CENTRUM HOUSING FINANCE LIMITED

POLICY FOR APPOINTMENT OF STATUTORY AUDITOR

Document Title	**Policy for Appointment of Statutory Auditor**
Approved by	**Board of Directors at its meeting held on May 5, 2023**
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POLICY FOR APPOINTMENT OF STATUTORY AUDITOR

A. BACKGROUND, INTRODUCTION, OBJECTIVE AND APPLICABILITY

1. Background and Introduction

Centrum Housing Finance Limited ("**Company**" or "**CHFL**'), as a Housing Finance Company ("**HFC**"), is, *inter alia*, required to comply with various provisions of the Non-Banking Financial Company Housing Finance Company (Reserve Bank) Directions, 2021 ("**RBI HFC Directions**"). Further, it is required to comply with various regulatory directions prescribed by the Reserve Bank of India ("**RBI**") and supervisory instructions advised by the National Housing Bank ("**NHB**").

RBI vide its circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021□22 dated April 27, 2021 has issued '**Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs)**' ("**RBI Guidelines**") which are applicable to Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs). The RBI Guidelines require these lending institutions to formulate a 'Policy for the appointment of SCAs/SAs' approved by their respective Board of Directors (the "**Board**"). Such policy is required to define necessary procedures to be followed for appointment of SCAs/ SAs and the same is supposed to be hosted on respective lending institution's respective official website.

Centrum Housing Finance Limited ("**CHFL**" or the "**Company**") is required to take steps to comply with the RBI Guidelines since its asset size is, now, more than ₹1,000 crore. In view of the above regulatory requirements, the Company shall be adopting this 'Policy for Appointment of the Statutory Auditor' ("**Policy**") with approval of its Board.

2. Objective

The objective of this policy is to formulate necessary policy guidelines and procedures for appointment of the Statutory Auditor in accordance with the extant statutory and regulatory norms applicable to the Company.

3. Applicability

Once approved by the Board, this Policy shall be applicable for appointment of Statutory Auditor(s) by the Company and also for disclosures relating to the same. This version of the Policy shall supersede any previous policy/ guideline adopted by the Company with respect to appointment of the Statutory Auditor.

B. GUIDELINES WITH RESPECT TO BRANCH COVERAGE

The Statutory Auditor(s) shall visit and audit at least the top 20 branches or the top 20% of the branches of the Company *(till the time the Company has less than 100 branches)* to be selected in order of the level of outstanding advances in such a manner as to cover a minimum of 15% of total gross advances of the Company. In addition, the Company shall ensure adherence to the provisions of Section 143(8) of the Companies Act, 2013 regarding of audit of accounts of all branches.

C. POLICY GUIDELINES WITH RESPECT TO ELIBILITY, APPOINTMEN AND REMOVAL

4. Eligibility Criteria for the Statutory Auditor

The Company shall be appointing its Statutory Auditor as per the eligibility norms prescribed in the RBI Guidelines, as amended from time to time.

4.1 Basic Eligibility- In accordance with the RBI Guidelines, the Company will appoint an audit firm as its Statutory Auditor and adopt the following parameters till it crosses asset size of ₹15,000 crore:

Parameter	Minimum Eligibility
Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three years *(please refer Note 1*)*	3
Out of total FTPs, Minimum No Chartered Accountant (FCA) Partners associated with the firm for a period of at least three years	2
Minimum No. of Full Time Partners/ Paid CAs with CISA/ ISA Qualification *(please refer Note 2*)*	1
Minimum No. of years of Audit Experience of the firm *(please refer Note 3*)*	8
Minimum No. of Professional Staff *(please refer Note 4*)*	12

* ***Notes for reference:***

(a) Note 1: *Minimum Number of Full-Time Partners (FTPs)- There should be at least one year of continuous association of partners with the firm as on the date of shortlisting for considering them as full-time partners. Further, for appointment as the Statutory Auditor of the Company, at least 2 partners of the firm shall have continuous association with the firm for at least ten years. The 'full-time partner's association with the firm' would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:*

(i) The full-time partner should not be a partner in other firm/s.

(ii) She/ He should not be employed full time/ part-time elsewhere.

(iii) She/ He should not be practicing in her/ his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.

