

AUDIT COMMITTEE CHARTER OF TATA MOTORS LIMITED

1 Primary Objectives

The Audit Committee's role shall flow directly from the Board of Directors' overview function on corporate governance; which holds the Management accountable to the Board and the Board, in turn, accountable to the shareholders. Acting as a catalyst in helping the organization achieve its objectives, the primary role of the Audit Committee is that of assisting the Board of Directors in overseeing the:-

- integrity of the Company's financial statements;
- compliance with legal and regulatory requirements and the Tata Code of Conduct;
- qualification and independence of the external auditors;
- performance of the Company's external auditors and the Internal Audit function; and
- adequacy and reliability of the internal control system.

2 Composition

- 2.1 The Audit Committee shall comprise of at least three directors as members of the Committee, all of whom shall be independent. (Independence would be decided upon by the Board and in accordance with the rules and regulations of the Securities & Exchange Board of India (SEBI), the New York Stock Exchange (NYSE), the Securities Exchange Act of 1934 and such other legal and regulatory environment that may be applicable to the Company).
- 2.2 All members of Audit Committee shall be 'financially literate' (which at minimum means possessing a working familiarity with the basic finance and accounting practices) and at least one member shall, in the judgement of the Board, be an audit committee 'financial expert' having accounting or related financial management expertise as specified in Section 407 of the Sarbanes-Oxley Act of 2002.
- 2.3 The members of the Audit Committee shall elect a chairman from amongst themselves.

3 Secretary

The Company Secretary shall act as the Secretary to the Committee Meetings.

4 Quorum

The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the Audit Committee; whichever is greater. 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.

5 Meetings

- 5.1 The Committee shall meet at least 4 times in a year and not more than 4 months shall elapse between two successive meetings.
- 5.2 The Committee shall meet periodically with management, the internal auditor and the external auditor, in separate executive sessions, as deemed fit by it. [NYSE Section 303A.07(c)(iii)(E)]
- 5.3 The Auditors, the Chief Internal Auditor and the Chief Financial Officer shall attend and participate at meetings of the Committee. The Committee may invite such of the executives, as it considers appropriate, to be present at the meetings. The right to vote shall vest only in the members of the Committee.
- 5.4 The Committee shall meet with the representatives of the Company's major subsidiaries regarding their systems of internal control, results of audits and integrity of financial reporting.
- 5.5 The Committee shall periodically meet in executive sessions, in the absence of the Company's management.

6 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.

7 Authority

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:

- 7.1 To investigate any activity within the scope of this Charter or referred to it by the Board and for this purpose, shall have full access to information contained in the books of accounts and the Company's facilities and personnel.
- 7.2 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.
- 7.3 To secure assistance and attendance of outsiders with relevant knowledge/expertise in accounting, legal or other matters, if it considers necessary.
- 7.4 To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities.
- 7.5 To determine the provision of appropriate funding by the Company for compensation to the external auditors, other advisors/experts that the Committee chooses to engage and other ordinary administrative expenses of the Committee.

8 Responsibilities

The responsibilities of the Audit Committee shall include the following:

8.1 Financial Statements

- 8.1.1 Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 8.1.2 Discuss and review, with the management and auditors, the annual / quarterly financial statements before submission to the Board, with particular reference to:
- Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of sub-section (2AA) of section 217 of the Companies Act, 1956.
 - Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations'.
 - Any changes in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgment by management.
 - Analysis of the effects of alternative GAAP methods on the financial statements.
 - Qualifications in the draft audit report.
 - 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 transaction.
 - Disclosure of contingent liabilities.
 - The effect of regulatory and accounting initiatives as well as off-balance-sheet structures, on the financial statements.
 - Company's earnings press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies.
 - Review the statement for uses/applications of funds by major category on a quarterly basis, with the financial results and annually the statement of funds utilized for purposes other than as mentioned in the offer document / prospectus / notice. Such review shall be conducted till the full money raised through the issue has been fully spent.
 - Disclosures from the CEO and CFO made in connection with the certifications as regards the Company's quarterly and annual reports filed with the SEC under Section 302 of the Sarbanes-Oxley Act of 2002 of:-
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data; and

- b. any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls.
- other relevant reports on financial information submitted by the Company to any governmental body or the public.
- To approve 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 & background, etc. of the candidate.

