



UltraTech Cement Limited

Internal Audit Charter

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1. Mission

The Board of Directors, Audit Committee and Management of UltraTech Cement Limited (“the Company”) is committed to sound corporate governance and supports Internal Audit as a separate, independent function to examine and evaluate the Company’s activities and operations as a service to the Management, the Audit Committee and the Board of Directors. Internal Audit acts as an independent appraisal function by examining and evaluating the adequacy and effectiveness of the Company’s system of internal control, risk management and performance.

The Charter serves as a record of formally approved framework of the Internal Audit process which serves as a base document in organization and administration of Internal Audit reviews.

2. Introduction

The Audit Committee of the Company has adopted this Charter by its resolution dated 21st October, 2020.

3 Objectives of Internal Audit

The main objectives of Internal Audit is to provide independent, objective assurance and consulting service that is guided by the philosophy to *add value* by using a disciplined systematic approach to evaluate and improve the effectiveness of risk management, control and corporate governance processes and the integrity of the Company’s operations.

The internal audit is expected to assist the Management and Audit Committee in the effective discharge of their responsibilities by furnishing them with analysis, appraisals, recommendations, advice and information concerning the activities that it audits and by promoting effective control and sound business practices.

The prime objectives of Internal Audit are:

- a. Examine and evaluate whether the Company’s frame work of risk management, control and governance processes is adequate and functioning properly.
- b. Ensure that quality and continuous improvement is fostered in the Company’s control and risk management process.
- c. Examine whether employee’s actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- d. Whether resources are economically acquired, efficiently used and adequately protected.
- e. Whether significant legislative and regulatory issues impacting the Company are recognized and addressed appropriately.

In order to fulfill its objectives, the scope of Internal Audit includes all major and significant locations and processes of the Company over a block period of two years. Internal Audit will cover the following:

- The examination and evaluation of the adequacy and effectiveness of the internal control systems at various operations and activities of the Company (Internal Controls over the Financial Reporting).
- The review of the application and effectiveness of the risk management procedures and risk assessment methodologies at operational and functional level of the Company.
- The review of the financial and management information systems, including electronic information systems.
- The review of the accuracy and reliability of the accounting records and the financial reports.
- The testing of both transactions and functioning of specific internal control procedures, at various departments and offices.
- To review adherence with the compliance software and suggest improvements in the software.
- To review compliance with the provisions of the Code of Conduct to regulate, monitor and report trading by Designated Persons in Listed or Proposed to be Listed Securities of the Company.
- To review the Safety practices followed across the Company and whether they are in compliance with the established safety standards.
- The evaluation and adherence to legal and regulatory frameworks, policies and procedures as indicated and mandated by relevant regulatory bodies of India from time to time.
- The evaluation of effectiveness of the existing policies and procedures and make recommendation for improvements.
- Identifying opportunities for cost savings and recommending for cost efficiencies.
- Identify fraud risk faced by the Company and suggest appropriate controls to minimize these risks.

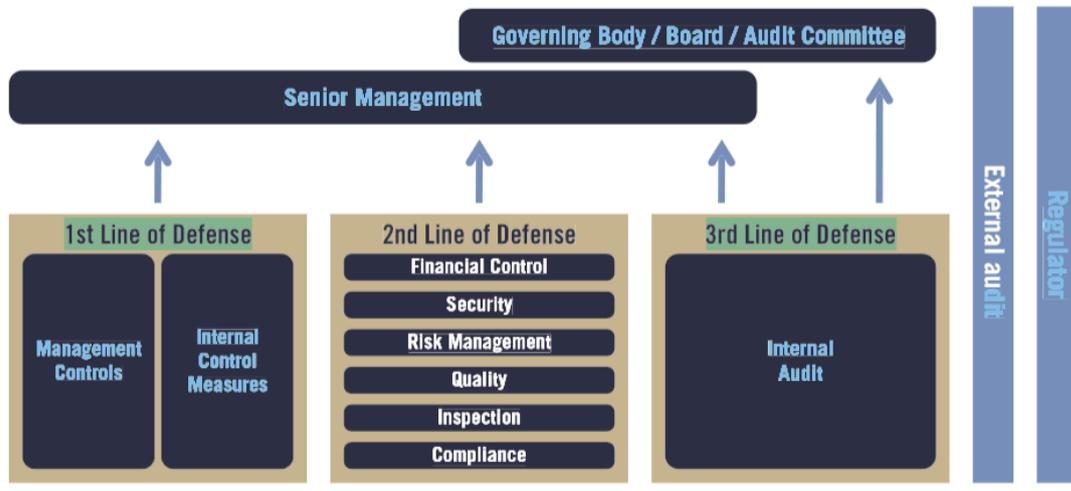
4 Authority

The Internal Auditors are authorized to:

