



BERAR FINANCE LIMITED

POLICY ON APPOINTMENT OF STATUTORY AUDITORS

RECORD OF REVIEW:

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INTRODUCTION

Pursuant to the Reserve Bank of India (RBI) circular ref.no.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 (RBI Circular), Berar Finance Limited ('Company') has framed this Policy with necessary procedure hereunder to be followed for appointment of the Statutory Auditors (SA).

I. APPLICABILITY AND PURPOSE

This Policy will be applicable to the Company for Financial Year 2021-22 and onwards in respect of appointment/re-appointment of Statutory Auditors. The objective of this policy is to establish procedure for appointment of SA and to conform to the extant norms of RBI and applicable provisions of the Companies Act, 2013 and other applicable laws. This policy shall be displayed on the website of the Company.

II. NUMBER OF STATUTORY AUDITORS

Number of SA to be appointed shall be based on the 'Asset Size' at the end of previous financial year as under:

Asset Size of the Company (Rs. in Crores)	Min. No of Statutory Auditors
≥ 15,000	2
< 15,000	1

In line with the above criteria, the Company shall appoint minimum one SA (i.e. partnership firm / LLPs). Further, the Board may, based on the recommendation of the Audit Committee, decide on the number of SA after taking into account the 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.

III. MINIMUM ELIGIBILITY CRITERIA FOR APPOINTMENT OF STATUTORY AUDITORS

The Company shall adhere to the minimum eligibility criteria as mentioned in the RBI circular for appointment of SA.

IV. TENURE AND ROTATION

In order to protect the independence of the auditors/audit firms, Company will have to appoint the SA for a continuous period of three (3) years only, subject to the firms satisfying the eligibility norms each year. Further, Company can remove the audit firm during the tenure as per the provisions of the applicable laws and shall inform to RBI along with details / justification of such removal within one (1) month of meeting at which such decision is taken.

An audit firm would not be eligible for re-appointment in the Company for six years (two tenures) after completion of full or part of one term of the audit tenure.

V. PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS

The Company shall appoint the statutory auditors in conformity with the following:

- The management of the Company shall shortlist the Audit firms based on the applicable eligibility norms as per the RBI guidelines, Companies Act, 2013 and other applicable laws, as amended from time to time.
- The Company shall obtain a certificate along with the relevant information as per the prescribed format of RBI Circular from the proposed statutory auditors to the effect that the audit firm complies with all the eligibility norms prescribed by the RBI and as per the other applicable laws.
- Subject to the provisions of the applicable laws, as amended from time to time, Audit Committee shall recommend to the Board of Directors of the Company the appointment of statutory auditors which shall further recommend to the shareholders of the Company for their approval at the next Annual General Meeting. Subsequently, within a month of such appointment, same shall be informed to RBI in the prescribed format.

VI. COVERAGE OF AUDIT

The SA shall visit and audit at least the top 20% branches of the Company to be selected in order of the level of outstanding loans in such a manner as to cover a minimum of 15% of total gross loan book of the Company. In addition, the Company shall ensure adherence to the applicable provisions of Section 143 of the Companies Act, 2013 regarding audit of accounts of all branches.

VII. INDEPENDENCE OF AUDITORS

- Audit Committee (AC) of the Company 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 AC to the Board of Directors of the Company and to RBI.
- In case of any concern with the Management of the Company such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditors shall approach AC of the Company, under intimation to the concerned SSM/RO of RBI.
- Concurrent auditors of the Company should not be considered for appointment as Statutory Auditors. The audit of the Company and any entity with large exposures to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditors.
- The time gap between any non-audit assignment (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) undertaken by the Statutory Auditors for the Company or any audit/non-audit works for its group Company should be at least one year, either before or after its appointment as Statutory Auditors. However, during the tenure as Statutory Auditors, an audit firm may provide

such services to the Company, which may not normally result in a conflict of interest, and Company may take their own decision in this regard, in consultation with the Board/AC.

- The restrictions as detailed above should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

VIII. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS

The AC of the Company 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 RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Board/AC, with the full details of the audit firm.

IX. AUDIT FEES AND EXPENSES

The audit fees of the Statutory Auditors of the Company 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 Company shall reimburse the out of pocket, if any incurred by the statutory auditors during the audit period on actual basis.

X. REVIEW OF THE POLICY

The Audit Committee and the Board of Directors of the Company may review the policy as and when required / need-based.

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.
