



**GMR ENTERPRISES PRIVATE LIMITED
POLICY ON APPOINTMENT OF STATUTORY AUDITORS**

1. CONTEXT

- 1.1 Appointment of Statutory Auditors are governed under Section 139 alongwith with eligibility criteria of Statutory Auditors provided under Section 141 of Companies Act 2013 read with Rules thereunder.
- 1.2 Reserve Bank of India (RBI) vide its notification No. RBI/ 2021-22/ 25 dated April 27, 2021 has issued guidelines for appointment of Statutory Auditors for Commercial Banks, UCBs and NBFCs (including HFC) ("Guideline"). These Guidelines include clarification issued by RBI vide its FAQs dated June 11, 2021.

2. PURPOSE:

- 2.1 This Policy is framed by GMR Enterprises Private Limited (GEPL) pursuant to the aforementioned Guidelines that requires NBFCs to formulate a Board Approved Policy to be hosted on its official website/public domain and have necessary procedure thereunder to be followed for appointment of the Statutory Auditors;
- 2.2 This Policy shall act as a guideline for establishing proper procedures for determining, inter-alia, qualifications, eligibility and procedure for appointment of the Statutory Auditors that conform with the extant norms of applicable laws and regulations. This policy would provide transparency and objectivity for the key aspects of the assurance function of GEPL.

3. APPLICABILITY:

- 3.1 This Policy will be applicable to GEPL being a Core Investment Company / NBFC registered with RBI;
- 3.2 This Policy will be effective from H2 (second half) of FY 2021-22 and onwards for appointment / reappointment of the Statutory Auditors of GEPL;

4. REPORTING / INTMATION TO RBI:

- 4.1 GEPL will intimate RBI about the appointment of Statutory Auditor for each year by way of certificate in the prescribed format, within one month of such appointment.

5. NUMBER OF STATUTORY AUDITORS:

- 5.1 Since the asset size of GEPL is below Rs. 15,000 crores as at the end of previous year (i.e. March 31, 2021), the statutory audit of GEPL is not required to conduct under

joint audit. However, as and when the asset size reaches the limit of Rs. 15,000 crores for any previous year, GEPL will conduct the statutory audit under joint audit pursuant to the said Guidelines for the applicable Financial Year.

- 5.2 GEPL will take 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. while deciding the number of Statutory Auditors;
- 5.3 In addition, GEPL shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches, as applicable.

6. ELIGIBILITY CRITERIA OF AUDITOR

- 6.1 GEPL will appoint audit firm(s) as its Statutory Auditor who will be fulfilling the eligibility norms as prescribed below:

6.1.1 Basic eligibility:

S. No.	Asset Size of as on 31st March of Previous Year	Above ₹ 1,000 crore and Up to ₹15,000 crore
1.	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years	3
2.	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	2
3.	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	1
4.	Minimum No. of years of Audit Experience of the firm	8
5.	Minimum No. of Professional staff	12

6.1.2 Additional Consideration:

- 6.1.2.1 The audit firm, proposed to be appointed as Statutory Auditors should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013;

- 6.1.2.2 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;
- 6.1.2.3 GEPL shall ensure that the appointment of the Statutory Auditors is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest;
- 6.1.2.4 If any partner of a Chartered Accountant firm is a director in any Group Company, the said firm shall not be appointed as the Statutory Auditor of any of the Group Company;

Group Entities here refer to the RBI Regulated Entities in the Group, which fulfil the definition of Group Entity, as provided in the Circular. Therefore, if any partner of a Chartered Accountant firm is a director in an RBI Regulated Entity in the Group, the said firm shall not be appointed as Statutory Auditor of any of the RBI Regulated Entities in the Group. However, if an audit firm is being considered by the Company for appointment as Statutory auditors, 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 Audit Committee of the Board (ACB) as well as Board.

