

IDBI BANK LIMITED

POLICY FOR APPOINTMENT OF STATUTORY AUDITORS (SAs)

(As revised in August 2023)

TABLE OF CONTENTS

Particulars	Page No
1) Introduction	2
2) Purpose	2
3) Definitions	2
4) Applicability	3
5) Number of SAs and Branch Coverage	3
6) Eligibility Criteria of Auditors	4
7) Prior Approval of RBI	6
8) Statutory Auditor - Appointment Procedure	7
9) Tenure and Rotation	8
10) Audit Fees and Expenses	9
11) Professional Standards of SAs	9
12) Independence of Auditors	9
13) General Process to be Followed	10
14) Review of the Policy	11

POLICY FOR APPOINTMENT OF STATUTORY AUDITORS
- FOR THE YEAR 2024-25 AND ONWARDS

1) Introduction

- 1.01 Reserve Bank of India (RBI) vide its circular dated April 27, 2021, issued guidelines for appointment of Statutory Auditors (SAs), thereby superseding earlier guidelines issued. Further, RBI on June 11, 2021 published certain clarifications to its circular dated April 27, 2021 in the form of Frequent Asked Questions (FAQs).
- 1.02 RBI has categorised IDBI Bank (“the Bank”) as a "Private Sector Bank" for regulatory purposes with effect from January 21, 2019 consequent upon Life Insurance Corporation of India (LIC) acquiring 51% of total paid up equity share capital of the Bank. Accordingly, the Bank has prepared the policy for appointment of SAs in line with norms applicable to Indian Private Sector/ Commercial Banks.

2) Purpose

- 2.01 The objective of this policy is to establish proper procedure for appointment of SAs and conform with the extant norms of Reserve Bank of India, and applicable provisions of Banking Regulation Act, 1949; and Companies Act, 2013 as per of this policy document

3) Definitions

- a. “Audit Committee” means the Audit Committee of the Board.
- b. “Board” means Board of Directors of the Bank.
- c. “Statutory Auditors (SAs)” mean auditors appointed as per the policy to conduct statutory audit of the Bank.
- d. “RBI circular” means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/ SEC.01/ 08.91.001/ 2021-22 dated April 27, 2021
- e. “Promoter” has the same meaning as in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and includes a member of the promoter group
- f. Promoter group” includes, inter alia,
 - i) a subsidiary or holding company of promoter;

- ii) any body corporate in which the promoter holds twenty per cent or more of the equity share capital; and/or any body corporate which holds twenty per cent or more of the equity share capital of the promoter;
 - iii) any body corporate in which a group of individuals or companies or combinations thereof acting in concert, which hold twenty percent or more of the equity share capital in that body corporate and such group of individuals or companies or combinations thereof also holds twenty per cent or more of the equity share capital of the issuer and are also acting in concert.
 - g. Potential Conflict of Interest - Potential Conflict of Interest, with reference to a firm that is being considered for appointment as SCAs/ SA, may arise, in any of the following circumstances:
 - i) the firm is engaged with audit/ non-audit works for a Group Entity which is not regulated by RBI
 - ii) the audit firm was engaged with audit/ non-audit works for a Group Entity which is not regulated by RBI, and not more than one year has elapsed since the completion/ relinquishment of such engagement
 - iii) a partner of the firm is a director in any of the Group Entities which are not regulated by RBI
- 4) Applicability**
- 4.1 This policy will be applicable for Financial Year 2024-25 and onwards in respect of appointment/ re-appointment of SAs.
- 5) Number of SAs and Branch Coverage**
- 5.1 Minimum number of SAs to be appointed by the Bank shall be two if the Bank's asset size as on March 31 of previous year, is Rs.15,000 crore or more; else, minimum of one SA shall be appointed. The Bank shall ensure that joint auditors of the Entity do not have any common partners and they are not under the same network of audit firms. The Bank shall finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with their SAs.
- 5.2 The number of SAs to be appointed for a financial year shall be decided, inter alia, taking into account the relevant factors such as the 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, etc. The actual number of SAs to be appointed shall be decided by Board subject to the following limits:

