

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF NATIONAL SEEDS CORPORATION LIMITED

INTRODUCTION:

The "Audit Committee" of the Board of Directors of National Seeds Corporation Limited is a qualified and independent Audit Committee which is a key element in the Corporate Governance process and acts as a link among the Management, the Auditors, Board of Directors and other stakeholders to oversee the financial matters and other Financial reporting process of the Company in line with the provisions of the Companies Act, 2013, Rules made thereunder and Corporate Governance Guidelines, 2010 as issued by Department of Public Enterprises, Govt. of India.

SCOPE:

This Charter prescribes requirement for constitution of the Audit Committee, meeting, quorum, scope, etc of the Audit Committee of the Board of Directors of NSC and matters related thereto.

This Charter is in conformity with the provisions of the Act and Guidelines. However, if due to subsequent changes in the Act, any part of this Charter becomes inconsistent with the Act/ Guidelines the provisions of the Act/ Guidelines shall prevail.

DEFINITIONS:

"Act" means the Companies Act, 2013 or any previous enactment thereof, or any statutory modification thereto or reenactment thereof and includes any Rules and Regulations framed thereunder.

"Guidelines" means the Corporate Governance Guidelines 2010 or any Circular, Office Memorandum, etc. issued by the Department of Public Enterprises, Govt. of India in this regard.

"Committee" means the Audit Committee of the Board of Directors mandatorily required to be constituted by the Board under the Act.

"Year" means the financial year to which the Board's Report relates.

Words and expressions used and not defined herein shall have the meaning respectively assigned to them under the Act.

I. COMPOSITION:

The Audit Committee shall have minimum three Directors as members with Two-third Independent Directors forming a majority. The Chairman of the Audit Committee shall be an Independent Director.

All members of the Committee shall have knowledge of financial matters of Company with ability to read and understand the financial statement, and at least one member shall have good knowledge of accounting and related financial management expertise.

Audit Committee members shall be appointed by the Board of Directors. If an Audit Committee Chair is not designated or present, the members of the Audit Committee may designate a Chair by majority vote of the Audit Committee membership.

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


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II. MEETING:

The Audit Committee shall meet periodically, but at least four times in a year and not more than four months shall elapse between two meetings. Minutes of each meeting, duly signed by the Chairperson of that Meeting or by the Chairperson of the subsequent Meeting in case of unavoidable circumstances. The Minutes shall be kept in the custody of Company Secretary at the Registered office of the Corporation.

III. QUORUM:

The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but a minimum of two independent members must be present.

Director (Finance), Chief Financial Officer, Head of Internal Audit Department and Auditors (Statutory Auditors and Internal Auditors) or their representatives can be specifically invited or attend the meeting as invitees for the Meetings of the Audit Committee as may be decided by the Chairman of the Audit Committee. The Audit Committee may invite Senior functional executives (particularly the head of the finance function) as it considers appropriate to be present at the Meetings of the Committee.

Apart from above, any person can attend the Meeting only with the prior permission of the Chairperson of the Committee.

The Audit Committee may also meet without the presence of any executives of the company.

The Auditors of a company and the 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 the right to vote.

IV. ROLE AND RESPONSIBILITIES:

The Audit Committee shall consider the observations of the Auditors and review the periodic and annual 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 Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include the following:

A. Financial Statements:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Reviewing and examination, 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 the provisions 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 legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions; and
 - g. Qualifications in the draft audit report.

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3. Reviewing, with the management, the quarterly/ periodical financial statements before submission to the Board for approval.
4. Scrutiny of inter-corporate loans and investments;
5. Valuation of undertakings or assets of the company, wherever it is necessary;
6. Reviewing with the management, statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue etc.), statement of funds utilised for purposes other than those stated in the offer documents/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.
7. 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.

B. Auditors:

1. Noting the appointment and removal of independent auditors. Recommending audit fee of independent auditors and also approval for payment for any other service.
2. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
3. Reviewing and monitor, with the management, auditor's independence and performance, and effectiveness of audit process and adequacy of the internal control systems.
4. 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.
5. Review of observations of C&AG including status of Government Audit paras.
6. To review the follow up action on the audit observations of the C&AG audit.
7. Review with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.
8. Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors
9. Consider and review the following with the independent auditor and the management:
 - The adequacy of internal controls including computerized information system controls and security, and
 - Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.
10. Consider and review the following with the management, internal auditor and the independent auditor:
 - Significant findings during the year, including the status of previous audit recommendations.
 - Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.

C. Internal Audit:

1. Review of appointment and removal of the Internal Auditor.
2. Reviewing, with the management, the performance of the internal auditors and of the independent auditors and effectiveness of the audit process.


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3. 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.
 4. Discussion with internal auditors and/or auditors any significant findings and follow up there on.
 5. Review of internal audit observations.

D. Internal Control:

1. Evaluation of internal financial controls and risk management systems.
2. To verify that the systems for internal control are adequate and are operating effectively.
3. The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.

E. Related party transaction:

1. Review all related party transactions in the company. For this purpose, the Audit Committee may designate a member who shall be responsible for reviewing related party transactions.
2. To recommend to the Board to approve or any subsequent modification of transactions of the company with related parties;

Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as prescribed in Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014.

Provided further that in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:

Provided also that in case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it:

Provided also that the provisions of this clause shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.

F. Other:

1. To oversee the Vigil Mechanism, if applicable, in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder.
2. To review the functioning of the Whistle Blower Mechanism.
3. To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.
4. To investigate into any matter in relation to the items as referred within its Role and responsibility or referred to it by the Board and for this purpose shall have power to

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obtain professional advice from external sources and have full access to information contained in the records of the company.

5. Reviewing the findings of any internal investigations by the internal auditors/auditors/agencies 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.
6. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
7. Any matter referred to it by the Board or any other terms of reference as amended by the Companies Act, 2013 & rules made thereunder, the Listing Regulations, 2015 and Guidelines issued by DPE.

V. POWERS OF AUDIT COMMITTEE

Commensurate with its role, the Audit Committee should be invested by the Board of Directors with sufficient powers, which should include the following:

1. To investigate any activity within its terms of reference.
2. To seek information on and from any employee.
3. To obtain outside legal or other professional advice, subject to the approval of the Board of Directors.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To protect whistle blowers.

VI. REVIEW OF INFORMATION BY AUDIT COMMITTEE

The Audit Committee shall review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of related party transactions submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment and removal of the Chief Internal Auditor shall be placed before the Audit Committee; and
6. Certification/declaration of financial statements by the Chief Executive/Chief Finance Officer.

VII. REPORTING RESPONSIBILITIES :

1. The Audit Committee will update the Board, periodically.
2. 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 Chairperson of the Audit Committee and brief details of Meetings and attendance at Audit Committee Meetings.
3. The recommendations of the Audit Committee on any matter relating to financial management, including the Auditors' Report, shall be binding on the Board.
4. 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 therefore.
5. The Chairperson of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries; provided that in case the Chairperson is unable to attend due to unavoidable reasons, he may nominate any member of the Audit Committee.