

**KANAKADURGA FINANCE LIMITED**  
**STATUTORY AUDITOR APPOINTMENT POLICY**

**Preamble:**

The Reserve Bank of India (RBI), vide their letter No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27 April 2021, issued Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs). The policy is prepared in conformity with the guidelines issued by RBI.

**Objective:**

The Policy incorporates the criteria for selection of the Statutory Auditors of Kanakadurga Finance Limited (Company).

In pursuance of the guidelines issued by RBI and other applicable provisions, the Statutory Auditors of the Company will be appointed on the basis the parameters as mentioned herein below.

**Procedure for appointment of Statutory Auditors:**

The Company shall shortlist a minimum of 2 audit firms for every vacancy of SAs so that even if firm with first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SAs does not get delayed.

However, in case of reappointment of SAs till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting multiple audit firms for appointment. The appointment of Statutory Auditors shall be in conformity with the standards laid down in the RBI Directions and other applicable laws.

**Salient Features of the Policy:**

As per RBI Guidelines:

- i)** The proposed Auditor should comply with the eligibility norms as prescribed under the said RBI guidelines. The same forms part of the policy as Annexure I.
- ii)** Post appointment, the Company will inform to RBI regarding the appointment of SAs every year by way of a certificate in Form A within one month of such appointment.
- iii)** The auditor so appointed would have a maximum tenure of three years. Upon ending of the tenure, the firm shall be eligible to be re-appointed after a period of 6 years.
- iv)** The Company shall not provide any non-audit works (services mentioned at Section 144 of Companies Act, 2013, internal assignments, special assignments, etc. to the SAs for a period of at least one year, after its appointment. 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 Company may take decision in this regard, in consultation with the Board/ACM.
- v)** In case of removal, if any, of the Statutory Auditors before the expiry of their term and after obtaining requisite approval from ACM and Board, the Company shall inform concerned Senior Supervisory Manager (SSM)/Regional Office (RO) at RBI along with reasons/justification for the same, within a month of such a decision being taken.

- vi)** The Board/ACM of the Company 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/ACM, with the full details of the audit firm.
- vii)** The Company shall obtain a certificate, along with relevant information as per Form B, from the audit firm(s) proposed to be appointed as SAs by the Company to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of SAs of the Company.
- viii)** Board / ACM shall ensure that the independence of auditors is not comprised anytime.
- ix)** The audit firms duly qualified under the provisions of Section 141 of Companies Act 2013 and with no adverse remarks/disciplinary proceedings pending/initiated against the firm/any of its partners/proprietor on the records of ICAI would be considered as eligible for appointment as auditors.
- x)** In addition to the requirements of provisions mentioned in the Companies Act, 2013 in regard to indebtedness, any Audit firm selected for appointment would have to certify that none of the spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/proprietors of the firm or the firm/company in which their partners/directors are indebted to the Company.
- xi)** The appointment so made shall be with the approval of the Audit Committee, Board and Shareholders. The approval of shareholders will not be required for the purpose of reappointment of SA during their tenure.
- xii)** SAs shall ensure to abide by the code of conduct for regulating, monitoring and reporting of trading by insiders and code of practices and procedures for fair disclosure of unpublished price sensitive information of the Company.

### **Review of the Policy**

The Policy will be reviewed at yearly intervals or as and when considered necessary by the Board of Directors of the Company.