

**UNITED SPIRITS LIMITED  
CHARTER OF AUDIT COMMITTEE**

(As approved by the board of directors at their meeting held on 25 January 2022 w.e.f.  
1<sup>st</sup> April 2022.)

**A. PURPOSE**

- To help ensure the preservation of good financial practices throughout the company.
- To help ensure adoption of sound accounting policies which are consistent with the nature and size of the business.
- To monitor that internal controls are in place.
- To help ensure the integrity of the financial information reported to the Board and Shareholders.
- To provide by way of regular meetings, a line of communication between the Board and the external and internal auditors.

**Note: This Committee is constituted to meet the requirement of Regulation 18, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013 and other applicable rules and regulations and as amended from time to time.**

**B. TERMS OF REFERENCE**

**1) The role of the Audit committee shall be the following:**

- a) 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.
- b) Recommending the appointment, remuneration and terms of appointment and removal of statutory auditors.
- c) Review and monitor the auditor's independence, qualification, expertise, resources, objectivity, effectiveness, independence, performance and effectiveness of the auditors and the audit process.
- d) Approval of payment to the Statutory Auditors for non-audit services rendered by them.

- e) Discuss with the external auditors problems and reservations arising from their audits, and any other matter the external auditors may wish to discuss.
- f) Examination of the financial statement and the auditors' report thereon.
- g) Scrutiny of inter-corporate loans and investments and other loans and investments, if any
- h) Valuation of undertakings or assets of the Company.
- i) Evaluation of internal financial controls and risk management systems.
- j) Reviewing with the management and auditors, the quarterly or annual or other periodical financial statements before submission to the Board for approval, focusing primarily on:
  - i. 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.
  - ii. Major accounting entries and decisions based on exercise of judgement by management.
  - iii. Changes if any in Accounting policies and practices and reasons for the same.
  - iv. The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.
  - v. Qualifications/ modified opinion(s) in the draft audit report.
  - vi. Significant adjustments arising out of audit.
  - vii. Critical accounting policies and practices, and any changes in them.
  - viii. The going concern assumption.
  - ix. Compliance with Accounting Standards.
  - x. Regulatory Compliances including Tax Compliances, Compliance with listing and other legal requirements concerning financial statements.
  - xi. Prior approval or any subsequent modifications of transactions of the company with related parties including omnibus approval of such RPT and disclosure of any such related party transactions. (The term "related party transactions" (RPT) shall have the same meaning as contained in the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or such Accounting Standards, issued by The Institute of Chartered Accountants of India, as may be amended from time to time.
  - xii. Review disclosure of any related party transactions;
  - xiii. Review and follow up of open matters arisen from Past Meetings
- k) Monitoring and 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 utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- l) Reviewing with the management, performance of statutory and internal auditors,

and the adequacy of internal control system, risk management system, control over financial reporting, and propose wording relating to these in the annual financial statements.

- m) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, areas of coverage and frequency of internal audit and approval of internal audit charter.
- n) 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.
- o) Discussion with internal auditors any significant findings and follow up thereon.
- p) Discussion with statutory auditors and internal auditors before the audit commences about nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- q) 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, if any.
- r) To review the functioning of the Vigil/Whistle Blower mechanism and extend the applicability to directors also and ensure adequate safeguard against victimization of directors/employees/any other person who avail the mechanism and also provide for direct access to the Chairperson of the Audit Committee in appropriate/exceptional cases.
- s) Approval of appointment of Chief Financial Officer (CFO) i.e., the whole time Finance Director or any other person heading the finance function or discharging that function after assessing the qualifications, experience & background, etc. of the candidate. The Audit Committee shall consider for appointment to the position of CFO such candidates who, from time to time are nominated in accordance with the Articles of Association of the Company.
- t) Review the annual audit program, ensure co-ordination between the internal and external auditors and that the internal audit function has sufficient freedom and resource to carry out its role.
- u) Review the Company's statement on internal accounting and financial control systems prior to endorsement by the Board; and in particular to review.
- v) Review any representation letter requested by the external auditor before it is signed by management.
- w) The Company's policies for preventing or detecting fraud.
- x) The operational effectiveness of the policies and procedures.
- y) The Company's internal financial and non-financial reporting and internal control framework (including Treasury).

- z) SOX testing and necessary reporting to Diageo.
- aa) The Chairman of the Audit Committee to be present at the Annual General Meeting to answer shareholder queries on matters within the committee's area of responsibility.
- bb) To frame and review of Investment policy, RPT Policy and other necessary policies, if any.
- cc) Such other matters that may be statutorily required to be reviewed by the Audit Committee from time to time.
- dd) Such other matters as may be delegated by the Board of Directors from time to time
- ee) 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.
- ff) consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.

