

## **Audit Committee Charter**

### **1. Objectives**

The objectives of the audit committee (the “committee”) of the Board of Directors (the “Board”) of HIL Limited (the “Company”) is to assist the Board with oversight of the following

- a. the accuracy, integrity and transparency of the Company's financial statements with adequate and timely disclosures
- b. Protect the interest of minority shareholders by reviewing related party transactions
- c. compliance with legal and regulatory requirements,
- d. the Company's independent auditors' qualifications and independence, and
- e. the performance of the Company's independent auditors and internal auditors
- f. acquisitions and investments made by the Company

The role, responsibilities and powers of the committee shall include matters set out in this charter and such other items as may be prescribed by applicable laws as amended from time to time or by the Board in compliance with applicable law from time to time.

### **2. Process**

The committee fulfils its objective through the following process:

- a. Ensuring an effective and independent internal audit function which works to provide assurance regarding the adequacy and operation of internal controls and processes intended to safeguard the Company's assets, effective and efficient use of the Company's resources and, timely and accurate recording of all transactions.
- b. 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.
- c. Providing an independent channel of communication for the Chief Compliance Officer, internal auditor and the independent auditor.
- d. Inviting members of the management, and at its discretion, external experts in legal, financial and technical matters, to provide advice and guidance.
- e. Providing periodic feedback and reports to the Board.
- f. Meeting at least four times in a financial year or as specified under any other regulation
- g. Periodically reviewing its own charter, structure, processes and membership.

### **3. Powers and Roles & Responsibilities**

#### **a. Powers**

The audit committee shall have, inter alia, the following powers:

- i. To investigate any activity within its terms of reference.
- ii. To seek information from any employee.
- iii. To obtain external legal or other professional advice as required.

- iv. To institute special investigations into any matter provided in this charter or referred to it by the Board, with full access to the internal auditors, chairperson of the Board, management and the independent auditor, as well as all books, records, facilities and personnel of the Company.
- v. To secure attendance of the auditors, internal auditor, and the head of finance and of outsiders with relevant expertise.

**a. Roles & Responsibilities**

**i. Relating to Financial Statements**

1. Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are true, fair, sufficient and credible.
2. Discuss and review, with the management and auditors, the annual / quarterly financial statements before submission to the Board, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of subsection (2) of section 134 of the Companies Act, 2013;
  - b. Adoption and changes in accounting policies and practices and reasons for the same; Adoption and Major accounting entries involving estimates based on exercise of judgment by management;
  - c. Analysis of the effects of alternative GAAP methods on the financial statements;
  - d. Draft audit report and qualifications, if any, therein;
  - e. Significant adjustments made in the financial statements arising out of audit findings.
  - f. Compliance with listing and other legal requirements relating to financial statements;
  - g. Disclosure of any related party transaction;
  - h. Disclosure of contingent liabilities
  - i. The effect of regulatory and accounting initiatives as well as off balance sheet structures, on the financial statements;
  - j. Company's earnings press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies;
  - k. 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.
  - l. Scrutinize inter corporate loans and investments.
  - m. Review financial statements and investments made by any material unlisted subsidiary
  - n. Discussion with internal auditors of any significant findings and follow up there on

