

Annexure-I

National Bank for Financing Infrastructure and Development Policy for Appointment of Statutory Auditor(s)

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Applicable to	: National Bank for Financing Infrastructure and Development

Policy for appointment of Statutory Auditor

I. INTRODUCTION

1. The appointment of Statutory Auditor in National Bank for Financing Infrastructure and Development is guided by Section 26(1) of National Bank for Financing Infrastructure and Development Act, 2021, the extract of which is as under:

“The accounts of the Institution shall be audited by auditors duly qualified to act as auditors under sub-section (1) of section 141 of the Companies Act, 2013, who shall be appointed by the Institution in general meeting of the shareholders out of the panel of auditors approved by the Reserve Bank for such term and on such remuneration as the Reserve Bank may fix”

2. The Reserve Bank of India (“RBI”) vide communication no. Ref DoS. ARG No. ESP 70 / 08: 16:008 /2021-22 dated February 24, 2022, clarified that:
 - i. Empanelment for Audit Firms eligible for Appointment as Statutory Central Auditors (SCAs) of Public Sector Banks (PSBs) is done by the office of the C&AG based on the norms prescribed by RBI.
 - ii. National Bank for Financing Infrastructure and Development is advised to be guided by the principles mentioned in the RBI circular dated April 27, 2021, on “Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)
3. In terms of the aforesaid RBI Guidelines, it is required to formulate a Board approved Policy covering necessary procedures for appointment / re-appointment of Statutory Auditors (“SAs”).
4. The Reserve Bank of India (“RBI”) vide communication no. Ref DoS. ARG No. S5180 / 08 : 16:008 /2023-24 dated October 5, 2023, clarified that, the Institution may decide the number of SAs to be appointed.
5. RBI has issued circular dated March 01, 2023 on ‘Remuneration payable to the Statutory Central Auditors (SCAs) and Statutory Branch Auditors of Nationalised Banks.
6. In line with the above, the National Bank for Financing Infrastructure and Development has established a process for the appointment of statutory auditors of the Institution. The policy in this regard is set out below.

II. SCOPE

This policy shall govern the appointment / re-appointment of SAs of the Institution.

III. DEFINITION

1. Appointment includes re-appointment.
2. Audit Firm includes the firm itself and other firms under the same network of the audit firm

IV. GUIDELINES

1. The appointment of statutory auditors shall be for a period of up to three years, subject to the audit firm continuing to comply with the eligibility norms.

Note :- If National Bank for Financing Infrastructure and Development, removes SAs before completion of 3 years, it shall inform the concerned Regional Office / Senior Supervisory Manager of RBI about the same, along with the reasons / justification within a month of such decision being taken.

2. The Audit Firm will not be eligible for re-appointment in the Institution for a period of six years after completion of full or part tenure in the Institution.
3. Concurrent auditors of the Company shall not be considered for appointment as SAs.
4. If any partner of a Chartered Accountant firm is a director in the Institution, the said firm shall not be appointed as SA of the Institution.

V. PROCEDURE FOR APPOINTMENT OF SAs

1. National Bank for Financing Infrastructure and Development shall annually approach RBI prior to the appointment / re-appointment of the SAs:
 - for obtaining the panel of Audit firms approved by RBI for the relevant year or for confirming eligibility of audit firm for re-appointment as SA
 - Inform the terms of appointment of SAs and remuneration payable to the SAs.
2. The Institution, shall decide the number of Audit Firms to be appointed for the Financial Year and accordingly shortlist minimum two audit firms to be considered for every vacancy of SAs, basis criteria such as number of full time partners, number of professional staff, number of CISA/ISA qualified partners/paid CAs and number of FCAs as prescribed by aforesaid RBI guidelines.

Such shortlist shall be out of the empanelled list of Audit Firms, as received from RBI, eligible for Appointment as Statutory Central Auditors (SCAs) of Public Sector Banks (PSBs) as done by the office of the C&AG based on the norms prescribed by RBI.

3. The Institution shall obtain a certificate / declaration along with relevant information, as per the prescribed format, from each of the audit firms proposed to be appointed as SAs to the effect that they comply with all the eligibility norms prescribed by RBI, under NaBFID Act and the Companies Act, 2013 for the purpose.

Such certificate shall be duly signed by the managing partner/s of the audit firm proposed for appointment under the seal of the said audit firm.

4. The professional Conduct of statutory auditors shall be verified.

It should invariably be ensured that there are no adverse remarks / disciplinary actions taken in respect of professional conduct, etc., on the records of the ICAI against the proposed audit firm which would make them ineligible for appointment as Auditor.

