



BANNARI AMMAN SPINNING MILLS LIMITED

AUDIT COMMITTEE CHARTER

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1. PREFACE

- a. Bannari Amman Spinning Mills Limited (“BASML” or “the Company”) believes in the conduct of its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty and integrity.
- b. Section 177 of the Companies Act 2013, dealing with Audit Committee, has come into force from 1st April 2014 and mandates the Terms of Reference of the Audit Committee shall be in writing.
- c. Accordingly, this Audit Committee Charter (“AC Charter”) has been formulated setting out the scope for the Audit Committee to deal with the matters which are prescribed under the Companies Act 2013 and the SEBI (Listing Obligations and Disclosure Requirements) 2015 (“LODR”).
- d. The AC Charter will be posted on the Company’s website at www.bannarimills.com

2. PRIMARY OBJECTIVES

- a. 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:
 - i) integrity of the Company’s financial statements;
 - ii) compliance with legal and regulatory requirements;
 - iii) qualification and independence of the external auditors;
 - iv) performance of the Company’s external and Internal Auditors and
 - v) adequacy and reliability of the internal financial control system

3. COMPOSITION

- a. The Audit Committee shall consist minimum of three Directors as members of the Committee, out of which two thirds of the members will be independent. (The criteria of independence would be decided upon by the Board of Directors and in accordance with the Companies Act 2013, rules and regulations of the Securities and Exchange Board of India (SEBI) and such other legal and regulatory requirement that may be applicable to the Company).
- b. All members of Audit Committee shall be financially literate and at least one member to have accounting or related financial management expertise. “Financially literate” means the ability to read and understand the basic financial statement, as prescribed under the Companies Act 2013 and LODR. A member will be considered to have accounting or related financial management expertise if he or she has 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.

- c. The members of the Audit Committee shall elect a Chairperson from amongst themselves. The Chairperson of the Audit Committee shall be an Independent Director.
- d. The Chairperson of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries.
- e. Board's Report shall disclose the composition of Audit Committee.

4. SECRETARY

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

5. MEETINGS

- a. The Audit Committee shall meet at least four (4) times in a year and not more than 120 days shall elapse between two successive meetings.
- b. The Audit Committee shall meet periodically with management, the internal auditor and the external auditor as deemed fit by it.
- c. The Auditors, the 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 with the members of the Committee.
- d. The auditors of the Company and key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have a right to vote.

6. QUORUM

- a. 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 higher, but there should be a minimum of two Independent Directors present at the meeting. 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.

7. ANNUAL GENERAL MEETING

- a. The Chairman of the Committee shall attend the Annual General Meetings to answer shareholder(s) queries and provide any clarifications on matters relating to audit.

8. POWERS OF THE AUDIT COMMITTEE

- a. 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:
 - i) 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 personnel.
 - ii) 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.
 - iii) To secure assistance and attendance of outsiders with relevant

knowledge/expertise in accounting, legal or other matters, if it considers necessary.

- iv) To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities.
- v) 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 and background, etc. of the candidate.

9. ROLE OF AUDIT COMMITTEE

- a. The role of the Audit Committee shall include the following:
 - i) Examination of the financial statement and auditors' report
 - ii) 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.
 - iii) Recommendation for appointment, remuneration and terms of appointment of auditors of the Company
 - iv) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
 - v) 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 in the Board's report in terms of sub-section (3)(c) of Section 134 of the Companies Act 2013
 - Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations'.
 - Any changes in accounting policies and practices and reasons for them
 - Major accounting entries involving estimates based on exercise of judgment by management
 - Significant adjustments made in financial statements arising out of audit findings and Qualifications in the draft audit report
 - Disclosure of any related party transactions
 - Compliance with listing and other legal requirements relating to financial statements
 - vi) 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
 - vii) Review the financial statements, in particular, the investments made by the unlisted subsidiary company.

