

# SHYAMKAMAL INVESTMENTS LIMITED

## AUDIT COMMITTEE CHARTER

An "Audit Committee" is a key element in the Corporate Governance process of any organization and acts as a link among the Management, the Statutory Auditors, Internal Auditors and the Board of Directors to oversee the financial reporting process of the Company.

The primary purpose of an Audit Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

An Audit Committee Charter sets forth the general purpose, authority, composition and responsibilities of the committee.

### **Objectives:** -

The role of the Audit Committee is to overview function on corporate governance, which holds the Management accountable to the Board and the Board, in turn, accountable to the shareholders.

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 Code of Conduct;
- Qualification and independence of the statutory auditors;
- Performance of the Company's statutory auditors and the Internal Audit function; and
- Adequacy and reliability of the internal control system.

### **Composition:** -

The Audit Committee shall comprise of at least three directors as members of the Committee and majority shall be independent (at least 2/3<sup>rd</sup> of the members of audit committee shall be independent directors)

All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation:

The term "financially literate" means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

A member will be considered to have accounting or related financial management expertise if he or she 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.

The members of the Audit Committee shall elect a chairman from amongst themselves, who shall be an independent.

### **Secretary:** -

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

**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.

**Meetings**

The Committee shall meet at least 4 times in a year and not more than 4 months shall elapse between two successive meetings.

The Committee shall meet periodically with management, the internal auditor and the statutory auditor as deemed fit by it.

The Auditors 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.

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.

**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.

**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:

- 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.
- To seek information from and have direct access to any employee, key managerial personnel or director of the Company, to perform its duties effectively.
- To secure assistance and attendance of outsiders with relevant knowledge/expertise in accounting, legal or other matters, if it considers necessary.
- To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities.
- To engage a registered valuer taking into consideration such qualification and experience as may be considered appropriate in case of valuations required in respect of any property, stocks, shares, debentures, securities, goodwill, assets, liabilities or net worth of a company.
- 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.

## **Role & Responsibilities:** -

The role and responsibilities of the Audit Committee shall include the following:

### 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 and credible.
- Discuss and review, with the management and auditors, the annual / quarterly financial statements before submission to the Board, with particular reference to:
  - o Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of sub-section (2) of section 164 of the Companies Act, 2013;
  - o Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations';
  - o Any changes in accounting policies and practices and reasons for the same;
  - o Major accounting entries involving estimates based on exercise of judgment by management;
  - o Analysis of the effects of alternative GAAP methods on the financial statements;
  - o Draft audit report and qualifications, if any, therein;
  - o Significant adjustments made in the financial statements arising out of audit findings;
  - o Compliance with listing and other legal requirements relating to financial statements;
  - o Disclosure of any related party transaction;
  - o Disclosure of contingent liabilities;
  - o The effect of regulatory and accounting initiatives as well as off-balance-sheet structures, on the financial statements;
  - o Company's earnings press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies;
  - o 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.
  - o Scrutinize inter corporate loans and investments.
  - o Other relevant reports on financial information submitted by the Company to any governmental body or the public.
  - o 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.

## Statutory Audit

- Recommend to the Board, the appointment, re-appointment, removal of the statutory auditors, fixation of audit fee and also approval for payment for any other services rendered by the Statutory Auditors.
- While considering such appointment, the Committee shall consider:
  - o whether the qualifications and experience of the auditors is commensurate with the size and requirements of the Company;
  - o any order or pending proceeding relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any competent authority or any Court.

The Committee may call for other information from the proposed Auditors as it may deem fit.

- Evaluate auditors' performance, qualification and independence;
- Discuss with Statutory Auditors regarding critical accounting policies and practices and treatments of financial information within GAAP.
- Discuss with Statutory Auditors in respect of the nature and scope of audit as well as audit discussion and review to ascertain any area of concern.
- Review with Statutory Auditor, any audit problems or difficulties and management's response.
- Resolve any disagreements of the Statutory Auditor with the management regarding financial reporting.
- 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. Such reply should be forwarded within prescribed period.

