



**EVONITH METALLICS LIMITED (“EML”)
(Formerly Uttam Galva Metallics Limited)**

TERMS OF REFERENCE OF AUDIT COMMITTEE

(Applicable from 30th December, 2020)

TERMS OF REFERENCE OF AUDIT COMMITTEE

This Terms of Reference of Audit Committee is in supersession of previous Terms of Reference of Audit Committee and in compliance with the provisions of the Companies Act, 2013 (“Act”) and rules made thereunder including any amendments thereof from time to time.

Evonith Metallics Limited (“EML”) (Formerly Uttam Galva Metallics Limited) has a constituted Audit Committee as required under the provisions of Section 177 of the Act & rules made thereunder including any amendments thereof. The Audit Committee assists the Board of Directors (“Board”) in fulfilling its responsibilities for generally overseeing financial reporting processes and the audit of financial statements, including the integrity of financial statements, compliance with legal and regulatory requirements, the qualifications, the performance of internal audit function, and risk assessment and risk management.

The provisions of the Act and rules thereto (including any amendment thereto from time to time) to the extent applicable, shall apply in addition to this Terms of Reference of Audit Committee.

I. AUTHORITY

The Audit Committee shall act and have powers in accordance with the terms of reference which includes the following:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers it to be necessary.
- To have full access to information contained in the records of the Company.

II. MEMBERSHIP

- 1. Membership and Appointment:** The Committee will consist of at least three directors with independent directors forming majority whom the Board appoints.
- 2. Qualifications & Independence:** Each director on the Committee will have such qualifications as the Board determines. In addition, majority of the Directors on the Committee will be independent within the meaning of applicable laws, and will meet applicable compliance standard financial literacy requirements, each as the Board determines. Provided that majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement.

3. **Removal:** The entire Committee or any individual director on the Committee may be removed with or without cause by the affirmative vote of a majority of the Board.
4. **Chairman:** The Board may designate a Chairman of the Committee (the “Chairman”). In the absence of such designation, the Committee may designate the Chairman by majority vote of the Committee.
5. **Company Secretary:** The Company Secretary of the Company shall act as Secretary to the Committee Meeting.

III. PROCEDURES:

1. **Number of Meetings:** The Committee shall meet periodically, but at least 4 times a year and not more than 4 months shall elapse between two successive Meetings. With additional meetings as appropriate.
2. **Quorum of Meetings:** The quorum for Meetings of the Audit Committee shall be either two Members or one-third of the Members of the Audit Committee, whichever is higher, including one Independent Director.
3. **Attendance/Special Invitees:** The Chief Financial Officer, Internal Auditor and a Representative of the External (Independent) Auditors should be requested to be present as invitees for the Meetings of the Audit Committee. The Committee may invite such of the executives, as it considers appropriate (particularly, the Head of the Finance Function), to be present at the Meetings of the Committee. Such persons shall not have the right to vote. On occasions considered necessary, the Audit Committee may also meet without the presence of any executive of the Company.

The Auditors of the Company and the Key Managerial Personnel shall have a right to be heard at the Meetings of the Audit Committee when it considers the Auditors’ Report but they shall not have the right to vote.

4. **Agenda:** The Agenda will be established with input from management and other directors on the Committee and the Board as appropriate.
5. **Review of Terms of Reference:** The Committee will annually re-view and re-assess the adequacy of Terms of Reference of Audit Committee and will submit any recommended changes to the Board for approval.
6. **Performance Review:** The Committee will annually undertake an evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in this charter, and will report the results of such evaluation to the Board.

7. **Sitting Fees:** The Members of the Committee shall receive such sitting fees, if any, for their services as Committee members as may be determined by the Board at its sole discretion.

IV. SCOPE/RESPONSIBILITIES:

It is the function of the Committee to enable the Board of Directors, with reliance on the Committee, to discharge their fiduciary responsibility to shareholders in respect to financial reporting and the safety and soundness of the Company. The Committee shall have discussions with the Auditors periodically about internal financial control systems, the nature and scope of audit, including the observations of the Auditors and review the financial statements before submission to the Board and recommend the same to the Board for its consideration and also oversee compliance of internal financial control systems. In addition, the responsibilities of the Audit Committee shall include the following:

1. **Terms of Appointment of Auditors:** The Committee will recommend to the Board the appointment / re-appointment and removal / replacement of the Auditors, fixation of the remuneration and terms of appointment of the Auditors and also approval for payment for any other services rendered by the Auditors, as permitted by law.

Discussing with the Auditors before the audit commences, the nature and scope of audit as well as post-audit discussion to ascertain any areas of concern.

Reviewing and monitoring the Auditor's independence and performance and the effectiveness of the audit process.

2. **Review and recommend Financial Statements; Other Matters etc:** The Committee will:

- a. Meet to review and discuss with management and the auditor of the company financial statements ;" and
- b. Review with management and auditor of the company:
 - i. the results of the company's audit and opinion of the company's auditor on the financial statements;
 - ii. analyses prepared by management or auditor of the company setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
 - iii. Auditor's judgments on the quality, not just the acceptability, and consistent application of accounting principles, the reasonableness of significant judgments, clarity of disclosures and underlying estimates in the financial statements;
 - iv. major issues regarding accounting principles and financial statement presentations, including changes in accounting principles or application thereof, significant judgment areas, and significant and complex transactions;
 - v. the effectiveness and adequacy of internal auditing;

and

- vi. any disagreements between management and auditor of the company, about matters that individually or in the aggregate could be significant to Company's financial statements or the auditor's report, and any serious difficulties the auditor of the company in dealing with management related to the performance of the audit and management's response.