10. EXTERNAL AUDIT

- a. 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.
- b. Recommend to the Board, the appointment / re-appointment and the terms of appointment of auditors of the Company, removal of the external auditors, fixation of audit fee and also approval for payment for any other services rendered by the external auditors.
- c. Review and monitor the auditors' independence and performance and effectiveness of audit process.
- d. Call for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company.

11. INTERNAL AUDIT

- a. 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 coverage and frequency of internal audit.
- b. Review the appointment, removal, performance and terms of remuneration of the Internal Auditor.
- c. Review the regular internal reports to management prepared by the internal audit department, as well as management's response to it
- d. 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.
- e. Discuss with internal auditors any significant findings and follow-up thereon.
- f. Review Internal Audit Reports relating to the internal control weaknesses.

12. INTERNAL CONTROL

- a. Review with the management, external and internal auditors, adequacy of internal control systems and ensure adherence to it.
- b. Review management letters / letters of internal control weaknesses issued by statutory internal auditors.
- c. Evaluation of internal financial controls and risk management systems

13. OTHERS

- a. Scrutiny of inter corporate loans and investments
- b. Valuation of undertakings or assets of the company, wherever it is necessary
- c. Monitoring the end use of funds raised through public offers and related matters
- d. Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors

14. WHISTLE BLOWER MECHANISM

Being a listed company, the Company has to formulate a policy for establishment of Vigil Mechanism (Whistle Blower Mechanism) for Directors and employees to report genuine concerns. Accordingly the Audit Committee shall:

- a. Review and oversee the functioning of vigil mechanism. If any of the members of the committee has a conflict of interest in a given case, the member shall recuse themselves and the others will deal with the matter.
- b. The vigil mechanism shall provide adequate safeguards against victimisation of directors and employees who avail of the vigil mechanism and also provide direct access to the Chairperson of the Audit Committee or Director nominated to play the role of Audit Committee in appropriate or exceptional cases.
- c. In case of repeated frivolous complaints being filed by a director or employee, the Committee or the Director nominated to play the role of Audit Committee, may take suitable action against the director or employee concerned.
- d. The details of establishment of vigil mechanism is to be disclosed by the Company on its website and in the Board's Report.

15. MONITORING OF UTILISATION ISSUE PROCEEDS

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

16. RISK MANAGEMENT

- a. 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 and the steps management has undertaken to control them.

17. RELATED PARTY TRANSACTIONS

- a. Review and approve the statement of significant related party transactions submitted by the management, including the 'significant' criteria/thresholds decided by the management.
- b. 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.

18. SUBSIDIARY COMPANY OVERSIGHT

- a. Review the financial statements, in particular, the investments made by the unlisted subsidiary companies, if any.

19. REPORTING

- a. 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.
- b. 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.
- c. 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.
- d. Reporting regularly to the Board with respect to:
 - i) The quality or integrity of the Company's financial statements
 - ii) The Company's compliance with legal or regulatory requirements;
 - iii) The performance of the external auditor as well as the Internal Audit Function; and
 - iv) 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.

20. OTHER FUNCTIONS

- a. Perform such other activities related to this Charter as requested / assigned by the Board of Directors.
- b. Carry out additional functions as is contained in the LODR or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.
- c. Institute and oversee special investigations as and when needed.

21. REPORTS

- a. 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. Where the Board has not accepted any recommendation of the Audit Committee, it shall disclose in the Boards Report along with the reasons for it.

22. EVALUATION

- a. Conduct an annual performance evaluation relating 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.
- b. The Audit Committee may conduct such evaluation and reviews in such manner as it deems appropriate.

23. REVIEW OF AUDIT COMMITTEE CHARTER

The adequacy of this charter shall be reviewed and reassessed by the Audit Committee, atleast once in three years and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about to the regulatory framework, from time to time.

- 24.** This Charter shall come into force from the date of adoption or amendment of this policy from time to time.

Note: This charter was adopted at the Board Meeting dt.14.8.2014 and reviewed and amended at the Board Meeting dt 30.5.2023

