

ICI India Limited

Audit Committee - Terms of Reference

1 Name/Purpose

The Committee shall be named Audit Committee and shall assist the Board in the effective discharge of its responsibilities for corporate governance, financial reporting and corporate control. In the discharge of its functions, the Committee shall exercise the powers and responsibilities vested on it under the Companies Act, 1956, or any re-enactment thereof and the relevant clauses of the Letter of Assurances with Stock Exchanges. The Board will continue to have the overall responsibility in respect of all such matters.

2 Organisation

- (i) The audit committee shall have a minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors.
- (ii) All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- (iii) The Chairman of the Audit Committee shall be an independent director;
- (iv) The Chairman of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries;
- (v) The audit committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee;
- (vi) The Company Secretary shall act as the secretary to the committee.

3 Meetings

- a) The audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum 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.
- b) Formal notice of the Committee's meetings shall not be necessary but the Chairman will ensure that all members and invitees authorized by the

Committee or the Board are advised of the date/ time and venue of the meetings in advance.

- c) The Auditors, internal auditor if any and the Director responsible for Finance shall attend and participate at meetings of the Audit Committee but shall not have right to vote.

4 Powers

The Audit Committee shall have the following powers;

- a. To investigate any matter within its terms of reference or in relation to the compliance with the provisions of the Companies Act, 1956 or referred to it by the Board
- b. To seek information from any employee.
- c. To obtain outside legal or other professional advice.
- d. To secure attendance of outsiders with relevant expertise, if it considers necessary.

5. Role

The role of the Audit Committee shall include the following:

- (i) 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.
- (ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- (iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (iv) Review with the management, of the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement forming part of the Board's report in terms of relevant provisions of the Companies Act, 1956 or any re-enactment thereof;
 - 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. Qualifications in the draft audit report.

- (v) Review with the management, of the quarterly financial statements before submission to the board for approval
- (vi) Review with the management, of the performance of statutory and internal auditors, adequacy of the internal control systems.
- (vii) Review of 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.
- (viii) Discussion with internal auditors any significant findings and follow up there on.
- (ix) Review of 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.
- (x) 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.
- (xi) 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.
- (xii) Review of the functioning of the Whistle Blower mechanism.
- (xiii) Carrying out any other function as may be assigned to the Committee by the Board from time to time.

- (xiv) Review of information relating to:
 - a) Management discussion and analysis of financial condition and results of operations;
 - b) Statement of significant related party transactions, submitted by management;
 - c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - d) Internal audit reports relating to internal control weaknesses; and
 - e) The appointment, removal and terms of remuneration of the Chief internal auditor.