Asset Size of the Bank	Maximum No. of Auditors
Upto Rs.5,00,000 crore	4
Above Rs.5,00,000 crore and upto Rs.10,00,000 crore	6
Above Rs.10,00,000 crore and upto Rs.20,00,000 crore	8
Above Rs.20,00,000 crore	12

5.3 The SAs shall visit and audit at least the top 20 branches of the Bank, to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the Bank. In addition, the Bank shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

6) Eligibility Criteria of Auditors

(A) Basic Eligibility

The minimum standards and eligibility norms for audit firms to be appointed as SAs shall be, as given below:

Asset size of the Bank as on 31st March of the previous year	Min No. of Full Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1	Out of FTPs Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
Above Rs.15,000 crore	5	4	2	15	18

Note 1: There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full time partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

The full-time partner's association with the firm would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:

- The full-time partner should not be a partner in other firm/s.
- She / He should not be employed full time / part time elsewhere.

(c) She / He should not be practicing in her/his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.

(d) ACB shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose. Confirmation from audit firm [Partnership firms/Limited Liability Partnerships (LLPs)] to be obtained to ensure the above point.

Note 2: CISA/ ISA Qualification: There should be at least one-year continuous association of Paid CAs with CISA/ ISA qualification with the firm as on the date of shortlisting for considering them as Paid CAs with CISA/ ISA qualification for the purpose.

Note 3: Audit Experience: Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

Note 4: Professional Staff: Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists/stenos/computer operators/ secretaries/subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

(B) Additional Consideration

- (i) The audit firm, proposed to be appointed as SAs, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- (ii) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- (iii) The Bank shall ensure that appointment of SAs is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- (iv) If any partner of a Chartered Accountant firm is a director in the Bank, the said firm shall not be appointed as SA of the Bank or any of the group entities (RBI Regulated Entities in the group) of the Bank. However, if an audit firm is being considered by any of the RBI Regulated Entities in the Group for appointment as SAs, whose partner is a director in any of the

Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as Board.

Group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above (AS means Accounting Standard notified under Companies Act, 2013).

- (v) If the asset size of the Bank is above Rs.1,000 crore, SAs should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Entities where the accounting and business data reside in order to achieve audit objectives.

(C) Continued Compliance with basic eligibility criteria

- (i) In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it shall promptly approach the Bank with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.
- (ii) In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, the Bank may approach RBI, to allow the concerned audit firm to complete the audit, as a special case.

7) Prior Approval of RBI

- 7.1 The Bank shall take prior approval of RBI for appointment/ reappointment of SAs on annual basis. The Bank shall apply to Department of Supervision, RBI, Mumbai before 31st July of the reference year for such approval.

8) Statutory Auditor - Appointment Procedure

8.1 Process for reappointment of existing Auditors

First preference will be given to existing SAs for their re-appointment subject to compliance of eligibility norms and satisfactory performance. The Bank shall obtain the willingness from the existing SAs for re-appointment. On receipt of the consent, Bank shall take steps for the reappointment of the firm as SA as detailed in paragraph 13 onwards. In case such consent is not received from any of the existing SAs, Bank shall follow the process for appointment of New SA to fill that vacancy as detailed below.

8.2 Process for appointment of New firm as SAs

8.2.1 Applications will be invited from the audit firms by way of Expression of Interest (EOI) based on eligibility criteria as per para 6 above. A window of maximum of 2 weeks will be announced with prior approval from MD & CEO, for the firms to apply for EOI for appointment of Statutory Auditors. The link for EOI will be published on Banks website and an advertisement in two local newspapers will be given regarding the window for EOI.

8.2.2 The shortlisting of firms from applications received for EOI, will be done by an Internal Evaluation Committee. The composition of Evaluation Committee will be finalized by MD & CEO. Evaluation Committee will evaluate the firms based on pre-approved parameters, scoring matrix and willingness received from the firms.

8.2.3 Evaluation Committee will shortlist the audit firm, **at least thrice the number of vacancies**, for making presentation to the ACB.

8.2.4 The short listed audit firms will make presentation to ACB, including compliance on para 6 and 12, for final selection. ACB shall assess the conflict of interest position of the Audit firms while selecting/recommending them for selection. ACB will select the firms for adequate number (twice the number of vacancies from the shortlisted firms) of audit firm(s) in order of preference indicating their names against the vacancy. ACB shall select minimum of 2 audit firms for every vacancy of SAs 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 SAs does not get delayed. However, in case of reappointment of SAs by Banks till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and

sending names of multiple audit firms to RBI while seeking approval to appointment.

