

ROHA HOUSING FINANCE PRIVATE LIMITED

POLICY ON APPOINTMENT OF STATUTORY AUDITOR

**Approved by the Board of Directors of
Roha Housing Finance Private Limited
On August 11, 2021**

(Version-1)

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PREAMBLE:

The Reserve Bank of India (“RBI”) has issued Guidelines for the appointment of Statutory Auditors (SAs) of Non-Banking Financial Companies (NBFCs) (Including Housing Finance Companies) on April 27, 2021 (“RBI Guidelines”). In terms of said RBI Guidelines, Roha Housing Finance Private Limited (hereinafter ‘the Company’ or ‘RHFPL’), being a NBFC-HFC with asset size of less than ₹1,000 crore, is required to comply with these RBI Guidelines while appointing the statutory auditors of the Company for Financial Year 2021-22 and onwards. Further, the RBI Guidelines requires formulation of suitable policy on the appointment of Statutory Auditor (SA). The Company is required to ensure that the Statutory Auditor fulfils the prescribed eligibility norms.

OBJECTIVE:

The objective of this policy is to provide sufficient framework for the appointment of Statutory Auditors of the Company by prescribing the parameters and brief procedure to be followed by the Company for the appointment of Statutory Auditor confirming to all relevant applicable statutory/regulatory requirements.

DEFINITIONS:

- a. **“Applicable Laws”** means the RBI Guidelines, ICAI Act, Income Tax Act, the Companies Act, 2013 and the regulations issued thereunder, as amended from time to time, dealing with the qualification, eligibility, selection, appointment, tenure, or cessation of the office of SA and/ or roles & responsibilities of such SA .
- b. **“Audit Committee of Board or ACB”** means the Committee duly constituted by the Board of Directors of the Company in accordance with the provisions of all applicable regulatory/statutory requirements.
- c. **“Audit Firm”** means the firm of Chartered Accountant(s) constituted as per the provisions of the ICAI Act and permitted to conduct the audit of entities in India under the provisions of Applicable Laws.
- d. **“Board”** means Board of Directors of the Company.
- e. **“Company”** means ROHA HOUSING FINANCE PRIVATE LIMITED.
- f. **“NBFC-HFC”** means a Non-Banking Financial Company-Housing Finance company registered with RBI/NHB.
- g. **“Policy”** means ‘Policy on Appointment of Statutory Auditor’.
- h. **“RBI”** means Reserve Bank of India constituted in accordance with the provisions of the Reserve Bank of India Act, 1934.
- i. **“RBI Guidelines”** means Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021 including guidelines, circulars or directions issued by RBI from time to time in connection with Statutory Auditors shall prevail over

and above the provisions of the “Policy for Appointment of Statutory Auditors” of the Company.

- j. “Statutory Auditor or SA or Auditor” means the auditor appointed or to be appointed by the Shareholders of the Company for conducting the audit of the Company as per Applicable Law.

NUMBER OF STATUTORY AUDITOR:

Pursuant to the applicable provisions of the RBI Guidelines and the asset size as on March 31, 2021 being less than ₹1,000 crore, the Company shall appoint one (01) audit firm for conducting statutory audit of the Company. The Company shall comply with RBI Guidelines and appoint such number of SA as may be required pursuant to increase in the asset size or other factors introduced under Applicable Law, from time to time, for the number of SA to be appointed.

Since all the accounts of the Company are centralized hence there is no requirement for audit of accounts of the branches in terms of RBI Guidelines and Section 143 (8) of the Companies Act, 2013.

ELIGIBILITY CRITERIA OF AUDITORS:

The minimum standards and eligibility criteria to be fulfilled by audit firms for appointment as SAs of the Company shall comprise of Basic eligibility and Additional Consideration.

A. Basic Eligibility

Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
Above ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
Up to ₹1,000 crore	2	1	1	6	8

Note 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, 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. The definition of 'exclusive association' will be based on the following criteria:

- (a) The full-time partner should not be a partner in other firm/s
- (b) She/He should not be employed full time / part time elsewhere
- (c) 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.
- (d) The ACB or the Board 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.

Note 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.

Note 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.

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 continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

B. Additional Consideration

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

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.

The Company shall ensure that appointment of SAs is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.

If any partner of a Chartered Accountant firm is a director in any of the RBI Regulated entity in the Group, the said firm shall not be appointed as SA of any of the RBI Regulated Entities in the Group. However, if any partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as Board.

The SAs of the Company should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATs) 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.

C. Continued Compliance with basic eligibility criteria

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.

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, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

INDEPENDENCE OF AUDITOR:

The Audit Committee of the Board (ACB) shall monitor and assess the independence of the auditor and conflict of interest position in terms of relevant regulatory provisions, standards and best practices and any conflict/concern in this regard shall be reported to Board of Directors and Regional Office of RBI. The Audit Committee shall also review and monitor the effectiveness of audit process.

In case of any concern with the management such as non-availability of information/non-cooperation by the management, which may hamper the audit process, the SA shall approach the ACB, under intimation to the concerned Regional Office of RBI.