(iv) The Company, under guidance of the ACB, shall examine and ensure that the income of the partner from the firm/ LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

(b) Note 2: *CISA/ ISA Qualification- There should be at least one year of continuous association of Paid CAs with CISA/ ISA qualification with the firm as on the date of shortlisting for considering them as Paid CAs with CISA/ ISA qualification for the purpose.*

(c) Note 3: *Audit Experience- Audit experience shall mean experience of the audit firm as Statutory Central/ Branch Auditor of Commercial Banks/ UCBs/ NBFCs/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.*

(d) Note 4: *Professional Staff- Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits*

but excludes typists/ stenos/ computer operators/ secretaries/ subordinate staff, etc. There should be at least one year of continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

4.2 Additional Criteria/ Considerations

(a) The audit firm proposed to be appointed as the Statutory Auditor in the Company, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.

(b) 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.

(c) The appointment of the Statutory Auditor shall be in line with the ICAI's 'Code of Ethics' or any other such standards adopted and does not give rise to any conflict of interest.

(d) If any partner of a Chartered Accountant firm is a director of the Company or any other entity which can be termed as a group entity vis a vis the Company, the said firm shall not be appointed as the Statutory Auditor of the Company or any of the group entities of the Company. For this purpose, group entities shall mean 2 or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.

(e) It shall be preferred that the Statutory Auditor have capability and experience in deploying Computer Assisted Audit Tools/ Techniques and Generalized Audit Software, commensurate with the Company's size and complexity of its technological infrastructure.

(f) The office location and mobility of the audit team shall also be one of the factors.

4.3 Continued Compliance with Basic Eligibility Criteria- If the relevant audit firm, after appointment as the Statutory Auditor of the Company, 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 shall promptly approach the Company with full details and 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.

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, the Company would approach RBI to consider allowing the concerned audit firm to complete the audit, as a special case.

5. Independence of Auditors

5.1 The Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board of Directors of the Company to concerned Senior Supervisory Manager (SSM)/ Regional Office (RO) of the RBI/ NHB.

5.2 In case of any concern with the Management of the Company such as non□availability of information/non□cooperation by the Management, which may hamper the audit process, the SAs shall approach the Board of the Company, under intimation to the concerned SSM/RO of RBI.

5.3 Concurrent auditors of the Company, if any will not be considered for appointment as a Statutory Auditor. The audit of the Company and any entity with large exposures to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.

5.4 The time gap between any non□audit work, i.e., services mentioned at Section 144 of Companies Act, 2013, internal assignments, special assignments, etc. by the Statutory Auditor of the Company or any audit/non□audit work for the Company's group entities should be at least one year, before or after its appointment as a Statutory Auditor. However, during the tenure as Statutory Auditor, an audit firm may provide such services to the concerned entities, which may not normally result in a conflict of interest, and Company may take their own decision in this regard, in consultation with the Board.

5.5 The restrictions as detailed in para 5.3 and 5.4 above, shall apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

6. Professional Standards of the Statutory Auditor

6.1 The Statutory Auditor shall be required to be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

6.2 The ACB shall review the performance of the Statutory Auditor on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditor 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 ACB/ Board of Directors of the Company, with the full details of the audit firm.

6.3 In the event of lapses in carrying out audit assignments resulting in misstatement of the Company's financial statements, and any violations/ lapses vis-à-vis the RBI's directions/ guidelines regarding the role and responsibilities of the Statutory Auditor in relation to the Company, the Statutory Auditor shall be liable to be dealt with suitably under the relevant statutory/regulatory framework.

7. Tenure and Rotation

7.1 In order to protect the independence of the auditors/audit firms, the Company shall appoint the SAs for a continuous period of 3 years, subject to the SA satisfying the eligibility norms each year.

7.2 An audit firm would not be eligible for reappointment in the Company for 6 years after completion of full or part of one term of the audit tenure. In case an audit firm has conducted statutory audit of the Company for part-tenure (1 year or 2 years) and then

not appointed for remainder tenure, they also shall not be eligible for reappointment for 6 years from completion of part-tenure.

7.3 The Statutory Auditor of the Company can concurrently take up statutory audit of a maximum of 4 Commercial Banks [including not more than 1 PSB or 1 All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], 8 UCBs and 8 NBFCs during a particular year. For this purpose, a group of audit firms having common partners and/or under the same network will be considered as 1 entity and they will be considered for allotment of the Statutory Auditor accordingly. Shared/ Sub-contracted audit by any other/ associate audit firm under the same network of audit firms is not permissible. 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.

8. Audit Fees and Expenses

8.1 The Company shall ensure that the audit fees of the Company 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 computerisation, identified risk in financial reporting etc.

