

TATA COMMUNICATIONS LIMITED

**AUDIT COMMITTEE
CHARTER**

29 March 2019

AUDIT COMMITTEE CHARTER

1. ROLE OF THE AUDIT COMMITTEE

- 1.1. The role of the Audit Committee (“Committee”) flows directly from the Board of Directors’ (“Board”) overview function on corporate governance, which holds the management accountable to the Board and the Board in turn, accountable to the shareholders.
- 1.2. The primary role of the Committee of Tata Communications Limited (“Company”) shall include:-
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
 - Review and monitor the auditor’s independence and performance, and effectiveness of audit process;
 - Approval or any subsequent modification of transactions of the Company with related parties;
 - Review of inter-corporate loans and investments;
 - Review the process of Valuation of undertakings or assets of the company, wherever it is necessary;
 - Evaluation of internal financial controls relating to financial reporting and risk management systems in conjunction with Internal and Statutory Auditors;
 - Calling for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.
 - Review of vigil mechanism for directors, employees or any other person to report genuine concerns in such manner as may be prescribed.
 - Oversight of the company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
 - Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
 - Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director’s Responsibility Statement to be included in the Board’s report in terms of clause (c) of sub-section 3 of section 134 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 the exercise of judgment by management;
- Significant adjustments made in the financial statements arising out of audit findings;
- Compliance with listing and other legal requirements relating to financial statements;
- Disclosure of any related party transactions;
- Qualifications in the draft audit report;
- The going-concern assumption;
- Compliance with accounting standards;
- Contingent liabilities;
- Status of litigation by or against the Company;
- Claims against the Company and their effect on the financial statements;
- Review the financial statements of its subsidiary companies, in particular, inter-corporate loans and investments made by unlisted subsidiary companies.

The term “financial statement” shall have the meaning ascribed to such term under Section 2(40) of the Companies Act, 2013.

- Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- 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 utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the outsourced internal auditors and/or internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up there on;
- 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;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

- To look into the reasons, in conjunction with the management, for any substantial default in any payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- To seek information from any employee.
- To select, appoint and obtain professional advice from external sources including for forensic or other investigation, if necessary.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.
- If the Company is required under the Companies Act, 2013 or other legal provision to appoint a cost auditor to have a cost audit conducted, the Committee shall taking into consideration the qualifications and experience of the person proposed for appointment as the cost audit or recommend such appointment to the Board, together with the remuneration to be paid to the cost auditor. If a cost auditor is appointed, the Committee shall review and recommend the cost audit report to the Board.
- To provide advice to the Compliance Officer in setting forth policies in relation to the implementation of the Code of Conduct for Prevention of Insider Trading & the Code of Corporate Disclosure Practices (Code) and the SEBI's (Prohibition of Insider Trading) Regulations, 2015 ("Regulations").
- To oversee the implementation of the Code by the Compliance Officer under the overall supervision of the Board of the Company.
- Review compliance with the provisions of the Regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.
- The Chairman of the Audit Committee shall review the status reports placed before him by the Compliance Officer, detailing Trading in the Securities by the Designated Persons along with the documents that such persons had executed in accordance with the pre-trading procedure prescribed under the Code on a quarterly basis.

- To receive from the Compliance officer complete information about any violations of the Code and to give suitable directions to the Compliance Officer for initiation of penal action in cases of violation.
- To review the utilization of loans and / or advances from / investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.
- Perform other activities related to this Charter as requested by the Board.

The Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the internal auditors shall be subject to review by the Committee.

Additionally, the Committee may also oversee:

- Financial statements for material subsidiaries¹.
- Compliance with legal and regulatory requirements including the Tata Code of Conduct (“TCoC”) for the company and its material subsidiaries¹.

1.3. The Committee will report periodically to the Board on its activities.

2. CONSTITUTION

2.1 The Committee shall be appointed by the Board and shall have a minimum of three directors as members. Not less than two - thirds of the members of the Committee shall be independent directors.

2.2 The Chairperson of the Committee shall be an independent director, who shall be elected by the members from amongst themselves.

¹ In this document, 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.

- 2.3 All the members of the Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- 2.4 The terms “independent director”, “financially literate” and “accounting or related financial management expertise” shall have the meanings ascribed to such terms in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013.
- 2.5 The Company Secretary shall act as the secretary to the Committee.

3. QUORUM

- 3.1 The requisite quorum for meetings of the Committee shall be either two members or one-third of the members of the Committee, whichever is greater, but there must be a minimum of two independent directors present.

4. MEETINGS

- 4.1 The Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.
- 4.2 Subject to paragraph 3.1, members of the Committee may attend meetings through video conferencing or other audio-visual means, provided that meetings for consideration of accounts cannot be held through video conferencing or other audio-visual means.
- 4.3 In respect of any other Committee meetings held through video conferencing or other audio-visual means, the rules applicable for holding board meetings through video conferencing or other audio-visual means shall apply.
- 4.4 Subject to the foregoing, the Committee may regulate its own procedure, in particular in the conduct of meetings, including attendance at a meeting in person or through electronic or audio-visual means, which enables all persons participating in the meeting to communicate concurrently with each other without any intermediary, and to participate effectively in a meeting.
- 4.5 The statutory auditors of the Company may be requested by the Committee to attend the Committee meetings as invitees, and they shall participate in discussions related to the audit and reviews of the financial statements of the Company and any other matter that in the opinion of the statutory auditors needs to be brought to the notice of the Committee or any other matter in which they are invited by the Committee to participate.

- 4.6 The Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the audit committee but on occasions it may also meet without the presence of any executives of the company.
- 4.7 The internal auditors whether internal or external and the Key Managerial Personnel under the Companies Act, 2013 shall have the right to be heard at meetings of the Committee when the Committee considers the auditors' report but shall not have the right to vote.

5. ANNUAL GENERAL MEETINGS

- 5.1 The chairperson of the Committee shall attend the annual general meetings of the Company to answer shareholders' queries.

6. COMPENSATION

- 6.1 Members of the Committee shall receive such sitting fees and/ or commission, if any, for their services as Committee members as may be determined by the Board in its sole discretion.

7. REVIEW OF THE AUDIT COMMITTEE CHARTER

- 7.1 The Committee shall evaluate, review and reassess the adequacy of this charter on a periodic basis, and where necessary obtain the assistance of the management, the Group's external auditors and external legal counsel. The Committee shall recommend any proposed changes deemed necessary to the Board for approval from time to time.