- Have unrestricted access to all departments, offices, activities, records, information, properties and personnel, relevant to the performance of audit function.
- Determine scope of work in consultation with the Management and as approved by the Audit Committee and apply techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in various departments / offices of the Company where ever the audit is performed.
- Obtain assistance of specialists / professionals where considered necessary from within or outside the Company, only post discussion and agreement with the Company.
- Consult with the management on matters such as the design of the internal controls, business controls, risk management activities and corporate governance processes.

5 Responsibility

Internal Audit will be Third Line of Defense as depicted below:



The Internal Audit teams have responsibility to:

- Implement the risk based annual audit plan on a timely and effective manner
- Maintain requisite audit staff strength comprising of Chartered Accountants, Certified Information System Auditors, other professionals competent to carry out internal audits.
- In case the nature of an audit area requires some specific knowledge or expertise in a particular field, it will depute specialized staff having relevant knowledge and experience for these assignments.
- Evaluate the adequacy and expertise of resources deployed and if expertise or resources are not available, Internal Audit firms together with the Company can seek assistance externally through a co-sourcing arrangement.
- Use such audit tools and techniques that will support effective discharge of internal audit responsibilities.
- Obtain final annual audit plans from the Accounts and MIS Team of the Company. Issue periodic reports on a timely basis to the Whole-time Director & Chief Financial Officer and the Head – Corporate Accounts, summarizing findings of audits.
- The audit staff of the Internal Audit Team has responsibility to:
 - ✓ Exercise due professional care in carrying out audit assignments
 - ✓ Maintain integrity and objectivity.

6 Accountability

Internal Audit Team, in the discharge of their duties, shall be accountable to the Audit Committee of the Board of Directors of the Company:

- Submit an assessment on the adequacy and effectiveness of the Company's processes for controlling its activities and managing its risks in all areas of the operations on an annual basis.
- Report significant issues related to the audit processes, together with the recommendations for improvements.
- Provide information on the status and results of the annual audit plan on a periodic basis.

Internal Audit team has no operating responsibility or authority over the departmental operations that it audits.

7 Independence

The Internal Audit Team is independent of the senior and working management of the Company so that it can provide an independent opinion on the effectiveness of the internal controls system, risk management and governance of the Company.

8 Appointment of Internal Audit Firms

- The Company will outsource its Internal Audit function to reputed, independent firms of Chartered Accountants who have requisite experience, capabilities, national standing and ranking, specialised skills and knowledge, etc.
- The selection of such independent outsourced firms will be carefully done after following proper due diligence.
- Considering the size, volume, complexities and geographical spread of the Company, it may appoint more than one independent outsourced firms as its internal auditors to provide Internal Audit Services.
- The internal audit work allocation amongst such firms will be done based on the geographical locations / Functions of the Company and in discussion with the Whole-time Director and Chief Financial Officer of the Company.
- The allocated regions will be rotated amongst internal audit firms every 2 years so as to ensure that each region is audited by different audit firms and the Company benefits as this rotation adds different dimensions and contributes.
- The appointment of Internal Audit Firms will be approved by the Audit Committee.
- The Head - Corporate Accounts is the designated Single Point of Contact (SPOC) by the Company to coordinate with the internal audit firms and the Company to ensure smooth functioning of the internal audit function.

