



**GMR AIRPORTS LIMITED**  
**POLICY ON APPOINTMENT OF STATUTORY AUDITORS**

## Policy on Appointment of Statutory Auditors

### 1. CONTEXT:

- 1.1 Appointment of Statutory Auditors are governed under Section 139 along with eligibility criteria of Statutory Auditors provided under Section 141 of Companies Act 2013 read with Rules thereunder.
- 1.2 Reserve Bank of India (RBI) vide its notification No. RBI/ 2021-22/ 25 dated April 27, 2021 has issued guidelines for appointment of Statutory Auditors for Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) ("Guidelines"). These Guidelines include clarification issued by RBI vide its FAQs dated June 11, 2021.

### 2. PURPOSE:

- 2.1 This Policy is framed by GMR Airports Limited (GAL) pursuant to the aforementioned Guidelines that requires NBFCs to formulate a Board Approved Policy to be hosted on its official website/public domain and have necessary procedure thereunder to be followed for appointment of the Statutory Auditors;
- 2.2 This Policy shall act as a guideline for establishing proper procedures for determining, inter-alia, qualifications, eligibility and procedure for appointment of the Statutory Auditors that conform with the extant norms of applicable laws and regulations. This policy would provide transparency and objectivity for the key aspects of the assurance function of GAL.

### 3. APPLICABILITY:

- 3.1 This Policy will be applicable to GAL being a Core Investment Company / NBFC registered with RBI;
- 3.2 This Policy will be effective from H2 (second half) of FY 2021-22 and onwards for appointment / reappointment of the Statutory Auditors of GAL;

### 4. REPORTING / INTIMATION TO RBI:

- 4.1 GAL will intimate RBI about the appointment of Statutory Auditors for each year by way of certificate in the format attached as **Annexure A**, within one month of such appointment.

### 5. NUMBER OF STATUTORY AUDITORS:

- 5.1 Since the asset size of GAL is above Rs. 15,000 crore as at the end of previous year (i.e. March 31, 2021), the statutory audit of GAL is required to conduct under joint audit of minimum two audit firms. GAL will conduct the statutory audit under joint audit pursuant to the said Guidelines for the applicable Financial Year.

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For this purpose, asset size means Total assets.

- 5.2 GAL will take 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. while deciding the number of Statutory Auditors;
- 5.3 In addition, GAL shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches, as applicable.

### 6. ELIGIBILITY CRITERIA OF AUDITORS:

- 6.1 GAL will appoint audit firm(s) as its Statutory Auditors who will be fulfilling the eligibility norms as prescribed below:

#### 6.1.1 Basic eligibility:

S. No.	Asset Size of as on 31st March of Previous Year	Above Rs. 15000 crore
1.	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years	5
2.	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	4
3.	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	2
4.	Minimum No. of years of Audit Experience of the firm	15
5.	Minimum No. of Professional staff	18

#### 6.1.2 Additional Consideration:

- 6.1.2.1 The audit firm, proposed to be appointed as Statutory Auditors should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013;
- 6.1.2.2 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;
- 6.1.2.3 GAL shall ensure that the appointment of the Statutory Auditors 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;

- 6.1.2.4 If any partner of a Chartered Accountant firm is a director in any Group Company, the said firm shall not be appointed as the Statutory Auditor of any of the Group Company;

*Group Entities here refer to the RBI Regulated Entities in the Group, which fulfil the definition of Group Entity, as provided in the Circular. Therefore, if any partner of a Chartered Accountant firm is a director in an RBI Regulated Entity in the Group, the said firm shall not be appointed as Statutory Auditor of any of the RBI Regulated Entities in the Group. However, if an audit firm is being considered by the Company for appointment as Statutory auditors, 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 Audit Committee of the Board (ACB) as well as Board.*

- 6.1.2.5 The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of GAL where the accounting and business data reside in order to achieve audit objectives,

**6.1.3 Continued Compliance with basic eligibility criteria:**

- 6.1.3.1 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 may promptly approach GAL with full details;
- 6.1.3.2 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 March 31 and till the completion of annual audit;
- 6.1.3.3 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, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

**7. INDEPENDENCE OF AUDITORS:**

- 7.1 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;

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- 7.2 Any concerns in this regard may be flagged by the ACB to the Board of Directors and the concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI;
- 7.3 In case of any concern with the Management such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditor shall approach the Board/Audit Committee, under intimation to the concerned SSM/RO of RBI;
- 7.4 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors for GAL or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory Auditors;

*The Group Entities refer to the RBI Regulated Entities in the Group, which fulfill the definition of Group Entity, as provided in the Circular. However, 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 Company for appointment as Statutory auditors, the Board / ACB would examine and ensure that there is no conflict of interest and independence of auditors is ensured.*

