

# **INTERNAL FINANCIAL CONTROL POLICY**

## **INTRODUCTION:**

The Board of Directors of NAGREEKA EXPORTS LIMITED in its Board Meeting has adopted the following Internal Financial Control Policy. Section 134 (5) (e) of the Companies Act, 2013 requires, the Board of every Listed Company to lay down Internal Financial Control Policy to be followed by the Company which helps in ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the Accounting records and timely preparation of reliable financial information.

## **DEFINITIONS:**

"Audit Committee" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing agreement.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors the Company. [Section 2(10) of the Companies Act, 2013]

"Books or Books of account" as per sub-section (12A) of Section 2 of Income Tax Act, 1961 means "Books or Books of account includes ledgers, day-books, cash books, account-books and other books, whether kept in written form or as print-outs of data stored in floppy, disc, tape or any other form of electromagnetic data storage device."

"Financial Statement" as per Section 2(40) of Companies Act, 2013 in relation to a Company means a Statement which includes –

- (i) a balance sheet as at the end of the financial year;
  - (ii) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;
  - (iii) cash flow statement for the financial year;
  - (iv) a statement of changes in equity, if applicable; and
  - (v) any explanatory note annexed to, or forming part of, any document referred to in sub-clause
- (i) to sub-clause "Internal Financial Control" as per Section 134(5) (e) of Companies Act, 2013 means" the policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguard of its assets, the prevention and detection of its frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information."

"Policy" means "Internal Financial Control Policy."

## **OBJECTIVES:**

The objectives of this Policy are;

1. To mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded.
2. Financial reporting is accurate and reliable.
3. To ensure Company's resources are used prudently and in an efficient, effective and economical manner.
4. Resources of the Company are adequately managed through effective internal controls.
5. A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented,

maintained and adhered to across the Company's and to all Employees that they are responsible for adhering to those internal controls.

6. To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Company's objectives through operational efficiency.

#### **ELEMENTS OF INTERNAL CONTROL FRAMEWORK:**

The essential elements of an effective internal financial control framework are:

1. Structure and culture of Organization;
2. Delegations of Authority;
3. Policies and procedures;
4. Trained and properly qualified staff;
5. Information Technology controls;
6. Review process e.g. internal audit;
7. Liaison with auditors and legal advisors;
8. Senior Management compliance assurance;
9. Risk identification and assessment.

#### **KEYNOTES ON INTERNAL CONTROL POLICY:**

Internal Controls include reviews of the following areas:

1. Senior management, to be responsible for establishment of overall policies and active oversight of parameters and controls.
2. Internal audit, to ensure that independent assessments are made encompassing functioning of various compliances under various statues and Rules & Regulations framed there under, adequate systems and procedures are at place for physical verification of stocks of raw materials, finished goods, stores and spare parts, work- in-progress, fixed assets and other assets, proper books of accounts, vouchers along with supports and other documents are maintained, confirmation of balances from debtors, creditors and other parties are obtained periodically/ at year end and proper systems and procedures are at place for internal control at various departments.
3. Operational risks, including segregation of duties, checks and balances, protection of customer funds and securities, operating systems, management information systems, management reporting, front and back office operations, contingency planning and disaster recovery.
4. And finally, to ensure that new products and activities are assimilated into the risk management system in a timely and appropriate manner.

For Effective Financial Control, The Board of Directors And Senior Management Shall Ensure:

1. Physical verification of all Fixed Assets at reasonable intervals.
2. Adequate Internal Control procedures are at place for maintaining proper records in respect of sale/purchase of goods and services.
3. All undisputed statutory dues including provident fund, Investor Education Protection Fund, Employee State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Rates and Taxes and other Statutory dues are paid within the prescribed time.
4. Funds availed on short term basis are not used for long term investment.
5. The funds raised through Public issue, Right issue, Preferential/Private placement shall be used for the purposes as stated in Prospectus/Offer Letter.
6. The Company shall comply with all applicable Statutory Laws, Rules and Regulations.

7. No loan or deposits exceeding Rs. 20,000/- or more are taken or accepted from any person otherwise than by an account payee cheque OR account payee bank draft (section 269 SS of income tax act 1961)
8. No loan or deposits exceeding Rs. 20,000/- or more are repaid otherwise than by an account payee cheque OR account payee bank draft (section 269 T of Income Tax Act 1961)
9. No expenditure exceeding 20,000/- is made otherwise than by an account payee cheque OR account payee bank draft (section 40 A(3) of Income Tax Act 1961)]

**CONFLICT OF INTEREST:** Members of the Board of Directors are prohibited from activities that might present conflicts of interest. The powers of directorship may not be used to personally benefit the Director at the corporation's expense. If a Director has a financial interest in a corporate transaction, the Director must fully disclose the interest and abstain from voting. Further the Directors have to yearly give their declaration of compliance with the Code of Conduct and their disclosure of interest in other entities. Loans to Directors are prohibited.

