

Policy on appointment of Statutory Auditors of the Company

1. Objective:

The objective of this policy is to lay down the criteria to be considered by the Audit Committee of the Board of the Company before appointment of statutory auditors. The Policy is framed under the Reserve Bank of India's ("RBI") guidelines bearing Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 for Appointment of Statutory Central Auditors ('SCAs')/Statutory Auditors ('SAs') of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), as may be amended or modified, replaced, or substituted from time to time, read with the FAQs issued on June 11, 2021 ("the RBI Guidelines") for Appointment of Statutory Auditors (SAs) of NBFCs.

2. Purpose:

To define the policy for appointment of Statutory Auditor in compliance with the extant norms of RBI, SEBI and Companies Act, 2013.

3. Scope:

The scope of this Policy covers appointment/ re-appointment of SAs of the Company.

4. Applicability:

This Policy will be applicable for appointment of Statutory Auditors as prescribed in the circular.

5. Intimation to RBI:

Company shall inform concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located about the appointment of SAs for each year by way of a certificate in Form A (as prescribed by RBI) within one month of such appointment.

6. Criteria to be Considered Before Appointment of Statutory Auditors:

The Audit Committee shall consider the following factors before recommending appointment of Statutory Auditors to the Board of the Company:

- Provisions of the RBI Guidelines;
- Eligibility criteria of the SAs as prescribed by RBI from time to time based on the asset size of the NBFC;
- Qualification as an auditor as per Section 141 of the Companies Act, 2013;
- 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;

Reliance Commercial Finance Limited

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- 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;
- 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 and other statutory provisions;
- The prescribed limit on minimum and maximum number of joint auditors based on asset size of the NBFC and other prescribed factors from time to time including in terms of the RBI Guidelines;
- Limit on NBFC audits by SAs as prescribed by RBI from time to time;
- The time gap between any non-audit works (services mentioned under Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the NBFC or any audit/non-audit works for its group entities (as defined under the RBI guidelines) should be at least one year, before or after its appointment as SAs. During the tenure as SA, an audit firm may provide such services to the NBFC which may not normally result in a conflict of interest, and the NBFC shall decide in this regard, in consultation and approval of the Audit Committee.
(A conflict would not normally be created inter alia in the case of the following special assignments (indicative list):
 - (i) Tax audit, tax representation and advice on taxation matters,
 - (ii) Audit of interim financial statements.
 - (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements.
 - (iv) reporting on financial information or segments thereof)
- Concurrent auditors of the NBFC should not be considered for appointment as SAs;
- The restrictions would also apply to an audit firm under the same network of audit firms or any other audit firm having common partners;
- Any other applicable regulations for the NBFC from time to time.

7. Number of SAs and Branch Coverage:

- Minimum number of SAs to be appointed by the Company shall be two if the Company's asset size as on March 31 of previous year, is Rs.15,000 crore or more; else, minimum of one SA shall be appointed.
- As per the applicability defined in the guidelines the statutory audit shall be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. Company shall ensure that joint auditors do not have any common partners and they are not under the same network of audit firms. Further, the Company shall finalize the work allocation among Statutory Auditors, before the commencement of the statutory audit, in consultation with them and the same shall be mentioned in their terms of reference.
- The number of SAs to be appointed for a financial year shall be decided, inter alia, taking into account the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc. The actual number of SAs to be appointed shall be decided by the Board in accordance with the limits prescribed in the guidelines.

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- The Statutory Auditors shall visit and audit at least the Top 20 Branches/Top 20% of the branches of the company to be selected in order of the level of outstanding advances in such a manner as to cover a minimum of 15% of total gross advances of the Company. In addition, the Company shall ensure adherence to the provisions of Section 143(8) of the Companies Act'2013 regarding the audit of accounts of all branches.

The Company shall appoint SA as per the asset size as on March 31 of the financial year.

8. Procedure for Appointment / Reappointment of Statutory Auditors:

- The NBFC shall shortlist minimum of two (2) audit firms for every vacancy of SAs as per the RBI guidelines as amended from time to time.
- The NBFC shall obtain a certificate on eligibility norms, along with relevant information from the audit firms proposed to be appointed/ reappointed as SAs by the NBFC as per RBI and other statutory requirements.
- The appointment of SAs shall be approved by the shareholders.

9. 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 and the approval of the Audit Committee and Board.

10. Remuneration to Auditors:

The audit fees for SAs shall be in terms of applicable regulatory provisions and shall be reasonable and commensurate with their respective scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc. Further, it shall be the discretion of the Audit Committee and the Board to decide on the quantum of remuneration payable to each joint SA as appointed by the NBFC, depending upon their respective scope of work.

11. Conflict in Policy:

In the event of a conflict between this Policy and the extant regulations or laws (as may be amended, replaced, restated, from time to time), the regulations and laws shall prevail.

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12. Review of Policy:

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

13. Disclosure of Policy:

The Policy will be available on the website of the Company.

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