**2) The Audit Committee shall have powers including 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 secure attendance of outsiders with relevant expertise, if it considers necessary.

**3) The Audit Committee shall mandatorily review the following information:**

- a) Management discussion and analysis of financial condition and results of operations.
- b) Statement of significant related party transactions (as defined by the audit committee), 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 shall be subject to review by the Audit Committee.
- f) Statement of deviations:
  - (i) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI (Listing Obligations and Disclosure Requirements), 2015.
  - (ii) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of SEBI (Listing Obligations and Disclosure Requirements), 2015.

**4) Review of Internal Controls under the SEBI (Prohibition of Insider Trading) Regulations, 2015 ('SEBI PIT Regulations')**

The Committee shall review compliance with the provisions of SEBI PIT Regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.

**5) To take note of the disclosures received pursuant to Regulations 31(4) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.**

**C. Chief Executive Officer ("CEO") / Chief Financial Officer ("CFO") CERTIFICATION**

The Audit Committee shall review the disclosures, if any, made by CEO /CFO on:

- a) Significant changes in internal control over financial reporting during the year.
- b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having significant role in the company's internal control system.

**D. SUBSIDIARY COMPANY**

The Audit Committee of the holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.

**E. COMPOSITION**

- 1) The Committee Members are appointed by the Board from the non-executive Directors, in compliance with legal and regulatory requirements and members of the Audit Committee shall elect a Chairman amongst themselves / as specified by the Board.

Chairman – To be an Independent Director

Members – Any other Non-Executive Directors or Independent Directors

- 2) The Committee shall have minimum three directors as members and two third of the members of the Committee shall be Independent Directors. The Chairperson of the Audit Committee shall be an independent director and he/she shall be present at annual general meetings to answer shareholder queries.
- 3) All members shall be financially literate and at least one member, preferably the Chairman, shall have expertise in accounting or financial management. Other participants at the meeting with the permission of the Chair are as follows-

In attendance – Managing Director & CEO, Internal Auditor, Statutory Auditor/External Auditors, Chief Financial Officer

Secretary – Company Secretary

Such other invitees who may be invited to participate from time to time.

- 4) The Managing Director, the CFO, the Internal Auditor and External Auditor or other executives including the Legal Counsel, Company Secretary (CS) and other officers holding senior management position in the Company may, at the invitation of the Chairman of the committee, attend and speak at meetings of the committee; other may be called upon or shall be able to speak by prior arrangements with the Chairman of the Committee.

## **F. MEETINGS AND QUORUM**

- 1) The Committee should meet, at least four times in a year and not more than one hundred and twenty days shall lapse between two meetings, including before the announcement of the Company's preliminary and interim results and to consider whether or not to recommend the reappointment of the external auditors at the next Annual General Meeting.
- 2) The Committee will meet with the Board at least once a year to discuss matters such as the annual report and the relationship with the external auditors. Additional meetings may be called by the Chairman of the committee, or may be requested by the Chairman, the Managing Director or the Company's external auditors.
- 3) The quorum for any meeting of the Audit Committee 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.
- 4) In the absence of the Committee Chairman, the remaining members present shall elect one of the members to chair the meeting bearing in mind legal and regulatory requirements.
- 5) The committee shall periodically meet in private with the external and internal auditors.
- 6)
- 7) The committee shall, once a year, also have a meeting without the presence of Executives/Whole time directors or the Company Secretary of the company.
- 8) The Committee shall evaluate its performance and recommend to Nomination and Remuneration Committee for induction of member to the Audit committee.

## **G. REPORTING PROCEDURES**

The Secretary shall circulate the draft minutes of meetings of the committee to all members of the committee within 15 days of the respective meetings for the comments of the members and the members shall communicate their comments if any, within 7 days from the date of circulation of the draft Minutes for finalizing and entering in the Minutes Book. Any Director who is not a member of the committee may obtain copies of the committee's agenda and minutes with the agreement of the Chairman of the committee.

The Audit Committee shall act on such further terms of reference as may be considered necessary and specified by the Board in writing from time to time.

The Audit Committee shall have such powers/functions/features/role and activities and shall also comply with such other stipulation to meet the requirements as may be necessary both under the Companies Act or the Companies Act, 2013 or any other Act or legislation, as well as under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 / Listing Agreements of

Stock Exchanges with which the Company's shares are listed.

#### **H. REVIEW AND AMENDMENTS**

The committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. This charter can be amended by the Board of Directors, from time to time.