8.2 External Audit

8.2.1 Hold timely discussions with external auditors regarding:-

- All critical accounting policies and practices.
- All alternative treatments of financial information within GAAP that have been discussed with Management, ramifications of the use of such alternative disclosure and treatments and the treatment preferred by the external auditor.
- Other material written communications between the external auditor and the management, including, but not limited to, the management letter and schedule of unadjusted differences.

8.2.2 Discuss with External Auditors, before the audit commences, the nature and scope of audit as well as post-audit discussion / review to ascertain any area of concern.

8.2.3 Review with external auditor, any audit problems or difficulties and management's response.

8.2.4 Resolve any disagreements of the External Auditor with the management regarding financial reporting.

8.2.5 Recommend to the Board, the appointment, re-appointment, removal of the external auditors, fixation of audit fee and also approval for payment for any other services rendered by the external auditors. It shall ensure that the Cost Auditors are independent, have arm's length relationship and are also not otherwise disqualified at the time of their appointment or during their tenure.

8.2.6 Establish clear hiring policies for employees or former employees of external auditors and monitoring the implementation of such policies.

8.2.7 Evaluate auditors' performance, qualification and independence

At least annually, to obtain and review, a report by the external auditors, describing:

- The firm's internal quality control procedures
- Any material issues raised by the most recent internal quality control review or peer review, of the firm, or by any inquiry or investigation conducted by governmental or professional authorities, within the preceeding 5 years, with respect to one or more independent audits carried on by the firm and any steps taken to deal with any such issues.

- To assess auditor's independence & all relationships between external auditor and the Company.

Note: The above parameters are to be used in evaluating the external auditor and the lead audit partner, in ensuring the regular rotation of the lead audit partner.

8.2.8 Pre-approval of all audit and non-audit services to be rendered by the external auditors of the Company

- To adopt a policy for review and pre-approval of all audit and non-audit services to be provided by the external auditors, so as to ensure their independence and to monitor adherence to the said Policy.
- The authority to grant pre approvals may be delegated to one or more designated members of the Audit Committee whose decisions will be presented to the full Audit Committee at its forthcoming meeting.

8.2.9 Review, with the external auditors, certain information relating to the auditor's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied to its financial reporting and the discussion would generally include –

- such matters as the consistency of the application of the Company's accounting policies, and the clarity and completeness of the Company's financial statements, which include related disclosures.
- such items that have a significant impact on the representational faithfulness, verifiability, and neutrality of the accounting information included in the financial statements.

8.3 Internal Audit

8.3.1 Review on a regular basis 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, budget, coverage and frequency of internal audit.

8.3.2 Review the appointment, removal, performance and terms of remuneration of the Chief Internal Auditor.

8.3.3 Review the regular internal reports to management prepared by the internal audit department, as well as management's response thereto.

8.3.4 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.

8.3.5 Discuss with internal auditors any significant findings and follow-up thereon.

8.3.6 Review Internal Audit Reports relating to the internal control weaknesses.

8.4 Internal Control

8.4.1 Review with the management, external and internal auditors, the adequacy of internal control systems and ensure adherence thereto.

8.4.2 Review Management letters / letters of internal control weaknesses issued by statutory / internal auditors.

8.4.3 Review management's report on internal control and external auditor's attestation on management's assertion.

8.5 Whistleblowing:

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting, accounting, auditing or other related matters. The Committee shall ensure that these arrangements allow independent investigation of such matters and appropriate follow up action.

8.6 Compliance with regulatory requirements and policies

8.6.1 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.

8.6.2 Review the findings of any examinations by regulatory agencies, and any auditor observations.

8.6.3 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.

