



MEGASOFT LIMITED

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CHARTER FOR THE AUDIT / RISK & COMPLIANCE COMMITTEE

(A) Objectives

The management of the Company has the overall responsibility to prepare financial statements in accordance with generally accepted accounting principles. The Company's Independent Auditors has the responsibility to audit those financial statements. The Committee's responsibility is one of overseeing the financial information. However, the Audit / Risk and Compliance Committee ("Committee") has no obligation to provide any expert or other special assurance as to the Company's financial statements.

The objectives of the Committee are to:

(a) assist the Board of Directors of the Company in fulfilling its responsibilities to oversee the:

- Company's financial reporting process.
- the integrity of the Company's financial statements as per authority and responsibilities provided in this charter.
- the Company's compliance with legal and regulatory requirements.
- Independent Auditors qualification and independence.
- The Performance of the Company's Internal Audit function and Independent Auditor.

(b) prepare reporting requirement to be included in the Company's Annual Statements.

(B) Membership

The Audit Committee will consist of a minimum three Independent Non-Executive Directors, who shall meet all applicable legal requirements with respect to independence, financial literacy, accounting, etc. At least one member will, in the judgement of the Board, be an "audit committee financial expert" as defined by the rules and regulations in this regard and at least one member (who may also be the audit committee financial expert) will, in the judgement of the Board, have accounting or related financial management expertise in accordance with the Listing Agreement. The members of the Committee shall be appointed by the Board of Directors upon recommendation by the Nomination & Remuneration Committee and will serve until separation voluntarily or otherwise.

(C) Powers

In discharging its responsibilities, the Committee shall have the following powers:

- (a) unrestricted access to the Company's books and records.
- (b) to seek information from any employee of the Company including the management of the Company and its external advisors.
- (c) to investigate any activity within its terms of reference.
- (d) to obtain the advice of lawyers, accountants or other professionals / consultants at the Committee's sole discretion. The Committee shall have sole authority to approve related fees and retention terms. Any communication between the Committee and the external legal counsel in the course of obtaining legal advice will be considered as attorney-client (company) privileged communication and the Committee shall take all necessary steps to preserve the privileged nature of those communications.
- (e) to have adequate resources and other authority necessary to discharge its duties and responsibilities.
- (f) to obtain any information from any employee of the Company to perform its duties effectively and have direct access to any employee of the Company.

The Committee shall act on the basis of simple majority.

(D) Responsibilities and Duties

The following are the responsibilities and duties of the Committee. The Committee may diverge from these responsibilities and may assume such other responsibilities as it deems necessary or appropriate in carrying out its functions.

The responsibilities and duties of the Committee are classified under the following two heads:

- Primary responsibilities and duties
- Additional responsibilities and duties

(1) **Primary Responsibilities and Duties**

1.1 Responsibilities and Duties in relation to Internal Audit -

- (a) Reviewing on a regular basis the adequacy of the internal audit function, its responsibilities, its budgeting, Strategic and Operating Plan for Internal Audit function, remuneration, reporting structure, coverage and frequency of internal audit.
- (b) Reviewing and discussing with internal auditors and management on issues / findings arising from the internal audit reports and follow up thereon. This would include reviewing the issues / findings arising from internal investigations into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the same to the Board of Directors.
- (c) Meeting exclusively with the Internal Auditors on a quarterly basis and Meeting Internal Auditors with the Management and / or Independent Auditors on quarterly basis.

1.2 Responsibilities and Duties in relation to Independent Auditors -

- (a) Committee shall have the sole authority to:
 - hire and fire Independent Auditors
 - approve all audit engagement fees and terms
 - approve any significant non-audit relationship with the Independent Auditor
- (b) Discussion with Independent Auditors before the audit commences of the nature, scope and approach of the audit.
- (c) Post-audit discussion with Independent Auditors to ascertain areas of concern.
- (d) Review of the performance of the Independent Auditors.
- (e) Conducting a "post-audit review" of the financial statements and audit findings including any suggestions for improvements provided to management by the Independent Auditors.
- (f) Annually obtaining and reviewing a report by the Independent Auditor describing:
 - the audit firm's internal quality control procedures.
 - any material issues raised by the most recent internal quality control review or peer review of the firm.
 - any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to one or more independent audits carried out by the firm.
 - any steps taken to deal with any of the above issues.
 - all relationships between the Independent Auditor and the Company so as to assess the Auditor's independence.
- (g) Reviewing and evaluating the lead partner of the Independent Auditor as well as if necessary to consider rotation of Auditor in consultation with the Management.
- (h) Regularly reviewing with the Independent Auditor any audit problems or difficulties and management's response thereon.
- (i) Regularly reviewing with the Independent Auditor:
 - any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise).
 - any communications between the audit team and the audit firm's office with respect to auditing or accounting issues presented by the engagement.
 - any "management" or "internal control" letter issued or proposed to be issued by the audit

firm to the company.

