

SIL INVESTMENTS LIMITED
POLICY ON APPOINTMENT OF STATUTORY AUDITORS

1. BACKGROUND

Reserve Bank of India (RBI) vide its circular Ref. No. DoS. CO. ARG/SEC.01/08.91.001/2021-22 dated 27th April, 2021 has issued guidelines for Appointment of Statutory Auditors of Commercial banks (excluding Regional Rural Banks), Urban Co-operative Banks and NBFCs (including Housing Finance Companies) (the Guidelines). The Guidelines require these banks and companies to formulate a Board approved policy to be hosted on its official website / public domain and formulate necessary procedures thereunder to be followed for the appointment of Statutory Auditors.

2. OBJECTIVE OF THE POLICY

The objective of the policy is to lay down a framework of guidance and procedures for appointing Statutory Auditors in compliance with the RBI Directive and Companies Act 2013.

3. TENURE AND ROTATION OF STATUTORY AUDITORS

As per the provisions of the Companies Act, 2013, Statutory Auditors can be appointed for two terms consisting of five years each.

However, as per the Guidelines, in order to protect the independence of the Auditors / Audit firms, the Company shall appoint Statutory Auditors for a period not exceeding 3 years, subject to the Statutory Auditors satisfying the eligibility norms as specified each year.

In view of the Guidelines, the tenure of Statutory Auditors of the Company to be appointed with effect from 1st October, 2021 or such other date as may be specified by RBI for implementation of the Guidelines shall not exceed 3 years.

In the event new Statutory Auditors are proposed to be appointed in place of existing Auditors prior to completion of the 3 years term by the existing Auditors, the Company shall inform the concerned Regional Officer at RBI about the same, along with the reasons / justification within one month of such decision being taken.

The Company shall not re-appoint an audit firm for such period after completion of full or part term of the audit tenure as specified by RBI from time to time (currently 6 years).

4. CRITERIA FOR APPOINTMENT OF STATUTORY AUDITORS

The Guidelines prescribe certain eligibility norms which the audit firms are required to fulfil, based on the asset size of the Company. The Company shall consider appointment of such audit firms who meet the minimum criteria as prescribed by RBI from time to time.

Along with the criteria specified by RBI, the Company shall appoint audit firms which also meet the criteria as specified under the Companies Act, 2013.

5. PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS

The Guidelines prescribe the procedure for appointment of Statutory Auditors, which includes the following:

- i) The Company shall shortlist minimum of two audit firms for every vacancy of Statutory Auditor.
- ii) The Company shall obtain a certificate from each audit firms proposed to be appointed as Statutory Auditors certifying that it complies with all the eligibility norms prescribed by RBI. Such certificate shall be duly signed by the main partner/s of the audit firm proposed for appointment under the seal of the said firm.
- iii) The Audit Committee shall recommend the appointment to the Board and the Board shall recommend the same for the approval of the shareholders. Shareholders shall appoint the Statutory Auditors except the appointment of Statutory Auditors in case of casual vacancy shall be ratified by the shareholders as per the provisions of the Companies Act, 2013.

6. AUDIT FEE AND EXPENSES

The Company shall ensure that the audit fees 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 computerisation, identified risk in financial reporting, etc.

7. REVIEW

This Policy shall be reviewed as and when deemed necessary and submitted for approval to the Board.
