

COSCO (INDIA) LIMITED

AUDIT COMMITTEE: DRAFT TERMS OF REFERENCE (Effective from 1st April, 2019)

The Audit Committee ("Committee") is a committee of the Board of Directors ("Board") of Cosco (India) Limited ("Company") from which it derives its authority and to which it shall report.

The function of the Committee is to assist the Board in discharging its responsibilities with regard to financial reporting process, system of internal control, the audit process and other relevant process for monitoring compliances with laws and regulations and the code of conduct by the Company.

1. Constitution of the Committee

- 1.1** The Committee shall comprise of at least 3 (three) members. Two-thirds of the members of Audit Committee shall be Independent Director. The Board shall constitute the Committee from among its members and shall review the composition of the Committee as and when, it may think fit.
- 1.2** All members of the Committee shall be financially literate and at least 1 (one) member shall have accounting or related financial management expertise.

A member will be considered to be "financially literate" if he is able to read and understand basic financial statements i.e. balance sheet, statement of profit and loss, and statement of cash flows.

A member will be considered to have "accounting or related financial management expertise" if he possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

- 1.3** The Chairman of the Committee ("Chairman") shall be elected by members of the Committee from among the Independent Directors who are members of the Committee.
- 1.4** The Chairman may invite the senior most executive, however designated, in-charge of the finance function ("Chief Financial Officer") of the Company, representatives of external auditors, statutory auditors and/or any other officers of the Company as may be deemed necessary to attend any meeting of the Committee, as invitees and may seek any information(s) and clarification(s) as and when so required.
- 1.5** The Committee will be supported by the Chief Financial Officer of the Company in discharging its duties and functions.

2. Meetings and proceedings

- 2.1** The Company Secretary of the Company shall serve as the secretary to the Committee
- The Committee shall meet at least 4 (four) times in a financial year, such that not more than one hundred and twenty days shall elapse between two meetings. All meetings of the Committee shall be convened by the Chairman or by the Company Secretary at the instructions of the Chairman of the Committee.
- 2.2** The Committee may meet the internal auditors, secretarial auditor and the statutory auditors of the Company to discuss any matters concerning the financial position and processes of the Company.
- 2.3** The quorum for meetings shall comprise of 2 (two) members or one third of the members of the audit committee, whichever is greater, but there should be a minimum of 2 (two) Independent Directors present.
- 2.4** Any member of the Committee may participate in a meeting by video/tele conference. A person so participating shall be deemed to be present at the meeting. A person attending through video conference shall be counted in quorum for the meeting.
- 2.5** Notice, along with Agenda, of each meeting setting out the date, time, venue and agenda shall be sent to each member of the Committee at least 7 (seven) days prior to the date of the meeting. However, shorter notice may be given, if consented to by at least one independent director.
- 2.6** Cosco (India) Limited mention about Price Sensitive information to be placed on table.
- 2.7** The minutes of the proceedings of Committee meetings shall be maintained by the Secretary.
- The minutes shall be circulated to all Committee members within 15 days from the conclusion of the meeting for their comments, if any. Minutes of meeting to be placed before board.
- 2.8** All decisions of the Committee shall be taken by a majority vote of the members present at the meeting of the Committee.
- 2.9** The Chairman will brief the Board on the activities of the Committee on a quarterly basis.
- 2.10** The Chairman or any other member as authorized by the Chairman shall attend the general meetings of the Company to answer shareholder queries.

3. Powers of the Committee

- 3.1** The Committee derives its authority from the Board and shall be accountable to the Board.
- 3.2** The recommendations and the reports of the Committee to the Board shall be taken up for consideration by the Board. In case(s) where the Board disagrees with any recommendation(s) or report(s) of the Committee, it shall record the reason(s) for such disagreement in writing and such record shall form part of the minutes of the respective Board meetings.
- 3.3** Board may or may not agree