1.3 Responsibilities in relation to the Company's financial statements -

- (a) Review of the Company's accounting policies, internal accounting controls, financial and risk management policies and such other matters as the Committee deems appropriate.
- (b) Overseeing 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.
- (c) Review and discuss the audited financial statements with management and the Independent Auditors and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles.
- (d) Reviewing with management the annual financial statements before submission to the Board of Directors, focusing primarily on:
 - Any change in accounting policies and practices
 - Major accounting entries based on exercise of judgement by management
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards applicable to the Company
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
 - And other matters of Clause 49 of Listing Agreement compliance with respect to Committee's responsibilities
- (e) Reviewing release of the financial statements audited or otherwise along with the Director's Report, and such other matters which form part of the Annual Report of the Company.
- (f) Discussing with the management and the Independent Auditor the following:
 - annual audited financial statements
 - quarterly financial statements
 - disclosures under "Management's Discussion and Analysis of Financial Condition
 - Results of Operations
 - Financial statements / forms to be released or submitted to any legal or regulatory authority
 - Audit report of the Independent Auditor on Financials / Internal Control / Other specific matters
 - Management Representation letters and related matters
- (g) Discuss and review with the management:
 - earnings press releases
 - financial information provided to analysts
 - earnings guidance (including the use of any "proforma" or "adjusted" non-GAAP information provided to analysts and rating agencies.
 - policies with respect to risk assessment and risk management.
 - the major financial risk exposures and the steps management has taken to monitor and control such exposures
- (h) Reviewing:
 - Major issues as to the adequacy of the company's internal controls and any special audit steps adopted in light of significant deficiencies and material weaknesses
 - Analyses prepared by the management and / or the independent auditor setting forth significant financial reporting issues and judgements made in connection with the

- preparation of the financial statements
- Analyses of the effects of alternative GAAP methods on the financial statements
- The effect of regulatory and accounting initiatives
- Off-balance sheet structures on the financial statements

1.4 Responsibilities in relation to review of Compliance -

- (a) Review Compliance reports of compliance with applicable laws, regulations and company's policies every quarter to assess non-compliance and seek clarifications and explanations together with steps taken to ensure compliance.
- (b) To monitor & review financial / non-financial regulatory matters through the use of Compliance Report which comprises of Asset Protection, Trade Practices, Conflict of Interest, Intellectual Property, Harassment & Discrimination, Company's anti-bribery policy (such as India's Prevention of Corruption Act, OECD guidelines on prevention of corruption, US Foreign Corrupt Practices Act, or any other similar acts which may be introduced from time to time) and violations under Code of Business Conduct and Ethics to assess non-compliance, seek clarifications and explanations together with steps taken to ensure compliance.
- (c) The adoption of appropriate remedial measures, including steps or sanctions to stop any material violations that are on-going, to prevent any material violation that has yet to occur, and to minimize the likelihood of its recurrence.
- (d) Evaluate the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies, rules and regulations.
- (e) Review the contractual obligations of the Company and continuously assess compliance processes.
- (f) Review the policies of the Company relating to financial matters, Code of Business Conduct and Ombuds process and recommend improvements.

Other general responsibilities

- (a) Report Committee's conclusions with respect to the various matters that the Committee has considered as well as the independence of the Auditor to the full Board at its next Board meeting.
- (b) Review management's monitoring of compliance with Company's standards of Business conduct and with the Foreign Corrupt Practices Act.
- (c) Reviewing in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statements.
- (d) Overseeing compliance with Listing Agreement requirements for disclosure of auditor's services and Committee members and activities.
- (e) Review the impact of pronouncements of the Financial Accounting Standards Board and other governing or regulating bodies on Company's financial statements.
- (f) Overseeing and reviewing of the Company's asset management policies, including an annual review of the Company's investment policies and performance for cash and short term investments.
- (g) Setting clear hiring policies for employees or former employees of the Independent Auditors.
- (h) Reviewing whether the audit of the Company is of high standard and follows best practices in vogue from time to time.
- (i) Presenting its conclusions with respect to the independence of the Auditor to the full Board.
- (j) Establishing and overseeing procedures for the receipt, retention and treatment of complaints on accounting, internal controls or auditing matters including confidential or anonymous submissions by Company's employees raising questionable accounting or auditing concerns.
- (k) Reviewing on a regular basis the adequacy of the Ombuds function, including the structure and organisation of the Ombuds team, its responsibilities, coverage, frequency of Ombuds team meeting, appointment of Corporate Ombudsperson, assessment and payment of remuneration to Corporate Ombudsperson, coverage and frequency of Ombuds team meeting.
- (l) Review of any complaints against any of the ombudspersons can be lodged with the Corporate Ombuds person. Any complaints against the Corporate Ombuds person, and the Corporate Compliance Committee members (namely Chairman of the Company, Executive Directors, CFO, Company Secretary, HR Head, General Counsel, Legal counsel, Internal Auditor) can be made to the Committee.

