

INDIA STATUTORY AUDIT POLICY			
Group Policy	IND/FIN/POL/001	Policy Owner:	India CFO
Business Policy		Approving Authority:	India EXCO
Country Policy	India	Effective Date:	31 August 2021
Version	VO_Aug 2021	Next Review Date:	30 August 2023

1. OBJECTIVES

- 1.1 This document covers the main aspects of FAB India relationship with its Statutory Auditor(s) to ensure there are no conflicts of interest and that the independence of the Statutory Auditor is not compromised.
- 1.2 This includes the appointment and rotation of Statutory Auditors, the provision of non-audit services, and the employment of current or former employees of the Statutory Auditor by FAB India.

2. SCOPE

- 2.1 The policy applies to FAB India.
- 2.2 Any breaches of the policy should be immediately brought to the attention of the India Chief Financial Officer (India CFO), who is responsible for bringing such breaches to the attention of the India EXCO for their consideration.
- 2.3 All requests for exceptions to this policy must be approved in writing by the India CFO or his delegate as the case may be, who is responsible in the first instance for receiving such requests from FAB India **'Executive Management'** and for seeking the concurrence of the FAB India EXCO before any exceptions are made.

3. POLICY STATEMENTS

APPOINTMENT AND ROTATION OF STATUTORY AUDITORS

3.1 Selection and Appointment of Auditors

- 3.1.1 FAB India will be guided by Group Policy or RBI guidelines issued from time to time, whichever is stringent, with regards to appointment of the Statutory Auditor. Basis the prevailing RBI guidelines, Banks in India are required to appoint joint auditors (minimum of two audit firms) in the event Further, maximum number of audit firms can be appointed, basis asset size and complexity, which is ranging from 4 to 12. With the current 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 we will appoint two audit firms once the asset size crosses INR 15,000 crore.
- 3.1.2 India EXCO is ultimately responsible for the recommendation of an independent Statutory Auditor, with appropriate skills, knowledge and experience, subject to approval from Group Finance.

- 3.1.3 Whilst the Statutory Auditor formally reports directly to India EXCO. India CFO is responsible for overseeing the work of the Statutory Auditor is in line with its engagement, including making recommendations to the FAB India EXCO, regarding the appointment, re-appointment and removal of FAB India's Statutory Auditors. This includes:
- 3.1.3.1.1 Recommending their remuneration, whether fees for audit or '**non-audit services**' (see paragraph 3.5 to 3.7 below), and ensuring the level of fees is appropriate to enable an adequate audit to be conducted;
 - 3.1.3.1.2 Approving their terms of engagement letter issued at the start of each audit and the scope of audit;
 - 3.1.3.1.3 Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any '**non-audit services**'; and
 - 3.1.3.1.4 Undertaking an annual assessment of the external auditors, reviewing both their performance and independence on an annual basis and confirming this to the India EXCO.
 - 3.1.3.1.5 FAB India to negotiate with or appoint Statutory Auditor locally with prior approval from Group Finance.
 - 3.1.3.1.6 Additionally, India CFO is responsible to ensure that the prevailing guidelines of Group or RBI, whichever is stringent, are followed

3.2 Selection Criteria

- 3.2.1 The India CFO will evaluate potential Statutory Auditors on a number of criteria including, but not limited to:
- 3.2.1.1.1 The auditor being properly constituted in accordance with related laws and regulations;
 - 3.2.1.1.2 The independence of the statutory audit firm from FAB India and ability to maintain independence throughout the engagement;
 - 3.2.1.1.3 There being no conflict of interest situations that could affect the independence of the Statutory Auditor;
 - 3.2.1.1.4 Arrangements that are proposed to enable partner rotation and succession planning;
 - 3.2.1.1.5 Professional competency, experience and integrity of key personnel;
 - 3.2.1.1.6 The Statutory Auditors compliance with relevant professional Codes of Ethics;
 - 3.2.1.1.7 The thoroughness of audit approach and methodology; and
 - 3.2.1.1.8 Cost effectiveness.
 - 3.2.1.1.9 Concurrent auditors of the Bank should not be considered for appointment as Statutory Auditors of the same Bank.
 - 3.2.1.1.10 The time gap between any non-audit services by the Statutory Auditors for the FAB India or group entities should be atleast one year.
 - 3.2.1.1.11 The restrictions under 3.2.1.1.9 and 3.2.1.1.10 will apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

3.3 Selection and Appointment Procedures

3.3.1 The Statutory Auditor will be appointed for the continuous period of three years (audit tenure) subject to the firms satisfying the eligibility norms each year. Further, FAB India can remove the audit firms during the above period only with the prior approval of the concerned office of RBI, as applicable for prior approval for appointment. Though on an annual basis in accordance with applicable laws and regulations in force though same auditor can continue for the span of three years. An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure. In the event that the India EXCO decide a new statutory auditor is required:

- 3.3.1.1.1 The India CFO will prepare a shortlist of firms that meet their selection criteria and ascertain their willingness to act;
- 3.3.1.1.2 Interested firms will be required to submit a proposal addressing the RBI criteria as well as a statement that they are independent;
- 3.3.1.1.3 The India CFO will discuss with firms in order to further assess their suitability;
- 3.3.1.1.4 The India CFO will subsequently determine the preferred firm and make a recommendation to the Group Finance and India EXCO on the selected firm and the recommended audit engagement fees;
- 3.3.1.1.5 India CFO will approach RBI for approval to appoint the preferred firm
- 3.3.1.1.6 India CFO will thereafter arrange the necessary documentation for the resignation or removal of the existing auditor and the appointment of the new auditor.