9 Conduct of an Internal Audit assignment

Setting up Scope of Work

- The Internal Auditors with the management team will jointly prepare the Audit Plan and present the same to the Audit Committee
- The scope of internal audit will also be made available to the Statutory Auditors of the Company
- The audit firms shall agree and finalize the Audit Calendar and plan, detailing the coverage and period of the audit
- On the basis of annual audit plan, audit firms shall plan the efforts for audit areas to complete the audits mentioned therein. The audit firms shall allocate their staff and if needed shall depute additional staff upto the completion of the audit assignment. Quarterly reviews shall be performed for the identified areas of audit.

Assignment Execution

- Opening meetings shall be held prior to the commencement of audit reviews proposed. Such an opening meeting should be conducted and attended at the very minimum by the Process Owners, representative from the Accounts and MIS team of the Company and any other person that the management requires it to be attended.

- The meeting will introduce the scope, objectives, internal audit approach, process grading parameters and seek specific expectations, if any of the auditees. The said meeting will also establish the communication and escalation protocols and seek to obtain a buy in from the auditees/process owners for the internal audit engagement.
- Personnel Access - Audit team must have access to all personnel necessary to the fulfillment of its assignment.
- Documents access - The Audit team shall have an access to all the documents including but not restricted to Procedures Manual, Financial reports which must be enabling Audit Team to fulfill its assignment.
- Execution & Reviews - Audit Team shall perform effective and timely reviews in line of the activities table listed below on the basis of information / documents and other audit support made available

To the extent possible endeavour should be made to adhere to the turn around times (TAT) mentioned in the table below.

Activities	Suggested Timelines
Opening Presentation & Audit Kick off	One week before commencement of field work
Initial Information Request Roll out	One week before commencement of field work
Receipt of data from Management	To ensure information availability (internal / external) within 7 to 10 days from the date of communication of the Information Request
Additional Information Requests from the audit team	Ad hoc as the review progresses
Receipt of additional information	To ensure TAT adherence on information availability, same as III above
Closing Meetings	The audit firm representatives and the auditees will have a closing meeting at the end of the audit and discuss all internal audit findings and arrive at mutually agreed plan to issue draft reports
Issue of Draft Report	One week from the audit closure
Confirmation of draft report by management	Auditees to provide management responses and sign off on draft report in 15 to 20 days from the date of issue of draft report
Final Report	Within a week of receipt of confirmation of draft report from Auditees

Assignment Finalization and Reporting

- Issue of Draft report - Draft report shall be issued by the internal audit team after the completion of field work in line with timelines established under the table given above. The draft audit report shall be concise, clear, constructive and objective and it shall detail the audit scope, the audit findings and results and recommended actions to be taken. The audit report shall further make clear observed deficiencies or weaknesses and risks for the Company. Process Owners / Heads of the Company shall provide their comments on the draft report in line with timelines established under the table given above. The Internal Audit team will take into consideration management comments, either by:
 - ✓ Revising their report's content
 - ✓ Including a 'Additional Auditors Comment' section in the body of their report.
- Distribution of the Final Report - Internal Audit team will circulate the final report addressed to the Audit Committee and send it to the Whole-time Director and Chief Financial Officer, the Chief Manufacturing Officer, the Chief Marketing Officer, the Head of Accounts and MIS and other designated persons of the Company, as may

be mutually agreed upon, through a soft copy. Hard Copy of the Final Audit Report shall be sent to the designated persons, as may be mutually agreed upon, at the designated address notified.

- Audit Committee - A senior representative (Partner/Director) of the Audit Firm shall be available to present the findings of the Audit to the Pre Audit and or Audit Committee of the Company as and when required and also present any information/ clarification/ explanation / recommendation as maybe sought by the Audit Committee.
- Assignment report recommendations and management action plans follow-up – the Management will ensure that its recommendations and the management action plans have been implemented as per their remediation plans. Audit Team shall perform a quarterly post implementation status review for all remediation plans pertaining to High and Medium risk observations.
- Copies of the Internal Audit Reports shall also be made available to the Statutory Auditors of the Company.
- Archiving the audit record - The audit record shall be archived at the end of each audit. All supporting documents along with the final reports will be stored and archived as per the documents retention policy of the Company.

10 Disclosure The Policy is available on the website of the Company viz. www.ultratechcement.com

11. Review This Policy shall be reviewed by the Audit Committee at least once every three years, and updated accordingly.