



INTERNAL AUDIT CHARTER

Amara Raja Energy & Mobility Limited

CIN: L31402AP1985PLC005305

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1. Purpose & Mission

This Charter defines the purpose, authority, responsibilities, scope, and governance framework of the Internal Audit (IA) function of Amara Raja Energy & Mobility Limited (“ARE&M” or “the Company”) and its subsidiaries.

The Charter establishes Internal Audit as an independent assurance function supporting the Audit Committee and the Board in discharging their oversight responsibilities.

Internal Audit’s mission is to enhance and protect organizational value by providing independent, objective assurance and advisory services, using a systematic and risk-based approach to evaluate and improve the effectiveness of governance, risk management, and internal control processes.

2. Governance Framework

2.1. Three Lines of Defense: The Company follows the three Lines of defense model:

- **First Line:** Business functions owning and managing risks
- **Second Line:** Risk management, compliance, and oversight functions
- **Third Line:** Internal Audit providing independent assurance

Internal Audit operates as the third line of defence and is independent of management.

The governance framework shall also encompass digital governance, including controls relating to digital systems, automation platforms, cybersecurity, data integrity, system access management, and technology-enabled business processes

2.2. Positioning

Internal Audit does not assume management responsibility or perform operational duties. It provides independent assurance on the adequacy and effectiveness of governance, risk management, and internal controls.

3. Independence and Reporting

- 3.1.** Internal Audit shall report functionally to the Chairman of the Audit Committee and administratively to the Chief Financial Officer (CFO).
- 3.2.** The Audit Committee shall have overall responsibility for oversight of the Internal Audit function.
- 3.3.** Internal Audit shall have unrestricted and direct access to the Audit Committee, including the right to meet privately without management presence.
- 3.4.** Internal Audit shall confirm its organizational independence to the Audit Committee periodically.
- 3.5.** Any impairment to independence or objectivity shall be disclosed to the Audit Committee.

4. Outsourced Internal Audit Model

The Company operates an outsourced Internal Audit model through an independent external Chartered Accountant firm. The following governance principles shall apply:

- 4.1.** The Audit Committee shall approve the appointment, re-appointment, remuneration, and removal of the Internal Audit firm.
- 4.2.** The Internal Audit firm shall be independent of the Statutory Auditor.

- 4.3. A formal evaluation of the Internal Audit firm's performance shall be conducted as and when deemed by the Audit Committee.
- 4.4. The Internal Audit firm shall comply with this Charter and applicable professional standards.
- 4.5. Rotation of the Internal Audit firm shall be considered, as deemed appropriate by the Audit Committee.
- 4.6. The scope, approach, and audit plan shall be approved by the Audit Committee.
- 4.7. The Internal Audit firm shall maintain strict confidentiality of Company information and comply with data protection requirements.

5. Authority

Internal Audit is authorized by the Audit Committee to have full, free, and unrestricted access to all records, systems, personnel, and physical properties of the Company and its subsidiaries. It may obtain necessary assistance from Company personnel and engage subject matter experts, where required, to effectively discharge its responsibilities. Internal Audit is empowered to allocate resources, determine the scope, frequency, and methodology of audits, and to communicate directly with the Audit Committee and senior management. Any limitation or restriction in the scope of Internal Audit activities shall be promptly reported to the Audit Committee.

6. Scope of Work

The scope of Internal Audit includes independent evaluation of:

- 6.1. Governance processes and frameworks
- 6.2. Enterprise risk management systems
- 6.3. Internal control systems (design and operating effectiveness), including digital controls, automated controls, application controls, IT general controls (ITGCs), cybersecurity controls, and system-enabled business processes. Financial and operational reporting integrity
- 6.4. Compliance with laws, regulations, and internal policies
- 6.5. Safeguarding of assets
- 6.6. Operational efficiency and effectiveness
- 6.7. Information technology systems, cybersecurity, and data governance digital platforms, automate
- 6.8. business processes, and related digital control environments.
- 6.9. Fraud risk management and investigation mechanisms
- 6.10. Compliance with approved Delegation of Authority / Delegation of Powers framework, approval matrices, and governance protocols
- 6.11. Review of business continuity planning (BCP), disaster recovery (DR), crisis management preparedness, and operational resilience frameworks.
- 6.12. Review of manufacturing operations, plant controls, inventory management, supply chain processes, production efficiency, quality controls, and operational safety mechanisms.
- 6.13. Review of sustainability, ESG, environmental, health & safety (EHS) including accuracy of sustainability reporting and disclosures

The scope shall extend to all business units, subsidiaries, joint ventures, and outsourced operations.

7. Responsibilities

Internal Audit shall:

- 7.1. Develop a risk-based annual and periodic audit plan aligned with the Company's risk profile and strategic objectives.
- 7.2. Present the audit plan for Audit Committee approval.
- 7.3. Execute audits and communicate findings with recommendations.
- 7.4. Monitor and report on implementation of agreed action plans.
- 7.5. Conduct special reviews and investigations, including fraud-related matters, either on request or suo-moto.
- 7.6. Provide periodic updates to the Audit Committee on:
 - 7.7. Audit findings and key risks
 - 7.8. Status of action plans
 - 7.9. Significant control failures
 - 7.10. Instances of fraud or misconduct
- 7.11. Coordinate with Statutory Auditors and other assurance providers to ensure optimal audit coverage.
- 7.12. Evaluate effectiveness of risk management and compliance functions.
- 7.13. Collaborate with management, where appropriate, in designing and strengthening control frameworks for emerging business models, new operations, digital transformation initiatives, and evolving regulatory or operational scenarios, while maintaining Internal Audit independence.
- 7.14. Support the Audit Committee in reviewing financial reporting processes and internal control certifications.
- 7.15. Identify emerging risks and recommend improvements.

8. Audit Planning and Reporting

- 8.1. Internal Audit shall adopt a risk-based approach incorporating both annual and long-term audit planning.
- 8.2. The audit universe shall include all critical business processes, locations, and entities.
- 8.3. Internal Audit shall issue clear, concise reports highlighting observations, root causes, risks, and recommendations.
- 8.4. Reports shall be discussed with management and action plans agreed.
- 8.5. Periodic summary reports shall be submitted to the Audit Committee.
- 8.6. Critical issues shall be escalated immediately.
- 8.7. All significant system weaknesses, control gaps, cybersecurity vulnerabilities, and deficiencies identified through audits or reviews shall be treated as high-risk areas and reported with appropriate management action plans and monitoring mechanisms

9. Coordination and Combined Assurance

Internal Audit shall coordinate closely with the Statutory Auditors, Risk Management function, Compliance and Legal functions, and other assurance providers within the Company. Such coordination shall be aimed at adopting a combined assurance approach, ensuring optimal coverage of key risks, enhancing overall assurance effectiveness, and avoiding duplication of efforts across functions.

10. Quality Assurance and Improvement Program

Internal Audit shall establish and maintain a comprehensive Quality Assurance and Improvement Program (QAIP) covering all aspects of its activities. The QAIP shall include periodic internal assessments as well as independent external quality assessments conducted at least once every five years, or as prescribed under applicable standards. The results of such assessments, along with improvement actions, shall be reported to the Audit Committee

11. Professional Standards and Ethics

Internal Audit shall perform its activities in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and shall adhere to the Code of Ethics prescribed by the Institute. The function shall also comply with all applicable Indian regulatory requirements and professional guidance to ensure high standards of integrity, objectivity, confidentiality, and competency.

12. Confidentiality

Internal Audit shall maintain strict confidentiality of all information obtained during audits and shall use such information only for legitimate audit purposes