Further, The Institution shall peruse the website of the National Financial Reporting Authority (NFRA), prior to the appointment of statutory auditor, to ascertain disciplinary action, if any, has been taken by the NFRA against the proposed audit firm which would make them ineligible for appointment as Auditor.

5. The proposal for the appointment of SAs shall be placed before the Audit Committee.

- The Audit Committee shall approve and recommend the remuneration payable to the SAs, for each financial year, to the Board for its approval.
- The appointment shall be placed before the Board for its approval based on the Audit Committee's recommendations.
- Thereafter, the approval of the shareholders shall be sought in accordance with the relevant provisions.

6. The Shareholders at the AGM shall approve the appointment / re-appointment of the SA to hold office for the relevant financial year, which may be further renewed annually (cumulative up to 3 year), subject to continued compliance to regulatory / statutory requirements.

7. If the RBI approved (C&AG) panel of eligible audit firms for relevant financial year is yet to be released i.e. unavailable at the time of the Shareholders' General Meeting

- Shareholders' at the General Meeting shall be requested to authorize / approve continuation of the current Statutory Auditor until re-appointment or appointment of a new Statutory Auditor based on the C&AG panel of eligible audit firms for the relevant financial year.
- On RBI releasing the C&AG panel of eligible audit firms for the relevant financial year, the Statutory Auditor shall be appointed at the ensuing Shareholders' meeting.
- Where SA's firm is NOT part of the C&AG panel of eligible audit firms for the relevant financial year, the management shall shortlist Audit firms out of the empanelled list of Audit Firms for the relevant financial year and the same shall be placed before the Audit Committee for review and recommendation to the Board. Thereafter, the approval of the shareholders shall be sought in accordance with the

relevant provisions subject to the audit firm continuing to comply with the eligibility norms as per the applicable Statutory/ Regulatory provisions.

8. AUDIT FEE / EXPENSES

As per RBI communication Ref DoS. ARG No.ESP 70 / 08: 16:008 /2021-22 dated February 24, 2022:

- The Basic Audit Fee shall be linked with the Balance Sheet size of the Institution and shall be guided by RBI circular dated March 01, 2023 on “Remuneration payable to the Statutory Central Auditors (SCAs) and Statutory Branch Auditors of Nationalised Banks (NBs) from FY 2022-23”
- In respect of all other Fees payable to the SA’s viz, for certifications required by RBI, SEBI, Fees for Quarterly / Half Yearly reviews, Annual Tax Audit, etc, the same shall be decided in consultation with the Audit Committee / Board of the Institution.

Note :- The audit fees for SAs 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.

9. INDEPENDENCE OF STATUTORY AUDITORS:

1. The concurrent auditors of the Institution will not be considered for appointment as statutory auditors.
2. Before the appointment of an audit firm as Statutory Auditor of the Institution, there should be a time gap of minimum one year between the appointment and completion of the assignment of any non-audit works given to the same audit firm in the Institution, or completion of any audit / non-audit works in other RBI Regulated Entities in the Group. If an audit firm, engaged with audit / non-audit works for the Group entities (which are not regulated by RBI), is being considered by the Institution, the Audit Committee will evaluate that there is no conflict of interest and the independence of auditors is ensured.
3. The Audit Committee shall monitor / assess the independence of statutory auditor and conflict of interest position in terms of relevant regulatory provisions, standard and best practice.

Based on such monitoring / assessment done, the Audit Committee may make certain recommendations. The Board may consider / approve the recommendations / changes, if any, relating to the appointment of Statutory Auditor.

10. REVIEW OF THE PERFORMANCE OF STATUTORY AUDITORS:

The Audit Committee of the Institution will review the performance of the statutory auditors on an annual basis.

Any serious lapses / negligence in audit responsibilities or conduct issues on the part of the statutory auditors or any other relevant matter will be reported to the RBI within two months of completion of the annual audit after approval from the Audit Committee.

As part of the auditor's review process, a valid Peer review certificate of Statutory Auditors from ICAI is to be obtained and kept on record.

11. REVIEW / VALIDITY AND EFFECTIVE DATE OF THE POLICY:

The policy will be effective from the date of approval by the Board.

The policy shall be reviewed at the time of the appointment of Statutory Auditors based on any change in applicable guidelines / circular, notification, etc. issued by RBI / any other applicable Regulatory / Statutory authority from time to time and shall accordingly be placed before the Audit Committee and the Board for their approval.

Note :-

In case any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities, are not consistent with the provisions laid down under the Policy, such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and the Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.