Policy on appointment / Reappointment of Statutory Auditors

1. Background

Reserve Bank of India ("RBI") vide Notification No. RBI/2021-22/25 Ref No. Dos. CO.ARG/ SEC.01/ 08.91.001/ 2021-22 dated April 27, 2021 issued Guidelines for Appointment of Statutory Auditors (SAs) of Non-Banking Finance Companies in addition to Commercial Banks, UCBs, HFCs for the Financial Year 2021-22 and onwards with option to specified NBFCs. The asset under management of Shriram City Union Finance Ltd ("Company") being more than Rs 15,000 crores as on March 31, 2020, this notification of the RBI for appointment of Statutory Auditors ("SA") becomes applicable to the Company .Accordingly, the Policy on Appointment/Reappointment of Statutory Auditors ("Policy") of the Company is framed . The objective of the Policy is to lay down u the procedures for eligibility, selection, appointment continuance appointment as SA and other related matters pertaining to SA of the Company keeping in view the regulations of the RBI, Companies Act 2013 ("CA13"), Securities and Exchange Board of India ("SEBI") and applicable regulation of other authorities. The policy is applicable to the Company for appointment of SA for the financial year 2021-22 and onwards.

2. Eligibility Criteria of Auditors

2.1 The Audit firm appointed/to be appointed as SA of the Company shall fulfill the following criteria as mentioned in the regulations of the RBI in addition to the eligibility criteria mentioned under CA13, regulations of SEBI and other regulations/ guidelines/ standards etc. The eligibility criteria for appointment and continuance of SA ofthe Company shall be separately tested for each applicable law and relevant steps shall accordingly be taken.

Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years.	5
Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3)	4
Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA	2
Minimum No. of years of Audit Experience of the firm	15
Minimum No. of Professional staff (includes audit clerck,article clerks with knowledge of book-keeping, accountancy engaged in on-site audits excluding typists/ stenos/ computer operators/ secretaries/ subordinate staff	18

2.2 There shall be at least one-year continuous association of partners with the firm as on the date of shortlisting by the Company for considering them as full-time partners. At least two partners of the firm shall have continuous association with the firm for at least 10 years. There shall be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of shortlisting by the Company for considering them as paid CAs with CISA/ISA qualification for the purpose. Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ AIFIs.

In case of merger and demerger of audit firms, merger effect will be given after 2 years of the date of merger while demerger will be effected immediately for this purpose. Professional staff

Shriram City Union Finance Limited, CIN: L65191TN1986PLC012840, Regd. office: 123, Angappa Naicken Street, Chennai 600001, Tamil Nadu., Website: www.shriramcity.in ; Email: sect@shriramcity.in

2.3 The Audit firm shall be considered to be eligible as the SA of the Company throughout the tenure of Audit and as on March 31 every year and till completion of audit. If any audit firm (after appointment) does not comply with any of the eligibility norms for any reason, it shall promptly approach the Company with full details and the firm shall take all necessary steps to become eligible within a reasonable time. Due to any extraordinary circumstance after the commencement of audit (i.e. death of one or more partners, employees, etc.) making the firm ineligible for any reason of the regulations of RBI, the Company may approach RBI with a request to allow the audit firm to complete the audit, as a special case.

2.4 Few of the requirements are mentioned below

The Chartered Accountant Firm (i) should meet the requirements for appointment as auditor of the Company specified under section 141 and relevant rules of the CA13, (ii) Should not be under debarment for appointment as auditors by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI and Other Financial Regulators. (iii) should not have conflict of interest (iv) partner shall not be a director in an RBI Regulated group Entity [The Company shall, as part of the process for selection of firms for appointment as SAs, obtain appropriate disclosures for this purpose including the details of directorships in Group Entities that are not regulated by RBI]. (v) should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS) commensurating with the degree/ complexity of computer environment of the Company in order to achieve audit objectives,(vi) meets the ICAI's Code of Conducts/ Ethics/any other such standards (vii) should not be concurrent auditor of the Company, (viii) is not statutory auditor concurrently for more than eight NBFCs during a particular year [subject to compliance with required eligibility criteria and other conditions of respective Companies. 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 Audit accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible],
(ix) should not be associated with the outgoing auditor or audit firm under the same network of audit firms, (x) if has done any non-audit works [services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments of the Company, audit/non-audit works for group entities, for the Company or any at least one year should elapse before or after its appointment as SCAs/SAs.

However, during the tenure as Statutory Auditor, an audit firm may provide such services to the Company which may not normally result in a conflict of interest. Such activities may include but not limited to activities such as Tax audit, tax representation and advice on taxation maters, audit of interim financial statements certificates on regulatory compliance /requirements, reporting on financial information and related matters of the Company by the SA as well as other exemptions permitted by the RBI.

Shriram City Union Finance Limited, CIN: L65191TN1986PLC012840, Regd. office: 123, Angappa Naicken Street, Chennai 600001, Tamil Nadu., Website: www.shriramcity.in ; Email: sect@shriramcity.in

3. Number of Audit Firm

The Company shall decide on the number of firms to be appointed as SAs subject to the minimum number prescribed by RBI after taking into consideration the factors like asset size, extent of operations, administrative units, complexity of transactions, level of computerization, identified risks in financial reporting. The statutory audit should be conducted by joint auditor of a minimum of two audit firms [Partnership Firms/Limited Liability Partnerships (LLPs)] with a maximum of 4 Audit Firms up to an asset size of Rs. 50,000 crores

4. Work Allocation between the Joint Auditors

The Company in consultation with the Auditors shall finalize the *inter se* allocation of responsibilities/area of work at the commencement of statutory audit .This *inter se* allocation can be changed with the concurrence of the Auditors.

