

POLICY FOR APPOINTMENT OF THE STATUTORY AUDITOR

BACKGROUND

This policy has been prepared in accordance with the circular of The Reserve Bank of India ("RBI"), vide its circular no. dated April 27, 2021, which prescribed the 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors' (SAs) ("RBI Guidelines"), and applicable to Commercial Banks (excluding RRBs), UCBs and all Non-Banking Finance Companies ("NBFC").

The RBI Guidelines are applicable to all non - deposit taking NBFCs with asset size of Rs 1,000 crore and above.

OBJECTIVE OF THE POLICY

The objective of this Policy is to establish a framework covering various aspects relating to appointment of the Statutory Auditor of the Company including tenure, independence, professional qualifications & standards, remuneration, disclosures etc and compliance with applicable laws.

CRITERIA TO BE CONSIDERED BEFORE APPOINTMENT OF STATUTORY AUDITORS

The Audit Committee of Board (ACB) shall consider the following before appointment of Statutory Auditors:

- a) Provisions of the RBI Guidelines.
- b) Eligibility criteria of the SAs as prescribed by RBI from time to time based on the asset size of the NBFCs.
- c) Qualification and eligibility of the audit firm/partner as per Sections 139 to 141 of the Companies Act, 2013.
- d) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- e) The appointment of SAs should be in line with the ICAI's Code of Ethics/ any other such standards adopted and should not give rise to any conflict of interest.
- f) Written consent of the auditor to such appointment and certificate that the appointment, if made, shall be in accordance with the conditions stipulated under the RBI Guidelines, Companies Act, 2013 and other statutory provisions.
- g) During the tenure as SA, an audit firm may provide such services to the NBFC which are not expected to result in a conflict of interest subject to prior approval of the ACB, as per the provisions of Section 144 of the Companies Act 2013.
- h) Concurrent auditors of the NBFC shall not be considered for appointment as SAs.
- i) The restrictions as mentioned in (g) and (h) would also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.
- j) Any other applicable regulations as may be notified for NBFCs from time to time. .

PROCEDURE FOR APPOINTMENT/ REAPPOINTMENT OF STATUTORY AUDITORS

- A minimum of two (2) audit firms shall be shortlisted for every vacancy of SAs as per the RBI guidelines as amended from time to time.
- The NBFC shall place the name of shortlisted audit firms, in order of preference, for consideration of the ACB and recommendation to the Board of Directors and the shareholders for their approval.

- The NBFC shall obtain a certificate on eligibility norms as per Form B, along with relevant information from the audit firms proposed to be appointed/ reappointed as SAs.

RECOMMENDATION OF THE ACB:

ACB shall monitor and assess the independence of the SAs and conflict of interest position in terms of relevant regulatory provisions, standards and best practices, including the appointment/ reappointment, and fixation of remuneration of the auditors.

NUMBER OF SAs

- At least one audit firm and for entities with asset size of ₹15,000 crore and above as at the end of previous financial year, minimum of two (2) audit firms.
- The NBFC shall decide on the number of SAs to conduct joint statutory audit, considering criteria laid in the above RBI guidelines.

TENURE OF APPOINTMENT

- As per RBI guidelines, NBFC shall appoint the SAs for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year, as recommended by the ACB, approved by the Board and the shareholders at the AGM.
- An audit firm would not be eligible for reappointment in the same Entity for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other Entities.

REMUNERATION TO AUDITORS

The audit fees for SAs shall be in terms of applicable regulatory provisions and shall be reasonable and commensurate with the size of operations of the NBFC and as per criteria laid down in the RBI Guidelines.

REPORTING TO RBI

NBFCs shall inform RBI about the appointment of SCAs/SAs by way of a certificate in Form A within one month of such appointment.

AMENDMENTS / MODIFICATIONS

To the extent any change/ amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law, however, notwithstanding such non-modification or pending such modification, the applicable law and regulations (as changed) shall prevail over the Policy, and the Policy shall be read accordingly. Such amended Policy shall be placed before the ACB and the Board for noting and necessary ratification.

REVIEW OF POLICY

This Policy shall be reviewed by the Board of Directors as and when any changes are incorporated in the Policy due to change in applicable law or regulation, or at least once in every three (3) years and updated accordingly.