



TRF Limited

AUDIT COMMITTEE

Principles, Responsibility & Governance

(“Charter”)

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Glossary

“Act” or “CA”	means the Companies Act, 2013 and Rules there under as amended from time to time
“Board”	implies the Board of Directors of the Company
“Code”	<i>implies the Tata Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices adopted by the Company from time to time</i>
“CEO”	implies Managing Director
“CFO”	implies Chief Financial Officer
“Chairperson”	implies chairperson of the Committee
“Chief Internal Auditor/ Internal Auditor”	implies the internal auditor as appointed by the Company from time to time
“Company”	implies TRF Limited
“Committee”	implies the Audit Committee of the Company
“Directors”	Implies all the Directors on the Board
“Independent Director”	implies a non- executive Director of the Company, other than a nominee Director and who is neither a promoter nor belongs to the promoter group of the Company, and who satisfies other criteria for independence mentioned in the Companies Act, 2013 and the Listing Regulations.
“KMP”	In relation to the Company, means the following key managerial personnel: <ul style="list-style-type: none">a. the Managing Directorb. the Company Secretaryc. Whole-time Directord. Chief Financial Officer
“Listing Regulations”	implies the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 <i>as amended from time to time.</i>
“Statutory Auditor”	implies the auditor appointed by the shareholders of the Company from time to time

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contract (Regulation) Act, 1956, SEBI Regulations or any other applicable law or regulation.

AUDIT COMMITTEE CHARTER

1. PRINCIPLES & OBJECTIVES OF THE COMMITTEE

- 1.1. The Board has constituted the Audit Committee in 1997 and adopted this Charter on 30th July, 2016 to outline the role, responsibilities and power of the Committee and the procedure for organizing the meeting of the Committee.
- 1.2. ***The Committee is a Quasi Governance or Quasi management body whose*** role shall flow directly from the Board's overview function on corporate governance which holds the management accountable to the Board and the Board accountable to the shareholders.
- 1.3. Acting as a catalyst, in helping the organization achieve its objectives, the Committee's primary role is to review the Company's financial reporting and audit process, access adequacy and reliability of the internal control systems and risk management systems, recommend appointment, remuneration and terms of appointment of auditors and valuers, review the process for monitoring compliance with laws and regulations and the Tata Code of Conduct, the Code and the Anti-Sexual Harassment Policy adopted by the Company .

2. COMPOSITION OF THE COMMITTEE

- 2.1 ***The Committee shall be appointed by the Board and shall comprise of minimum three directors as members, with at least two-thirds of them being Independent Directors.[CA Sec 177(2) and LR18 (1)(a)&(b)].***
- 2.2 ***All members of the Committee shall be financially literate and at least one member shall have accounting or related financial management expertise [CA proviso to Sec 177(2) and LR18 (1)(c)].***
- 2.3 ***The Chairperson of the Committee shall be nominated and appointed by the Board, who shall be an Independent Director [LR 18(1)(d)].***
- 2.4 ***The Company Secretary shall act as the Secretary to the Committee Meetings and will be responsible for taking adequate minutes of the proceedings and ensuring 'Action Taken Report' is presented in the subsequent meeting [LR 18(1)(e)]***

3. MEETINGS & QUORUM

3.1 The Committee shall meet periodically, but at least four times a year and not more than one hundred and twenty days shall elapse between two successive meetings.[LR 18(2)(a)]

3.2 The quorum shall be either two members or one-third of the members of the Committee; whichever is greater provided a minimum of two Independent Directors are present.[LR 18(2)(b)]

3.3 If the Chairperson of the meeting is not present at a meeting of the Committee, the members present may elect another member who is an Independent Director from amongst themselves to act as a Chairperson for that meeting.

3.4 The Chief Financial Officer, the Chief Internal Auditor, any other KMP, and representatives of the statutory auditors shall attend and participate in the meetings of the Committee and shall have right to be heard at such meetings but shall not have the right to vote [CA 177(7)].

3.5 The audit committee at its discretion shall invite the finance director or head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the Committee. Provided that occasionally the audit committee may meet without the presence of any executives of the listed entity. [LR18(1)(f)]

3.6 The Company Secretary shall act as the Secretary to the Committee Meetings [LR18(1)(e)] and will be responsible for taking adequate minutes of the proceedings and ensuring 'Action Taken Report' is presented in the subsequent meeting.

