

FORTIS HEALTHCARE LIMITED

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. PREAMBLE

- 1.1. The Audit Committee is one of the main pillars of corporate governance. The main function of the Audit Committee is oversight of financial disclosures, reporting, internal and external audits, internal control, accounting, and risk management. The Audit Committee's main aim is to strengthen the confidence of stakeholders in the company's financial statements and related announcements, internal control processes and risk management processes.
- 1.2. These terms of reference are hereby granted by the board of directors of Fortis Healthcare Limited ("**the Company**") to the Audit Committee of Directors (the "**Committee**").
- 1.3. The terms shall govern the affairs and operations of the Committee, and are subject to the specific requirements of the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR**"), and the Companies (Meetings of the Board and its Powers) Rules, 2014, and other laws, as amended from time to time.
- 1.4. The Committee is a committee of the board of directors, and has been set up in order to assist the board of directors in its oversight role in respect of matters as laid down under the applicable legal and regulatory framework and as set out hereunder.
- 1.5. Without prejudice to anything set out hereunder, the board of directors shall continue to exercise all its powers including in relation to the matters set out hereunder and shall have the right, (**however, subject to applicable laws and regulations**) to modify these terms of reference, or to supersede any of the actions of the Committee. In all such cases, the board of directors shall take its decision in a full meeting, with all such decisions being appropriately recorded and substantiated with cogent reasons. The board of directors shall also disclose such decisions in the annual report to shareholders of the Company.

2. PRIMARY OBJECTIVES OF THE COMMITTEE

- 2.1. The objective of the Committee is to extend assistance to the board of directors of the Company in respect of the following:
 - (i) overseeing the Company's financial reporting process;
 - (ii) overseeing the integrity of the Company's financial statements and announcements;
 - (iii) overseeing the Company's internal control processes and procedures;
 - (iv) overseeing the Company's risk management systems;

- (v) overseeing Company's internal audit function and matters in relation thereto;
- (vi) ensuring the independence of the statutory auditors with a view to facilitate a fair, transparent and effective audit process.

3. MEMBERSHIP AND MEETINGS

- 3.1. The Committee shall consist of at least three directors, and at least two-thirds of the members shall be independent directors.
- 3.2. All members shall be financially literate and at least one member shall have accounting or related financial management expertise as understood under applicable laws.
- 3.3. The chairperson of the Committee shall be an independent director who shall be present at the annual general meeting to answer shareholder queries.
- 3.4. The Company Secretary shall act as the secretary to the Committee.
- 3.5. The Committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.
- 3.6. The quorum for a meeting shall be either two members or one third of the members, whichever is greater, with at least two independent directors. Formal decisions shall be passed by a simple majority vote, with the chairman holding a casting vote.
- 3.7. Members of the Committee may also participate in a meeting through a telephonic or digital link. Any member participating through a telephonic or digital link shall be deemed to be present in person at the meeting and shall be counted as part of the quorum.
- 3.8. The Committee may invite to its meetings such employees or advisors as it considers appropriate.
- 3.9. The statutory auditor of the Company and the key managerial personnel shall have the right to be heard, but shall not have the right to vote, in the meetings of the Committee wherein the statutory auditor's report is reviewed and considered.

4. AUTHORITY

In discharging its responsibilities, the Committee shall be authorised to have the following powers:

- 4.1. To investigate any activity within its terms of reference, or any matter referred to it by the board of directors.

- 4.2. To obtain information, explanation, representation, or confirmation from, and have direct access to any employee, director, auditor or other stakeholders of the Company, including the management as well as to the external advisors of the Company.
- 4.3. To obtain external legal or other professional advice from professionals, consultants or experts at its sole discretion, at the cost of the Company.
- 4.4. To have unrestricted access to the Company's books and records.
- 4.5. To have adequate resources and other authority necessary to discharge its duties and responsibilities.

5. MATTERS REQUIRING APPROVAL OF THE COMMITTEE

5.1. General matters requiring approval of the Committee:

- 5.1.1 Approving the appointment of chief financial officer after assessing the qualifications, experience and background, and other aspects with respect to the candidate.
- 5.1.2 Approving all audit and permitted non-auditing services to be provided by the statutory auditor to the Company. Adopting policies and procedures for the Committee's pre-approval of the permitted services by the Company's independent auditors on an ongoing basis, including delegation to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approval decision is presented to the full Committee at its scheduled meetings.

5.2. Approval related matters in relation to related party transactions:

- 5.2.1. Granting approval for related party transactions, and subsequent material modifications.
- 5.2.2. Related party transactions shall be approved by members of the Committee who are independent directors.
- 5.2.3. Approving a related party transaction to which the subsidiary of a Company is a party, but the Company is not a party, if the value of such transaction (whether entered into individually or taken together with previous transactions during a financial year), exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- 5.2.4. Granting omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions:

- a) the Committee shall lay down the criteria for granting the omnibus approval in line with the Company's policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b) the Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- c) the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - (iii) such other conditions as the Committee may deem fit.

The Committee may grant omnibus approval for transactions where the need for related party transactions cannot be foreseen and the aforesaid details are not available, subject to their value not exceeding rupees one crore per transaction.

- d) Reviewing, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals granted and the statement of significant related party transactions (as defined by the Committee), if any, submitted by the management.
- e) The omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

6. OTHER ROLES AND RESPONSIBILITIES OF THE COMMITTEE

6.1. Responsibilities in relation to the Company's Financial Statements:

- 6.1.1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure correctness and credibility of financial statements.
- 6.1.2. Reviewing significant accounting and reporting issues, including any significant changes in accounting principles and accounting practices.
- 6.1.3. Reviewing and examining the audited financial statements with the Company's management and the statutory auditor to determine whether they are complete and consistent with the information known to committee members and have been prepared in accordance with appropriate accounting principles.

