

CHEMENERGY BIOFUELS LIMITED

CIN: U24290HR2019PLC084192

AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE CHARTER

INTRODUCTION:

This Audit Committee policy formulated by the Company, in compliances with Section 177 of the Companies Act, 2013 read along with applicable rules thereto.

DEFINITIONS:

- **“Act”**:- Act means the Companies Act, 2013 and Rules framed there under, as amended from time to time.
- **“Board”**:-Board means Board of Directors of the Company.
- **“Director”**:-Directors means Directors of the Company.
- **“Committee”**:-Committee means Audit Committee of the Company as constituted or reconstituted by the Board, from time to time.
- **“Company”**:- Company means ChemEnergy Biofuels Limited.
- **“Independent Director”**:- Section 2 (47) of the Companies Act, 2013 provides that the “Independent Director” means as Independent Director referred to in sub-section (6) of section 149 of the Companies Act, 2013.
- **“Key Managerial Personnel”**:- Key Managerial Personnel (KMP) means-
 - (i) The Chief Executive Officer or the managing director or the manager;
 - (ii) The Whole-Time Director;
 - (iii) The Company Secretary;
 - (iv) The Chief Financial Officer; and
 - (v) Such other officer as may be prescribed under the applicable statutory provisions/ regulations
- **“Senior Management”**:- The expression “senior management” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.
- **“Audit Committee”** shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 177 (1) of the Companies Act, 2013.
- **“Policy or This Policy”** means, “Audit Committee Policy”.

OBJECTIVES OF THE COMMITTEE:

The Committee is charged with the Principle oversight of Financial Reporting and disclosures and aims to enhance the confidence in the integrity of the Company’s financial Reporting.

CONSTITUTION OF THE AUDIT COMMITTEE:

The Board has the power to constitute/ reconstitute the Committee from time to time in order to make it consistent with the Company’s policy and applicable statutory requirement. At present, the Audit Committee comprises of following Directors:

1. _____ (Non-Executive Independent Director)
2. _____ (Member (Non-Executive Independent Director))
3. _____ (Chairman cum Managing Director)

MEMBERSHIP:

1. The Committee shall consist of a minimum 3 directors, majority of them being independent.
2. The quorum for the meeting shall be either two members or one third of the members of the committee, whichever is higher but there shall be presence of minimum two independent members at each meeting.
3. Membership of the Committee shall be disclosed in the Annual Report.
4. Term of the Committee shall be continued unless terminated by the Board of Directors.

CHAIRMAN:

1. Chairman of the Committee shall be an Independent Director.
2. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
3. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
4. Chairman of the Audit Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

FREQUENCY OF MEETINGS:

The committee shall meet at least four times in a year and not more than 120 days shall elapse between any two meetings.

SECRETARY:

The Company Secretary of the Company shall act as Secretary of the Committee.

ROLE AND POWERS:

The Role of Audit Committee together with its powers as Part C of Schedule II of SEBI Listing Regulation, 2015 as amended and Companies Act, 2013 shall be as under:

A. The role of the audit committee shall include the following:

- 1) 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;
- 2) Recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- 3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- 4) 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 Companies Act, 2013;
 - 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;

- 5) Reviewing, with the management, the Half Yearly Financial Statements (and include Quarterly financial statements, if declare voluntarily by company) before submission to the board for approval;
- 6) 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 utilization of proceeds of a public issue or rights issue or preferential issue or qualified institutions placement, and making appropriate recommendations to the board to take up steps in this matter;
- 7) Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- 8) Approval or any subsequent modification of transactions of the listed entity with related parties;
- 9) Scrutiny of inter-corporate loans and investments;
- 10) Valuation of undertakings or assets of the listed entity, wherever it is necessary;
- 11) Evaluation of internal financial controls and risk management systems;
- 12) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- 13) 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;
- 14) Discussion with internal auditors of any significant findings and follow up there on;
- 15) Reviewing 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;
- 16) 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;
- 17) 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;
- 18) To review the functioning of the whistle blower mechanism;
- 19) Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- 20) Carrying out any other function as is mentioned in the terms of reference of the audit committee.
- 21) Reviewing the utilization of loans and/ or advances from / investment by the holding company in the subsidiary exceeding rupees 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.
- 22) Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.

B. The audit committee shall mandatorily review the following information:

- 1) Management discussion and analysis of financial condition and results of operations;
- 2) Management letters / letters of internal control weaknesses issued by the statutory auditors;
- 3) Internal audit reports relating to internal control weaknesses; and
- 4) The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- 5) Statement of deviations:
- 6) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
- 7) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

MINUTES OF COMMITTEE MEETING:

Proceedings of all meetings must be minuted and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

DEVIATIONS FROM THIS POLICY:

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

TENURE:

The Audit Committee shall continue to be in function as a committee of the Board until otherwise resolved by the Board, to carry out the functions of the Audit Committee as approved by the Board.

.....