3.7 The Committee may meet with the representatives of the Company's subsidiaries and associates regarding review of their financial statements (in particular the investments made by them and significant transactions or arrangements entered into by them). 'Significant transaction' shall have the same meaning as defined in the Listing Regulations.

3.8 The Committee may additionally review the systems of internal control, results of audits and integrity of financial reporting in these subsidiaries for their integrity and adequacy.

4. ANNUAL GENERAL MEETING

The Chairman of the Committee shall attend the Annual General Meeting to answer shareholder queries and provide any clarifications on matters relating to audit, internal controls and financial results [LR 18(1) (d)].

5. AUTHORITY AND POWER

The Committee shall act and have powers in accordance with the terms of reference specified in writing by the Board, which shall include the following:

5.1 The audit committee shall have powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary. [LR 18(2)(c)]. For this purpose, the Committee shall have full access to information contained in the books of accounts [CA Sec 177(6)] and the Company's facilities and personnel including Director of the Company shall be required to discharge their duties effectively.

5.2 To seek information from any employee or Director of the Company, to perform its duties effectively and have direct access to such employee or director. [LR 18(2)(c)]

5.3 To secure assistance and attendance of outsiders with relevant knowledge / expertise in accounting, legal or other matters, if it considers necessary. [LR 18(2)(c) and CA Sec 177(6)]

5.4 To engage independent counsel and other advisers as it deems appropriate to perform its duties and responsibilities.

5.5 To determine the provision of appropriate funding by the Company for compensation to the statutory auditors, other advisers / experts that the Committee chooses to engage.

6. ROLES & RESPONSIBILITIES OF THE COMMITTEE

6.1 Financial Statements

- a. Oversight of the company's financial reporting process and disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.[LR 18(3) and Schedule II Part C (A)(1)]
- b. Discuss and review, with management and auditors, the annual / quarterly financial statements and the auditor's report before submission to the Board, with particular reference to:
 - i. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of sub-section (5) of Section 134 of the Companies Act, 2013.[LR 18(3) and Schedule II Part C (A)(4) and CA Sec 134(3)(c)]
 - ii. Disclosure under Management Discussion and Analysis of financial condition and results of operations.[LR 18(3) and Schedule II Part C (B)(1)]
 - iii. Any changes in accounting policies and practices and reasons for the same. [LR 18(3) and Schedule II Part C (A)(4)(b)]
 - iv. Major accounting entries involving estimates based on exercise of judgment by management.[LR 18(3) and Schedule II Part C (A)(4)(c)]
 - v. Significant adjustments made in the financial statements arising out of audit. [LR 18(3) and Schedule II Part C (A)(4)(d)]
 - vi. Compliance with listing and legal requirements concerning financial statements. [LR 18(3) and Schedule II Part C (A)(4)(e)]
 - vii. Disclosure of any related party transaction. [LR 18(3) and Schedule II Part C (A)(4)(f)]
 - viii. Modified opinion(s) in the draft audit report. [LR 18(3) and Schedule II Part C (A)(4)(g)]
 - ix. Disclosure of contingent liabilities.

6.2 External/Statutory Audit

- a. Recommending to the Board, the appointment, the re-appointment and if required, the replacement or removal of statutory auditors, and fixation of audit fee and any other terms of appointment. [LR 18(3) Schedule II Part C (A)(2) and CA Sec 177(4)(i)]
- b. Approval of non-audit services to be provided by the statutory auditors and the remuneration of such services either prior to the engagement or post facto as may be required in exceptional cases. CA Sec 144]
- c. 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. [LR 18(3) and Schedule II Part C (A)(16)]
- d. Resolve any disagreements of the statutory auditors with the management regarding financial reporting.
- e. Review management letters / letters of internal control weaknesses issued by statutory auditors. [LR 18(3) and Schedule II Part C (B)(3)]
- f. Review along with the management the independence and performance of the statutory auditors and effectiveness of the audit process. [LR 18(3) and Schedule II Part C (A)(7)]
- g. **Review the total fees paid to statutory auditors and all entities/network firms and network entities to which the statutory auditor is a part, for all services paid by the listed entity and its subsidiaries on a consolidated basis and the same be reported in Annual Report [LR Schedule V Part C 10(k).**