*Before appointment of an audit firm as Statutory auditor of the RBI Regulated Entity, there should be a time gap of minimum one year between this appointment and completion of the assignment of any non-audit works given to the same audit firm in that RBI Regulated Entity or completion of any audit/non-audit works in other RBI Regulated Entities in the Group. This stipulation shall be applicable prospectively, i.e. from FY 2022-23. Therefore, if an audit firm is involved in some non-audit work with the Entity and/or any audit /non audit work in other RBI Regulated Entities in the Group and completes or relinquishes the said assignment prior to the date of appointment as Statutory auditor of the Entity for FY 2021- 22, the said audit firm would be eligible for appointment as Statutory auditor of the Entity for FY 2021-22.*

*The time gap between any non-audit works by the Statutory auditors for the Entities or any audit/non-audit works for its Group Entities should be at least one year after completion of the audit assignment as Statutory auditor.*

- 7.5 However, during the tenure as Statutory Auditors, an audit firm may provide such services which may not normally result in a conflict of interest, and entities may take their own decision in this regard, in consultation with the Board/ACB. This will apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

## **8. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS:**

- 8.1 The Statutory Auditors shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

- 8.2 The Board/ACB shall review the performance of Statutory Auditors on an annual basis;
- 8.3 Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditors 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/Audit Committee, with the full details of the audit firm.
- 8.4 In the event of lapses in carrying out audit assignments resulting in misstatement of an GAL financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the Statutory Auditors in relation to GAL, the Statutory Auditors would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

## **9. TENURE AND ROTATION:**

Reserve Bank of India (RBI) vide its notification no. RBI/ 2021-22/ 25 dated April 27, 2021 has issued guidelines for appointment of Statutory Auditors wherein the tenure of appointment/re-appointment of the Statutory Auditor is of three years.

However, as per the provisions of the Companies Act, 2013, which is mandatory for all companies registered under the Companies Act to strictly comply, no company shall appoint or re – appoint an individual auditor for a term of less than five years; and an audit firm as auditor for more than two terms of five consecutive years respectively. As such, in terms of the Companies Act, a company cannot appoint statutory auditor for a term less than 5 years.

The Company will harmoniously comply with the provisions of both the Companies Act and the relevant regulations of the RBI, from time to time.

- 9.1 Any removal of the Statutory Auditors before completion of three years tenure shall require intimation to the concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.
- 9.2 An audit firm would not be eligible for reappointment in GAL for six years (two tenures) after completion of full or part of one term of the audit tenure. However, that audit firm can continue to undertake statutory audit of other Entities.
- 9.3 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;
- 9.4 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 Statutory Auditors accordingly;
- 9.5 Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible;

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9.6 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 the Statutory Auditors shall be decided in terms of the relevant statutory/regulatory provisions.

10.2 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.

### **11. STATUTORY AUDITORS APPOINTMENT PROCEDURE:**

11.1 GAL shall shortlist minimum of 2 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 Auditors does not get delayed;

11.2 GAL shall obtain a certificate in the format attached as Annexure B, along with relevant information in the prescribed format as per aforementioned Guidelines, from the audit firm(s) proposed to be appointed as Statutory Auditors to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose;

11.3 Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of Statutory Auditors, under the seal of the said audit firm;

11.4 The proposals to appoint Statutory Auditors will be reviewed and recommended by the ACB to the Board and the Board will recommend the same to the shareholders for approval.

### **12. VALIDITY:**

12.1 This policy shall be valid till GAL continues to be CIC/NBFC;

12.2 However, in the event of any conflict between this Policy and the laws as may be applicable in this regard from time to time, the provisions of applicable laws shall prevail.

### **13. EFFECTIVE DATE:**

13.1 The policy shall be effective from the date of approval by its Board of Directors of the Company;

13.2 Any amendment to this policy shall be made with the approval of the ACB and Board of Directors of GAL from time to time.

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1. Version 1 of this Policy is approved and adopted by the Board of Directors on

**Form A**  
**Information to be submitted by the NBFCs regarding appointment of SA**

The Company has appointed M/s \_\_\_\_\_, Chartered Accountants (Firm Registration Number \_\_\_\_\_) as Statutory Auditor (SA) for the financial year \_\_\_\_ for their 1st/2nd/3rd term.

The Company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SA of the company for FY \_\_\_\_ along with relevant information in the format as prescribed by RBI.

The firm has no past association/association for \_\_\_\_\_ years with the company as SA/SBA. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of 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:**

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

\*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.

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**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 / directors\*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:

\*For 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.

For GMR Airports Limited

  
Company Secretary