



Policy on Appointment of Statutory Auditor

1. Preamble

1.1 Objective of the Policy

The objective of this Policy is to provide a framework, which will enable the Equitas Small Finance Bank in appointment/reappointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs).

1.2 Scope of the Policy

This policy will cover the role and responsibilities of the Equitas Small Finance Bank (ESFB or “Bank” or “Entity”) in appointment/reappointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs).period in line with the RBI guidelines. The policy will cover the number of SCAs / SAs required for branch coverage, eligibility criteria, Independence, professional standards of Auditors, tenure, audit fees and appointment procedure in detail to ensure that audits are conducted in a timely and effective manner.

2 ESFB Policy framework

2.1. Number of Joint Auditors

The Board of the Bank will decide on the number of statutory auditors, taking into account the factors such as the 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.

2.2 Eligibility Criteria

- a. Every audit firm to be considered for appointment as joint auditors shall satisfy the eligibility criteria as prescribed in the RBI Circular dated April 27, 2021 in terms of limits on number of banks audited by the firm, minimum number of full time partners, Fellow Chartered Accountants (FCA) partners, full time partners/ CAs with CISA/ ISA qualification, their period of association with the audit firm, audit experience, etc.
- b. The audit firm to be considered for appointment as joint auditors shall be duly qualified for appointment as auditors of a company under Section 141 of the Companies Act, 2013.
- c. 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.
- d. The appointment should 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.

- e. The auditors 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 Entities where the accounting and business data reside in order to achieve audit objectives
- f. The Bank will adhere to the procedure for appointment of statutory auditors as prescribed and detailed in the Annex II to the RBI Circular dated April 27, 2021 on the subject.

2.3 Independence of Auditors

- a. Audit Committee of the Board (ACB) will monitor and assess the independence of auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard will be flagged by ACB to the Board and concerned Senior Supervisory Manager (SSM)/ Regional Office (RO) of RBI.
- b. In case of any concerns faced with the management such as non-cooperation, non-furnishing of information, Auditors can approach the Board of the Bank under intimation to SSM/ RO of RBI
- c. Concurrent Auditors of the Bank will not be considered for appointment as statutory auditors.
- 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 auditors for the Bank or any audit /non-audit works for its group entities will be at least one year, before or after its appointment as auditors of the Bank.
- e. Auditors, may provide such services to the Bank, which may not normally result in a conflict of interest. Indicative list of such instance that will not result in such a conflict are as below:
 - (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.

2.4 Performance of Statutory Auditors

ACB will review the performance of statutory auditors on an annual basis. Any serious lapses/ negligence in audit responsibilities or conduct issues on part of the auditors or any other matter considered as relevant will be reported to RBI with the approval/ recommendation of ACB within two months from completion of the annual audit, with full details of the audit firm involved.

2.5 Tenure and rotation

- a. The Bank will appoint auditors for a continuous period of three years subject to firms satisfying eligibility norms every year and subject to annual approval of RBI. Audit firms can be removed during the above period only with the approval of RBI – Department of Supervision.
- b. The audit firm will not be eligible for reappointment as auditors of the Bank for six years after completion of full or part of one term of the audit tenure as prescribed above.

2.6 Audit Fees and Expenses

- a. The audit fees will be determined by the Board with the recommendation of Audit Committee and be subject to approval of shareholders as required under Companies Act, 2013.
- b. The Board will ensure that the audit fees is 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.

2.7 Publishing of the Policy

This Policy will be hosted on the Bank's official website as mandated by RBI.