**b.Relating to Independent Auditors/Internal Auditors/Cost Auditors/ Secretarial Auditor and Independent Auditors.**

1. Make recommendations to the Board for appointment, retention, termination, remuneration/compensation, and terms of appointment of an independent registered public accounting firm to act as the Company's independent auditor.
2. Review with independent auditors the nature and scope of audit coverage, to ascertain adequacy and appropriateness.
3. Review management letters/letters of internal control weaknesses issued by the independent auditors.
4. Approval of all audit and permitted non-auditing services to be provided by the Independent auditor to the Company. For the purpose of this clause, 'non-auditing services' shall mean any professional services provided to the Company by the independent auditor, other than those provided to the Company in connection with an audit or a review of the financial statements of the Company.
5. Annually obtaining and reviewing a report by the independent auditor that describes
  - a. the independent auditor's internal quality control procedures, and
  - b. any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding any independent audit performed by the independent auditor, and any steps taken to deal with any such issues and
  - c. to assess the auditor's independence to all relationships between the independent auditor and the Company at least annually, to evaluate the qualifications, performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner and consider regular rotation of the accounting firm serving as the Company's independent auditors.
6. Conducting a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to the management by the independent auditor or the internal auditor.
7. Assist management in carrying out management's obligation of fostering a culture of co-operation and openness between management, the committee, independent auditors, internal auditors and other internal and external compliance functions.
8. To ensure appointment of Cost Auditors and Secretarial Auditors, as and when required and ensure that, the same are independent and not disqualified as per the applicable provisions.

9. Shall review on a regular basis:
  - a. the adequacy of internal audit function, including the internal audit charter
  - b. the structure of the internal audit department
  - c. 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.
  - d. Review the regular internal reports to management prepared by the internal audit department, as well as management's response thereto
  - e. 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;

**c. Relating to Internal Controls**

1. Reviewing with the management, performance of independent and internal auditors and the adequacy of internal control systems.

**d. Relating to acquisitions and investments**

1. Consider and approve proposals for acquisitions and investments up to certain threshold amounts of exposure as approved by the Board;
2. Periodically review the status of acquisitions and investments in terms of business objectives met, status of integration of acquired companies, risk mitigation and financial returns;
3. Periodically review the treasury policy of the Company, including Investment of surplus funds and foreign currency operations;
4. Review the end utilization of funds where the total amount of loans/advances/investment from the Company to its subsidiary exceeds INR 100 crore or 10% of the asset size of the subsidiary, whichever is lower.

**e. Relating to the code of conduct and whistle blowing**

1. Review the complaints received under code of conduct and whistle blowing
2. Review of compliance with the Company's Code of Conduct and Ethics
3. Review of Company's compliance with employee benefit plans
4. Review of compliance with Company's insider trading policy
5. Any other as required under the code and policies adopted by the Company.

**f. Other Responsibilities**

1. Approval of appointment of the chief financial officer after assessing the qualifications, experience and background, etc. of the candidate.
2. Periodically report to the Board or Committee of the Board inter alia all significant matters that have come to the knowledge of the Audit Committee, covering internal controls, financial statements, policies and statutory/regulatory compliances.

3. Set hiring policies with regard to employees and former employees of the independent auditor and oversee compliance with such policies.
4. Monitoring of and review with the management of end use of funds raised through issuances (public issue, rights issue, preferential issue etc.) and related matters, and making appropriate recommendations to the Board
5. Carry out valuation of undertakings or assets of the Company, wherever it is necessary.

## **2. Composition and Meeting**

- a. Shall consists of majority of Independent Directors
- b. The Audit Committee shall have minimum three directors as members out of which two-thirds of the members shall be independent directors.
- c. All members of Audit Committee shall be financial literate and at least one member shall have accounting or related financial management expertise.
- d. The Chairperson of the Audit Committee shall be an independent director and shall be present at Annual General Meeting to answer shareholder queries.
- e. The Audit Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee.
- f. The Company Secretary shall act as the Secretary to the Committee.
- g. The committee shall meet at least four times a year and not more than four months shall elapse between two meetings. Meetings may be in person or through calls/videoconferences as permitted by law.
- h. The committee shall undertake an annual performance evaluation of its own effectiveness and submit it to the Board.
- i. Composition shall be as per Section 177 of the Companies Act 2013 and SEBI (Listing Obligation and Disclosure Requirements) 2015 and any other laws and regulations, that are applicable.

## **3. Delegation of authority**

The committee may delegate 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 audit committee at its scheduled meetings.

## **4. Repels and amendments to this charter**

Board shall review this document from time to time based on the changing needs and make suitable modifications as may be necessary and in case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this document, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this document shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.