8.6.4 Review the process of communicating the Tata Code of Conduct to employees and the mechanism for its adherence.

8.6.5 Review the report of the Monitoring Agency appointed by the Company, to monitor the utilization of proceeds of such public / rights issue and make appropriate recommendations to the Board.

8.6.6 Obtain regular updates from management and company legal counsel regarding compliance matters.

8.7 Risk Management

Discuss with the management, the Company's policies with respect to risk assessment and risk management, including appropriate guidelines to govern the process, as well as the Company's major financial risk exposures including policy for foreign exchange and derivative transactions and the steps management has undertaken to control them.

8.8 Related party transactions

8.8.1 Review the statement of significant related party transactions submitted by the management, including the 'significant' criteria/thresholds decided by the management.

8.8.2 The following details shall be placed periodically before the Audit Committee to oversee the potential conflict of interest situation:

- A statement in summary form of transactions with related parties in the ordinary course of business

- Details of material individual transactions (*'materiality' threshold to be defined by the management and reviewed by the Audit Committee*) with related parties which are not in the normal course of business.
- Details of material individual transactions (*'materiality' threshold to be defined by the Audit Committee*) with related parties or others, which are not on arm's length basis, together with Management's justification for the same.

8.9 **Subsidiary company oversight**

8.9.1 Review the financial statements, in particular, the investments made by the unlisted subsidiary companies.

8.9.2 The appointment, compensation, oversight of the auditor's work, etc., for each subsidiary company needs to be covered by the Audit Committee of the Company as well as the Audit Committees of the respective subsidiaries, as per the 'Policy for approval of Services to be rendered by the Auditors'. Hence, a working procedure has been evolved, which facilitates such a dual oversight/compliance.

The following functions for each subsidiary company will be performed / reviewed by the Audit Committee of the respective subsidiary company and that of the Company:

- i) Appointment of the auditors
- ii) Fixation of remuneration of the auditors
- iii) Pre-approval of all services
- iv) Compliance regarding 'prohibited service', as defined in the said Policy
- v) Review / oversight of the work done by the auditors.

9. **Reporting**

9.1 The Audit Committee will -

9.1.1 Report and update the Board, periodically, on various matters that it has considered as well as on the independence of the Auditors.

9.1.2 Prepare a report as required by the Securities & Exchange Commission (SEC), to be included in the Company's Annual Proxy Statement.

9.2 The Annual Report of the Company shall disclose the composition of the Audit Committee, brief description of the scope of the Audit Committee Charter, names of members, Chairperson, meetings and attendance.

9.3 The recommendations of the Audit Committee on any matter relating to financial management including the audit report, shall be binding on the Board. If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons thereof and communicate such reasons to the shareholders.

9.4 Reporting regularly to the Board with respect to:

- 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 or irregularity or a failure of internal control systems of a material nature.

9.5 Make appropriate recommendations to the Board on matters specified in Clause 8.6.5 herein above.

10. Other Functions

10.1 Perform other activities related to this Charter as requested by the Board of Directors.

10.2 Carry out additional functions as is contained in the listing agreement or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.

10.3 Institute and oversee special investigations as needed.

11 Reports

The Audit Committee will record its summaries of recommendations to the Board which will be incorporated as a part of the minutes of the Board of Directors meeting.

12 Evaluation

12.1 Conduct an annual performance evaluation relative to the Audit Committee's purpose, duties, responsibilities and effectiveness and recommend any changes it considers necessary for the approval of the Board of Directors.

12.2 The Audit Committee may conduct such evaluation and reviews in such manner as it deems appropriate.

13 Review of Audit Committee Charter

The adequacy of this charter shall be reviewed and reassessed by the Audit Committee, at least, annually and appropriate recommendations shall be made to the Board to update the same based on the changes that may be brought about to the regulatory framework, from time to time.

Approved by Audit Committee on May 24, 2011

Effective Date: May 24, 2011