6.3 Internal Audit

- a. Review the adequacy of internal audit function, including the internal 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 and compliance with any regulations regarding the conduct of internal audit. [LR 18(3) and Schedule II Part C (A)(13)]

- b. Review the terms of appointment, removal and remuneration of the Chief Internal Auditor who shall report functionally to the Committee. [LR 18(3) and Schedule II Part C (B)(5)]
- c. ***Review internal audit reports relating to the internal control weaknesses [LR Schedule II Part C B(4)] and other significant internal audit findings, the management's response thereto and follow-up thereon.***
- d. Review 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. [LR 18(3) and Schedule II Part C (A)(15)]
- e. Review, along with the management, the performance of the internal auditors. [LR 18(3) and Schedule II Part C (A)(7)]

6.4 Cost Audit [Sec 148(3) CA,2013]

- a. 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. [LR Schedule II Part C A(2) and CA Sec 177(4)(i)]
- b. Review and recommend the cost audit report to the Board.

6.5 Internal Controls

- a. Review with the management, Statutory and Internal Auditors, the adequacy and effectiveness of internal control systems including internal financial controls and ensure adherence thereto. . [LR 18(3) and Schedule II Part C (A)(12)]
- b. Evaluation of internal financial control ***and risk management systems.*** [LR Schedule II Part C A(11)]

6.6 Whistle Blower Policy

Review the functioning of the Whistle Blower mechanism of the Company.[LR and Schedule II Part C (A)(18)] The Whistle Blower mechanism shall include the vigil mechanism for directors and employees to report genuine concerns in the prescribed manner. [CA 177(9)]

6.7 Compliance with other regulatory requirements and policies

- a. Review with management, the Statutory Auditors and Internal Auditors the adequacy and 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. [CA Sec 134(5) (f)]
- b. Review the findings of any examinations by regulatory agencies and any auditor observations.
- c. Look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.[LR 18(3) and Schedule II Part C (A)(17)]
- d. Review the mechanism for adherence to the Tata Code of Conduct.
- e. ***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 utilization of proceeds till their end use of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter.[LR Schedule II Part C A(17) and CA 177(4)(viii)]***
- f. ***Reviewing the utilization of funds raised through preferential allotment or qualified institutional placements, until such funds are fully utilized. [LR 32]***
- g. Obtain regular updates from management and the Company's legal counsel regarding compliance matters.
- h. Scrutiny of inter-corporate loans and investments made by the Company. [CA Sec 177(4)(v) and LR 18(3) and Schedule II Part C (A)(9)]
- i. ***Reviewing the utilization of loans and/or advances from/investment by the holding company in the subsidiary exceeding ₹100 crore or 10% of the asset size of the subsidiary, whichever is lower, including existing loans/advances/investments[LR Schedule II Part C A(21)].***

- j. Valuation of undertakings or assets of the company, wherever it is necessary [CA 177(4)(vi) and LR 18(3) and Schedule II Part C (A)(10)], and appointment of valuer as may be required.
- k. The Committee shall approve the appointment of the CFO (the whole-time Finance Director or any other person heading the finance function) after assessing the qualifications, experience and background etc., of the candidate. [LR 18(3) and Schedule II Part C (A)(19)]

6.8 Risk Management

Evaluate on a regular basis the adequacy of risk management systems.[CA 177(4)(vii) and LR 18(3) and Schedule II Part C (A)(11)]

6.9 Related Party Transactions

- i. Review and approve the related party transactions (as defined by the Companies Act 2013 and the Listing Regulations) which are proposed to be entered into by the management including any subsequent modification to such transactions/ contracts. [CA 177(4)(iv) and LR 23(2)]
- ii. Lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature. [LR 23(3)(a)]
- iii. ***Review and update (if required) the Policy on Related Party Transactions at least once every 3 years and recommend changes, if any (including revision of the threshold limits for Related Party Transactions), to the Board of Directors.***
- iv. ***Make recommendations to the Board for the transactions not approved by the Committee which are other than related party transactions as specified in Section 188 of Companies Act. [second proviso to CA 177(4)(iv)]***
- v. ***The Committee may render a related party transaction (RPT) void, if approval of the Committee was not sought or an RPT entered into by any Director or employee of the Company whose value is within ₹1 crore was not ratified by the Committee within 3 months from date of the RPT.[third proviso to CA 177(4)(iv)].***

