

Policy for appointment of Statutory Auditors

INTRODUCTION

Reserve Bank of India (“RBI”) vide its circular RBI 2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 has issued Guidelines for appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (“SA”s) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) (“Guidelines”). As per the Guidelines, De Lage Landen Financial Services India Private Limited (“DLL”) has formulated this policy approved by its Board of Directors (“Policy”). This Policy for the appointment of Statutory Auditors will be hosted on DLL’s official website / public domain.

POLICY

DLL will comply with the Guidelines in respect of appointment of SA inasmuch they apply to NBFCs with total assets of not less than ₹1,000 crores and consistent with its total asset size as at the end of the immediately preceding financial year. These include requirements as to eligibility, independence, tenure and rotation of SA, their remuneration, reporting to RBI etc. Additionally, Board-formulated procedure consistent with the Policy, Guidelines as well as relevant statute(s)/regulation(s) will also be followed for appointment of SA.

DLL’s portfolio while geographically dispersed across India, mainly comprises tractor loans – a relatively uncomplicated financial product; DLL is a single accounting and administrative unit supported by a core system. With the size of portfolio/total assets and internal control framework, DLL has been well-served by a single SA. For these reasons, DLL will continue to work with a single SA.

APPLICABILITY

Prior to the Guidelines, DLL followed a procedure and process consistent with the Companies Act, 2013 and applicable rules thereunder for the appointment of SA. The Guidelines permit NBFCs with total assets of less than ₹1,000 crores to follow their extant procedure with regard to appointment of SA. Thus, DLL will revert to its procedure and process for appointment of SA prior to issuance of the Guideline *ipso facto*, simultaneously and automatically when DLL’s total assets reduce to below ₹1,000 crores as per its audited financial results. In such a case, DLL will continue to give priority to audit firms with full-time partners or full-time chartered accountants having CISA/ISA qualification who have at least one year of continuous association with the firm as on the date of their shortlisting for the purpose of appointment as SA.

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DLL (De Lage Landen) has offices in more than 30 countries throughout Europe, North America, South America, Australia and Asia. The company is part of the Rabobank Group.