



MUTHOOT HOUSING FINANCE COMPANY LIMITED

POLICY ON APPOINTMENT OF STATUTORY AUDITORS

Recommended by:

CEO

Approved by:

Board

Date of Approval: 7.2.2022

Policy on Appointment of Statutory Auditors

1. INTRODUCTION

The Board of Directors (the “Board”) of Muthoot Housing Finance Company Limited (the “MHFCL or Company”) have adopted the policy and procedures regarding Appointment of Statutory Auditors (“SOP on Appointment of Statutory Auditors), in line with the requirements of extant Guidelines of Reserve Bank of India vide Circular Ref. No. DoS. CO. ARG / SEC. 01 / 08.91.001 / 2021-22 dated April 27, 2021 and as per Section 139, 141 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 .

2. OBJECTIVES

The objective of this policy is to establish proper procedure for appointment of Statutory Auditors, and to conform with the extant Guidelines of Reserve Bank of India, and applicable provisions of Companies Act, 2013.

3. DEFINITIONS

- a) “**AGM**” mean Annual General Meeting of the Company.
- b) “**Audit Committee**” means the Audit Committee of the Board.
- c) “**Board**” means the Board of Directors of the Company.
- d) “**Group**” refers to the Muthoot Pappachan Group.
- e) “**RBI**” means Reserve Bank of India.
- f) “**Statutory Auditors (SAs)**” means the auditors appointed as per the policy with the approval of Shareholders of the Company to take up the Audit of the affairs of the Company.

4. ELIGIBILITY CRITERIA FOR APPOINTMENT AS STATUTORY AUDITORS

A. ELIGIBILITY NORMS AS ADVISED BY RBI VIDE CIRCULARS DoS. CO. ARG / SEC.01 / 08.91.001 / 2021-22 DATED APRIL 27, 2021

The Company shall appoint minimum one audit firm (Partnership firm/LLPs) for conducting statutory audit. The term of SAs will be for a period of up to three years commencing from the date of General Meeting in which their appointment is approved by the shareholders.

The Company taking in to account the relevant factors such as the size and complexity of transactions etc , the Company shall appoint one Audit Firm as Statutory Auditor which was duly recommended by the Audit Committee, Board and subject to the approval of shareholders.

Eligibility criteria to be fulfilled by audit firms for appointment as SAs of the Company as per the above-mentioned RBI Circular will comprise of:

- (a) Basic Eligibility; and
- (b) Additional Consideration.

The details of the same, is as under:

A.1: Basic Eligibility

Minimum no. of full-time partners (FTPs) associated with the firm for a period of at least three years¹	Out of total FTPs, minimum no. of Fellow Chartered Accountant (FCA) partners associated with the firm for a period of at least three years	Minimum no. of FTPs/ paid CAs with CISA/ISA qualification²	Minimum no. of years of audit experience of the firm³	Minimum no. of full-time professional staff ⁴
5	3	1	15	15

Notes:

1. Full time partners associated with the firm:

There should be at least one-year continuous association of partners with the firm as on the date of shortlisting, for considering them as full-time partners.

Further, for appointment as SAs of the Company, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

The full-time partner's association with the firm would mean exclusive association based on the following criteria:

- i. The full-time partner should not be a partner in any 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.

2. CISA/ISA Qualification:

There should be at least one-year 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.

3. Audit Experience:

Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs) / 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.

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

A.2: Additional Consideration

1. The audit firm, proposed to be appointed as SAs of the Company, should be duly qualified for appointment as auditor of a Company in terms of Section 141 of the Companies Act, 2013.
2. 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.
3. The appointment of SAs must 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.
4. If any partner of a Chartered Accountant firm is a Director in the Company, the said firm shall not be appointed as SAs of any of the group entities of the Company.
5. The audit firm, proposed to be appointed as SAs of 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 to achieve audit objectives.
6. Concurrent auditors of the Company should not be considered for appointment as SAs of the Company.
7. If an audit firm, considered for appointment as SAs, is carrying out audit of any entity (borrower) with large exposure to the Company for the period during which the firm is proposed to be appointed as SAs, the same shall be explicitly factored in while assessing independence of the auditor to be considered as SAs.