6.10 **Subsidiary Company Oversight**

Review the financial statements, in particular, the investments ***and significant transactions or arrangements entered into*** by the unlisted subsidiary companies. ***For this purpose, ‘significant transaction’ shall have the same meaning as defined in Listing Regulations.*** [LR 24(2)]

6.11 **MD/CFO Certification [LR17(8) and Schedule II Part B]**

- a. Review of the MD/CFO disclosure reports on the deficiencies in the design or operation of internal controls pertaining to financial reporting, if any. Also review the steps that have been taken or being proposed to be taken to rectify these deficiencies.
- b. The Committee shall take note of disclosures on :
 - i. Significant changes in internal controls over financial reporting during the year.
 - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the note to the financial statements.
 - iii. Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

6.12 ***Oversight and compliance pursuant to Insider Trading***

The Committee shall review the compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended and verify at least once in a financial year, that the systems of internal controls are adequate and operating effectively.

6.13 **Ethics and Compliance**

- a. To set forth policies and oversee the implementation of the Code***
- b. To take on record the status reports of the compliance officer appointed under the Code***
- c. To decide penal action against any specified person for violation of the Code***

- d. ***To review the functioning of the Anti-Sexual Harassment Policy of the Company and the guidelines issued thereunder and the actions being taken thereon.***

6.14 Other Functions

- a. ***Perform other activities related to this Charter as requested by the Board of Directors.***
- b. Carry out additional functions as is contained in the Listing Regulations, ***including amendments thereof*** or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee. [LR 18(3) and Schedule II Part C (A)(20)]
- c. Oversee financial reporting controls and process for TRF Limited

Oversee compliance with legal and regulatory requirements including the Tata Code of Conduct (“TCoC”)
- d. Perform other activities related to this Charter as requested by the Board.

7. REPORTING & DISCLOSURE

7.1 The Committee will report to the Board

7.2 The Annual Report of the Company shall disclose brief description of terms of reference, the composition of the Committee, names of members, Chairperson, number of meetings and members in attendance. [CA Sec 177(8) and LR Schedule V (C)(3)]

7.3 The recommendations of the Committee shall be placed before the the Board. If the Board does not accept the recommendations of the Committee, it shall record the reasons thereof and communicate such reasons in Board’s Report ***and reference be made in Corporate Governance Report.[CA Sec 177(8) and LR Schedule V Part C (10)(j)]***

7.4 Make appropriate recommendations to the Board on matters specified in Clause 6.7 sub clause (e) herein above.

7.5 Review and inform the Board, annually, about the status of compliance of responsibilities outlined in this Charter.

8. COMPENSATION OF THE COMMITTEE

Non-executive Director 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.[CA Sec 197(5)]

9. EVALUATION OF THE COMMITTEE

9.1 Committee shall define its key priorities and goals for the year, and evaluate its performance on an annual basis.

9.2 It will adopt a self-evaluation mechanism to assess its performance. Each member of the Committee shall fill the evaluation questionnaire provided for in **Annexure 1** and submit the same to the **Chairman of the Committee**. [CA Sec 134(3)(p)]

9.3 *The self-evaluation report in terms of the Committee Report will need to be provided to the Board. This report should also highlight any exceptional items that have been mandated by the Board which have not been carried out by the Committee. A discussion on this report with the Board may then be facilitated by the Chairman of the Committee.*

10. REVIEW OF THE CHARTER

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

11. APPLICABILITY TO SUBSIDIARIES

11.1 Subsidiary companies of the Company shall also form audit committee, as applicable under law. In such cases, where there is a requirement to form separate charters for the subsidiary companies, such committees shall adhere as much as is possible to the provisions of this Charter for their constitution and working.

11.2 The audit committee of the subsidiary companies may refer the following matters to the Committee of the Company through their respective Board :

- a. Fraud
- b. Qualifications in the Auditors' Report
- c. Any other ***matter as it deems fit***

12. CONFIDENTIALITY

The members of the Committee may not disclose, in particular, the information contained in the confidential reports they receive or the contents of confidential discussions. They shall also ensure that any employees appointed to support them likewise comply with this rule.

13. COMPLIANCE RESPONSIBILITY

Compliance of this charter shall be the responsibility of the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

For any clarifications required on the interpretation of the charter, you may kindly consult the Company Secretary & Compliance Officer (email at comp_sec@trf.co.in).