

## ESAB AUDIT COMMITTEE CHARTER

### 1. PURPOSE

To ensure the preservation of good financial practices throughout the Company.

To monitor that internal controls are in force to ensure the integrity of the financial information reported to the shareholders.

To provide by way of regular meetings, a line of communication between the Board and the external and internal auditors.

### 2. POWERS OF THE COMMITTEE

- i) To investigate any activity within its terms of reference.
- ii) To seek information from any employee.
- iii) To obtain outside legal or other professional advice.
- iv) To secure attendance of outsiders with relevant expertise, if it considers it necessary.

### 3. TERMS OF REFERENCE

- i) Oversight of company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii) Reviewing with the management and auditors, the quarterly financial statements and the annual financial statements with management and auditors before submission to the Board, focusing particularly on:-
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. any changes in accounting policies and practices and their consistency both on a year basis and across the Group and the appropriateness of those policies having regard to Indian GAAP;
  - c. major judgemental areas
  - d. significant adjustments resulting from the audit;
  - e. compliance with listing and other legal requirements relating to financial statements.

- f. disclosure of any related party transactions
  - g. qualifications in the draft audit report.
  - h. compliance with accounting standards; and
  - i. Management Discussion & Analysis and Result of Operations statement.
- iii) Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
  - iv) Consider the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the Head of Group Internal Audit / the outsourced Internal Audit Firm (who has direct access to the Chairman of the Committee), and any questions of their resignation or dismissal, and to consider and recommend to the Board the remuneration of the external auditors;
  - v) Review the relationship with the external auditors; including consideration of audit fees as well as any other services and fees in respect of non audit activities to ensure that a balance of objectivity and value for money is obtained;
  - vi) Discuss with external auditor before the audit commences the nature and scope of audit;
  - vii) Discuss with the external auditors problems and reservations arising from their audits, and any other matters the external auditors may wish to discuss.
  - viii) Review the external auditor's management letters and management's response.
  - ix) Review the annual audit programme, ensure co-ordination between the internal and external auditors and that the internal audit function has sufficient freedom and resource to carry out its role;
  - x) Review any reports released by the internal auditors and consider the major findings of internal investigations into any material failures of internal controls, irregularities and frauds and to obtain management's responses and to convey the results to the board;

- xi) Review the Company's statement on internal accounting and financials control systems prior to endorsement by the Board; and in particular to review:
  - a. the procedures for identifying business risks (including financial risks) and controlling their financial impact on the Company;
  - b. the Company's policies for preventing or detecting fraud;
  - c. the Company's policies for ensuring that it complies with relevant regulatory and legal requirements;
  - d. the operational effectiveness of the policies and procedures;
  - e. the Company's internal financial and non-financial reporting and internal control framework (including Treasury).
- xii) To look into reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- xiii) To review the functioning of the Whistle Blower Mechanism in case the same is existing.
- xiv) When money is raised through an public / rights / preferential issue etc., to ensure that the management discloses the uses / applications of funds by major category (capital expenditure, sales and marketing, working capital, etc.) on a quarterly basis.
- xv) The Chairman of the Audit Committee shall be present at the Annual General Meeting to answer shareholder queries on matters within the Committee's area of responsibility.

#### **4. CEO / CFO CERTIFICATION**

The Audit Committee shall review the disclosures, if any, made by CEO / CFO on :

- ❖ significant changes in internal control over financial reporting during the year.
- ❖ significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- ❖ instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having significant role in the company's internal control system.

## **5. SUBSIDIARY COMPANY**

The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.

## **6. AUTHORITY**

The Committee is authorized by the Board to oversee any investigation of activities within its terms of reference and act as a court of last resort. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee may obtain outside legal or other independent professional advice and will secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **7. MEETINGS**

The Committee should meet, at least four times in a year and not more than four months shall lapse between two meetings, including before the announcement of the Company's preliminary and interim results and to consider whether or not to recommend the reappointment of the external auditors at the next Annual General Meeting.

The Committee will meet with the Board at least once a year to discuss such matters as the annual report and the relationship with the external auditors.

Additional meetings may be called by the Chairman of the Committee, or may be requested by the Chairman, the Managing Director or the Company's external auditors.

The quorum for any meeting of the Audit Committee shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

In the absence of the Committee Chairman, the remaining members present shall elect one of the members to chair the meeting bearing in mind legal and regulatory requirements.

The committee shall periodically meet in private with the external and internal auditors.

## 8. COMPOSITION

The Committee members **(including Alternate)** and Chairman are appointed by the Board from the non-executive Directors, in compliance with legal and regulatory requirements.

Chairman                      To be an Independent Director

Members                      [Non-executive Director 1]  
   [Independent Director 2]

All members shall be financially literate and at least one member, preferably the Chairman, shall have expertise in accounting or financial management.

In attendance                Managing Director

   Internal Auditor

   External Auditor

   Chief Financial Officer

Secretary                      Company Secretary

The Managing Director, the CFO, the Internal Auditor and External Auditor may, at the invitation of the Chairman of the Committee, attend and speak at meetings of the Committee; other may be called upon or shall be able to speak by prior arrangements with the Chairman of the Committee.

## 9. REPORTING PROCEDURES

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Committee, following their approval by the Chairman of the Committee. Any Director may obtain copies of the Committee's agenda and minutes with the agreement of the Chairman of the Committee.

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