

TVS HOLDINGS LIMITED

POLICY ON APPOINTMENT OF STATUTORY AUDITORS

TVS HOLDINGS LIMITED

POLICY ON APPOINTMENT OF STATUTORY AUDITORS- DRAFT

1. PREAMBLE

Section 139 of Companies Act 2013 (the Act) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the SEBI Listing Regulations) contain requirements relating to appointment of statutory auditors.

The Reserve Bank of India (RBI), in exercise of its power under provisions of chapter III B of RBI Act, 1934 has inter-alia issued guidelines to NBFCs for appointment of statutory auditors (SA) (RBI guidelines) vide Ref. No. DoS. CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, read with the FAQs issued on June 11, 2021 ("the RBI Guidelines") for appointment of SAs of NBFCs and to the extent applicable to the Company.

These guidelines stipulate the eligibility criteria and professional standards for audit firms, the manner and tenure of their appointment etc. Being a regulated non-deposit taking NBFC with asset size above the regulatory threshold of Rs. 1000 crores, these guidelines are applicable to the Company. Accordingly, in keeping with its corporate values, global best practices, statutory and regulatory prescriptions, the company has articulated the following policy for the appointment of statutory auditor.

2. APPLICABILITY:

This policy is applicable at the time of appointment / re-appointment of SAs and also ascertaining the eligibility criteria for each financial year during their tenure as SAs of the Company

2.1 Statutory Auditor – Eligibility and Qualification

The term 'statutory auditor' (SA) means the auditor referred to in Section 139 of the Act.

The appointment / re-appointment shall be in compliance with the eligibility requirements of both the Companies Act, 2013 as well as the RBI Guidelines at all times and assessment of Independence of SAs.

- a) SAs should fulfil all eligibility criteria as prescribed by RBI from time to time through various circulars and guidelines.
- b) To be eligible for appointment as Statutory Auditors, the audit firm will need to fulfill requirements as explicitly specified in the RBI Guidelines in regard to the number of full time partners, number of full-time partners with FCA accreditation, minimum audit experience of the firm, number of professional staff, number of CISA/ISA qualified partners/paid CAs, etc. as scaled to the asset size as on March 31 of the previous year. The applicable eligibility criteria are tabulated and presented in **Annexure I**.
- c) The partners, paid chartered accountants and professional staff should meet the minimum requirements of continuous association with the audit firm as specified.
- d) The audit firm to be appointed as SA for the Company, shall be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- e) The audit firm should not be under debarment by any Government Agency, National Financial

TVS HOLDINGS LIMITED

Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.

- f) The appointment of SCAs/SAs will 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.
- g) A Chartered Account Firm where one of the Partners is a Director of any of the RBI regulated entities in the Group, the said firm shall not be eligible for appointment as SA of the Company.
- h) The Audit firm should have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree and complexity of computer environment of the Company in order to achieve audit objectives.
- i) Concurrent Auditors or those providing any non-audit services to any of the RBI Regulated entities in the Group shall not be considered for appointment as SAs of the Company.
- j) The audit firm should comply with the eligibility criteria at the time of commencement of the statutory audit and will strive to adhere to the eligibility criteria on a continuous basis. The audit firm will be obliged to inform the Company of their continued compliance.

For the purpose of this clause, group entity refers to the RBI regulated entities in the group, which fulfil the definition of group entity as defined in this policy above. If an audit firm is being considered by the Company for appointment, whose 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 Audit Committee and to the Board.

The time gap between any non-audit works for the company by the SA and audit/ non-audit work for the group entities by the SA should be at least one year, before or after its appointment as SA. The group entities refers to the RBI Regulated Entities in the group, which fulfil the definition of group entity as defined in this policy below

For the purpose of this Policy, 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

2.2 Independence criteria for Statutory Auditors and issues of conflict of interest

- a) Audit committee will assess, at the time of appointment and every year thereafter, the eligibility and independence of the auditors and any conflict of interest in terms of relevant regulatory provisions, standards and prevalent best practices. Any concerns to be flagged by the Audit Committee to the Board of Directors of the Company and Senior Supervisory Manager (SSM)/ Regional office of RBI.
- b) Audit Committee to consider assignments being done by the SA for Related Party entities,

TVS HOLDINGS LIMITED

both before and after the appointment of SA, where exposure and value of Related Party transactions is significant.

