

INTERNAL AUDIT FRAMEWORK

OBJECTIVES:

The Audit Committee and Board of Directors of Investment Manager of India Grid Trust (IndiGrid) deem a strong internal control system in all areas and activities of IndiGrid (the 'organization') to be of high importance.

The Audit committee and management has established audit objectives, determined the nature, timing, and extent of audit procedures as well as the locations where the work needs to be carried out.

The objective of the internal audit is to assist IndiGrid in the appraisal of its internal control functions, recommend improvements in processes and procedures, and surface significant observations and recommendations for process improvements.

The Board of Directors of the Investment Manager of IndiGrid on the recommendation of the Audit Committee appoints an external Audit Firm (among top 10) as an Internal Auditor for IndiGrid and entities owned, directly or indirectly, by IndiGrid subject to re-appointment on annual basis. Further, the Internal Auditor reports directly to the Audit Committee and has direct access to the Audit Committee at any time.

Internal Auditor will help Management to achieve its business objectives and business risk mitigation and improving efficiency and effectiveness of process/operations through:

- **Financial, Business Process and Compliance Audit**
Provide independent assurance of the reliability and integrity of financial/operational information & reporting and compliance with key IndiGrid policies and regulations.
- **Operation Reviews**
Conduct Operations Reviews to improve business processes continuously in terms of quality, reliability, responsiveness and cost.
- **Best Practices and Benchmarking**
Identify, facilitate transfer and implementation of Best Practices and Benchmarking through financial and operations reviews across all entities of IndiGrid.

SCOPE OF WORK:

The scope of work of the Internal Auditor is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected. Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process. Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.

RESPONSIBILITIES:

(A) Internal Controls

- Evaluate adequacy and effectiveness of the internal control systems on a continuous basis through a systematic and disciplined approach.
- The Internal Auditor will in consultation with the management present an annual internal audit plan to the Audit Committee for approval. The plan shall set out the recommended scope of their work in the period.
- The annual plan will be developed using appropriate risk-based methodology with reference to a long-term strategic outlook for internal audit work, prepared in conjunction with management and approved by the Audit Committee, and should have regard to the business plans and strategic outlook of the department as a whole.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee from time to time. Review information systems including information technology and cyber security
- Present to the Audit Committee significant findings relating to internal control/process weakness along with process owners action plan.
- Keep track and follow up with the process owners for pending action plans and present the status to the Audit Committee.
- Issue periodic reports to the Audit Committee and management summarizing results of audit activities.
- Conduct special investigations as directed by the Audit Committee / Management in case of matters of suspected fraud, irregularity or failure of internal control system after keeping Management informed.

(B) Review of Compliance Framework:

- Review effectiveness of the system for monitoring compliance with laws and regulations.
- Sample testing of compliances (eg. Accounting Standards, Related party transactions, secretarial etc.)
- Review mechanism for adherence to the IndiGrid's Code of Conduct.
- Review compliance on policies, plans, procedures, laws and regulations
- Assist the Audit Committee in the review of IndiGrid's financial reporting process as per parameters agreed in checklist

(C) SPV's oversight:

Conduct internal audits in SPVs owned, directly or indirectly, by IndiGrid to assist the Audit Committee in following

- overseeing the systems of internal control, results of audits and integrity of financial reporting.
- Review of transmission lines and sub-stations
- Information and cyber security
- Data governance

(E) Quality Assurance:

The Internal Auditor shall ensure that high standards are sustained in the auditing process and towards this, they shall:

- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.

REPORTING:

The primary purposes of internal audit reports are to provide management with an opinion on the adequacy of the internal control system, and to inform management of significant audit findings, conclusions and recommendations.

The aim of every internal audit report shall be:

- To prompt management to implement recommendations for change leading to improvement in performance and control
- To provide a formal record of points arising from the internal audit assignment and, where appropriate, of agreements reached with management.

Reporting arrangements, including the format and distribution of internal audit reports, shall be agreed with management. It will be ensured that reports are sent to managers who have a direct responsibility for the function being audited and who have the authority to take action on the internal audit recommendations. Internal audit reports are confidential documents and their distribution should therefore be restricted to those managers who need to know, the Audit Committee and the External Auditors.

The Internal Auditor shall produce clear, constructive and concise written reports based on sufficient, relevant and reliable evidence, which:

- state the scope, purpose, extent and conclusions of the internal audit assignment
- acknowledge the actions taken, or proposed, by management

The Internal Auditor shall also prepare flash reports to alert management on the need to take control, or when there are reasonable grounds for suspicion of any major irregularity fraud or theft.

The audit observations are first discussed and agreed at the operating or 'process owner' level. The reports are then issued to process owners for their formal management responses. Upon receipt of such responses, formal audit reports are released to the senior management