



STATUTORY AUDITOR APPOINTMENT POLICY AND RELATED PROCEDURE
OF
UJJIVAN FINANCIAL SERVICES LIMITED

Last updated on February 11, 2022

A. BACKGROUND

Ujjivan Financial Services Private Limited was originally incorporated as on December 28, 2004 at Bengaluru, Karnataka, India as a private limited company under the Companies Act, 1956. Subsequently, it was converted into a public limited company and the name was changed to Ujjivan Financial Services Limited ("the Company"). A fresh certificate of incorporation consequent upon conversion to a public limited company was issued by the Registrar of Companies, Bangalore, Karnataka ("ROC") on November 26, 2015. Being a Non-Banking Financial Company (NBFC), the Company is also registered with Reserve Bank of India ("the RBI") as NBFC-ND-SI-CIC (Core Investment Company).

All the companies registered under the Companies Act, 2013 or any previous Company law, whether public or private and whether having a share capital or not, are required to maintain proper books of accounts under the provisions of section 128 of the Companies Act, 2013. Companies have also to get their Books of accounts audited as required under section 139 of the Act. Audit is an examination of accounting records undertaken with a view to establish the correctness or otherwise of the transactions reflected therein. It involves an intelligent scrutiny of the books of account of a Company with reference to documents, vouchers and other relevant records to ensure that the entries made therein give a true picture of business. Therefore, there is need to appoint Statutory Auditor.

Section 139 of Companies Act, 2013 governs the aspects of appointment of auditors. Section 139 of the Companies Act, 2013 deals with all the cases, circumstances with respect to appointment of auditors and therefore, it is a complete code in itself with respect to appointment of Auditors. Audit is useful only if it is conducted by some independent and qualified authority. The auditor must possess requisite qualifications and must act in an independent capacity. Forms for appointment of auditor are ADT-1.

This policy sets out the minimum procedural requirements to be followed for the appointment/re-appointment of statutory auditors'.

B. APPLICABILITY OF RBI GUIDELINES AND NEED OF POLICY ON STATUTORY AUDIT AND AUDITORS' APPOINTMENT PROCEDURE

In terms of Guidelines issued by Reserve Bank of India vide document Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 ('Guidelines'), all Commercial Banks (excluding RRBs), all Primary (Urban) Co-operative Banks (UCBs) and all Non-Banking Finance Companies (NBFCs) (Including Housing Finance Companies) shall formulate a Board approved Policy to be hosted on its official website/public domain and formulate necessary procedure thereunder to be followed for appointment/re-appointment of Statutory Auditors ("Policy"). However, non-deposit taking NBFCs with asset size below ₹1,000 crore have the option to continue with their extant procedure.

These Guidelines will be applicable to the Company, being a NBFC-ND-SI-CIC (Core Investment Company) for Financial Year 2021-22 and onwards in respect of appointment/reappointment of statutory auditors of the Company since its assets size is above ₹1,000 crore.

As RBI Guidelines regarding appointment of statutory auditors shall be implemented for the first time for NBFCs from FY 2021-22, they shall have the flexibility to adopt these Guidelines from H2 (second half) of FY 2021-22 in order to ensure that there is no disruption.

C. AUDIT COMMITTEE OF BOARD OF DIRECTORS

The Board of Directors of Ujjivan has constituted an Audit committee. The Committee as on date constitutes of 4 (four) independent director and 1 (one) Non-Executive Director and Chairman of the Company. All appointments, including the filling of a casual vacancy of a statutory auditor under section 139(11) of the Companies shall be made after taking into account the recommendations of such committee.

D. APPOINTMENT OF AUDITORS' AS PER COMPANIES ACT, 2013

- **APPOINTMENT OF AUDITOR IN CASE OF CASUAL VACANCY**

Casual vacancy in the office of an auditor means a vacancy caused in the office of an auditor by his death, disqualification, resignation, etc.

The Board of Directors of the Company shall approve the filling up the casual vacancy based on the recommendation of Audit Committee within thirty days and then recommend such appointment to the members.

The members in an Extra- Ordinary or Annual General Meeting shall confirm and approve the vacancy filled by the Board on its recommendation within three months.

The appointed Auditor shall hold office till the conclusion of the next Annual General Meeting.

- **RE-APPOINTMENT OF RETIRING AUDITOR OR APPOINTMENT OF ANOTHER AUDITOR IN PLACE OF RETIRING AUDITOR**

As per Section 139(9), subject to provisions of sub-section (1) and rules made there under, a retiring auditor may be reappointed or a new auditor may be appointed in place of retiring auditor at an annual general meeting, if following three conditions are satisfied:

- i. he is not disqualified for re-appointment/appointment;
- ii. the retiring auditor has not given the company a notice in writing of his unwillingness to be re-appointed; and
- iii. a special resolution has not been passed at that meeting appointing some other auditor or providing expressly that he shall not be re-appointed.