- c) No non-audit assignment as mentioned in section 144 of the Companies Act 2013, which may create conflict of interest, should be awarded to SAs during the course of their tenure as SAs.
- d) 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 companies(RBI regulated entities) should be at least one year, before or after its appointment as SAs.

However, 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 may take its own decision in this regard, in consultation with the Board & Audit committee. This restriction shall apply to an audit firm under the same network of audit firms or any other audit firm having common partners. A conflict would not normally be created in the case of the following special assignments (indicative list): (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. (iv) reporting on financial information or segments thereof.

- e) The Audit Committee shall review the performance of statutory auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the statutory auditors or any other matter considered as relevant shall be reported to the RBI within two months from completion of the annual audit. Such reports should be sent with the approval/ recommendation of the Board, with the full details of the audit firm.

2.3 Number of Auditors to be appointed

- a) Company to appoint such number of SAs as prescribed by RBI from time to time, through its various circulars and guidelines, subject to approval and recommendation from Board and Audit committee.
- b) Company shall ensure that both minimum and maximum numbers of SAs appointed are within the limits set by RBI from time to time. Accordingly, in compliance with the extant guidelines, Company shall appoint a minimum of two SA firms for conducting joint statutory audit on attaining an asset size of over Rs. 15,000 crores.

2.4 Tenure and Rotation

- a) An Audit firm can continue to be appointed as SA for three years subject to the firm satisfying the eligibility criteria for each year. The same audit firm cannot be reappointed by the Company for the next two terms of 3 years each.
- b) In the event of the Company needing to remove the SAs before completion of three years tenure, Company shall inform concerned SSM/Central Office of RBI, Department of Supervision (NBFCs) about it, along with reasons/justification for the same, within a month

TVS HOLDINGS LIMITED

of such a decision being taken and the Company shall comply with the procedure prescribed under section 140 of the Act and other requirements as applicable under the Act and SEBI Listing Regulations

- c) A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SA 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.
- d) One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each.
- e) In case of resignation of the auditor, detailed reasons for resignation shall be disclosed by the listed entities to the stock exchanges as soon as possible but not later than twenty four hours of receipt of such reasons from the auditor. The Company shall comply with regulatory filings in this regard in such manner and within such time as prescribed under the Act, the SEBI Listing Regulations and the RBI guidelines.

2.5 Procedure for appointment and reappointment

- a) The Audit Committee shall take into account the relevant factors such as size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc. for shortlisting the eligible audit firms.
- b) Company shall place the name of shortlisted audit firms, in order of preference, before its Audit Committee and Audit Committee shall shortlist and recommend to the Board for every vacancy.
- c) Company shall obtain an eligibility criteria certificate under the seal of the audit firm, duly signed and authenticated by the main partner/s of audit firm who are proposed to be appointed as SA, to the effect that each audit firm complies with all the eligibility norms prescribed by RBI as prescribed in the Form B of the guidelines **(Annexure 3)** and also a confirmation that the audit firm adheres to the prescribed limit of conducting statutory audit of only a maximum number (as prescribed by RBI) of NBFCs during a particular year, including Company's audit.
- d) While the overall onus of the audit firm fulfilling eligibility criteria as prescribed by RBI or as may be amended from time to time, for audit of the Company as per RBI guidelines rests with the audit firm, the Company shall verify, through reasonable means, their compliance with the eligibility norms prescribed by RBI.
- e) Upon appointment of SAs, Company shall inform RBI every year, in prescribed FORM A **(Annexure 2)**, of appointment / confirming eligibility of SAs within one month of such appointment.
- f) In the event 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, Company will promptly seek the approval of the RBI to allow the

TVS HOLDINGS LIMITED

concerned audit firm to complete the audit, as a special case. In such an event, Company, subject to the approval of its Board, may also consider the substitution of the Audit firm with another Audit firm that fulfills all eligibility criteria and report the same to the Reserve Bank with justification.

2.6 Audit fees and expenses

Quantum of Remuneration to auditor(s) shall be at the discretion of the Board

The audit fees and reimbursement of out of pocket expenses for Statutory auditors 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.

