proceedings relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any other competent authority or any Court.
- 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

- The Audit Committee may recommend the adoption of policies, procedures and processes laid down by it to the Audit Committee of its subsidiaries. Further, the Audit Committee may review the critical issues that may be referred by the Audit Committees of material subsidiaries to the Audit Committee of the Company.
- 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”) for the Company and by its material subsidiaries.
- Overseeing financial reporting controls and processes for material subsidiaries.

#### Related Party Transactions

- Performing activities and carrying out functions as laid down in the Framework for Related Party Transactions adopted by the Board.

## Fraud

- To review incidents of fraud on an annual basis.
- To initiate examination of accountability in respect of fraud cases involving Managing Director & CEO / Executive Director / Executives of equivalent rank of the Company.
- To review instances of fraud reported by the Auditors to the Committee, where the transactions in the account or the documents point to the possibility of fraudulent transactions in the account and to take appropriate action.

## 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

- Audit Committee may consider and adopt the policies, procedures and processes laid down by the Audit Committee of the Holding Company. Further, critical issues may be referred by the Audit Committee to the Audit Committee of the Holding Company.
- Recommending the appointment of Chief Financial Officer to the Nomination and Remuneration Committee / Board of Directors, after assessing the qualifications, experience and background, etc. of the candidate.
- Reviewing the functioning of and compliance with the Company's Whistle Blower Policy.
- Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency with regard to monitoring the utilisation of proceeds of a public or rights issue or preferential issue or qualified institutions placement, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing the valuation of undertakings or assets of the Company, wherever it is necessary and the appointment of Registered Valuers.
- Reviewing on an annual basis, the utilization of loans and/ or advances from/investment by the Company in its subsidiary(ies) exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower, including existing loans / advances / investments.
- Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders.
- Review the Statement of deviations, if any, indicating the utilization of issue proceeds of the listed non-convertible debentures.
- Refer the complaints, wherever warranted, related to corporate frauds, misappropriation, etc. except those resulting from deficiency in service, if any, on the part of the Company, to the Internal Ombudsman.
- Review the cases of wilful default on a quarterly basis and recommend the steps to prevent such occurrences and their early detection. The review shall focus on identifying root causes of wilful default and addressing deficiencies, if any, in the wilful defaulter classification process adopted by the Company.

## Compliance

- Reviewing the Compliance policy of the Company at least annually and overseeing its implementation. Amendments, if any, in the Policy shall be subject to the approval of the Board.
- Reviewing on an annual basis progress in rectification/ implementation of recommendations pointed out in various audits and RBI Inspection reports-
- Review the compliance risk on a quarterly basis based on monitoring and testing results
- Approve the risk-based compliance testing and monitoring plan
- 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.
- Review the appointment/re-appointment, removal and terms of remuneration of the Chief Compliance Officer.

#### Reporting Responsibilities

- The Audit Committee shall recommend to the Board, the quarterly & year-to-date and annual Financial Statements / Financial Results after reviewing the same.
- The Audit Committee will update the Board, periodically.
- The Board's 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, management discussion and analysis of financial condition and result of operations after its review, including the Auditors' 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 Board's 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 and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ("Regulations"), as amended from time to time and the Code of Conduct for Prevention of Insider Trading ("Code") and Code of Corporate Disclosure Practices ("Code")
  - Taking on record such reports as may be required from the Compliance Officer under the Code;
  - Deciding penal and disciplinary action in respect of violation of the Regulations / Code; and
- Reviewing compliance with the provisions of the Code, at least once in a financial year and to verify that the systems for internal control are adequate and are operating effectively.

#### Other Responsibilities

- Monitoring the effectiveness and reviewing the implementation of the Anti-Bribery and Anti-Corruption Policy, considering its suitability, adequacy and effectiveness.
- Performing other activities related to this Charter as may be requested by the Board of Directors.
- Carrying out additional functions as contained in any other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.
- Instituting and overseeing special investigations as needed.
- The Chairperson of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

#### 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 deem appropriate (based on changes that may be brought about due to the regulatory framework or otherwise).

#### Sitting Fees

- 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.

## 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 the Board and the Management.