3.4 Any concerns about the conduct or performance of the Statutory Auditor should be brought to the attention of India CFO, who will raise such concerns with the India EXCO for consideration.

PROVISION OF NON-AUDIT SERVICES

3.5 As a general rule, the Statutory Auditor may not provide any **'prohibited no-audit services'** to FAB India unless specifically approved by the India EXCO, on application via the India CFO and is in compliance with RBI guidelines.

3.6 A **'prohibited non-audit service'** is any activity that creates a real or perceived threat to the independence of the Statutory Auditor. This includes but not limited to:

- 3.6.1 appraisal or valuation services;
- 3.6.2 fairness opinions or contribution of kind reports;
- 3.6.3 actuarial services;
- 3.6.4 internal audit services;
- 3.6.5 bookkeeping or other services related to the accounting records or financial statement of FAB India;
- 3.6.6 providing IT Systems services including financial information system design and implementation;
- 3.6.7 management functions including human resource functions;
- 3.6.8 broker or dealer, investment adviser or investment banking services; or
- 3.6.9 providing legal and expert services unrelated to the audit (Note: 'expert' services in this instance means the firm acting as advocate for FAB India or its subsidiaries or affiliates in legal, administrative or legal proceedings).
- 3.6.10 rendering of outsourced financial services

3.7 Approvals for Non-audit services

- 3.7.1 To ensure auditor independence is maintained, FAB India requires all engagements of the Statutory Auditor to provide non-audit services to be approved in writing by the India CFO before any contract for their service is agreed.
- 3.7.2 The India CFO must obtain the prior written approval of the India EXCO before the Statutory Auditor can be engaged to perform non-audit services.
- 3.7.3 In assessing a request for non-audit services, the India CFO is required to give consideration to:
 - 3.7.3.1.1 the nature of the services provided;
 - 3.7.3.1.2 the value and period of engagement;
 - 3.7.3.1.3 the availability of alternate services providers and the reasoning for recommending the Statutory Auditor;
 - 3.7.3.1.4 the audit firm's confirmation and appointment and manually reconfirming that it is independent;
 - 3.7.3.1.5 the fee for '**non-audit services**' does not exceed 50% of the approved annual Audit fee for the FAB India. Beyond this total sum, and on a case by case basis, referral should be made to the India EXCO via the India CFO for the provision of non-audit services;
 - 3.7.3.1.6 any other circumstances relevant to the engagement.
 - 3.7.3.1.7 As per prevailing RBI guidelines, Indicative list of permissible services for Statutory Auditor which does not impact the independence of Statutory Auditors are as under:
 - 3.7.3.1.7.1 Tax audit, tax representation and advice on taxation matters,
 - 3.7.3.1.7.2 Audit of interim financial statements.
 - 3.7.3.1.7.3 Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements.
 - 3.7.3.1.7.4 reporting on financial information or segments thereof

EMPLOYMENT OF STATUTORY AUDIT EMPLOYEES

- 3.8 All FAB India entities are prohibited from:
 - 3.8.1 Employing or permitting to serve on its Board of Directors any current partner, principal, shareholder or professional employee of FAB's Statutory Auditor.
 - 3.8.2 Employing an '**Immediate family member**' of a '**covered person**' in an accounting role or financial reporting oversight role.
 - 3.8.3 Employing a former partner, principal, shareholder or professional employee of the FAB India Statutory Auditor in an accounting role or a financial reporting oversight role (Band E and above), unless the individual:
 - 3.8.3.1.1 did not influence the accounting firm's operations or financial policies;
 - 3.8.3.1.2 is employed by FAB India in Career B and C, D or below;
 - 3.8.3.1.3 has no capital balances in the accounting firm;
 - 3.8.3.1.4 has no financial arrangement with the accounting firm; and
 - 3.8.3.1.5 was not a member of the audit engagement team during the one-year period preceding the date the audit procedures commenced for the fiscal period that included the date of the initial engagement of the audit engagement team.