The Audit Committee shall make recommendation to the Board for fixing audit fees and reimbursement of out of pocket expenses of statutory auditors.

The remuneration to SAs shall be approved in the annual general meeting of the Company. The explanatory notice being sent to shareholders for an annual general meeting, where the statutory auditor(s) is/are proposed to be appointed/re-appointed shall include details of Proposed fees payable to the statutory auditor(s) along with terms of appointment and in case of a new auditor, any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change

Note: 'Material change' for the purpose of above clause means any increase or decrease of 25% or more.

2.7 Compliance under Companies Act

- a) Company shall ensure that it complies with requisite provisions as mentioned under Companies Act 2013, and in case of any conflict among guidelines issued by RBI or any other regulatory authority and provisions of Companies Act 2013, it will take conservative approach and follow the stricter regulation/provisions.
- b) Eligibility, qualifications and disqualification of SAs shall also follow provisions of Companies Act 2013, which allows a firm to be appointed as SAs.
- c) The written consent, and a certificate from the auditor or auditors to such appointment, shall be in accordance with the conditions as prescribed by applicable regulations from time to time.
- d) The company shall inform the auditor / firm concerned of his or its appointment, and also file a notice of such appointment with the Registrar in such manner as may be prescribed under the Companies Act, 2013

3. AMENDMENTS

The Board may, subject to applicable law, amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in this Policy will be resolved by the Board and/ or administrative committee of the Board, in line with the broad intent of this Policy, as and when required.

TVS HOLDINGS LIMITED

4. **DISCLAIMER**

This Policy shall not be construed as a solicitation for investments in the Company's securities and shall neither act as an assurance of guaranteed returns (in any form), on investments in the Company's securities.

5. **CHANGE IN LAW**

In case of any subsequent changes in the provisions of the Act or further rules and regulations / guidelines from the Securities and Exchange Board of India including the Listing Regulations or any other regulations which makes any of the provisions of this Policy inconsistent, then the provisions of the Act or such other regulations would prevail over this Policy and the relevant provisions contained in the Policy would be modified accordingly in due course to make it consistent with applicable laws.

TVS HOLDINGS LIMITED

Annexures

Annexure -1

Eligibility Criteria for SAs

A. Organisation, size and capacity considerations:

Asset size as on 31 st March of previous year	Number of Full time Partners associated with the firm for a period of 3 years	Out of FTP number of FCA partners associated with the firm for a period of 3 years	Number of Full time Partners/ Paid CAs with CISA/ ISA Qualification	Number of years of Audit experience	Number of Professional staff
Upto Rs 1000 crore	2	1	1	6	8
Above ₹ 1,000 crore and Upto ₹15,000crore	3	2	1	8	12
Above ₹15,000 crore	5	4	2	15	18

- There should be at least one-year continuous and exclusive 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 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) The partner 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 income of the partner from the firm/ LLP should be adequate, as per the Board/ ACB's assessment, for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

TVS HOLDINGS LIMITED

- There should be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of for considering them as PaidCAs with CISA/ISA qualification for the purpose.
- Audit experience shall mean experience of the audit firm as Statutory Central Auditor/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.
- 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 empanelment/shortlisting.

TVS HOLDINGS LIMITED

Annexure -2 (FORM A)

Information to be submitted by the NBFCs regarding appointment of SCA/SA

1. The company has appointed M/s_____, Chartered Accountants (Firm Registration Number_____) 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 Number of 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 _____ years with the company as SCA/SA/SBA.
4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of NBFCs.

Signature

(Name and Designation)

Date:

TVS HOLDINGS LIMITED

Annexure -3 (Form B)

Eligibility Certificate form for SAs

A. Particulars of the Firm:-

Asset size as on 31 st March of previous year	Number of Full time Partners associated with the firm for a period of 3 years	Out of FTP number of FCA partners associated with the firm for a period of 3 years	Number of Full time Partners/ Paid CAs with CISA/ ISA Qualification	Number of years of Audit experience	Number of Professional staff
Upto Rs 1000 crore					
Above ₹ 1,000 crore and Upto ₹15,000crore					
Above ₹15,000 crore (Joint Audit)					

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 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

TVS HOLDINGS LIMITED

on the Chartered Accountants of 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:

-