The time gap between any non-audit works (services mentioned at Section 144 of CA, 2013, internal assignments, special assignments, etc.) by the SAs for the Company or any audit/non-audit work for its group entities should be at least one year before appointment or after completion of the audit assignment as SA. However, during the tenure as SAs, an audit firm may provide such services which may not normally result in a conflict of interest, and Company may take its own decision in this regard, in consultation with the ACB.

SA shall provide the Company only such other services which are approved by the Board or the ACB, as the case may be, but which shall not include any of the services as specified under Section 144 of CA, 2013 (whether such services are rendered directly or indirectly to the company).

ACB shall review the performance of SA on an annual basis. Any serious lapses/ negligence in audit responsibilities or conduct issues on part of the SA or any other matter considered as relevant shall be reported by the Company 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.

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

TENURE & ROTATION:

¹The Company shall appoint SA for maximum period of three (3) continuous years upon SA satisfying the eligibility norms every year. Audit Firm would not be eligible for reappointment in the same entity for six years after completion of full or part of one term of the audit tenure.

The Company may remove SA before completion of three years. The concerned office of RBI shall be informed about such termination along with reasons for the same, within a month of such a decision being taken.

AUDIT FEES & EXPENSES:

The fees for audit shall be decided in terms of the provisions of Applicable Law and shall be reasonable considering 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. Such fee shall be either approved by the shareholders of the Company or under the power delegated by the shareholders of the Company. Such fee shall be exclusive of the expenses, if any, incurred by the SA in connection with the audit of the Company.

PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITOR:

The Compliance Department in coordination with Finance Function shall verify the eligibility of Audit Firms as provided in this Policy by seeking requisite documents, declarations and certificates from the Audit Firm, including but not limited to:

- a. A certificate certifying the eligibility criteria as per Rule 4 of The Companies (Audit and Auditors) Rules, 2014.
- b. A certificate along with relevant information in format as specified by RBI to the effect that the Audit Firm complies with all the eligibility norms prescribed by RBI.

At least two (02) Audit Firms shall be shortlisted in consultation with the finance controller of the Company and recommended to ACB for final selection. ACB shall select one of the Audit Firm as SA basis the information presented before ACB. If the Audit Firm selected by ACB either rejects the offer, or is found to be ineligible later on, the Audit Firm preferred at second place can be appointed by the Company.

The ACB, in its meeting shall take into consideration the qualifications, eligibility and experience of proposed Auditor Firm(s) and whether such qualifications and experience are commensurate with the size and requirements of the Company. If satisfied, the Audit Committee shall recommend

¹ Considering that the provisions/ norms relating to the tenure of office of SA as prescribed under RBI Guidelines are more stringent vis-à-vis provisions specified under CA, 2013, the Company shall comply with the provisions of RBI Guidelines on the subject and implement better corporate governance practice.

to the Board, the name of an audit firm(s) which may replace the existing auditor on expiry of the term of such incumbent.

The Board, on recommendation of the Audit Committee, shall recommend Audit Firm for appointment as SA of the Company to the members in the forthcoming general meeting.

The appointment of Audit Firm as SA, once approved by shareholders of the Company, shall be intimated to the concerned RO of RBI by way of a certificate in the format prescribed by RBI.

The Company shall also inform the Audit Firm of his or its appointment as SA and ensure requisite intimation/ returns before Registrar of Companies, National Housing Bank (NHB) and other authorities.

GOVERNANCE AND PRIMARY RESPONSIBILITIES:

Board of Directors (Board):

- The Board shall approve this Policy for implementation.
- The Board shall pass necessary instructions, orders, clarifications, or assign responsibilities, delegate requisite powers, as may be required from time to time in the course of implementation of the Policy.
- The Board shall recommend the appointment of Audit Firm as SA to the members of the Company for their approval.

Audit Committee of Board (ACB):

- The ACB shall monitor and assess the independence of the SA under relevant provisions.
- The ACB shall assist SA in case of any concern with the management.
- The ACB shall recommend the appointment of Audit Firm as SA to the Board.
- The ACB shall review the performance of SA on annual basis.

Finance Department:

- The Department shall ensure collection of various information/ documents required for verification and selection of Audit Firm.
- Finance Function shall assist and provide requisite support in ascertaining the eligibility of Audit Firm for appointment as SA.

Compliance Department:

- Compliance Department shall verify the eligibility of Audit Firm under Applicable Laws basis the information, documents and declarations received from such Audit Firm.
- Compliance Department shall present requisite information before ACB, Board and the shareholders of the Company, as the case may be, as may be required for taking appropriate decision.
- Compliance Department shall ensure requisite intimations, submission of forms/returns to the prescribed authorities and SA regarding the appointment.

AMENDMENT/ MODIFICATION IN THE POLICY:

The Policy shall be amended or modified with approval of the Board. The Policy shall be reviewed from time to time. Consequent upon any amendments in Applicable Laws or any change in the position of the Company.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.