8.2 The audit fees shall be decided and recommended by the ACB to the Board in accordance with the relevant statutory/regulatory provisions.

9. Procedure for Appointment of a Statutory Auditor

9.1 The Company shall shortlist minimum of 2 audit firms for every vacancy of SA 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 the Statutory Auditor does not get delayed.

9.2 The Company shall obtain a certificate from each of the audit firms to be appointed as SAs that the audit firm complies with all the eligibility norms prescribed by RBI. Such certificate shall be duly signed by the main partner/s of the audit firm proposed for appointment under the seal of the said audit firm. The current format prescribed by the RBI is enclosed as ***Annexure I*** of the Policy. Such certificate should be signed by the main partner(s) of the audit firm proposed to be appointed as the Statutory Auditor, under the seal of the said audit firm.

9.3 The ACB shall recommend the appointment of the SA to the Board and the Board shall recommend the same for the approval of the shareholders. The Shareholders shall appoint the SA, except the first SA and the appointment of SA in case of casual vacancy shall be ratified by the shareholders as per the provisions of the Companies Act, 2013.

10. Removal of the Statutory Auditor before completion of the tenure

Any removal of the Statutory Auditor before completion of three years will be done with the approval of the ACB and the Board. In such a case, the Company shall inform the Department of Supervision, Reserve Bank of India/ National Housing Bank about the same, along with the reasons / justification within a month of such decision being taken. The Company will not reappoint an audit firm for six years after the completion of full or part of one term of the audit tenure.

D. INTIMATION OF APPOINTMENT OF THE STATUTORY AUDITOR TO THE RBI

11. The Company shall make the necessary filings and intimation to the ROC, RBI/ NHB or such other statutory authority within the prescribed timelines as applicable.

12. The Company shall inform the Department of Supervision, Reserve Bank of India/ National Housing Bank about the appointment of the Statutory Auditor each year by way of a certificate in the format as prescribed by the RBI within 1 month of such appointment/ confirmation. The Company shall follow the format prescribed by the RBI, from time to time, in this regard. The current format prescribed by the RBI is enclosed as ***Annexure II*** of this Policy.

E. REVIEW OF THE POLICY

This policy shall be reviewed as and when deemed necessary and will be submitted to the Board for its approval on the recommendation of the ACB. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall stand modified in accordance with regulations.

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Annexure I

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

Particulars of the firm proposed to be appointed as the Statutory Auditor

Asset Size of the Company as on March 31, of Previous Year	Number of Full-Time Partners exclusively associated with the firm for a period of 3 yrs	Out of total FTPs, Number of FCA Partners associated with the firm for a period of 3 yrs	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience #	Number of Professional staff

 # Details may be furnished separately for experience as Statutory Central Auditors/ Statutory Auditors/ Statutory Branch Auditors.

1. Additional Information:

(i) Copy of Constitution Certificate.

(ii) Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.

(iii) Whether the firm has been appointed as Statutory Central Auditor/ Statutory Auditor by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution/ Reserve Bank of India/ Primary (Urban) Co-operative Banks/ Non-Banking Financial Company in the present financial year? If yes, details thereof.

(iv) Whether the firm has been debarred from taking up audit assignments by any regulator/ Government agency? If yes, details thereof.

(v) Details of disciplinary proceedings etc. against firm by any Financial Regulator/ Government agency during last 3 years, both closed and pending.

2. Declaration from the firm

The firm complies with all eligibility norms prescribed by the Reserve Bank of India ("RBI") regarding appointment of the Statutory Auditor of **Centrum Housing Finance Limited**, a Non-Banking Finance Company registered with the RBI. 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 willful 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

Annexure II

INFORMATION REGARDING APPOINTMENT OF THE STATUTORY AUDITOR

Centrum Housing Finance Limited ("**Company**") has appointed M/s _____, Chartered Accountants (Firm Registration Number _____) as the Statutory Auditor for the financial year ____ for their _____ term. *(1st/ 2nd/ 3rd term, as applicable)*

The Company has obtained eligibility certificate from _____ (name and Firm Registration Number of the audit firm) appointed as the Statutory Auditor of the Company for FY ____along with relevant information in the format as prescribed by RBI.

The firm has no past association/association for _____ years with the company as the Statutory Auditor.

The Company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of Statutory Central Auditor/ Statutory Auditor of NBFCs.

For **Centrum Housing Finance Limited**

Signature
Name-
Designation-
Date-

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