- 6.1.2.5 The auditors should preferably 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 GEPL where the accounting and business data reside in order to achieve audit objectives,

6.1.3 Continued Compliance with basic eligibility criteria

- 6.1.3.1 In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it may promptly approach GEPL with full details;
- 6.1.3.2 Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending March 31 and till the completion of annual audit;
- 6.1.3.3 In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

7. INDEPENDENCE OF AUDITORS:

- 7.1 The 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;
- 7.2 Any concerns in this regard may be flagged by the ACB to the Board of Directors and the concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI;
- 7.3 In case of any concern with the Management such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditor shall approach the Board/Audit Committee, under intimation to the concerned SSM/RO of RBI;
- 7.4 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors for GEPL or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory Auditors;

The Group Entities refer to the RBI Regulated Entities in the Group, which fulfill the definition of Group Entity, as provided in the Circular. However, if an audit firm engaged with audit/non-audit works for the Group Entities (which are not regulated by RBI) is being considered by the Company for appointment as Statutory auditors, the Board / ACB would examine and ensure that there is no conflict of interest and independence of auditors is ensured.

Before appointment of an audit firm as Statutory auditor of the RBI Regulated Entity, there should be a time gap of minimum one year between this appointment and completion of the assignment of any non-audit works given to the same audit firm in that RBI Regulated Entity or completion of any audit/non-audit works in other RBI Regulated Entities in the Group. This stipulation shall be applicable prospectively, i.e. from FY 2022-23. Therefore, if an audit firm is involved in some non-audit work with the Entity and/or any audit /non audit work in other RBI Regulated Entities in the Group and completes or relinquishes the said assignment prior to the date of appointment as Statutory auditor of the Entity for FY 2021- 22, the said audit firm would be eligible for appointment as Statutory auditor of the Entity for FY 2021-22.

The time gap between any non-audit works by the Statutory auditors for the Entities or any audit/non-audit works for its Group Entities should be at least one year after completion of the audit assignment as Statutory auditor.

- 7.5 However, during the tenure as Statutory Auditors, an audit firm may provide such services which may not normally result in a conflict of interest, and entities may take their own decision in this regard, in consultation with the Board/ACB. This will

apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

8. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS:

- 8.1 The Statutory Auditors shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- 8.2 The Board/ACB shall review the performance of Statutory Auditors on an annual basis;
- 8.3 Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditors or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Board/Audit Committee, with the full details of the audit firm.
- 8.4 In the event of lapses in carrying out audit assignments resulting in misstatement of an GEPL financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the Statutory Auditors in relation to GEPL, the Statutory Auditors would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

9. TENURE AND ROTATION

- 9.1 In order to protect the independence of the auditors'/audit firms, GEPL will appoint the Statutory Auditor for a continuous period of three years, subject to the firms satisfying the eligibility norms each year;
- 9.2 Any removal of the Statutory Auditors before completion of three years tenure shall require intimation to the concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.
- 9.3 An audit firm would not be eligible for reappointment in GEPL for six years (two tenures) after completion of full or part of one term of the audit tenure. However, that audit firm can continue to undertake statutory audit of other Entities.
- 9.4 One audit firm can concurrently take up statutory audit of a maximum of eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules;
- 9.5 A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of Statutory Auditors accordingly;
- 9.6 Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible;
- 9.7 The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

10. AUDIT FEES AND EXPENSES:

- 10.1 The audit fees for the Statutory Auditors shall be decided in terms of the relevant statutory/regulatory provisions.
- 10.2 The audit fees 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.

11. STATUTORY AUDITORS APPOINTMENT PROCEDURE:

- 11.1 GEPL shall shortlist minimum of 2 audit firms for every vacancy of Statutory Auditors so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of Statutory Auditors does not get delayed;
- 11.2 GEPL shall obtain a certificate, along with relevant information in the prescribed format as per aforementioned Guidelines, from the audit firm(s) proposed to be appointed as Statutory Auditors to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose;
- 11.3 Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of Statutory Auditors, under the seal of the said audit firm;
- 11.4 The proposals to appoint Statutory Auditors will be reviewed and recommended by the ACB to the Board and the Board will recommend the same to the shareholders for approval.

12. VALIDITY:

- 12.1 This policy shall be valid till GEPL continues to be CIC/NBFC;
- 12.2 However, in the event of any conflict between this Policy and the laws as may be applicable in this regard from time to time, the provisions of applicable laws shall prevail.

13. EFFECTIVE DATE:

- 13.1 The policy shall be effective from H2 (2nd half) of FY 2021-22;
- 13.2 Any amendment to this policy shall be made with the approval of the ACB and Board of Directors of GEPL from time to time.

-
- 1. Version 1 of this Policy is adopted by the Board of Directors effective from H2 (2nd half) of FY 2021-22 and approved on December 15, 2021.