- 6.1.4. The Committee shall specifically review the following aspects:
- (a) matters required to be included in the director's responsibility statement which in turn is to be included in the board's report in terms of clause (c) of subsection (3) of Section 134 of the Companies Act, 2013;
 - (b) major accounting entries involving estimates based on the exercise of judgment by management;
 - (c) significant adjustments made in the financial statements arising out of audit findings;
 - (d) compliance with listing and other legal requirements relating to financial statements;
 - (e) disclosure of any related party transactions;
 - (f) modified opinion(s) in the draft audit report;
 - (g) qualifications in the draft audit report;
 - (h) off-balance sheet transactions / off-balance sheet arrangements having a material effect on the Company.
- 6.1.5. Evaluating internal financial controls and risk management systems.
- 6.1.6. Reviewing the analysis prepared by the management and/or the independent auditor/statutory auditor, that sets forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements.
- 6.1.7. Reviewing and examining the quarterly financial statements before submission to the board of directors for approval, with the management.
- 6.1.8. 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 of a public or rights issue, and making appropriate recommendations to the board of directors to take up steps in this matter.
- 6.1.9. Reviewing the financial statements of unlisted subsidiaries and in particular the investment made by unlisted subsidiaries.

6.1.10. Overseeing and examining the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

6.1.11. The Committee shall review the following:

- a) Management's discussion and analysis of the financial condition and results of operations;
- b) Management letters/letters of internal control weaknesses issued by the statutory auditors;
- c) Internal audit reports relating to internal control weaknesses;
- d) The appointment, removal and terms of remuneration of the chief internal auditor;
- e) The statement filed under Regulation 32(1) of LODR, indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;
- f) The annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of LODR.

6.1.12. Reviewing the 'going concern' assumption.

6.2. Responsibilities in relation to transactions and other similar corporate actions:

6.2.1 Scrutinizing inter-corporate loans and investments. Refer to Schedule II, Part C, A (9) of the LODR.

6.2.2 Reviewing 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 April 1, 2019. Refer to Schedule II, Part C, A (21) of the LODR.

6.2.3 Obtaining valuation of undertakings or assets of the Company, wherever it is deemed so necessary. Refer to Schedule II, Part C, A (10) of the LODR. While transactions in general do not require approval of the Committee, it is a general

obligation of the Committee to undertake valuation of undertakings and assets of the Company.

6.2.4 In the event a scheme involving the Company and its shareholders that entails a merger, demerger or amalgamation, the Committee shall:

(a) Comment on the rationale, cost-benefits and impact of such scheme on the Company and its shareholders;

(b) Review the valuation report in relation to such scheme, recommend such scheme taking into consideration, *inter alia*, the valuation report. Refer to Schedule II, Part C, A (22) of the LODR.

6.3. Responsibilities in relation to the Internal Audit:

6.3.1 Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

6.3.2 Discussing any significant findings of the internal audit function and following up with the internal auditors.

6.3.3 Reviewing the findings of any internal investigations by the internal auditors into matters of suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

6.3.4 Reviewing the internal audit reports in relation to internal control weaknesses.

6.3.5 Reviewing the management and performance of internal auditors.

6.3.6 Reviewing the adequacy and calling for comments of the auditors with respect to the internal control systems.

6.4. Responsibilities in relation to the nomination, performance, qualification and independence of the Auditor

6.4.1 Reviewing and monitoring auditor's independence, performance and effectiveness of audit process.

6.4.2 Giving recommendations for appointment, remuneration and terms of appointment of auditors of the Company.

6.4.3 Reviewing the: (i) appointment of the statutory auditors, (ii) fixation of remuneration of the statutory auditors, (iii) pre-approval of all other services provided by statutory

auditors, (iv) compliance regarding “prohibited service” not being provided by the statutory auditors in each of the material subsidiaries of the Company.

6.4.4 Reviewing with the management, the performance of the independent auditors/statutory auditors and the adequacy of internal control systems.

6.4.5 Discussing the nature and scope of audit with statutory auditors prior to the commencement of the audit.

6.4.6 Discussing the observations of statutory auditors and the areas of concern arising from the audit with the statutory auditors.

6.5. Other Responsibilities:

6.5.1 Reviewing the functioning of the whistle blower mechanism including establishing review procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal controls, and auditing matters which shall allow for the confidential, anonymous submission by employees; and protection of employees and others who raise concerns through the whistleblower mechanism, including direct access to the chairperson of the Committee in appropriate or exceptional cases.

6.5.2 Defining “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions.

6.5.3 Meeting the independent auditor at the end of each quarter and financial year to discuss key observations relating to the financial statement for the relevant period.

6.5.4 Review, in conjunction with legal counsel, any legal matters that could have a significant impact on the Company’s financial statements.

6.5.5 Review, in conjunction with management and the independent auditor, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company’s financial statements or accounting policies.

6.5.6 Review of compliance with the Company’s Code of Conduct and Ethics.

6.5.7 Review of compliance with Company’s insider trading policy.

6.5.8 Reviewing its own charter, structure and processes periodically and recommending proposed changes to the board for approval.

6.5.9 Any other function, as may be defined by the board, to be provided in these terms of reference of the Committee.