

THE INDIAN HOTELS COMPANY LIMITED

Audit Committee Charter

1. Principles and Objectives

1.1 The role of the Audit Committee (“Committee”) flows 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 The Indian Hotels Company Limited (“Company”) is that of assisting the Board in reviewing and exercising oversight on the accounts, finance and audit functions of the Company as well as transactions having a significant/material financial implication for the Company:-

- Review (in conjunction with management) of the financial statements, both stand-alone financial statements and consolidated financial statements including the quality and integrity of such statements and the auditor’s report thereon together with any significant financial reporting judgments contained in them as well as the adherence of these financial statements to Accounting Standards. [This review shall extend to a broad review of the financial statements of the Company’s subsidiaries (in particular the investments made by the subsidiary companies, whose shares are not listed).]
- Oversight of financial reporting controls and processes for the Company and its subsidiaries.
- Oversight of timely and accurate disclosures and communications with stakeholders.
- Review of the adequacy and reliability of the internal control systems and risk management system.
- Recommendation for appointment, remuneration and terms of appointment of statutory and internal auditors of the Company and valuers.
- Review of policy and compliance therewith in matters related to auditors, their independence, scope of work, performance and effectiveness of the audit process.
- Review of the efficacy of the whistle blowing mechanism for stakeholders, employees & Directors and the functioning of the same.
- Approval or any subsequent modification of transactions of the Company with related parties.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Review of reasons for defaults in the payments to the depositors, debenture holders, shareholders and creditors.
- Oversight of compliance with legal and regulatory requirements including the Tata Code of Conduct (“TCoC”) for the Company and its subsidiaries.
- Performing such other duties and responsibilities as may be mandated under the Companies Act, 2013 and other applicable regulations and the directions of the Board.

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

2. Composition

- 2.1 The Committee shall be appointed by the Board and shall comprise at least three Directors as members. The majority of members [at least two-third members (Reg 18)] should be Independent Directors. [Sec 177(2) CA, 2013].
- 2.2 The members of the Committee shall elect a Chairman from amongst themselves, who should be an Independent Director. (Reg 18). The Chairman of the Board, as far as possible, shall not be a member of the Committee.
- 2.3 Members of the Committee shall be persons with the ability to read and understand the basic financial statements [and at least one member shall, in the judgment of the Board, have accounting or financial management experience. (A member will be considered to have accounting or related financial management experience if he or she possesses experience in finance or accounting functions, or requisite professional qualification in accounting, or other comparable experience or background which results in the individual's ability to read and understand financial statements and matters, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.)] (Reg 18)
- 2.4 The Company Secretary shall act as the Secretary to the Committee [Reg 18] and will be responsible for recording the minutes of the proceedings and reporting on actions taken in the subsequent meeting.

3. Meetings and Quorum

- 3.1 The Committee shall meet at least 4 times in a year, and not more than 120 days shall elapse between two successive meetings. [Reg 18]
- 3.2 The Committee may, at its discretion, invite such executives including the finance director and/or head of the finance and accounts function, head of internal audit and a representative of the statutory auditor to be present at the meetings of the Committee. [Reg 18]. Additionally the Managing Director, if not already a member may also attend and participate at the meetings of the Committee as an invitee.
- 3.3 The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the total number of members of the Committee; whichever is greater, but there should be a minimum of two Independent Directors present. [Reg 18]
- 3.4 A duly convened meeting of the Committee at which the requisite quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.5 The Chairman of the Audit Committee shall be present at the Annual General Meeting (“AGM”) to answer shareholder queries [Reg 18].

- 3.6 The Committee needs to have a direct and independent line of reporting by the Head of Internal Audit function of the Company.
- 3.7 While invitees to the Committee shall have a right to be heard at the meetings, they shall not have a right to vote. The right to vote shall vest only with the members of the Committee. [Sec 177(7) CA, 2013]
- 3.8 The Committee may meet with the representatives of the Company's subsidiaries (especially those whose shares are not listed) and shall review their financial statements (in particular the investments made by them) [Reg 24].The Committee may additionally review the system of internal control and financial reporting present in these subsidiaries for their integrity and adequacy.

