

ORIX Leasing & Financial Services India Limited
(CIN: U74900MH2006PLC163937)

Policy for Appointment of Statutory Auditors



V.1

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(I) **Introduction:**

ORIX Leasing & Financial Services India Ltd. (“OLFS”/” Company”). is a non-deposit taking Non-Banking Financial Company (ND-NBFC) registered with Reserve Bank of India (RBI)
The objective of this Policy is to lay down criteria to be considered for appointment of Statutory Auditors by OLFS.

The Policy is framed pursuant to Reserve Bank of India’s (“RBI”) circular Ref. No. DoS. CO. ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), as may be amended or modified, replaced, or substituted from time to time, read with the FAQs issued on June 11, 2021 (“collectively referred as “RBI Guidelines”) for Appointment of Statutory Auditors (SAs) of NBFCs and to the extent applicable to OLFS.

The policy shall be read along with the applicable provisions of Companies Act 2013 for appointment of Statutory Auditors (SAs), as applicable.

(II) **Objective:**

The objective of this policy is to establish proper procedure for appointment of SA and to conform with the extant norms of RBI Guidelines and applicable provisions of Companies Act, 2013.

(III) **Definitions:**

- (1) “ACB” means the Audit Committee of the Board of OLFS.
- (2) “Board of Directors” means Board of Directors of OLFS.
- (3) “Statutory Auditors (SAs)” mean auditors appointed as per the policy to conduct statutory audit of the Company.
- (4) “RBI circular” means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/ SEC.01/ 08.91.001/ 2021-22 dated April 27, 2021.

(IV) **Applicability:**

Guidelines issued by RBI circular will be applicable to OLFS in respect of appointment/ reappointment of SAs and also ascertaining the eligibility criteria for each financial year during their tenure as SAs of the Company.

(V) **Procedure for Appointment of SAs:**

- (1) The Company shall shortlist minimum of two (2) audit firms for every vacancy of SAs as per the RBI Circular. The Company shall place the name of shortlisted audit firms, before the ACB for selection as SAs.

- (2) The Company shall obtain a certificate/consent proposed to be appointed as SAs, regarding their eligibility, along with relevant information as required under the Companies Act 2013, the RBI Circular and other statutory requirements, as may be applicable.
- (3) The Auditor should be appointed/re-appointed in compliance with the applicable provisions of Companies Act, 2013 read along with the Rules framed thereunder, RBI Circular and Audit Charter adopted by the Board of Directors of the Company.
- (4) The ACB having satisfied with the above conditions, eligibility criteria and independence shall recommend the SAs to the Board of Directors for their approval.
- (5) The appointment of SAs shall be approved by the shareholders at the general meeting.
- (6) Upon approval of the SAs by the shareholders at the general meeting, RBI will be informed about the appointment as per the prescribed format within one month of such appointment.
- (7) The Company shall intimate the Statutory Auditors regarding their appointment along with the certified copy of Shareholders' resolution.
- (8) Relevant disclosure will also be made to Ministry of Corporate Affairs, by filing requisite forms under Companies Act 2013.

(VI) **Number of SAs and Branch Coverage:**

- (1) As per the RBI Guidelines as referred above, the number of Auditors in the Company is dependent on the Asset size of the Company as depicted in the table below:

Asset Size of the NBFC's	Maximum No. of Auditors
Upto ₹ 5,00,000 crore	4
Above ₹ 5,00,000 crore and upto ₹ 10,00,000 crore	6
Above ₹ 10,00,000 crore and upto ₹ 20,00,000 crore	8
Above ₹ 20,00,000 crore	12

Note:

- i. As per the RBI Guidelines: Besides the criteria for appointment of maximum no. auditors as above depending upon the asset size of the NBFCs, for Entities with asset size of ₹15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)].
- ii. Current position of OLFS: As on March 31, 2021, the Asset Size of the Company stood at Rs.2,430 Crores. Since the Company's Asset size is nowhere close to the threshold values referred in table above, this para of the RBI Guidelines is not applicable to the Company

(VII) **Independence of Auditors:**

- (1) The 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 and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- (2) 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 entities (as defined under the RBI Guidelines) should be at least one year, before or after its appointment as SAs. This stipulation shall be applicable prospectively, i.e. from FY 2022-23 onwards.
- (3) During the tenure as SA, an audit firm may provide such services to the Company which may not normally result in a conflict of interest, and the Company will take a decision in this regard, in consultation with the ACB.
- (4) The following special assignments shall not be considered as conflict of interest:
 - (i) Tax audit, tax representation and advice on taxation matters;
 - (ii) Audit of interim financial statements;
 - (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements; and
 - (iv) reporting on financial information or segments thereof
- (5) The restrictions as detailed in para (2) and (3) above, will also apply to an audit firm under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

(VIII) **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 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.

(IX) **Tenure and Rotation**

- (1) In order to protect the independence of the auditors/audit firms, the Company shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, the Company can remove the audit firms during the above period only without any prior approval of RBI. However, the Company shall inform the concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

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.

(X) **Audit Fees and Expenses**

- (1) The audit fees for SAs shall be approved as per the Audit Charter of the Company.
- (2) 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 computerization, identified risks in financial reporting, etc.

(XI) **Casual vacancy:**

Casual vacancy if any caused due to resignation or for any other reason shall be filled by the Company in accordance with applicable provisions under Companies Act 2013 and RBI Circular.

(XII) **Conflict in Policy:**

In the event of a conflict between this Policy and the extant regulations or laws, the regulations and laws shall prevail.

(XIII) **Communication & Information Dissemination:**

The Board approved Policy will be available on Company's website.

(XIV) **Amendment:**

The policy as reviewed by the Audit Committee shall be placed before the Board for its approval. Any and all provisions of this Policy shall also be amended as required due to any regulatory changes from time to time.

In case any amendments in the Companies Act, 2013 or RBI Regulations not being consistent with the provisions laid down under this Policy, then the provisions of such amendments shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly effective from the date as laid down under such amendments as notified from time to time.

Adoption / Modification History:

Adoption/Revision date	Description	Introduced/Revised by	Approved by	Version #
December 14, 2021	Introduction	Secretarial Department	Board of Directors	1.0