- 3.4** The Committee shall have the power to:
- 3.4.1** recommend an investigation into any matters that it deems necessary, in the course of discharging its duties;
 - 3.4.2** seek any information it requires from any employee of the Company in relation to discharge of its duties;
 - 3.4.3** employ the services and/or secure the attendance of such advisers and legal counsel as it deems necessary or appropriate to discharge its duties;
 - 3.4.4** conduct a post-audit review of the financial statements of the Company and audit findings of the auditors; and
 - 3.4.5** call for a valuation of the undertakings and/or assets of the Company, whenever necessary.
- 3.5** The Board shall make available to the Committee sufficient resources, as determined by the Committee, to function effectively including funds to:
- 3.5.1** engage and remunerate independent advisers to assist the Committee in carrying out its work; and
 - 3.5.2** pay for all expenses of the Committee that are reasonable and necessary for the purpose of discharging its duties.
 - 3.5.3** Fix limit and beyond limit subject to prior approval of the board

4. Duties of the Committee

In carrying out their responsibilities, the Committee members shall always act in accordance with the provisions of all applicable laws and Listing Regulations, 2015 as amended from time to time.

4.1 Appointment of auditors and other officials

The Committee shall:

- 4.1.1** Consider and make recommendations to the Board, to be put to the shareholders for approval at a general meeting or through P B , in relation to the appointment, re-appointment and removal of the statutory auditors of the Company;
- 4.1.2** Oversee the relationship with the statutory auditor. In this context, the committee shall:
 - approve the remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high quality audit;
 - Meet on quarterly basis with the statutory auditor and at least once a year, without management being present, to discuss with the auditors any issues arising from the audit.
- 4.1.3** Approve recommend the appointment of Chief Financial Officer of the Company (i.e., the whole-time director (finance) or any other person heading the finance

functions or discharging that functions) after assessing the qualifications, experience & background, etc. of the candidates.

4.2 Financial reporting

The Committee shall:

- 4.2.1** A) review the annual financial statements of the Company and recommend them to the Board for its approval with particular reference to:
- (i) matters required to be disclosed in the Director's Responsibility Statement to be included in the Board's report to the shareholders' of the Company in terms of clause (c) of Sec 134(3) of the Companies Act, 2013;
 - (ii) changes in, or departures, if any from, the accounting policies and practices, and the reasons for such change(s) or departure(s);
 - (iii) accounting entries involving estimates based on exercise of judgment by the management;
 - (iv) significant adjustments to the financial statements on account of audit findings;
 - (v) compliance with all applicable statutory and stock exchange requirements for financial reporting;
 - (vi) disclosure of any related party transactions; and
 - (vii) the draft audit report including any qualifications in the draft audit report;
- 4.2.2** b) review the preliminary results, quarterly, half-yearly and annual financial statements of the Company, prior to submission to the Board for approval, focusing particularly on:
- (i) the quality and appropriateness of:
 - the accounting policies and practices including, without limitation, critical accounting policies and practices, all alternative accounting treatments within the generally accepted accounting principles for policies and procedures related to material items that have been discussed with the management, ramifications of the use of such alternative treatments and the treatment preferred by the relevant external auditor; and
 - financial reporting disclosures and changes thereto, including a review of any material items of correspondence between the Company, the statutory auditor and the external auditor;
 - (ii) areas involving significant judgment, estimation or uncertainty in the financial results;
 - (iii) impact of any unusual transactions or any off-balance sheet arrangements, including any guarantees, indemnification agreements or interests in unconsolidated special purpose entities, during the year, and related disclosures;
 - (iv) mis-statements reported to the Committee by the external auditor that have not been corrected and explanations of the Chief Financial Officer of the Company;
 - (v) possible impairment of the assets of the Company;
 - (vi) basis for the going-concern assumption;

(vii) clarity of the disclosures made in the financial statements including the notes to the financial statements; and compliance with all applicable governance reporting requirements.

4.2.3 C) where requested by the Board, provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;

4.2.4 D) oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; and

4.2.5 E) review the annual financial statements of all unlisted subsidiaries of the Company, specifically all loans and investments made by such subsidiaries.