4. Authority and Power

The Committee shall, subject to the approval of the Board, have the power to:

- Investigate any activity within the scope of this Charter [Reg 18 and Sec 177(6) CA,2013] or referred to it by the Board for this purpose
- Requisition the presence of and seek information from any employee. [Reg 18]
- Obtain professional advice from external sources. [Reg 18/Sec 177(6) CA,2013]
- Secure attendance of outsiders with relevant expertise, if it considers necessary. [Reg 18]
- Have full access to information contained in the records of the Company. [Sec 177(6) CA,2013]

5. Functions

The functions of the Committee shall include the following:

5.1 Financial Statements

- Oversight of the Company's financial reporting process and disclosure of its financial information, to ensure that the financial statements are correct, sufficient & credible. [Schedule II of LODR]
- Discuss and review with the management and auditors the annual / half yearly / quarterly financial statements [Schedule II of LODR] and auditor's report before submission to the Board, with particular reference to:
 - Matters required to be included in the Directors' Responsibility Statement in the Board's report. [Schedule II of LODR / Sec 134 (3)(c) CA,2013]
 - Disclosure under Management Discussion and Analysis of financial position and results of operations. [Schedule II of LODR]
 - Review of accounting policies, practices & standards and reasons for change, if any. [Schedule II of LODR]

- Major accounting entries involving estimates based on exercise of judgment by management. [Schedule II of LODR]
- Qualifications/ modified opinion in the draft audit report. [Schedule II of LODR]
- Significant adjustments made in the financial statements arising out of audit findings. [Schedule II of LODR]
- Compliance with listing and other legal requirements relating to financial statements. [Schedule II of LODR]
- Disclosure of related party transactions. [Schedule II of LODR]
- Scrutinize inter-corporate loans and investments [Schedule II of LODR / Sec 177(4)(v) CA,2013]
- Review the statement of uses/applications of funds by major category and the statement of funds utilized for purposes other than as mentioned in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights or private placement issue, and make appropriate recommendations to the Board to take up steps in this matter. These reviews are to be conducted till the money raised through the issue has been fully spent. [Schedule II of LODR / Sec 177(4)(viii) CA,2013]
- Provide approval for appointment of the CFO (i.e. whole-time Finance Director or any other person leading the Finance function or discharging responsibilities related to that function) after assessing the qualifications, experience and background, etc. of the candidate. [Schedule II of LODR]
- Review financial information required to be provided to any government body or public constituencies including media and the analyst community.
- Review of the disclosures from the CEO and CFO made in connection with the certifications as regards the Company's quarterly and annual reports filed with the Stock Exchanges covering:
 - all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are likely to adversely affect the Company's ability to record, process, summarize and report financial data; and
 - any fraud suspected or committed, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- Review analysis of the effects of alternative accounting methods on the financial statements.
- Review 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. (Schedule II of LODR)

- *Review* statement of deviations pertaining to (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1). (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) (Schedule II of LODR).
- Review effect of regulatory and accounting initiatives as well as off-balance-sheet structures on the financial statements.
- Review the system for storage, retrieval, display or printout of books of accounts maintained in electronic mode during the required period under law.]

5.2 External / Independent / Statutory Auditors

- Provide recommendations to the Board related to the appointment, re-appointment, remuneration and terms of appointment of the auditors of the Company [Schedule II of LODR / Sec 177(4)(i) CA,2013]. This would involve recommending the name of an individual or a firm as an external statutory auditor for consideration by the Board and further recommendation to the shareholders. While making recommendations, the Committee shall consider:
 - whether the qualifications and experience of the auditors are commensurate with the size and requirements of the Company.
 - any order or pending proceeding relating to matters of professional conduct against the proposed auditor before the Institute of Chartered Accountants of India or any competent authority or any Court.

To make these recommendations, the Committee may also call for any information from the proposed auditors as it may deem fit.

- Review and monitor the auditor's independence and performance and effectiveness of the audit process. [Schedule II of LODR / sec 177(4)(ii) CA, 2013]
- Hold timely discussions with external/ statutory auditors regarding:
 - The nature, scope and staffing of Audit as well as post-Audit discussion / review for dealing with any area of concern prior to commencement of audit. [Schedule II of LODR]
 - All critical accounting policies and practices.
 - Significant financial reporting issues and judgments made in connection with preparation of the Company's financial statements.
 - *[Other material written communications between the external auditors and the management, including, but not limited to, the management letter and schedule of unadjusted differences.]*
- Provide pre-approval of all audit and non-audit services that are to be rendered by the external auditor and the remuneration for the services. [Sec 144 CA,2013].