- (m) Review on a periodic basis the Corporate Compliance Committee Report and the Disclosure Committee report.
- (n) Handling of complaints referred to the Chairman of the Committee under Company's Ombuds Process.
- (o) Review on a periodic basis the Company's policies for risk assessment and risk management and assess the steps Management has taken to control such risk.
- (p) Review and approve the Strategic and Operating Plan of Enterprise Risk Management function of the Company.
- (q) Review and reassess the adequacy of this Charter annually and submit it to the Board of Directors for consideration and approval.

(2) **Additional Responsibilities**

In addition to the above primary responsibilities, the Committee will undertake such other duties as the Board of Directors delegates to it, and such other matters as may be required to be reviewed under Corporate Governance Guidelines and any statutory or regulatory requirements, and will report, at least annually, to the Board regarding the Committee's examinations and recommendations of such issues.

The Committee shall review and assess its performance on an annual basis using the established procedures by Nomination and Compensation Committee.

(E) Meetings

The Committee will meet at least four times each year for quarterly meetings and additional meetings for specific review of Internal Controls / Review of Strategic and Operating Plan for Internal Audit, Enterprise Risk Management, etc. The Committee may establish its own schedule which it will provide to the Board of Directors in advance. The Committee may meet in person or through other methods like video conferencing, audio conferencing, etc. as may be permitted by law from time to time.

Under normal circumstances, meetings of the Committee shall be attended by the Chairman and Managing Director, the Executive Director, CFO, Internal Auditor and the Company Secretary and the Independent auditors. The Committee may at its discretion require the attendance of such other persons from within the Company at Committee meetings.

The Committee would be free to meet without the presence of any or all of the above mentioned persons if it so desires.

(F) Reports

The Committee shall report to the Board at its next Board meeting, which will be incorporated as a part of the minutes of the Board of Directors meeting.

(G) Circular Resolution

The decisions to be taken by the Committee members may be taken by way of a circular resolution wherever it is not possible to have a meeting of the Committee members.

(H) Minutes

The Company Secretary will maintain minutes of the meetings of the Committee, which will be submitted to the Board for noting.

Committee Responsibilities

- (1) Agenda will be prepared for Committee meetings in consultation with the Committee Chairman and Members and also the Management.
- (2) Annual review of the Committee Charter.
- (3) Annual evaluation of the Committee's performance.
- (4) Provide a report of the Committee in the Annual Report.
- (5) Include a copy of the Charter, as and when change takes place.
- (6) Appointment / Re-appointment of the Independent Auditor and approval of fees for the ensuing financial year.
- (7) Annual evaluation of independent auditor's qualification, performance, obtaining a written report from the Independent Auditor as mentioned in the Charter.
- (8) Pre-approval of non-audit service fees to Independent Auditor.
- (9) Review and approval of Strategic Plan and Operating Plan of Internal Audit function.
- (10) Review and approval of appointment or change in the Internal Auditor / Corporate Ombudsperson and his remuneration.
- (11) Review of Internal Audit report and risks related thereto.
- (12) Review of Company's policies for risk assessment and risk management and assess the steps management has taken to control such risk.
- (13) Review and approval of Strategic Plan and Operating Plan of Enterprise Risk Management.
- (14) Review of Company's policies for Code of Business Conduct, Ombuds report, report on involuntary attrition, etc.
- (15) Review of accounting policy changes, major accounting entries, qualifications in audit report, significant adjustments from audit, compliance with accounting standards, any related party transaction.
- (16) Review of company's annual assessment of the effectiveness of its Internal Controls and the Independent Auditors' attestation.
- (17) Reviewing with the Independent Auditor any audit problems or difficulties and management's response thereon.
- (18) Post-audit discussion with Independent Auditors to ascertain areas of concern.
- (19) Overseeing the company's financial reporting process and the disclosure of its financial information including earnings release, guidance, analyst information (audited or otherwise) both under Indian GAAP and US GAAP requirements, if any.
- (20) Review of legal disputes.
- (21) Report to the Board by the Committee on its conclusions with respect to the matters discussed at the Board.
- (22) Overseeing and reviewing the Company's asset management policies, including an annual review of the Company's investment policies and performance for cash and short term investments.
- (23) Review of other Clause 49 compliance issues.