

AADHAR HOUSING FINANCE LIMITED

Policy for Appointment of Statutory Auditors

(Effective January 2022)

(Version – RM/Pol/V1.0)

Contents

1. Introduction
2. Objective
3. Eligibility
4. Independence of the Statutory Auditors
5. Procedure for Appointment of SA's
6. Tenure & Rotation
7. Audit Fee and Expenses
8. Review of the Performance of Statutory Auditors
9. Review of Policy

1. Introduction

The Reserve Bank of India vide its circular dated April 27, 2021 issued guidelines for appointment of Statutory Auditors (SA's) for Commercial Banks, Urban Co-operative Banks & NBFCs (including HFCs).

The guidelines will be applicable from FY 2021-22 to the company.

2. Objective

The objective of this Policy is to lay down the criteria to be considered for selection of statutory auditors ('SA') for Aadhar Housing Finance Limited ('Company'). The Policy is framed pursuant to RBI's Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) issued vide circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/ 2021-22 dated April 27, 2021 ("the RBI Guidelines"), as may be amended or modified, replaced, substituted or clarified from time to time, read with the FAQs issued by RBI in this regard.

The Board of Directors ('BOD') of the Company have adopted the following policy and procedures with regard to Appointment of SAs, in line with the requirements of extant norms of RBI and as per Section 141 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

This Policy shall act as a guideline for establishing proper procedures for determining, inter-alia, qualifications, eligibility and procedure for appointment of the SAs that conform with the extant norms of applicable laws and regulations.

3. Eligibility

The audit firms to be considered for appointment as SA of the Company shall fulfill the eligibility norms as prescribed in the RBI Guidelines including, number of full-time partners, number of Fellow Chartered Accountants, number of full time partners/paid CAs with CISA/ISA qualification, number of years of audit experience of the firm, minimum number of professional staff and eligibility in terms of Section 141 of the Companies Act, 2013.

The Company shall decide on the number of SAs to conduct joint statutory audit, 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. Considering the above factors and the requirements of the Company, the actual number of SAs to be appointed shall be decided subject to the limit on minimum and maximum number of SAs prescribed by the RBI Guidelines.

4. Independence of the Statutory Auditors

The Audit Committee of the Board of Directors of the Company ('ACB') shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard shall be flagged by the ACB to the BOD of the Company and concerned Senior Supervisory Manager /Regional Office of RBI.

The time gap between any non-audit works by the SAs for the Company or any audit/non-audit works for its RBI Regulated Group Entities should be at least the minimum period specified in the RBI Guidelines, before or after its appointment as SAs.

However, during the tenure as SA, an audit firm may provide such services to the Company which may not normally result in a conflict of interest, with prior approval of ACB.

The restrictions as detailed above, shall also apply to an audit firm under the same network (as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

Further, the Company shall obtain a confirmation annually from SA regarding their independence and compliance with the RBI Guidelines.

5. Procedure for Appointment of SA's

1. The Company shall follow Guidelines on minimum procedural requirements given as annexure II of the RBI Guidelines as may be applicable to the Company for appointment of statutory auditor.
2. The Audit Committee shall recommend the appointment to the Board and the Board shall recommend the same for the approval of the shareholders.
3. The Company shall inform concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office falls about the appointment of SA for each year by way of a certificate in **Form A** prescribed in RBI Guidelines within one month of such appointment.

6. Tenure & Rotation

The Company as required under the RBI guidelines, in order to protect the independence of the auditors/audit firms, shall appoint the SAs for a continuous period of 3 years, subject to the SA satisfying the eligibility norms each year.

In case the Company removes the SA's before completion of three years tenure, it shall inform concerned Regional Office at RBI about the same, along with reasons/justification within a month of such a decision being taken.

An audit firm would not be eligible for reappointment as SA in the Company for six years (two tenures) after completion of full or part of one term of the audit tenure.

7. Audit Fee and Expenses

The Company shall ensure that the audit fees charged by the SAs are 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 risk in financial reporting, etc.

Further, it shall be the discretion of the Company to decide on the quantum of remuneration payable to each joint SA as appointed by the Company, depending upon their respective scope of work.

8. Review of the Performance of Statutory Auditors

The ACB shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports shall be sent with the approval/recommendation of the ACB, with the full details of the audit firm.

9. Review of Policy

This Policy shall be reviewed as and when deemed necessary and submitted for approval to the Audit Committee and to the Board. Any amendments to the Policy required as a result of amendment/modifications to the Companies Act, 2013/ RBI guidelines shall be presented to the Audit Committee and to the Board of Directors for their approval.

xxxx