#### **ACCOUNTING POLICIES:**

The Financial Statement will be prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention follows (except for certain revalued fixed assets) on the accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.

The Company may adopt Accounting Policies to provide for:

1. Methods of depreciation, depletion and amortization.
2. Valuation of inventories
3. Treatment of goodwill
4. Valuation of investments
5. Treatment of retirement benefits
6. Valuation of fixed assets
7. Treatment of contingent liabilities.

**BALANCE SHEET:** The Balance Sheet and Statement of Profit and Loss of the Company shall be in accordance with Schedule III of Companies Act, 2013.

#### **AMENDMENTS IN LAW**

This Policy shall be suitably amended, modified and improved to meet the changing business needs and in respect to any subsequent amendment/modification in the Companies Act , SEBI (LODR) Regulations, 2015 and/or applicable laws in this regard.

#### **REGULATORY FRAMEWORK/REQUIREMENTS:**

Internal Control Policy is framed as per the following regulatory requirements:

Relevant Extracts from SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015:

#### **Regulation 30:**

As per this Regulation, The Company shall ensure timely and accurate disclosure on all materiel matters, events and information as per Schedule III of Part A of Para A and B as such information such as eligible to disclosure with relevant authority in prescribed manner.

**Regulation 4 (2) (f):**

(i) Disclosure of information:

- (1) Members of Board of Directors and key managerial personnel shall disclose to the Board of Directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.
- (2) The Board of Directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

(ii) Key functions of the board of directors-

- (1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
- (2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
- (3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.
- (4) Aligning key managerial personnel and remuneration of Board of Directors with the longer term interests of the listed entity and its shareholders.
- (5) Ensuring a transparent nomination process to the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
- (6) Monitoring and managing potential conflicts of interest of management, members of the Board of Directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- (7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards.
- (8) Overseeing the process of disclosure and communications.
- (9) Monitoring and reviewing board of director's evaluation framework.

(iii) Other responsibilities:

As per SEBI (LODR) Regulation, 2015

**Regulation 18:****Role of 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) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- (3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- (4) 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 statement 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) modified opinion(s) in the draft audit report;
- (5) reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
  - (6) 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;
  - (7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
  - (8) approval or any subsequent modification of transactions of the listed entity with related parties;
  - (9) scrutiny of inter-corporate loans and investments;
  - (10) valuation of undertakings or assets of the listed entity, wherever it is necessary; (11) evaluation of internal financial controls and risk management systems;
  - (12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
  - (13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
  - (14) discussion with internal auditors of any significant findings and follow up there on;
  - (15) 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;
  - (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
  - (17) 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;
  - (18) to review the functioning of the whistle blower mechanism;
  - (19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
  - (20) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

B. The audit committee shall mandatorily review the following information:

- (1) management discussion and analysis of financial condition and results of operations;
- (2) statement of significant related party transactions (as defined by the audit committee), submitted by management;
- (3) management letters / letters of internal control weaknesses issued by the statutory auditors;
- (4) internal audit reports relating to internal control weaknesses; and
- (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- (6) statement of deviations:
  - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

- (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

**Regulation 21:**

**Risk Management: \*\***

The Company shall lay down procedures to inform the Board Members about the Risk Management and minimization procedures.

The Company through its Board of Directors constitutes a Risk Management Committee (if applicable). The Board shall define the Role and responsibilities of the Risk Management Committee (if applicable) and may delegate monitoring and reviewing of the Risk Management Plan to the Committee and such other functions as it may deem fit.

\*\*Not applicable for the Company.

**Regulation 23:**

**Related Party Transaction: \*\***

All Related Party Transactions shall require prior approval of Audit Committee. However Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to following conditions:

- (a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy of Related Party Transactions of the Company and such approval shall be applicable in respect of transactions in respect of transactions which are repetitive in nature.
- (b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in interest in the company.
- (c) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/ current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit:

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding as per prescribed amount per transaction.

- (d) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- (e) Such omnibus shall be valid for a period not exceeding one year and shall require fresh approvals of after the expiry of One year.

\*\*The Company does have its' own Related Party Transaction Policy, which is available on the website of the Company.

**Regulation 30:**

**Disclosure of events: \*\***

- (1) Every listed entity shall make disclosures of any events or information which, in the opinion of the Board of Directors of the listed company, is material.
- (2) Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events.

\*\*The Company does have its' own Policy on Disclosure of Material Events, which is available on the website of the Company.

**Regulation 33:**

**Financial Statements:**

- (1) The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods as applicable.
- (2) Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the Corporate Governance Report.