- Provide approval of payment to statutory auditors for any other services rendered by the statutory auditors [Schedule II of LODR]
- Review, with the management, the auditor's report on the annual financial statements covering the
 - Assessment of the accounting principles used and the significant estimates made by management,
 - Compliance with accounting and auditing standards,
 - Evaluation of the overall financial statement presentation,
 - Observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the Company,
 - Matters arising out of disqualification of any Director as per legal and regulatory provisions,
 - Any qualification, reservation or adverse remark in the auditor's report relating to the maintenance of accounts and other connected matters,
 - Adequacy and operating effectiveness of internal financial control systems,
 - Other matters which are required to be included in the audit report as per regulatory and legal provisions.
- Review, with the external auditors, certain information relating to the auditor's judgments about the quality, of the Company's accounting principles as applied to its financial reporting. This review would typically include discussion on :
 - such matters as the consistency of application of Company's accounting policies, clarity & completeness of the Company's financial statements and any related disclosures.
 - such items that have a significant impact on the representational faithfulness, verifiability & neutrality of the accounting information included in the financial statements.
- Review and suitably reply to the report(s) forwarded by the auditors on the matters where the auditors have sufficient reasons to believe that an offence involving fraud is being or has been committed against the Company by officers or employees of the Company. [Rule 13 Companies (Audit and Auditors) Rules, 2014 and Section 143 (12) CA, 2013]
- Review with the external auditor, any audit problems or difficulties and the management's response thereto.
- Resolve any disagreements of the external auditor with the management regarding financial reporting.
- *[Preferably review on an annual basis (in conjunction with management of the Company) a report by the external auditors, describing:*
 - *The internal quality control procedures followed by the external auditor.*
 - *Any material issues raised by the most recent internal quality control review or peer review of the external audit firm, or by any inquiry or investigation conducted by any governmental / professional*

authorities, within the preceding 5 years, with respect to one or more independent audits carried on by the firm and the steps taken to deal with such issues.

- *Nature of any relationship existing between the Company and the external auditor and assessment of independence.*
- *Establish clear hiring policies for employees or former employees of external auditors and monitor the implementation of such policies.]*

5.3 Internal Audit

- Review the adequacy of the internal audit function, if any, including the structure of the internal audit department (including appointment of outsourced Internal Audit Firms), staffing and seniority of the official heading the department, the reporting structure coverage and budget, scope, coverage and frequency of internal audit. [Schedule II of LODR]
- Review the performance of the internal audit department, including the objectivity and authority of its reporting obligation and results of internal audit. [Schedule II of LODR]
- Discuss with internal auditors (including outsourced internal audit firms) any significant findings and follow-up thereon. [Schedule II of LODR]
- Review findings of the internal investigations by internal auditors into matters where there is suspected fraud / irregularity / failure of internal control systems of a material nature, and reporting the matter to the Board. [Schedule II of LODR]
- Review the appointment, removal, performance and terms of remuneration of the Chief Internal Auditor [Schedule II of LODR] (this also includes review of appointment, removal, performance and terms of remuneration of any outsourced internal audit firms).
- Review the regular internal reports to management prepared by the internal audit department and the outsourced internal audit firms, as well as Management's response on the same.
- Review internal audit reports relating to weaknesses in internal control . [Schedule II of LODR]
- Pre-approve any non-audit related work allotment, which may conflict with the role & independence of the Chief Internal Auditor and other internal audit team members and the outsourced internal audit firms. [Sec 144 CA,2013].

5.4. Cost Audit [Rule 14 of Chapter IX of CA,2013]

- Review the appointment, re-appointment, removal and terms of remuneration of the cost auditors. This includes pre-approval of any other services that may be rendered by the cost auditors and fees pertaining thereto.
- Review and recommend the cost audit report to the Board.

5.5 Internal Control

- Review, with the management, external and internal auditors and the outsourced internal audit firms, the quality, adequacy & effectiveness of the Company's internal control system and any significant deficiencies or material weakness in the internal controls.
- Review management letters / letters of internal control weaknesses issued by statutory auditors. [Schedule II of LODR]
- Evaluation of Internal financial controls [Schedule II of LODR]
- *[Review management's report on internal control and external auditor's attestation on management's assertion.]*

5.6 Risk Management

- Evaluate on a regular basis the adequacy and efficacy of the risk management systems. [Sec 177(4)(vii) CA,2013/ Schedule II of LODR]
- Discuss with the management and provide oversight in regard to the Company's enterprise-wide risk assessment and management, including appropriate guidelines to govern the process. Specifically it is preferable that:
 - On a regular basis there should be a review of the enterprise risks (strategic, financial, operational & environmental) and mitigation strategies deployed to manage and bring these risks to an acceptable level.
 - There should be a review and endorsement of the treasury policy that defines the Company's major financial risk exposures and appetite for financial risks and outlines the appropriate mitigation strategies to minimize risks arising out of foreign currency transactions, interest fluctuations, borrowings, etc.
 - There should be a review of the risk disclosure statements in all public documents or disclosures.

5.7 Whistleblowing / Vigil mechanism

- The Committee shall maintain an oversight of the adequacy of the whistle blowing/ vigil mechanisms [Schedule II of LODR]. It shall review the Company's arrangements for its employees, stakeholders and Directors to raise concerns [Sec 177(9) CA, 2013], in confidence, about suspected wrongdoing in the Company on matters including those related to ethics, compliance, financial reporting, accounting and auditing.
- The Committee shall ensure that these arrangements allow independent investigation of such matters and appropriate follow up action.

