



IKF HOME FINANCE LIMITED

Name of Policy	Policy on Appointment of Statutory Auditor
Date of Last Approval/Review	May 21, 2025
Prepared by	Secretarial Department
Approving Authority	Board of Directors
Version	2025

1. Introduction

IKF Home Finance Limited ('IKFHFL' Or "Company") is categorized under Middle Layer as per the RBI Master Direction Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. Reserve Bank of India (RBI) vide its circular dated April 27, 2021, has issued fresh guidelines for appointment of Statutory Auditors (SAs), thereby superseding earlier guidelines issued. As per RBI, IKF Home Finance Limited ("the Company") has been categorized as an Investment and Credit Company ('ICC'). Accordingly, the Company has prepared the policy for appointment of SAs in line with norms applicable to NBFC.

2. Applicability:

This policy will be applicable for Financial Year 2024-25 onwards. If the Company's Asset Size as on March 31 of the previous financial year is less than Rs.15,000 Crores, the Company shall appoint one SA.

3. Appointment of Auditors

The Audit Committee of Board of IKFHFL is empowered to performance evaluation, appointment, or remove Internal and Statutory Auditors and reviews their annual remuneration each year.

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 by the Company to the RBI within 2 months from completion of the annual audit.

4. Framework for appointment of Statutory Auditor

A. Basic Eligibility:

Audit Committee/Board of Directors of IKF shall appoint such number of statutory auditors after taking into consideration relevant 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. However, the number of statutory auditors shall adhere to the minimum statutory threshold limit, as stated below, which may change from time to time.

Sr. No.	Entity having asset size of-	No. of auditors required to be appointed
1	upto ₹15,000 crore	1
2	₹15,000 crore and above	2
3	upto ₹5,00,000 crore	4
4	Above ₹ 5,00,000 crore and upto ₹ 10,00,000 crore	6
5	Above ₹ 10,00,000 crore and upto ₹ 20,00,000 crore	8
6	Above ₹ 20,00,000 crore	12

Company, before appointing/re-appointing statutory auditors, shall obtain from proposed statutory auditors:

- a written consent from proposed auditors to such proposed appointment/re-appointment and
- a certificate from them that the appointment/re-appointment, if made shall be in accordance with the conditions as may be prescribed under the Companies Act, 2013 and shall satisfy the criteria as provided under section 141 of the Companies Act, 2013 and

- iii a certificate in prescribed form “B” declaring that firm complies with all eligibility norms prescribed by RBI regarding appointment of statutory auditors

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

While appointing any firm as statutory auditors, the time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) rendered by such firm for IKFHF should be at least one year, before or after its appointment as statutory auditors. However, during the tenure as statutory auditors, an audit firm may provide such services to the IKFHF which may not normally result in a conflict of interest, and IKFHF may take its own decision in this regard, in consultation with the Board or Audit Committee of Board.

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 auditors in compliance with statutory or regulatory requirements.
- iv Reporting on financial information or segments thereof

Note 1: Ineligibility

For appointment as SAs of all NBFCs with asset size above ₹ 1,000 crore, at least two partners of the audit firm shall have continuous association with the firm for at least 10 years. For NBFCs with asset size above ₹ 1,000 crore, 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:

The full-time partner should not be a partner in other firm/s.

She/He should not be employed full time / part time elsewhere.

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.

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:

For NBFCs, 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.

Appointment of SAs 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.

If any partner of a Chartered Accountant firm is a director in any Entity, the said firm shall not be appointed as SCA/SA of any of the group entities of that Entity.

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 Company.

C. Continued Compliance with basic eligibility criteria:

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.

5. Procedure for Appointment of SAs

1. The Company shall shortlist minimum of 2 audit firms for every vacancy of SCAs/SAs so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SCAs/SAs does not get delayed.
2. The Company shall place the name of shortlisted audit firms, in order of preference, before their Board for selection as SCA/SA. Upon selection of SCAs/SAs by the Company in consultation with their Board and verifying their compliance with the eligibility norms prescribed by RBI, the Company shall inform RBI about the appointment of SAs.

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, under the seal of the said audit firm.

6. Tenure or Rotation:

1. In order to protect the independence of the auditors/audit firms, Company shall appoint the SAs for a continuous period of three years, provided that the firm is satisfying the eligibility norms each year. Further, the Company can remove the audit firms during the tenor of the appointment by giving intimation to RBI along with the reasons for the same within a month of such a decision being taken.
2. 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. (In case an audit firm has conducted audit of the Company

for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Company for six years from completion of part-tenure.

7. Independence of Auditor:

1. The Audit Committee of the Board (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. Concurrent auditors of the Company will not be considered for appointment as SA.
3. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SA for the Company or any audit/non-audit works for its group 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 will take a decision in this regard, in consultation with the ACB.

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). However, if an audit firm is involved in any non-audit work with the Company and/or any audit/non-audit work in other RBI Regulated Group Entities and completes or relinquishes the said assignment prior to the date of appointment as SA of the Company for FY 2024-25, the said audit firm would be eligible for appointment as SA of the Company for FY 2024-25.

8. Intimation of Appointment of Statutory Auditor

Within one month of appointment/re-appointment of statutory auditors by the Company, intimation about such appointment/re-appointment shall be given to RBI in the form prescribed by RBI.

9. Notifications

Requirement under the policy will be circulated to all the employees and branches of IKFHFL.

10. Review of the Grievance Redressal Mechanism and Reporting

The Policy will be reviewed at reasonable intervals or as and when the Board deems it necessary.
