



HONASA CONSUMER LIMITED

Terms of Reference of Audit Committee

The Audit Committee ("AC") has been constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 ("Act") and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and is entrusted with the responsibility of overseeing the Company's financial reporting process, reviewing financial statements/results, evaluating the adequacy and effectiveness of internal financial controls and risk management systems, and discharging such other functions as may be required under applicable laws.

The Committee shall discharge its roles and responsibilities in accordance with Section 177 of the Act and Regulation 18 read with Part D of Schedule II of the SEBI Listing Regulations, which include, *inter alia*, the following:

- Oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommendation for appointment, re-appointment, replacement, remuneration and terms of appointment of auditors, including the internal auditor, secretarial auditor, cost auditor and statutory auditor, of the Company and the fixation of audit fee;
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- 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 Act;
 - 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 listing and other legal requirements relating to financial statements;
 - f) Disclosure of any related party transactions;

g) Modified opinion(s) in the draft audit report;

- Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
- 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 utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- Formulate a policy on materiality of related party transactions and on dealing with related party transactions;
- Approval or any subsequent modification of transactions of the listed entity with related parties and omnibus approval for related party transactions proposed to be entered into by the Company subject to such conditions as may be prescribed;
- Review, at least on a quarterly basis, the details of related party transactions pursuant to omnibus approvals given;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the listed entity, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- 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;
- Discussion with internal auditors of any significant findings and follow up there on;
- 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.
- 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;

- To 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;
- To review the functioning of the whistle blower mechanism;
- Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding ₹100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision;
- Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders;
- Review and oversee the whistle blower mechanism/ vigil mechanism;
- Review the financial statements, in particular, the investments made by any unlisted subsidiary;
- Noting of disclosure made under Regulation 31(4) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- Discharge such other functions and responsibilities as may be prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 2015, and the Company's Code of Conduct for Prevention of Insider Trading; and
- carrying out any other activities as may be delegated by the Board of Directors and functions required to be carried out by the AC as provided under the Act, the SEBI Listing Regulations or any other applicable law, as and when amended from time to time.

The Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses;
- The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.

- Statement of deviations:

- a. Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI Listing Regulations.
- b. Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) Regulations.