- 8.2.5 Thereafter, Bank will approach the audit firms to obtain their irrevocable consent in writing strictly in order of preference. If the approached audit firm does not give consent, the Bank will approach the next audit firm in order of preference for obtaining consent till the time the number of audit firms who have given the consent equals to number of vacancies for the particular year.
- 8.2.6 The Bank also reserves the right to seek additional information and submission undertakings from any audit firm, at any point of time. None of such act shall be deemed as an offer of engagement as Central Auditor by the Bank to the firm unless and until the Bank intimates in writing to the firm regarding appointment as SCAs of the Bank.
- 8.2.7 Thereafter, the bank shall seek RBI's approval for appointment/ re-appointment of SAs under Sections 30 (1-A) of the Banking Regulation Act, 1949.
- 8.2.8 After receipt of RBI approval, the list of approved SAs shall be put to Board for recommendation to the Shareholders for their approval at the next Annual General Meeting.

9) Tenure and Rotation

- 9.1 In order to protect the independence of the auditors/ audit firms, Bank shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, the Bank can remove the audit firms during the above period only with the prior approval of RBI.
- 9.2 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 case an audit firm has conducted audit of the Bank for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Bank for six years from completion of part-tenure.]
- 9.3 An audit firm proposed to be appointed as SA of the Bank, can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and

eight NBFCs during a particular year, A group of audit firms having common partners and/or under the same network, will be considered as one entity. 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.

10) Audit Fees and Expenses

- 10.1 The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions
- 10.2 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 computerization, identified risks in financial reporting, etc.
- 10.3 The Board/ACB shall make recommendation to the competent authority (By Shareholders in AGM) as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

11) Professional Standards of SAs

- 11.1 The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- 11.2 The ACB shall review the performance of SAs on an annual basis.
- 11.3 Any serious lapses / negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports shall be sent with the approval / recommendation of the ACB, with the full details of the audit firm.
- 11.4 In the event of lapses in carrying out audit assignments resulting in misstatement of financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SAs in relation to Bank, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

12) Independence of Auditors

- 12.1 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.

- 12.2 Concurrent auditors of the Bank will not be considered for appointment as SAs. The audit of the Bank and any entity with large exposure (As defined in RBI instructions on 'Large Exposures Framework') to the Bank for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- 12.3 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the Bank or any audit/ non-audit works for its group entities (RBI Regulated Entities in the group) should be at least one year, before or after its appointment as SAs. However, during the tenure as SA, an audit firm may provide such services to the Bank which may not normally result in a conflict of interest, and the Bank will take a decision in this regard, in consultation with the ACB. (A conflict would not normally be created in the case of the following special assignments (indicative list): (i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements, (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements, (iv) Reporting on financial information or segments thereof).
- 12.4 The restrictions as detailed in para 12.2 and 12.3 above, will also apply to an audit firm under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

13) General Process to be Followed

- 13.1 The Bank shall obtain a certificate, along with relevant information as per Form B (format as per RBI circular dated April 27, 2021), from the audit firm(s) proposed to be appointed/ reappointed as SAs, 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/ reappointment of SAs of the Bank, under the seal of the said audit firm.
- 13.2 The Bank shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their

eligibility, recommend the names along with a certificate, in the format as per Form C (format as per RBI circular dated April 27, 2021), stating that the audit firm(s) proposed to be appointed as SA by them comply with all eligibility norms prescribed by RBI for the purpose.

- 13.3 The SAs are required to declare the list of their major corporate clients to avoid conflict of interest. In case any of the SAs is auditors of a corporate client who is assisted by the Bank, then files of such corporate client shall be audited by the other SA.

14) Review of the Policy

The Audit Committee of the Board and Board of the Bank may review the policy yearly.

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

Conflict in policy: In the event of a conflict between this Policy and the extant regulations or laws (as may be amended, replaced, restated, from time to time), the regulations and laws shall prevail.

- 15) The Board approved Policy will be hosted on Banks official website.
