

## **Policy for appointment of statutory auditors of the Bank under Indian GAAP**

In terms of the extant RBI guidelines for appointment of Statutory Auditors of Bank, the Bank has adopted the following policy with regard to appointment of Statutory Auditors of the Bank.

I. Prior approval from RBI on appointment of the Statutory Auditors

The Bank will obtain prior approval of RBI for appointment/re-appointment of Statutory Auditors on an annual basis and the application for the same will be made before 31st July of reference year.

II. Number of statutory auditors

The statutory audit will be conducted under joint audit of a minimum of two audit firms. It shall be ensured that joint auditors do not have any common partners and they are not under the same network of audit firms. EXCO will decide on the number of joint statutory auditors, 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.

The work allocation between joint auditors will be finalized by the Bank in consultation with the Statutory Auditors of the Bank.

III. Eligibility criteria of the Statutory Auditors

The Statutory Auditors shall fulfil the eligibility norms as prescribed in the RBI guidelines and the Companies Act, including, number of full-time partners, number of Fellow Chartered Accountants (FCAs), 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 audit firms should not be under debarment by any Government Agency, NFRA, ICAI, RBI or Other Financial Regulators and the appointment of Statutory Auditors 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.

IV. Independence of the Statutory Auditors

EXCO will monitor and assess the independence of the Statutory Auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard will be flagged to the concerned Senior Supervisory Manager (SSM) of RBI.

The Concurrent Auditors of the Bank will not be considered for appointment as Statutory Auditors.

The audit of the Bank and any entities with large exposure to the Bank for the same reference year will also be factored in while assessing the independence of the auditors.

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 the Bank or any audit/non-audit works for its RBI regulated group entities should be at least one year, before or after its appointment as Statutory Auditors. However, during the tenure as Statutory Auditors, an audit firm may provide such services to the Bank and its group entities which may not normally result in a conflict of interest and EXCO will evaluate that there is no conflict of interest and independence of auditors is ensured. These restrictions will also apply to an audit firm under the same network of audit firms (as defined in rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) or any other audit firm having common partners.

V. Review of the performance of Statutory Auditors

EXCO of the Bank will review the performance of the Statutory Auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on the part of the Statutory Auditors or any other relevant matter will be reported to the RBI within two months of completion of annual audit after approval from EXCO.

VI. Tenure and rotation

The appointment of Statutory Auditors will be for three continuous years, subject to audit firms continuing to comply with the eligibility norms. The audit firm will not be eligible for re-appointment in the Bank for a period of six years after completion of full or part tenure in the Bank. Bank can remove the audit firms during the above period only with the prior approval of RBI.

VII. Audit Fees and Expenses

The audit fees for Statutory Auditors will be decided in terms of the relevant statutory/regulatory provisions. 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. EXCO shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of Statutory Auditors.

VIII. Effective date and review of the Policy

The policy will be effective for the FY 2021-22 and onwards and will be updated based on any change in guidelines by RBI or any changes recommended by EXCO.