- **PROCEDURE FOR APPOINTMENT OF AUDITORS BY COMPANIES**

- a. An auditor matching his qualification and experience with the size and requirements of the Company shall be chosen by the Audit Committee
- b. The Audit Committee shall than see whether there any orders or pending proceedings relating to professional matters of conduct against the proposed Auditor before ICAI or any other competent authority.
- c. The Audit Committee has to see whether the auditor satisfies the eligibility norms specified under section 141
- d. The Audit Committee has to obtain a declaration from the Auditor that he is eligible to issue a certificate under rule 4(1).
- e. The Audit Committee has to finalise the remuneration payable to the Auditor in consultation with them

- f. The Audit Committee then shall make its recommendation to Board of Directors about appointment of auditors with all above details and Board shall pass the resolution during its meeting subject to approval of the shareholders in the Annual General Meeting.
- g. If Board disagrees with the Audit Committee’s recommendation, it shall refer back again to the said Committee citing the reason for disagreement and recommending reconsideration.
- h. The Company will have to file e-form ADT-1 with ROC within 15 days after approval in general meeting.

E. RBI GUIDELINES AND PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS’

Criteria	Guidelines
Selection of Audit Firm	The Entities shall shortlist minimum of 2 (two) 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 Auditor does not get delayed.
Eligibility of Audit firm	Each Entity is required to appoint audit firm(s) as its Statutory Auditor who is fulfilling the eligibility norms as prescribed in Annex I of the Guidelines with respect to minimum numbers of full-time Partners associated with the audit firm, Chartered Accountants with CISA qualification, number of professional staff, number of years of audit experience of the firm etc. The Entities shall obtain a certificate, along with relevant information as per Form B (format as annexed herewith) given in the Guidelines, from the audit firm(s) proposed to be appointed as Statutory Auditor by the Entity 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 Statutory Auditor of the Entities, under the seal of the said audit firm.
RBI Intimation	While NBFCs do not have to take prior approval of RBI for appointment of Statutory Auditor, all NBFCs need to inform RBI (Central Office of RBI (Department of Supervision)) about the appointment of Statutory Auditor for each year by way of a certificate in Form A (format as annexed herewith) within one month of such appointment.
Independence of Auditors	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.
Review of Auditors’ performance	The Board/ACB of Entities 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 Auditor 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/ACB, with the full details of the audit firm.
Tenure and Rotation of Audit firm	<p>In order to protect the independence of the auditors/audit firms, Entities will have to appoint the Statutory Auditors for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. NBFCs removing the SCAs/SAs before completion of three years tenure shall inform concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.</p> <p>An audit firm would not be eligible for reappointment in the same Entity for six</p>

	<p>years (two tenures) after completion of full or part of one term of the audit tenure¹². However, audit firms can continue to undertake statutory audit of other Entities.</p> <p>One audit firm can concurrently take up statutory audit of a maximum of Eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules.</p> <p>For the purpose of this circular, a group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SCA/SA accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.</p>
<p>Audit Fees and Expenses</p>	<p>The audit fees for Statutory Auditors of the Company shall be decided in terms of the relevant statutory/regulatory provisions.</p> <p>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 computerization, identified risks in financial reporting, etc.</p> <p>The Board/ACB shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of Statutory Auditor.</p>

F. WEBSITE

As per the provisions of the Guidelines, the policy shall be disclosed on the website of the Company www.ujjivan.com.

G. CONTACT DETAILS

Any questions or clarifications about the policy should be referred to the Company Secretary, who is in charge of administering, enforcing and updating the policy.

Shashidhara S
 Company Secretary and Compliance Officer
 Ujjivan Financial Services Limited
 Grape Garden, No. 27, 3rd A Cross, 18th Main, Koramangala 6th Block, Bengaluru 560 095
 Email: shashidhara.s@ujjivanfin.com

ANNEXURES
FORM A

Information to be submitted by the NBFCs regarding appointment of SCA/SA

1. The company has appointed M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Central Auditor (SCA)/Statutory Auditor (SA) for the financial year ____ for their 1st/2nd/3rd term.
2. The company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SCA/SA of the company for FY ____ along with relevant information in the format as prescribed by RBI.
3. The firm has no past association/association for _____ years with the company as SCA/SA/SBA.
4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of NBFCs.

Signature
(Name and Designation)
Date:

FORM B

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore

#Details may be furnished separately for experience as SCAs/SAs and SBAs

B. Additional Information:

- (i) Copy of Constitution Certificate.
- (ii) Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- (iii) Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- (iv) Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- (v) Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors¹ have been declared as wilful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner

(Name of the Partner)

Date:

¹For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.