3.9 Monitoring and Reporting

- 3.9.1 The India CFO is responsible for oversight of this policy in consultation with the India HR.
- 3.9.2 The India CFO is responsible for ensuring the Statutory Auditor fee(s) are properly budgeted and authorised, and for monitoring and reporting all fees paid to the Statutory Auditor firm(s) relating to:
- The annual approved audit fee;
 - Fees incurred that are incidental to or directly related to the audit; and
 - 'non-audit fees' in the financial period.
- 3.9.3 The India CFO is additionally responsible for monitoring compliance with approvals of non-audit services – see paragraph 3.7 above.
- 3.9.4 The India HR is responsible for implementing and monitoring compliance with paragraph 3.8 above and reporting (via the India CFO) any breaches of this policy.
- 3.9.5 The India CFO is responsible for all matters relating to the Statutory Auditor's formal appointment and engagement with the India EXCO.
- 3.9.6 The India EXCO is responsible for overseeing the work of the Statutory Auditor and will meet the Auditor at least once per year without the presence of the management to discuss matters related to the Audit and their observations.
- 3.9.7 The India CFO will keep the India EXCO advised at least annually of the fees paid to the Statutory Auditor for Audit, Audit Relate and Non-Audit services. The written advice should include:
- the total amount paid or payable to the Statutory Auditor for non-audit services provided during the year and the proportion of such fees in relation to the Audit fee; and
 - confirmation that the India EXCO is satisfied that the provision of Non-Audit services during the year has not compromised the independence of the Auditors.

4. RELATED REGULATIONS AND/OR GROUP POLICIES/PROCESSES

- 4.1 RBI guidelines issued on time to time for appointment of Statutory auditors
- 4.2 UAE Federal Law No. 2 of 2015 concerning Commercial Companies dated 1 April 2015, replacing Federal Law No. 8 of 1984 concerning Commercial Companies Specifically articles 243 to 254 that relate to the Company's Auditor.

5. DEFINITIONS

Non-audit services	Non-audit services are any professional services provided by a statutory auditors during the period of an audit engagement which are not connected to an audit work or review Or not arising out of regulatory need and which are not included in ' prohibited non-audit services ' that are referred in sections 3.6 to 3.8 of this policy.
Prohibited non-audit services	Services that, if provided by the Statutory Auditor to FAB, would create a real or perceived threat to the independence of the Statutory Auditor.
Accounting role	A role in which a person is in a position to or exercises more than minimal influence over the contents of the accounting records or anyone who prepares the accounting records.

Audit partner

A partner or persons in an equivalent position (other than a partner who consults with others on the audit engagement team during the audit, review or attestation engagement regarding technical or industry-specific issues, transactions or events) who is a member of the audit engagement team and who has responsibility for decision-making on significant auditing, accounting and reporting matters that affect the financial statements, or who maintains regular contact with management and the Audit Committee and includes the following:

- the lead or coordinating audit partner having primary responsibility for the audit or review;
- the partner performing a second level review (concurring partner);
- other audit engagement team partner who provide more than ten hours of audit, review or attest services in connection with the annual or interim consolidated financial statements; and
- other audit engagement team partner who serve as the lead partner in connection with any audit or review related to the annual or interim financial statements of a FAB subsidiary

Immediate family members

Spouse and any family member by blood or marriage with whom the person, or their spouse, has a close relationship including but not limited to: siblings; children; parents; grandparents; aunts and uncles; mother or father-in-law; son or daughter-in-law; brother or sister-in-law; and any person sharing the household of such a person (except for a tenant or employees).

Covered person

All partners, principals, shareholders and professional employees participating in an audit, review or attestation engagement with respect to FAB India or any of its subsidiaries, including audit partners and all persons who consult with others on the audit engagement team during the audit, review or attestation engagement regarding technical or industry-specific issues, transactions or events; all persons who:

- supervise or have direct management responsibility for the audit, including all successively senior levels through the accounting firm’s chief executive,
- provide quality control or other oversight of the audit;

Any other partner, principal, shareholder or managerial employee if the external auditor who has provided ten or more hours of non-audit services to FAB India or any of its subsidiaries for the period beginning on the date the audit services are provided and ending on the date the external auditor signs the report on the financial statements for the fiscal year during which those services are provided, or who expects to provide ten or more hours of no-audit services to the audit client on a recurring basis; and

Any other partner, principal or shareholder from the office of the accounting firm in which the lead audit engagement partner primarily practices in connection with the audit.

Financial reporting oversight

A role in which a person is in a position to or does exercise influence over the contents of the financial statements or anyone who prepares the financial statements (including a member of the India EXCO, the chief executive officer, chief financial officer, chief operating officer, senior executive in India Finance, treasurer or any equivalent position.

Executive Management

Senior management responsible for the day to day running of FAB businesses at Country levels, including the India Chief Executive and their direct reports.

Jurisdiction

For the purpose of this document jurisdiction mean geographical location where FAB India operates.

6. WHERE TO GET HELP

For any clarifications on this policy, or if further help is required please contact Jitendra Shah, India Chief Financial Officer on +91-9820830610 or Jitendra.Shah@bankfab.com.

7. VERSION CONTROL

Version	Approved by:	Changes to previous version

8. APPENDICES

None.