

POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

TATA CAPITAL LIMITED

I. INTRODUCTION

The Reserve Bank of India (“RBI”) vide its circular no. RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, prescribed “Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)” (“Guidelines”).

In terms of the Guidelines, Tata Capital Limited (“the Company”) is required to formulate a Board approved Policy (Policy) covering necessary procedures for appointment / re-appointment of Statutory Auditors (“SAs”) and the same also needs to be hosted on the Company’s official website.

The main objective of this Policy is to act as a guideline for deciding on the number of SAs to be appointed for the Company and for determining their qualifications, eligibility, and procedure for appointment / re-appointment.

II. SCOPE OF THE POLICY

This Policy shall form the basis for appointment of SAs. The Company shall comply with the relevant provisions of the Companies Act, 2013, rules made thereunder, and the guidelines/ circulars issued by RBI from time to time.

All queries / clarifications on this Policy should be obtained from the Finance team. Clarifications on any regulatory issue shall be obtained from the respective Compliance Officers.

III. NUMBER OF SAs

In terms of the Guidelines, since the asset size of the Company is more than Rs. 15,000 crore and less than Rs. 5,00,000 crore as at last reporting period, (i.e. March 31, 2023), the Company shall appoint minimum two joint SAs and may appoint maximum four joint SAs.

Considering relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerisation, availability of other independent audit inputs, identified risks in financial reporting, etc., the Company shall restrict the appointment of SAs to only two audit firms as Joint SAs, as long as the asset size of the Company continues to be in excess of Rs. 15,000 crore and below Rs. 5,00,000 crore.

The Company shall ensure that the joint auditors do not have any common partners and they are not under the same network of audit firms.

[Network: As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014]

The work allocation between joint auditors shall be finalised, before the commencement of the statutory audit, in consultation with the SAs.

The Company shall ensure that adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

IV. TENURE OF SAs

The appointment of SAs shall be for a continuous period of three years, subject to the SAs satisfying the eligibility norms each year. If the Company removes SAs before completion of 3 years, it shall inform the concerned Regional Office / Senior Supervisory Manager of RBI 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.

In case an audit firm has conducted audit of the Company for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Company for six years from completion of part-tenure.

The Company shall inform RBI about the appointment/re-appointment of SAs for each year by way of certificate prescribed under the Guidelines within one month of such appointment.

V. ELIGIBILITY CRITERIA FOR APPOINTMENT OF SAs

The Company's asset size, being more than Rs. 15,000 crore, the SAs shall fulfil the following minimum criteria for being eligible to be considered for appointment as SA of the Company:

- a. Minimum number of Full-Time Partners (FTPs) associated with the firm for a period of at least three years shall be five. At least two partners of the firm shall have continuous association with the firm for at least 10 years.
- b. Out of total FTPs, minimum number of Fellow Chartered Accountant (FCA) partners associated with the firm for a period of at least three years shall be four.
- c. Minimum number of FTPs / paid Chartered Accountants (CAs) with Certified Information System Auditor (CISA) / Information System Audit qualification shall be two.

Minimum number of years of relevant audit experience of the firm shall be fifteen. The relevant audit experience would be experience of the firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ All India Financial Institutions (AIFIs).

- d. Minimum number of professional staff shall be eighteen.
- e. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the Company or any audit/non-audit works for its group entities¹ should be at least one year, before or after its appointment as SAs (applicable to an audit firm under the same network of audit firms or any other audit firm having common partners).
- f. Concurrent auditors of the Company shall not be considered for appointment as SAs. The audit of the Company and any entity with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the SA (applicable to an audit firm under the same network of audit firms or any other audit firm having common partners).
- g. The SAs shall be duly qualified for appointment as such in terms of criteria specified under Section 141 of the Companies Act, 2013.

¹ Group entities shall mean two 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.

- h. The audit firm shall 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 Regulator
- i. The appointment of SAs should be in line with the ICAs Code of Ethics / any other such standards adopted and does not give rise to any conflict of interest.
- j. If any partner of a Chartered Accountant firm is a director in the Company, the said firm shall not be appointed as SA of any of the group entities of the Company.
- k. The auditors for the Company should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Company where the accounting and business data reside in order to achieve audit objectives.

VI. PROCEDURE FOR APPOINTMENT OF SAs

The following procedure will be adopted for appointment of SAs:

- a. The Company shall shortlist minimum of two audit firms for every vacancy of SA.
- b. The Company shall obtain a certificate, along with relevant information, as per the prescribed format, from each of the audit firms proposed to be appointed as SAs to the effect that they comply with all the eligibility norms prescribed by RBI for the purpose and under the Companies Act, 2013. Such certificate shall be duly signed by the managing partner/s of the audit firm proposed for appointment under the seal of the said audit firm.
- c. The proposal for appointment of SAs shall be placed before the Audit Committee. The Audit Committee shall recommend the appointment to the Board and thereafter the appointment will be placed before the Board for approval subject to the approval of the shareholders. The approval of the shareholders will be sought in accordance with the provisions of the Companies Act, 2013.

VII. AUDIT FEE AND EXPENSES

The audit fees for SAs 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. The Audit Committee shall approve and recommend the remuneration payable to the SAs, for each financial year, to the Board for its approval.

VIII. INDEPENDENCE OF SAs

The Audit Committee shall monitor and assess the independence of the SA 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 Audit Committee to the Board of Directors and the Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

IX. REVIEW OF THE PERFORMANCE OF SAs

The Audit Committee shall review the performance of the SAs on an annual basis. Any serious lapses/negligence while carrying out their audit responsibilities or any conduct issues on the part of the SAs or any other matter considered as relevant shall be reported to the RBI within two months of completion of annual audit after approval from the Audit Committee and should include the full details of the audit firm.

X. CONFLICT IN POLICY

In the event of a conflict between the Policy and the extant applicable regulations, the applicable regulations shall prevail.

XI. AMENDMENTS

In case any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities, are not consistent with the provisions laid down under the Policy, such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and the Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

XII. REVIEW OF POLICY

The Board of Directors shall review the Policy annually.