

# Policy for Appointment of Statutory Auditors (SAs)

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## Background

Reserve Bank of India on April 27, 2021 issued circular on Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) on 27th April 2021 (“Guidelines”). These Guidelines together with the FAQ issued on June 11, 2021, provide necessary instructions for appointment of SCAs/SAs, the number of auditors, their eligibility criteria, tenure and rotation, etc. while ensuring the independence of auditors.

In compliance with the provisions of the above Guidelines, the Company is required to formulate a Board approved policy laying down necessary procedures to be followed for appointment of SCAs/SAs (“Policy”) and upload it on its official website of the Company. Accordingly, the following Policy is being formulated and adopted by the Board of Directors (“BoD”) in its meeting dated October 24, 2025.

## Eligibility for appointment of SAs

The eligibility norms for appointment of SAs shall be in line with Annex 1 of the Guidelines.

## Manner of Appointment

Upon achieving the asset size of ₹15,000 crore and above as at the end of previous year, the statutory audit of the Company shall be conducted under joint audit by a minimum of two SAs firms. Till then, the Company shall continue to follow the practice of appointing a minimum of one audit firm for conducting its statutory audit. Further, in case required, more than one SA shall be appointed (within the maximum limit prescribed under the Guidelines) if deemed necessary by the BoD. The BoD shall determine the same considering 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.

In case of joint auditors, it shall be ensured that there are no common partners and they are not under the same network (the term ‘same network’ as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014, includes the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control) of audit firms. Further, the Company shall finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with their SAs.

SAs shall be appointed for a continuous period of three years subject to meeting the eligibility criteria, followed by a cooling period of six years after completion of full or part of one term of the audit tenure.

The Company shall shortlist a minimum of two SAs for every vacancy. However, in case of reappointment, during the 3 year tenure, subject to the firms qualifying the eligibility criteria every year and confirmation obtained at the annual general meeting, Company may reappoint

same SAs and shall not be required to shortlist two audit firms. SAs eligible for appointment shall provide a certificate, along with relevant information in prescribed Form B of the Guidelines.

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.

Further, the Company shall inform the RBI about the appointment of SAs for each year by way of a certificate in the prescribed format within one month of such appointment.

### **Audit Fee payable to SAs**

Audit fee for the statutory audit and limited review audit shall be finalized by the BoD, as per applicable statutory provisions, which 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. Fees for other certification work can be finalized by the Management on a case to case basis.

During the tenure as SA, an audit firm may provide services which may not result in conflict of interest, and the Company may take its own decision in this regard, in consultation with the Board/ACB.

### **Auditor's Independence**

Before appointment of an audit firm as SA of the Company, 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 Company or completion of any audit/non-audit works in other RBI regulated Entities in the Group.

The time gap between any non-audit works by the SAs for the Company or any audit/non-audit works for its other RBI regulated Group Entities should be at least one year after completion of the audit assignment as SA.

The ACB shall monitor and assess the independence of the auditors and any conflict of interest position in terms of relevant regulatory provisions, standards and best practices and this should be suitably recorded in the minutes of the meetings of the Board/ ACB.

Any concern identified by the ACB in this regard, shall be referred to the BoD and Regional Office (RO) of RBI.

Carrying out audit of the Company and any other entity with large exposure<sup>2</sup> to the Company for the same reference year should be explicitly factored while assessing independence of the SA.

### **Review of performance of SAs**

The BoD/ ACB of Company shall review the performance of SAs appointed under the Guidelines 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 BoD/ ACB, with the full details of the audit firm.

In case of any lapses in carrying out audit assignments resulting in misstatement of Company's financial statements, or any violation of applicable rules, regulation and guidelines regarding the role and responsibilities of the SAs, the SAs would be liable to be dealt with under the said relevant statutory/ regulatory framework.

### **Removal of SAs before the tenure of appointment**

The Company may remove SAs before completion of three years tenure without any prior approval to RBI. However, the Company shall inform the concerned RO of RBI about the removal of the SAs, along with reasons/justification for the same, within a month of decision of removal being taken.

### **Change Control Record**

<b>Version No.</b>	<b>Change Request by</b>	<b>Memorandum of Change</b>	<b>Approval date</b>

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<sup>2</sup> In terms of RBI's Large Exposure Framework (circular no. RBI/2018-19/196 DBR.No.BP.BC.43/21.01.003/2018-19 dated June 3, 2019), the sum of all exposure values of a bank to a