3. Report from Auditor of the Company:

- At least annually, the Committee will obtain from and review a report by the auditor describing,
 - internal quality control procedures,And
 - any material issues raised by the most recent internal quality-control review, or peer review, or by any governmental or professional inquiry or investigation within the preceding five years regarding any audit performed by the auditor, and any steps taken to deal with any such issues.
- Report from any other Auditor of the Company will be placed before the Audit Committee from time to time.

4. Internal Controls: The Committee will review the adequacy and effectiveness of Company's internal controls, including any significant deficiencies in such controls and significant changes or material weaknesses in such controls reported by the auditor or management and any special audit steps adopted in light of material control deficiencies, and any fraud, whether or not material, that involves management or other Company's employees who have a significant role in such controls.

5. Information Security: The Committee will review the adequacy and effectiveness of Company's information security policies and the internal controls regarding information security.

6. Internal Audit: The Committee will review the overall scope, qualifications, resources, activities, reports, organizational structure and effectiveness of the internal audit function.

7. Risks: The Committee will review and assess risks faced by the company and management's approach to addressing these risks, including significant risks or exposures relating to litigation and other proceedings and regulatory matters that may have a significant impact on Company's financial statements.

8. Related Party Transactions: The Committee will review and approve all "related party transactions," as defined in applicable laws. Further, the approval of Transactions with Related Parties or any subsequent modification thereto shall be dealt with by the Audit Committee, as under:

- i. All Related Party Transactions in the ordinary course of business and at arm's length basis which are above Board approved thresholds would require prior approval of the Audit Committee.
- ii. A Statement of all Related Party Transactions in the ordinary course of business and at arm's length basis which are below Board approved thresholds, will be placed before the Audit Committee for noting, on a quarterly/half-yearly basis, last Meeting to proposed Meeting basis or as per the discretion of Members of Audit Committee.
- iii. All Related Party Transactions which are not in the ordinary course of business or not at arm's length basis, would require the prior approval of the Audit Committee.
- iv. The Audit Committee will have the discretion to:
 - a. grant omnibus approval for routine Related Party Transactions;
 - b. recommend / refer any matter relating to Related Party Transaction to the Board for approval.
 - c. Transactions which are not at Arm's Length Price and/or not in the Ordinary Course of Business and exceeding the threshold limits as prescribed under Section 188 of the Act and rules made thereunder, would require approval of the Shareholders of the Company.

9. Defaults: The Committee to look into the reasons for substantial defaults/delays in payments to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

10. Investigations: The Committee will conduct or authorize investigations into any matters within the Committee's scope of responsibilities Disclosure Controls and Procedures. The Committee will review the adequacy and effectiveness of Company's disclosure controls and procedures.

11. Investments: The Committee will review the Investments made by the Company.

12. Loans and Obligations: The Committee will oversee Company's loans, loan guarantees of third-party debt and obligations and outsourcings.

13. Compliance: The Committee will review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance. It will also review the findings of any examinations by regulatory agencies and any Auditor observations. Further, obtain regular updates from the Management and Company legal counsel regarding compliance matters.

14. Whistle Blower: The Committee will formulate Company's Whistle Blower Policy and further review the functioning of and compliance with the Company's Whistle Blower Policy.

15. Others Matters: The Committee to also look into the following matters:

- i. Recommending the appointment of Chief Financial Officer to the Nomination and Remuneration Committee / Board of Directors, after assessing the qualifications, experience and background, etc. of the candidate.
- ii. 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 utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency with regard to monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- iii. Reviewing the valuation of undertakings or assets of the Company, wherever it is necessary and the appointment of Registered Valuers.

16. Subsidiary companies:

- i. The Committee may recommend the adoption of policies, procedures and processes laid down by it to the Audit Committee of its subsidiaries. Further, the Audit Committee may review the critical issues that may be referred by the Audit Committees of subsidiaries to the Audit Committee of the Company.
- ii. Reviewing the financial statements of the subsidiaries, in particular the investments made by the subsidiary companies.
- iii. Overseeing compliance with legal and regulatory requirements by the subsidiaries.
- iv. Overseeing financial reporting controls and processes for subsidiaries.

17. Reporting Responsibilities:

The Committee's reporting responsibilities will be as follows:

- i. The Audit Committee will update the Board, periodically.
- ii. The Board's Report shall disclose the composition of the Audit Committee, brief description of the scope of the Audit Committee Charter, names of the Members and the Chairman of the Audit Committee and brief details of Meetings and attendance at Audit Committee Meetings.
- iii. The recommendations of the Audit Committee on any matter relating to financial management, including the Auditors' Report, shall be binding on the Board.
- iv. If the Board does not accept the recommendations of the Audit Committee, it shall disclose the same in the Board's Report, together with the reasons therefor.

18. Other Responsibilities:

- i. Monitoring the effectiveness and reviewing the implementation of the Anti-Bribery and Anti-Corruption Policy, considering its suitability, adequacy and effectiveness.
- ii. Performing other activities related to this Charter as may be requested by the Board of Directors.
- iii. Carrying out additional functions as contained in any other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.
- iv. Instituting and overseeing special investigations as needed.
- v. The Chairman of the Committee shall confirm annually to the Board that all responsibilities outlined in this Charter have been carried out.

❖ **This Terms of Reference of Audit Committee was formulated and recommended by the Audit Committee at its meeting held on July 30, 2021 and approved by the Board at its meeting held on July 30, 2021.**