

# CHARTERED FINANCE & LEASING LIMITED

## AUDIT COMMITTEE CHARTER

### CHARTER VERSION CONTROL:

VERSION NO.	APPROVED BY BOARD ON	REMARKS
1.0	27-Mar-2021	Charter adopted by the Board

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### **Composition:**

1. Mr. Narendrakumar Somani – *Chairman, Independent Director*
2. Mr. Dharmesh Bohra – *Member, Independent Director*
3. Mrs. Meenakshi Kothari – *Member, Non-executive Director*

**Quorum:** 2 members or 1/3rd of the members of the committee, whichever is greater, including at least 2 independent directors in attendance.

**Frequency:** The Audit Committee shall meet at least four times a year with a maximum interval of 120 days between two meetings.

### **Powers of Audit Committee:**

The Audit Committee shall have powers, including the following:

- (1) to investigate any activity within its terms of reference;
- (2) to seek information from any employee;
- (3) to obtain outside legal or other professional advice; and
- (4) to secure the attendance of outsiders with relevant expertise, if it considers necessary.

### **Terms of Reference:**

1. Overview of the financial reporting process and the disclosure of financial information relating to the Company to ensure that the financial statements are correct, sufficient and credible;
2. Recommendation for appointment, re-appointment, replacement, remuneration and terms of appointment of statutory auditors, and whenever required, the other auditors, including internal auditors, secretarial auditors, cost auditors, etc., and the fixing of remuneration payable, including the audit fee;
3. Approval of payment to statutory auditors for any other services rendered by them;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the director's responsibility statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
  - b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with other statutory requirements relating to financial statements;
  - f. Disclosure of any related party transactions; and
  - g. Modified opinion(s) in the draft audit report.
5. Examining with the management, the quarterly, half-yearly and annual financial statements and auditor report thereon before submission to the Board for approval;

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6. 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 or preferential issue or qualified institutions placement, and making appropriate recommendations to the Board to take up steps in this matter;
7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties and to grant omnibus approval for related party transactions proposed to be entered into by the Company, subject to the conditions as may be prescribed;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. 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;
14. Discussion with internal auditors, wherever appointed, of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors, wherever appointed, 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;
16. 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;
17. Looking into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. Reviewing the functioning of the whistle-blower mechanism;
19. Overseeing the vigil mechanism established by the Company, with the chairman of the Audit Committee directly hearing grievances of victimization of employees and directors, who used vigil mechanism to report genuine concerns in appropriate and exceptional cases;
20. Approval of appointment of chief financial officer (i.e., the Whole-time Finance Director or any other person heading the finance function or discharging that function), if required to be appointed, after assessing the qualifications, experience and background, etc. of the candidate;

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21. Review and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation, etc., on the Company and its shareholders.
22. Perform such other activities as may be delegated by the Board and carrying out any other functions required to be carried out by the Audit Committee as contained in the RBI's Master Directions or the Companies Act, 2013, or any other applicable law, as and when amended from time to time.
23. Monitor the robust system of internal audit of all outsourced activities, whenever and wherever outsourcing is undertaken and if felt necessary by the Board or the Committee.
24. Periodical review of operations of the Company, including, *inter alia*, frauds, complaints and grievance redressal, and the inherent risks related to the business of the Company.
25. Audit Committee shall mandatorily review the following information:
  - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
  - Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - In the event the Internal Auditors have been appointed, review of the Internal audit reports relating to internal control weaknesses;
  - The appointment, removal and terms of remuneration of the internal auditors, if appointed; and