

# **Bajaj Holdings & Investment Limited**

## **Policy for Appointment of Statutory Auditors**

Approved by the Board of Directors at its meeting held on 17 September 2021

Reviewed by the Board of Directors at its meeting held on 13 September 2022

## Table of Contents

|                                                      |   |
|------------------------------------------------------|---|
| 1. Objective                                         | 3 |
| 2. Procedural Aspects                                | 3 |
| i. Number of statutory auditors                      | 3 |
| ii. Eligibility criteria of the statutory auditors   | 3 |
| iii. Independence of the statutory auditors          | 4 |
| iv. Procedure for Appointment of SCAs/SAs            | 4 |
| v. Tenure of Appointment and Rotation                | 4 |
| vi. Remuneration to Auditors                         | 5 |
| vii. Review of the performance of statutory auditors | 5 |
| 3. Review and amendment to policy                    | 5 |

**1. Objective**

The objective of this Policy is to lay down the criteria to be considered for selection of statutory auditors ('SA') for Bajaj Holdings & Investment 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.

**2. Procedural Aspects****i. Number of statutory auditors**

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.

**ii. Eligibility criteria of the statutory auditors**

The audit firms to be considered for appointment as auditor SA of the Company shall fulfil 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.

Any firm under debarment by any Government Agency, National Financial Reporting Authority, the Institute of Chartered Accountants of India, RBI or any other Regulator regulating the Company shall also not be considered eligible for appointment as SA.

The Company shall ensure that appointment of SAs is in line with the Institute of Chartered Accountants of India's Code of Ethics/ any other such standards adopted and does not give rise to any conflict of interest.

**iii. 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 audit of the Company and any Company with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.

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.

**iv. Procedure for Appointment of SCAs/SAs**

The Company shall shortlist minimum of two audit firms, with an order of preference, for every vacancy of SA.

While shortlisting the audit firms, the Company shall also consider their past experience as statutory auditor of others banks / NBFCs, geographical proximity to the Company's place of operations, their ability to audit technology and such other parameters that it may consider necessary.

Company shall obtain a certificate from each of the audit firms proposed to be appointed as SAs that it complies with all the eligibility norms prescribed by RBI.

The ACB shall recommend the appointment to the BOD who shall recommend the same for the approval of the shareholders.

The Company shall inform RBI about the appointment of SA as required under the RBI Guidelines.

**v. Tenure of Appointment and Rotation**

As per the RBI guidelines, the Company shall appoint the SAs for a continuous period of 3 years, subject to the SA satisfying the eligibility norms each year.

The Company in line with the RBI Guidelines shall not reappoint an audit firm for the minimum

period specified in the RBI Guidelines (six years) after the completion of full or part of one term of the audit tenure.

Further, the time gap between any non-audit works by the SAs for the Company or any audit/non-audit works for its Group Entities shall be at least the minimum period specified in the RBI Guidelines (one year) after completion of the audit assignment as SA.

**vi. 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 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.

**vii. 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.

**3. Review and amendment to policy**

This Policy shall be reviewed by the ACB and BOD as and when any changes are to be incorporated in the Policy due to change in applicable law or regulation, or when considered necessary by the BOD.

To the extent any change/ amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law, however, notwithstanding such non-modification or pending such modification, the applicable law and regulations (as changed) shall prevail over the Policy, and the Policy shall be read accordingly.

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**CHAIRMAN**