

## POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

### 1. Background

Section 139 of Companies Act 2013 (the Act) contains requirements relating to appointment of Statutory auditors for all companies. The Reserve Bank of India (RBI), in exercise of its power under provisions of chapter III B of RBI Act, 1934 has interalia issued guidelines to NBFCs for appointment of Statutory Auditors (RBI guidelines) vide Ref. No. DoS.CO.ARG/SEC.01 /08.91.001/2021-22 dated April 27, 2021.

### 2. Objective of the Policy

The objective of the policy is to provide a framework for appointment of statutory auditors in compliance with all Regulatory provisions (Like RBI guidelines on Appointment of Statutory Auditors, provision of Companies Act, 2013 and rules framed thereunder, provisions of Securities and Board of Exchange of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 and rules framed thereunder and any other statute as may be and to the extent applicable to the Hinduja Leyland Finance Limited.

### 3. Definition of Group Entity

For the purpose of this Policy as per the RBI circular, Group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter - Promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.

### 4. Statutory Auditor – Eligibility and Qualification

The Term statutory auditor shall mean the auditor referred to in Section 139 of the Act. The person (s) proposed to be appointed as statutory auditor should meet the eligibility criteria and possess the qualification prescribed under Sec 141 of the Act and also not be covered by the disqualifications specified therein.

In addition to the above, the company shall ensure that the person (s) proposed to be appointed as statutory auditor meets the eligibility criteria prescribed under RBI guidelines.

The Company will broadly follow the following method of selection and appointment of Auditors:

- i. 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.
- ii. The appointment should be in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- iii. The audit firm is not eligible for appointment if any of its partners is a director in any of the group entities of CIFCL. For the purpose of this

clause, group entity refers to the RBI Regulated Entities in the group, which fulfil the definition of group entity as defined in this policy above. If an audit firm is being considered by the Company for appointment, whose partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as Board.

- iv. Concurrent auditors (including their network firms or any other firm having common partners) of the company are not to be considered for appointment as statutory auditor.
- v. The audit firm should have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/complexity of computer environment of the company where the accounting and business data reside in order to achieve audit objectives.
- vi. The audit firm is to be compliant with the limit prescribed under RBI guidelines for statutory audit of Commercial Banks, All India Financial Institutions, Urban Cooperative Banks and NBFCs.
- vii. The audit firm is to ensure continued compliance with all the eligibility and qualification criteria.

Permitted Non-Audit Services which are required to be performed only by the statutory auditor pursuant to requirements under various legislations / regulations and commercial contracts are not considered to impair independence of the statutory auditors.

- 1) Tax audit, tax representation and advice on taxation matters
- 2) Audit of interim financial statements
- 3) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements.
- 4) reporting on financial information or segments thereof

#### **5. Tenure and Rotation of the Statutory Auditors**

The statutory auditor(s) is to be appointed for a continuous period of three years subject to the firm(s) satisfying the eligibility norms each year.

Removal of statutory auditor before completion of their term of three years is to be intimated to RBI along with justification thereof within a month of such decision being taken. On completion of their term or part of their tenor, the statutory auditor can be considered for appointment again only after a cooling off period of six years (two terms).

**6. Procedure for appointment as per regulation**

The company shall obtain a certificate, along with relevant information as per RBI guidelines, from the audit firm(s) proposed to be appointed as statutory auditor to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment, under the seal of the said audit firm.

On appointment of statutory auditor(s), the company shall inform each year the concerned Regional Office of RBI by way of a certificate in the prescribed form (Form A) within one month of such appointment.

Considering the size of the company, the level of computerisation and the centralised nature of all back-office functions, it shall appoint two or more auditors as joint statutory auditors. The work allocation between the joint auditors shall be finalised by the company in consultation with them before the commencement of statutory audit.

**7. Audit Fees and expenses**

The audit fees and reimbursement of out of pocket expenses for Statutory auditors shall be reasonable and commensurate with the 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.

The Audit Committee shall make recommendation to the Board for appointment and fixing audit fees and reimbursement of out of pocket expenses of Statutory auditors.

This policy was last reviewed and approved by the Board on November 3, 2023