4.2.6 F) review the utilization of loans and / or advances from / investment by the holding company in the subsidiary exceeding INR 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments

4.3 Internal and external audit

The Committee shall:

4.3.1 annually review with the management the performance of statutory auditors, external auditors, and internal audit department and adequacy of the internal control systems;

4.3.2 review the adequacy of internal audit function including structure of the internal audit department, staffing, qualifications, experience and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;

4.3.3 review findings of any investigations by the internal audit department into matters where there is a suspected fraud or irregularity or a failure of internal control systems (including without limitation internal financial controls) of a material nature of the Company and report the matter to the Board;

4.3.4 review annually the activities, findings, conclusions and recommendations of the auditors of the Company;

4.3.5 review and monitor the independence and objectivity of the statutory auditors, external auditors and the internal audit department of the Company and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements, including reviewing and monitoring the auditors' quality control procedures and steps taken by auditors to respond to changes in legal, regulatory and accounting requirements;

4.3.6 pre-approve the scope and extent of non-audit services to be provided by the statutory auditor of the Company, other than services for which the fees payable, individually or in aggregate, during a financial year provided that fee amount does not exceed [10%] of the annual audit fees paid to the statutory auditor;

4.3.7 approve the payment to statutory auditors for non-audit services rendered to the Company; and

4.3.8 consider responses to any material audit recommendations and findings in relation to the Company.

4.4 Internal controls and risk management systems The Committee shall:

4.4.1 review the reports of the external auditors of the Company on the adequacy and effectiveness of systems for internal control (including, without limitation, internal financial controls), financial reporting and risk management and make recommendations in this regard;

4.4.2 review reports and complaints received by the Company regarding accounting, internal accounting controls, auditing or concerns regarding possible improprieties in matters of financial reporting;

4.4.3 maintain oversight of the risk management systems of the Company on an ongoing basis, including the risk assessment and minimization procedures as reported by Risk Management Committee; and

4.4.4 review and advice the Board on statements to be included in the annual report of the Company concerning internal control (including, without limitation, internal financial controls) and risk management systems of the Company.

4.5 Miscellaneous

The Committee shall:

4.5.1 review and report to the Board on the financial condition of the Company, based on the financial statements of the Company;

4.5.2 review and pre-approve all related party transactions of the Company in accordance with the Policy for Regulation of Related Party Transactions of the Company;

4.5.3 review the following information/documents:

(i) management discussion and analysis of financial condition and results of operations;

(ii) management letters / letters of internal control weaknesses (including without limitation internal financial controls) issued by the statutory auditors; and

(iii) internal audit reports relating to internal control (including without limitation internal financial controls) weaknesses;

(iv) Statement of significant related party transactions of the Company;

4.5.4 review with the management the performance of the auditors of the Company;

4.5.5 review quarterly, 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 to the Board on utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

4.5.6 review the statement to the Securities and Exchange Board of India (SEBI) on application and utilization of funds raised through an issue (public issue, rights issue,

preferential issue, etc.);

- 4.5.7** discuss with the statutory auditors of the Company, before the audit commences, the nature and scope of audit, and also hold post-audit discussions to ascertain any area(s) of concern;
- 4.5.8** scrutinise the reasons for substantial defaults in payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- 4.5.9** review the cost audit report of the Company;
- 4.5.10** review the functioning of the whistle blower mechanism / vigil policy of the Company;
- 4.5.11** scrutinise all inter-corporate loans and investments of the Company on a quarterly basis;
- 4.5.12** review the annual budget of the Company prior to its submission to the Board;
- 4.5.13** carry out a valuation of the undertakings and/or assets of the Company, whenever necessary;
- 4.5.14** annually review these terms of reference and monitor and evaluate the performance of the Committee and make recommendations to the Board with regard to any adjustments that are deemed necessary; and
- 4.5.15** perform any other activity consistent with these terms of reference and applicable laws that the Committee deems necessary or appropriate or as may be desired by the Board from time to time.
- 4.5.16** approval or any subsequent modification of transaction of the company with related parties;

5 Scope and Limitation

In the event of any conflict between the provisions of this Audit Committee Charter and the SEBI (LODR) Regulation 2015 or Companies Act, 2013 or any other statutory enactments, rules, circulars, notifications, then the provisions of such Regulation / Companies Act, 2013 or statutory enactments shall prevail over this Audit Committee Charter.