



## CHARTER OF AUDIT COMMITTEE

### I. Objective:

Pursuant to the provisions of Section 177 of the Companies Act, 2013 read with the relevant rules made thereunder and Regulation 18 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations, 2015"), the Board of Directors of Bajaj Auto Limited ("the Company") have constituted the Audit Committee ("the Committee").

The objective of this Charter is to provide for the structure, responsibilities and functions of the Committee in conformity with the provisions of the Companies Act, 2013, the Listing Regulations, 2015 and any other applicable laws, including any amendments thereto from time to time.

In view of the vital role played by the Committee in reviewing & monitoring the effective corporate governance mechanisms and *inter alia*, in ensuring the integrity of financial statements through its oversight of the Company's financial reporting process, internal control system and audit functions, this Charter essentially covers the following elements:

- Composition;
- Meetings and Quorum;
- Terms of Reference.

### II. Composition:

The Committee shall be constituted / reconstituted by the Board of Directors. The Committee shall comprise of three or more Directors as members with at least two-thirds of the members being the Independent Directors. The Chairman of the Committee shall be an Independent Director.

All members of the Committee shall be financially literate and at least one member, who in the judgement of the Board, is having accounting or related financial management expertise.

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

### III. Meetings and Quorum:

The Committee shall meet at least four times in a financial year. The maximum time interval between any two consecutive meetings shall not exceed 120 days.

The quorum required for the meeting of the Committee shall be two members or one third of the total number of members of the Committee, whichever is higher, but there should be a minimum of two Independent Directors.

#### **IV. Terms of Reference:**

In terms of the provisions of Section 177 of the Companies Act, 2013 read with the relevant rules made thereunder and Regulation 18 read with Schedule II of the Listing Regulations, 2015, the role, functions and terms of reference of the Audit Committee shall include the following:

##### **Financial Statements:**

- 1) To oversee 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) To review, with the management, the quarterly financial statements before submission to the Board of Directors for approval.
- 3) To review, with the management, the annual financial statements and auditor's report thereon before submission to the Board of Directors 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 Section 134(3)(c) 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 judgement by the 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.
- 4) To review management discussion and analysis of financial condition and results of operations.
- 5) To review the financial statements, in particular, the investments made by the unlisted subsidiary(s) of the Company.

##### **Audit:**

- 6) To recommend to the Board of Directors for appointment, remuneration and terms of appointment of the auditors of the Company.
- 7) To approve availing of the permitted non-audit services rendered by the statutory auditors and approval of payment of fees thereof.
- 8) To review and monitor the auditor's independence and performance, and effectiveness of audit process.
- 9) To review, with the management, the performance of statutory and internal auditors, adequacy of the internal control systems.

- 10) To review 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.
- 11) To discuss with internal auditors of any significant findings and follow up thereon.
- 12) To review 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.
- 13) To discuss 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.
- 14) To review management letters / letters of internal control weaknesses issued by the statutory auditors.
- 15) To review the internal audit reports relating to internal control weaknesses.
- 16) To review the appointment, removal and terms of remuneration of the chief internal auditor.

**Others:**

- 17) To approve the transactions of the Company and its unlisted subsidiary(s) with related parties, as may be applicable, including any subsequent modifications thereto.
- 18) To review the utilisation of loans and / or advances from / investment by the Company in its subsidiary company exceeding Rs. 100 crore or 10% of the asset size of the subsidiary company, whichever is lower.
- 19) To scrutinise inter-corporate loans and investments.
- 20) To undertake valuation of undertakings or assets of the Company, wherever it is necessary.
- 21) To evaluate internal financial controls and risk management systems.
- 22) To review the functioning of the Whistle Blower mechanism.
- 23) To approve the appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate.
- 24) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- 25) To consider and comment on rationale, cost benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders.
- 26) To review the investment policy.
- 27) To review, with the management, the statement of use / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency, monitoring the utilisation of

proceeds of a public issue or rights issue or preferential issue or qualified institutional placement and making appropriate recommendations to the Board of Directors to take up steps in this matter.

- 28) To review the statement of deviations:
- a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations, 2015.
  - b) annual statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice in terms of Regulation 32(7) of the Listing Regulations, 2015.
- 29) To review compliance with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 at least once in a financial year and verify that the systems for internal control are adequate and are operating effectively.
- 30) To carry out any other function mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.

**V. General:**

In case any provision of this Charter is contrary to or inconsistent with the provisions of the Companies Act, 2013, the Listing Regulations, 2015 and / or any other applicable law for the time being in force, the latter shall prevail.

Words and expressions used in this Charter, shall have the same meaning as ascribed to them in the Companies Act, 2013, the Listing Regulations, 2015, the rules & regulations made thereunder and / or any other law applicable to the Company for time being in force.

**VI. Dissemination of the Charter on the Company's website:**

A copy of this Charter shall be hosted on the website of the Company.

**VII. Review of the Charter:**

This Charter shall be reviewed by the Committee on a periodic basis and appropriate changes due to any regulatory amendments or otherwise, if any, shall be recommended to the Board of Directors for its consideration and approval.

(Version No. 1)

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*(Copy for dissemination on the Company's website.)*