Document Title: Policy on Appointment of Statutory Auditor	Reliance Capital Limited
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Reliance Capital Limited

Policy on Appointment of Statutory

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1. Purpose and Objective

This policy outlines the procedure for the appointment of statutory auditors of Reliance Capital Limited (RCL), an unlisted NBFC-CIC, in compliance with the Companies Act, 2013, and the guidelines issued by the Reserve Bank of India (RBI). The objective of this policy is to ensure a transparent and compliant process for selecting qualified and independent auditors.

2. Scope and Applicability

This policy applies to the appointment of statutory auditors for RCL, an unlisted Non-Banking Financial Company - Core Investment Company (NBFC-CIC) registered with the RBI.

3. Definitions

- "**Act**" means the Companies Act, 2013, and any amendments thereto.
- "**RBI**" means the Reserve Bank of India.
- "**Statutory Auditor**" means the auditor appointed under Section 139 of the Companies Act, 2013, to audit the financial statements of the Company.
- "**Group Entity**" shall have the meaning as defined in the RBI Master Directions. For the purpose of this Policy as per the RBI guidelines, '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.

4. Eligibility and Qualifications of Statutory Auditors

4.1 General Eligibility

- The person(s) proposed to be appointed as statutory auditor should meet the eligibility criteria and possess the qualifications prescribed under Section 141 of the Act and also not be covered by the disqualifications specified therein.
- The audit firm shall also be subjected to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.
- 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.
- 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.

4.2 Specific Eligibility Criteria for the Audit Firm

The Company shall appoint firms as statutory auditor who, as of 31st March of the previous year, meet the following criteria, as per RBI guidelines:

- Have at least three full-time partners, of which two of them should be FCAs. Only those partners associated with the firm for a period of at least three years shall be considered for this purpose.
- Two partners of the firm shall have continuous association with the firm for at least 10 years.
- One full-time partner or one full-time CA in the firm should possess CISA / ISA qualification. There should be at least one year of continuous association of paid CAs with CISA/ISA qualification with the firm.

- Have 8 years of audit experience as statutory auditor of NBFCs or Statutory Central Auditor / Branch Auditor of commercial banks (excluding RRBs).
- Have 12 professional staff with at least one year of continuous association with the firm. Professional staff means persons with knowledge of book-keeping and accountancy including audit and article clerks engaged in on-site audits.
- The number of auditors shall be determined by the Company to ensure adequacy of auditors commensurate with the asset size and extent of operations of the Company with a view to ensure that audits are conducted in a timely and effective manner.

5. Appointment Procedure

5.1 **Identification of Potential Auditors**

- The Company shall identify potential audit firms that meet the eligibility criteria outlined in this policy.
- This may involve considering firms from a panel maintained by any regulatory body or professional organization, or through other appropriate means.

5.2 **Due Diligence**

- The Company shall conduct due diligence to assess the potential auditor's capabilities, experience, reputation, and independence.
- This shall include obtaining information and declarations from the audit firm regarding their compliance with relevant regulations, any disciplinary proceedings, and any potential conflicts of interest.

5.3 **Audit Committee Recommendation**

- The Audit Committee shall review the findings of the due diligence process and make a recommendation to the Board of Directors regarding the appointment of the statutory auditor.

- The Audit Committee shall ensure that the appointment complies with the Companies Act, 2013, and RBI guidelines.

5.4 **Board Approval**

- The Board of Directors shall consider the Audit Committee's recommendation and approve the appointment of the statutory auditor.

5.5 **Shareholder Approval**

- The appointment of the statutory auditor shall be subject to approval by the shareholders of the Company at a general meeting, as required by the Companies Act, 2013.

5.6 **Documentation**

- The entire appointment process, including the due diligence, Audit Committee recommendation, Board approval, and shareholder approval, shall be properly documented and maintained by the Company.

6. Tenure and Rotation

- The tenure and rotation of statutory auditors shall be in accordance with the provisions of the Companies Act, 2013, and RBI guidelines.
- The Company shall ensure compliance with the rotation requirements to maintain auditor independence.
- Appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each financial year; An audit firm would not be eligible for reappointment in the same Entity for six years

7. Number of Auditors

- The number of statutory auditors shall be determined in accordance with RBI guidelines, considering the Company's asset size and operational complexity.

- In case asset size of the Company exceeds Rs.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. It shall be ensured that joint auditors of the Entity do not have any common partners and they are not under the same network of audit firms. The Company's asset size of being less than Rs.15,000 crore as at the end of previous year, the statutory audit should be conducted under audit of one audit firm.
- The Company may finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with their SAs.

8. Non-Audit Services

- Any non-audit services provided by the statutory auditor to the Company shall be subject to the approval of the Audit Committee.
- The Audit Committee shall consider the potential impact of non-audit services on the auditor's independence and ensure compliance with relevant regulations on permissible non-audit services.
- The statutory auditor shall not provide any services on an individual or aggregate basis to the company and its subsidiaries on fee free basis in anticipation of successfully gaining future non audit work.
- The statutory auditor shall not be engaged for any of the non-audit services for at least one year from the completion of their engagement as statutory auditors.
- The Audit Committee shall consider the following criteria before granting approval for engagement of statutory auditor for rendering Non-audit services: i) Nature and contract period of the service ii) Skills and expertise of the statutory auditor to render the service iii) Threats if any to auditors' independence from the provision of the service iv) Auditors consent to render the service pursuant to adherence to code of ethics v)

Fees incurred, or to be incurred, for the service both for individual service and in aggregate, relative to the audit fee.

- The aggregate fees in one financial year for engagement of statutory auditor for Non-audit services mentioned in 3(b) and (c) shall not exceed 100% of the fee for Audit Services as mentioned in 2 (a) above. Under ICAI Network rules, total fees including that paid to registered network firms of the auditor, cannot exceed 300% of audit fee. The fees for non-audit services will be decided by the Audit Committee within the overall limits specified above.

9. Independence and Conflict of Interest

- The Company shall ensure that the statutory auditor is independent and free from any conflicts of interest that may impair their objectivity and professional judgment.
- This includes compliance with the independence requirements specified in the Companies Act, 2013, RBI guidelines, and the ICAI's Code of Ethics.

10. Fees and Remuneration

- The fees and remuneration payable to the statutory auditor shall be determined by the Board of Directors or the Audit Committee, considering the scope and complexity of the audit.