## Cost Audit

- Recommend to the Board, the appointment, re-appointment, removal of the cost auditors, fixation of audit fee, nature and scope of cost audit and also approve rendering of any other services by the cost auditors and fees pertaining thereto. 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.
- In order that 'arm's length relationship' is in fact ensured, the Cost Auditors, appointed under sub-section (3) of Section 148 of the Companies Act, 2013, shall not provide any other services to the Company relating to (i) design and implementation of cost accounting system; or (ii) the maintenance of cost accounting records, or (iii) act as internal auditor, whether acting individually, or through the same firm or through other group firms where he or any partner has any common interest.
- Review and recommend the Cost Audit Report to the Board.

## Internal Audit

- 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;
- Review the appointment, removal, performance and terms of remuneration of the Chief Internal Auditor.
- Review the regular internal reports to management prepared by the internal audit department, as well as management's response thereto.
- 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.
- Discuss with internal auditors any significant findings and follow-up thereon.
- Review Internal Audit Reports relating to the internal control weaknesses.

## Internal Control

- Review with the management, external and internal auditors, the scope of internal audit, adequacy of internal control systems and ensure adherence thereto and any other related issues;
- Review Management letters / letters of internal control weaknesses issued by statutory / internal auditors;
- Review management's report on internal control and external auditor's attestation/observations on management's assertion;
- Evaluation of Internal Financial Controls.

## Whistle blowing/vigil mechanism:

- The Committee shall review the Company's arrangements for its directors and employees to raise concerns, in confidence, about possible wrong doing in financial reporting, accounting, auditing or other related matters. The mechanism shall provide adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. The Committee shall ensure that these arrangements allow independent investigation of such matters and appropriate follow up action. In case of any conflict of interest, the Committee Members would disassociate from such investigation.

## Insider Trading

- To approve policies in relation to the implementation of the Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices ('Code') and to supervise implementation of the Code.
- To note and take on record the status reports, detailing the dealings by Designated Persons in Securities of the Company, as submitted by the Compliance Officer on a quarterly basis.

- To provide directions on any penal action to be initiated, in case of any violation of the SEBI (Prohibition of Insider Trading) Regulations or the Code, by any person.

#### Compliance with regulatory requirements and policies:-

- 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 the process of communicating the Code of Conduct to employees and the mechanism for its adherence.
- 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.
- Obtain regular updates from management and company legal counsel regarding compliance matters.
- Review the valuation of undertakings or assets of the Company, wherever it is necessary.
- Review the system of storage and retrieval, display or printout of books of accounts maintained in electronic mode during the required period under law.

#### Risk Management

- Evaluate Risk Management System.
- 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.

#### Related party transactions

- Review the statement of significant related party transactions submitted by the management, including the 'significant' criteria/thresholds decided by the management;
- The following details shall be placed periodically before the Audit Committee to oversee the potential conflict of interest situation:
  - o A statement in summary form of transactions with related parties in the ordinary course of business;
  - o Details of material individual transactions with related parties which are not in the normal course of business;
  - o Details of material individual transactions with related parties or others, which are not on arm's length basis, together with Management's justification for the same.
  - o Approval of all or any subsequent modification of transactions with related parties.

## Subsidiary company oversight

- Review the financial statements, in particular, the investments made by the unlisted subsidiary companies;
- 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. 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:

a) In regard to Statutory Audit:

- (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.

b) In regard to Internal Audit:

- (i). Review the adequacy of structure and function of the Internal Audit, status of audit plan and its execution.
- (ii). Review key Internal Audit observations along with management response thereto.
- (iii). Review the status on compliance with the Tata Code of Conduct (concern resolution mechanism), risk management and the control environment.

### **Reporting:-**

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

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.

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.

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.

### **Other Functions: -**

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

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.

Institute and oversee special investigations as needed.

**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.

**Evaluation: -**

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.

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

**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.