8. 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 of the Company or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SAs. This clause will be applicable only prospectively, i.e., from FY 2022 - 23 onwards. However, during the tenure as SAs, an audit firm may provide such services to the concerned which may not normally result in a conflict of interest, and the Company may take their own decision in this regard, in consultation with the Audit Committee.
9. In case any audit firm (after appointment) 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 may promptly approach the Company with full details. Further, the audit firm shall 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 31st March and till the completion of annual audit.

B. GENERAL ELIGIBILITY NORMS FOR STATUTORY AUDITORS

1. Where a firm including a Limited Liability Partnership is appointed as an auditor of the Company, only the partners who are Chartered Accountants shall be authorised to act and sign on behalf of the firm.
2. The persons who are disqualified to be appointed as auditors as per the provisions of Section 141 (3) of the Companies Act, 2013 read with Rule 10 of the Companies (Audit & Auditors) Rules, 2014 shall not be considered for the appointment as SAs of the Company.
3. No adverse remarks / disciplinary proceedings pending / initiated against the firms / any of its Partners on the record of Institute of Chartered Accountants of India.
4. The Auditors / Audit Firms should not be a wilful defaulter of Banks / Financial institutions.
5. The Auditors / Audit Firms should not carry out any assignment of the Internal Audit of the Company.
6. The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.

C. PROFESSIONAL STANDARDS OF SAs

1. The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
2. The Board / 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 should be sent with the approval / recommendation of the Board / ACB, with the full details of the audit firm.

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

D. OTHER MATTERS

1. The consent letter and eligibility certificate should be signed by the main partner/s of the audit firm proposed for appointment of SAs of the Company under the seal of the said audit firm. Once the consent is given by the audit firm, the same will be treated as irrevocable.
2. The matters related to fees / remuneration etc. payable to the SAs will be decided by the Audit Committee/Board.
3. A cooling off period of six years (two tenures) has to be followed for taking up of two successive assignments of three years each.

5. PROCESS FOR APPOINTMENT OF STATUTORY AUDITORS

A. PREPARATION, REVIEW AND FLOATING OF RFP (REQUEST FOR PROPOSAL)

After placing Recommendatory Note to the Audit Committee, the Audit Committee shall oversee the process of appointment of the SAs and recommend to the Board of Directors.

SELECTION

- i. The appointment of Statutory Auditors will be made, subject to fulfilling their eligibility norms prescribed by RBI in Form B (Annexure1) and applicable provisions of Companies Act, 2013, and also subject to their suitability.
- ii. Proposals will be scrutinized on the basis of the basic eligibility criteria prescribed by the RBI.
- iii. The Committee shall evaluate the proposal in terms of expertise, experience, qualifications, reputation, availability of qualified CAs, sufficient trained personnel with the firm and such other factors as the Company may deem fit for its requirements.
- iv. The final selection of the Audit firm will be approved by the Board based on the recommendation of Audit Committee of the Board and subject to the approval of shareholders.
- v. The Company need to intimate to RBI within one month from the date of such appointment in Form A(Annexure2) prescribed by RBI.
- vi. The Company also reserves the right to make query with the firm or any other agency, ask for additional information, particulars, and submission of one or more undertakings from any firm, at any point of time. None of such act shall be deemed as an offer of engagement as SA by the Company to the firm unless and until the Company intimates in writing to the firm regarding appointment as SA of the Company.

6. REVIEW OF THE POLICY

1. The Board of the Company may review the policy as and when it deems necessary.
2. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

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Annexure 1**FORM B****Eligibility Certificate from (Name and Firm Registration Number of the firm)****A. Particulars of the firm:**

Asset Size of Entity as on 31 st 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:

- Copy of Constitution Certificate.
- 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.
- 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.
- Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs 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:

Annexure 2

FORM A

Information to be submitted by the NBFCs regarding appointment of Statutory Auditors.

1. The company has appointed M/s_____, Chartered Accountants (Firm RegistrationNumber____) 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 Numberof 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 _____ SCA/SA/SBA.
4. The company has verified the said firm's compliance with all eligibility norms prescribed byRBI for appointment of SCAs/SAs of NBFCs.

Signature

(Name and
Designation)

Date: