



CHARTER OF AUDIT AND RISK MANAGEMNT COMMITTEE

Dodla Dairy LIMITED
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AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee and Risk Management Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Dodla Dairy Limited (“**DODLA**”).

1. PURPOSE

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- a) financial reporting and disclosure requirements;
- b) ensuring that an effective risk management and financial control framework has been implemented and tested by management; and
- c) external and internal audit processes.

2. THE COMMITTEE SHALL ACT AND HAVE POWERS IN ACCORDANCE WITH THE TERMS OF REFERENCE WHICH SHALL INCLUDE THE FOLLOWING:

- a) To investigate any activity within its terms of reference
- b) To seek information from any employee
- c) To obtain outside legal or other professional advice
- d) To have full access to information contained in the records of the Company

3. COMPOSITION AND MEMBERSHIP

- a) The Board will appoint the members (“**Members**”) of the Committee. The Members will be appointed to hold office until the next annual general meeting of shareholders or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a director.
- b) The Committee will consist of at least three directors, a majority of whom will meet the criteria for independence and financial literacy. In addition, each of the independent directors will be free of any relationship, which could, in the view of the Board, reasonably interfere with the exercise of a Member’s independent judgment.
- c) The Board will appoint one of the Members to act as the chairman of the Committee (the “**Chairman**”). The Company Secretary (the “**Secretary**”) or any other officer of the Company appointed by the Committee will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Committee. If the Secretary is not in attendance at any meeting, the Committee will appoint another person who may, but need not, be a Member to act as the secretary of that meeting.

4. MEETINGS

- a) Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four (4) times per year. Five (5) days advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive



notice before or after a meeting. Members may attend all meetings either in person or by any other means of communication as applicable under the law.

- b) At the request of the external auditors, the Chief Executive Officer or the Chief Financial Officer or any Member, the Chairman will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.
- c) The quorum shall be either two members or one-third of the members of the Audit Committee; whichever is higher.
- d) The Chairman, if present, will act as the chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee the Members in attendance may select one of their members to act as chairman of the meeting.
- e) A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolutions signed by all Members.
- f) The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee.
- g) In advance of every regular meeting of the Committee, the Chairman, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees to produce such information and reports as the Committee may deem appropriate to fulfil its duties.

5. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee as they relate to the following matters, are as follows:

DUTIES AND RESPONSIBILITIES OF AUDIT COMMITTEE

1. Financial Reporting

- a) Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- b) Reviewing, with management, the annual financial information before submission to the Board for approval, with particular reference to:
 - i. Matters required to be included in the Directors' Responsibility Statement in the Board's Report pursuant to Companies Act 2013
 - ii. Changes, if any, in accounting policies and practices and reasons for such changes.
 - iii. Major accounting entries involving estimates based on the exercise of judgement by the Company's management.
 - iv. Any significant adjustments made in the financial information arising out of audit findings.



- v. Compliance with listing and other legal or regulatory requirements relating to financial information.
 - vi. Disclosure of any related party transactions.
 - vii. Any qualifications in the draft Audit Report.
 - viii. Compliance with Accounting standards
 - ix. Going concern assumption
 - x. Disclosure of contingent liabilities.
- h) Reviewing the company's financial and risk management policies
 - i) Internal audit reports relating to internal control weaknesses.
 - j) Financial statements and draft audit report, including quarterly /half yearly financial information.
 - k) Management discussion and analysis of financial condition and results of operations.
 - l) Reports relating to compliance with laws and to risk management.
 - m) Management letters / letters of internal control weaknesses issued by the statutory / internal Auditors.

2. Internal control

- a) Reviewing with the Management, External and Internal Auditors, the adequacy of internal control systems.

3. Internal Audit

- a) Reviewing of the Internal Audit Report and action taken thereon.
- b) Reviewing the adequacy of the 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.
- c) Reviewing the appointment, removal and terms of remuneration of the Chief Internal Auditor.
- d) Discussing with the Internal Auditors any significant findings and follow-up thereon.
- e) 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.
- f) Recommending the appointment and removal /replacement of External Auditors, fixation of audit fee and also approval for payment for any other services.
- g) Having pre-audit discussions with the statutory auditors as to the nature and scope of the audit, and post-audit discussions to ascertain any areas of concern.



4. External Audit

- a) Recommend to the Board a firm of external auditors to be nominated for appointment as company's external auditor
- b) Ensure the external auditors report directly to the Committee on a regular basis
- c) Review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- d) Review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors;
- e) Review the audit plan of the external auditors prior to the commencement of the audit;
- f) Establish and maintain a direct line of communication with Company's external and internal auditors;
- g) Oversee the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditor's team;
- h) Review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use as well as any other material changes.
- i) Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;
- j) Discuss with the external auditors their perception on financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;
- k) Discuss with the external auditors their perception on identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks;
- l) Review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board;
- m) Review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues



5. Subsidiary companies

- a) The Audit committee of the company shall also review the financial statements, particularly the investments made by the subsidiary companies

6. Related Party Transactions

- a) A statement of all transactions with related parties, including their basis shall be placed before the Audit committee for formal approval /ratification with explanations where there are interested transactions.
- b) Details of material individual transactions with related parties which are not in the normal course of business shall be placed before the Audit Committee.
- c) Details of material individual transactions with related parties or others, which are not on an arm's length basis should be placed before the Audit committee, together with Management's justification for the same.
- d) Scrutiny of inter-corporate loans and investments.

7. Defaults

- a) Looking into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders [in case of non-payment of declared dividends] and creditors.

8. Others

- a) Reviewing the functioning and compliances as regards the Company's Whistle Blower Policy.
- b) Monitoring usage of proceeds from Initial Public offerings, if applicable.
- c) Monitoring usage of proceeds from an issue including public issues, right issues, preferential issues, etc. on quarterly basis /annual basis and make appropriate recommendation to the Board.
- d) Approving the appointment of CFO (i.e. the Wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background of the candidate.
- e) Valuation of undertakings or assets of the Company, wherever it is necessary.

9. Compliance

- a) Reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow – up (Including disciplinary action) of any instances of non – compliance.
- b) Reviewing the findings of any examinations by regulatory agencies, and any auditor observations.
- c) Obtaining regular updates from the Management and Company legal counsel regarding compliance matters.

10. Reporting Responsibilities

- a) The Audit Committee will update the Board periodically.



- b) The Chairman of the Audit Committee shall be present at the Annual General Meetings to answer shareholder queries and clarification on matters relating to audit.
- c) The Annual Report of the company shall disclose the composition of the Audit committee, it shall record the reason therefore and communicate such reasons to the shareholders.
- d) Deciding penal and disciplinary action in respect of violation of the Regulations by any Specified person.

11. Other Responsibilities

- a) Performing other activities related to this Charter as requested by the Board of Directors.
- b) Carry out additional functions as this charter as requested by the Board of Directors.
- c) Carry out additional functions as per regulatory requirements applicable to the company or in the terms of reference of the Audit Committee.
- d) Instituting and overseeing special investigations as needed.
- e) Confirming annually that all responsibilities outlined in this Charter have been carried out

DUTIES AND RESPONSIBILITIES OF RISK MANAGEMENT COMMITTEE

- a) To ensure there is an embedded, robust process in place throughout the Company to identify, assess, mitigate and report business risks with clear lines of ownership.
- b) To drive and co-ordinate risk management process covering all areas of risk (including operational, strategic, financial, commercial, regulatory, reputational etc.), through an appropriate business risk management organization.
- c) To ensure that the business risk strategy and management processes comply with applicable regulatory requirements and corporate governance principles.
- d) To ensure that the business risk management principles and processes are widely understood across the Company through adequate induction, training and awareness programmes.
- e) To periodically monitor and review Company's key business risks and risk mitigation plans and advise the Board of business risks which could materially impact Company's delivery of its business plans, strategy, and reputation, if left untreated.
- f) To monitor external developments in the business environment which may have an adverse impact on Company's risk profile, and make recommendations, as appropriate.
- g) To report to the Board on key risks, risk management performance and the effectiveness of internal controls.

6. OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that company's financial statements are complete and accurate or comply with applicable accounting standards and other applicable requirements. These are the responsibilities of Management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.



Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of company's financial information or public disclosure.

7. REPORTING

The Chairman will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Secretary will circulate the minutes of each meeting of the Committee to the members of the Board

8. ACCESS TO INFORMATION AND AUTHORITY

The Committee will be granted unrestricted access to all information that is necessary or desirable to fulfil its duties and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at company's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with internal and external auditors.

9. REVIEW OF CHARTER

The Committee will review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration as and when required.

Date: 13 July 2018

Place: Hyderabad

Approved by the Board of Directors