5. Independence and Professional Standards of SA

5.1 The Audit Committee of the Board (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 may be flagged by the ACB to the Board of Directors of the Company ("Board") and concerned Senior Supervisory Manager (SSM)/ Regional Office (RO) of RBI.

5.2 In case of any concern with the Management of the Company such as non-availability of information/non-cooperation by the Management affecting the audit process, the SA shall approach the ACB/Board of the Company, under intimation to the concerned SSM/RO of RBI.

5.3 The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence

5.4 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.

5.5 In the event of lapses in carrying out audit assignments resulting in misstatement of financial statements and any violations/lapses with the RBI's directions/guidelines regarding the role and responsibilities of the SAs, the SAs may be liable to be dealt with suitably under the relevant statutory/regulatory framework

6. Tenure and Rotation

6.1 The Company shall appoint the SA for a continuous period of three years (subject to other applicable regulations and Acts), subject to the firms satisfying the eligibility norms each year (for the purpose of independence of SA). For removing the SA before completion of three years tenure, the Company shall inform about such removal along with reasons/justification thereof to the SSM/RO at RBI, within a month of such decision for

Shriram City Union Finance Limited, CIN: L65191TN1986PLC012840, Regd. office: 123, Angappa Naicken Street, Chennai 600001, Tamil Nadu., Website: www.shriramcity.in ; Email: sect@shriramcity.in

removal.

6.2 An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure. If an audit firm was SA for part-tenure (1 year or 2 years) and not appointed for remainder tenure, then it would not be eligible for reappointment in the Company for six years from completion of part- tenure.

7. Audit Fees and Expenses

The audit fees for SAs shall be decided in terms of applicable statutory/regulatory provisions as recommended by ACB/Board and the audit fee shall be reasonable commensurating 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.

8. Procedure to be followed for Appointment of SCAs/SAs

(i) The Company shall shortlist minimum of two audit firms for every vacancy of SA, (ii) The Company shall obtain a certificate duly signed by the main partner/s of the audit firm proposed for appointment under the seal of the said audit firm in the prescribed format (Annexure I Form B) from each of the audit firms proposed to be appointed as SAs for their compliance with eligibility criteria prescribed by the RBI, (iii) The ACB shall on finding suitability of any firm ,shall recommend the appointment to the Board ,(iv) the Board shall consider the recommendation of the ACB and on finding suitability , shall recommend the same for the approval to the shareholders of the Company,(v) Shareholders shall appoint the SA. This process may not be followed for appointment of the first SA. The appointment of SA in case of casual vacancy shall be ratified by the shareholders as per the provisions of the CA13, (vi) Thereafter, the Company shall submit the information to RBI in the prescribed format within 30 days of such appointment as prescribed in the RBI directive (Form A)

9. Review and Disclosure

The ACB and Board may review this Policy based on need. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall stand amended automatically to incorporate the regulatory changes. This Policy will be hosted on the web site of the Company.

Shriram City Union Finance Limited, CIN: L65191TN1986PLC012840, Regd. office: 123, Angappa Naicken Street, Chennai 600001, Tamil Nadu., Website: www.shriramcity.in ; Email: sect@shriramcity.in

Form A

Information to be submitted by the NBFCs regarding appointment of SCA/SA.

1. The company has appointed M/s_____, Chartered Accountants (Firm Registration Number_____) as Statutory Central Auditor (SCA)/Statutory Auditor (SA) for the financial year for their 1st/2nd/3rd term.
2. The company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SCA/SA of the company for FY_____along with relevant information in the format as prescribed by RBI.
3. The firm has no past association/association for_____years with the company as SCA/SA/SBA.
4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of NBFCs.

Signature

(Name and Designation)

Date:

Shriram City Union Finance Limited, CIN: L65191TN1986PLC012840, Regd. office: 123, Angappa Naicken Street, Chennai 600001, Tamil Nadu., Website: www.shriramcity.in ; Email: sect@shriramcity.in

Policy on appointment / Reappointment of Statutory Auditor

FORM B

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of the Company as on 31st March of previous year	Number of Full-Time Partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of years of audit experience#	Number of Professional Staff

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹1,000 crore

#Details may be furnished separately for experience as SCAs/SAs and SBAs

B. Additional Information:

Sl No	Requirements	Response
i	Copy of Constitution Certificate	
ii	Whether the firm is a member of any network of audit firms .if yes ,details thereof	
iii	Whether any partner of the firm is a partner in any other audit firm? If yes, details thereof.	
iv	Whether the firm has been appointed as SCA/SA by any other Commercial Bank (Excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.	
v	Whether the firm has been debarred from taking up audit assignments by any. Regulator/Government agency? If yes, details thereof.	
vi	Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.	

Declaration from the firm

The firm complies with all eligibility norms prescribed by the RBI regarding appointment of joint Statutory Auditors of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters, or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors have been declared as wilful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner
(Name of the Partner)

Date:

Shriram City Union Finance Limited, CIN: L65191TN1986PLC012840, Regd. office: 123, Angappa Naicken Street, Chennai 600001, Tamil Nadu., Website: www.shriramcity.in ; Email: sect@shriramcity.in