- The whistle blower mechanism shall provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee on appropriate or exceptional cases. [Sec 177(10) CA,2013]

5.8 Compliance with Regulatory Requirements and Policies

- Review the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors. [Schedule II of LODR]
- Review the valuation of undertakings or assets of the Company, wherever it is necessary. [Schedule II of LODR / Sec 177(4(vi)) CA,2013]
- Oversee compliance with legal and regulatory requirements and also the Tata Code of Conduct (“TCoC”) for the Company and its subsidiaries.
- *[The Committee shall be provided reports by the management on any legal and compliance matters as may be statutorily required, any material reports or inquiries from regulatory or governmental agencies on the financial statements of the Company, and such matters shall be reviewed with any internal or external counsel as deemed appropriate by the Committee.]*
- *Review 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.*
- *Review the findings of any examinations by regulatory agencies and any auditor observations.*
- *Review at periodic intervals all pending litigations initiated by or against the Company.]*

5.9 Related Party Transactions

- Review the statement of significant related party transactions submitted by the management [Schedule II of LODR], including the ‘significant’ criteria / thresholds decided by the Management.
- Provide approval for proposed transactions or any subsequent modification of transactions entered into before 1st April 2014 of the Company with related parties. [Schedule II of LODR / Sec 177(4(iv)) CA,2013]

5.10 Subsidiary Company Oversight

- Review the financial statements, in particular, the investments made by the unlisted subsidiary companies. [Reg 24]
- The Chief Internal Auditor of the Company shall also be responsible for the Internal Audit and Risk Management of all subsidiary companies and, therefore, he shall report thereon to

the Committee. (This will be carried out through periodic assessments either directly or through an outsourced / co-sourced arrangement).

- The following functions shall be reviewed by the Committee of a material subsidiary Company along with the holding Company's Audit Committee:
 - Statutory Audit:
 - Appointment of the auditors
 - Fixing of remuneration of the auditors
 - Pre-approval of services to be requisitioned
 - Compliance regarding 'prohibited service', as defined in the policy
 - Financial Statements
 - Investments and significant transactions
 - Review / oversight of the work done by the auditors.
 - Internal Audit:
 - Review the adequacy of structure and function of the Internal Audit, status of audit plan and its execution.
 - Review key Internal Audit observations along with management response thereto.
 - Review the status on compliance with the Tata Code of Conduct.
 - Review the adequacy of risk management and the control environment.

5. 11 Other Functions

- Perform other activities related to this Charter as requested by the Board of Directors. [Schedule II of LODR]
- The Committee shall review compliance with the provisions of these regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively. [SEBI (PIT) Regulations. Reg 9A(4)]

6. Reporting

6.1 The annual report of the Company shall disclose the composition of the Committee, brief description of the scope of the Committee Charter, names of members, Chairperson, meetings, attendance, etc. [Sec 177(8) CA, 2013]

6.2 The Committee will report and update the Board periodically, on various matters that it has considered including

- The quality or integrity of the Company's financial statements;
- The Company's compliance with legal or regulatory requirements;
- The performance of the External Auditor as well as the Internal Audit Function; and

- The findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud, irregularity or failure of Internal control systems of a material nature.

6.3 The Audit Committee will record its recommendations to the Board which will be incorporated in the information placed before the Board. [Schedule II of LODR]. The recommendations of the Committee on any matter would need to be considered by the Board. Where the Board has not accepted any recommendation of the Audit Committee, the same shall be disclosed in the Board's report along with the reasons therefor. [Sec 177(8) CA, 2013]

7. Compensation

Members of the Committee may 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 [Sec 197(5) CA, 2013].

8. Evaluation

The Committee shall undergo an annual self-evaluation of its performance and report the result to the Board of Directors [Sec 134(3) (p) CA, 2013]. It shall recommend any changes it considers necessary for the approval of the Board. The Committee may facilitate/conduct such evaluation & reviews in such manner as it deems appropriate. It shall confirm annually to the Board that the responsibilities outlined above have been carried out. 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 with Board and Management.

9. Review of Charter

The adequacy of this Charter shall be reviewed and reassessed by the Committee, at least annually and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.

10. Subsidiary Companies

Listed subsidiary companies of the Company shall also form Audit Committees, as applicable. In such cases, where there is a requirement to form separate charters for subsidiary companies, such Committees (as required by law or for business reasons) may consider and adopt the policies, procedures and processes laid down by the Audit Committees of the holding company. Further, critical issues may be referred by the Audit Committee of the subsidiary to the Audit Committee of the holding Company.

The minutes of the Audit Committee of the material subsidiary companies may be provided to the members of the Audit Committee of the holding company for information and also to enable them to provide any advice that is appropriate.