

BUSINESS RULES OF THE AUDIT COMMITTEE

1. Chairperson and Members of the Audit Committee.

The Audit Committee shall have minimum three directors as members with at least two-thirds of the members of audit committee shall be Independent Directors. The Committee shall have at least one nominee director of NTPC Limited. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

The chairperson of the Audit Committee shall be an independent director and he /she shall be present at Annual general meeting to answer shareholder queries.

2. Periodicity

The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.

3. Quorum

The quorum shall be either two members or one third of the members of the Audit Committee, whichever is greater, but a minimum of two Independent members must be present. As per Clause 5.2 of Share Purchase Agreement, at least one Nominee Director of NTPC shall be present to fulfill the quorum of the Committee.

4. Secretary of the Committee

The Company Secretary of the Company shall be the Secretary to the Audit Committee.

5. Role of the Audit Committee

The role of the Audit Committee shall include the following:

1. Oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Noting the appointment and removal of Independent Auditors. Recommending audit fee of independent auditors and also approval for payment for any other service;
3. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - a) matters required to be included in the Director's Responsibility Statements 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;
 - 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) compliance with accounting standards as applicable.
 - h) modified opinion(s) in the draft audit report;
4. Reviewing, with the management, the quarterly/half yearly financial statements before submission to the Board for approval;
 5. 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;
 6. Approval or any subsequent modification of transactions of the listed entity with related parties;
 7. Scrutiny of inter-corporate loans and investments;
 8. Valuation of undertakings or assets of the listed entity, wherever it is necessary;
 9. Evaluation of internal financial controls and risk management systems;
 10. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems, monitoring the auditor's independence and effectiveness of audit process;
 11. Reviewing the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 12. 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;
 13. Discussion with statutory auditors & Branch 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 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;
 15. To review the functioning of the whistle blower mechanism;
 16. 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 existing as on the date of coming into force of this provision;
 17. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders;
 18. Consider and review the following with the management, internal auditor and the independent auditor:
 - Significant findings during the year, including the status of previous audit recommendations,
 - Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information,
 19. Consider and review the following with the independent auditor and the management:
 - The adequacy of internal controls including computerized information system controls and security, and
 - Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.

20. To review the follow up action on the audit observations of the C&AG audit.
21. To review the follow up action taken on the recommendations of Committee on Public Undertakings (CoPU) of the Parliament.
22. Provide an open avenue of communication between the independent auditor, Internal Auditor and the Board of Directors;
23. Review and approval of all related party transactions in the Company.
24. Review with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.
25. To formulate the scope/ functioning/periodicity and methodology for conducting the internal Audit in consultation with internal auditor for effective performance of the internal audit function.
26. Recommending to the Board, the appointment and fixation of fees for Internal Auditors for Audit and other internal audit related services, if any.
27. Recommending to the Board, the appointment, re-appointment and if required, replacement or removal of cost auditors and their remuneration & other terms of appointment of the Cost Auditors of the Company.
28. Review the Cost Audit Report along with full information and explanation on every reservation or qualification contained therein and recommend the report to the Board for consideration.
29. To call for comments of the auditors about internal control systems including the observations of the auditors, their submission to the Board and to discuss any related issue with the internal and statutory auditors and the management of the Company.
30. Review of the quarterly statement for deviation including report of monitoring agency, if applicable submitted to Stock Exchanges.
31. Review valuation of undertakings or assets of the Company, wherever it is necessary.
32. The Audit Committee shall give the auditors of the Company and the Key Managerial Personnel a right to be heard in the meetings of the Audit Committee when it considers the Auditor's report.
33. The Audit Committee shall oversee the vigil mechanism established for the directors and employees for reporting genuine concerns or grievances and shall provide for adequate safeguards against victimisation of persons who use such mechanism. The Chairperson of the Audit Committee shall be directly accessible in appropriate and exceptional cases.
34. Carrying out such other functions as may be specifically referred to the Committee by the Company's Board of Directors and/or other Committees of Directors.
35. To assist the Board in its oversight functions relating to:
 - a) quality and integrity of disclosures contained in the audited and unaudited Financial Statements;
 - b) integrity of the internal controls established from time to time; and
 - c) investments of the Company.
36. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate.

6. Review of information by Audit Committee

The Audit Committee shall review the following information:

- i. Management discussion and analysis of financial condition and results of operations;

- ii. Statement of related party transactions submitted by Management;
- iii. Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
- iv. Internal audit reports relating to internal control weaknesses;
- v. The appointment and removal of the Internal Auditor shall be placed before the Audit Committee; and
- vi. Certification/declaration of Financial Statements by the Chief Executive/Chief Finance Officer.

7. Powers of Audit Committee

Commensurate with its Role, the Audit Committee should be invested by the Board of Directors with sufficient powers, which should include the following:

- (i) To investigate any activity within its terms of reference.
- (ii) To seek information on and from any employee.
- (iii) To obtain outside legal or other professional advice, subject to the approval of the Board of Directors.
- (iv) To secure attendance of outsiders with relevant expertise, if it considers necessary.
- (v) To protect whistle blowers.

8. Minutes of the Meeting

The Audit Committee shall have the minutes of its meeting drawn and approved by the Chairperson of the Committee and the same shall be put up to the Board for information.

9. Miscellaneous Provisions

- 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.
- The Director (Finance) shall invariably attend the meeting as Special Invitee. Functional Directors, Statutory Auditors, Internal Auditors and concerned HoDs may be specifically invited as and when required to be present in the meetings of the Audit Committee, as decided by Chairperson of the Audit Committee.