



POLICY ON APPOINTMENT OF STATUTORY AUDITORS

1. Introduction

Ford Credit India Private Limited (hereinafter referred to as the 'Company') is a subsidiary of Ford Motor Credit Company, Ford Motor Company's global financing subsidiary. The Company was incorporated under the Companies Act, 1956 and registered as a Non-Banking Finance Company with Reserve Bank of India.

The Board of Directors of the Company have adopted the following Policy on Appointment of Statutory Auditors ("Policy") which envisages the guidelines / procedures to be followed by the Company for the appointment of Statutory Auditors (SAs).

This policy is approved by the Board of Directors vide circular resolution date 15th September 2021 and the same has been taken note in its Meeting dated 17th September 2021.

2. Objective and Scope

The Policy shall act as a guideline for determining, *inter-alia*, qualifications, eligibility, and procedure for appointment of the Statutory Auditors and ensure transparency.

The policy is framed as per the specific guidelines issued by the RBI vide its circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 for Appointment of Statutory Auditors (SAs) of NBFCs (including HFCs) and the applicable provisions of the Companies Act, 2013 ("Act") read with the Rules framed thereunder and as amended from time to time. The guidelines of RBI require lending institutions to formulate a Board approved policy to be hosted on its official website / public domain and formulate necessary procedures thereunder to be followed for the appointment of SAs.

3. Applicability

This policy shall be applicable to Company (NBFCs including HFCs as per the prescribed guidelines) for appointment/ reappointment of its Statutory Auditors for the Financial Year 2021-22 and onwards till the Company needs to comply with prescribed guidelines, with a flexibility to adopt these guidelines from second half of financial year 2021-22 (H2 of FY 21-22) to avoid any disruption in reporting/ audit process.

4. Number of Statutory Auditors

The actual number of SAs to be appointed shall be decided by the Audit Committee (ACB)/ Board. As per the guidelines of RBI as above taking into account 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 number of SAs to be appointed shall be as per following limits prescribed by RBI:

S. No.	Asset Size of the Entity	Maximum number of SAs
1	Upto ₹5,00,000 crore	4
2	Above ₹ 5,00,000 crore and Upto ₹ 10,00,000 crore	6
3	Above ₹ 10,00,000 crore and Upto ₹ 20,00,000 crore	8
4	Above ₹ 20,00,000 crore	12

Accordingly, considering the asset size of the Company and all other terms and conditions as stated above, the Audit Committee and Board having evaluated the same and decided to appoint one audit firm to conduct audit in a timely and effective manner.

5. Eligibility Criteria for Appointment as Statutory Auditors (SAs)

The Company shall adhere to the following norms before proceeding to appoint SCAs:

A. Eligibility Criteria

Asset Size as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTP) associated with the firm for a period of at least three (3) years Note 1	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	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 ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
Upto ₹1,000 crore	2	1	1	6	8

Note 1: Full time Partners

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.
- 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.
- The Board/Audit Committee 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.

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

The audit experience shall mean experience of the audit firm as Statutory Central/ Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/ NBFCs/ 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/ stenographers/ 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 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. The auditors of the Company shall 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 the Company where the accounting and business data reside in order to achieve audit objectives.

C. Continued Compliance with basic eligibility criteria

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 the Company 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.

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, Company needs to approach to RBI as a special case with details to allow the concerned audit firm to complete the audit.

6. Procedure for Appointment of SAs

- a) The Company shall shortlist 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.
- b) The Company shall obtain a certificate from the audit firm(s) proposed to be appointed 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 of SAs of the Company, under the seal of the said audit firm.

7. Independence of Auditors

- a. The Audit Committee of the Board (where Audit Committee not required to be established, Board) 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 Audit Committee to the Board of Directors of the Company and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- b. In case of any concern with the Management of the Company such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the Board/ Audit Committee of the Company, under intimation to the concerned SSM/RO of RBI.
- c. 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 Company or any audit/ non-audit works for its group Companies 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 concerned Company which may not normally result in a conflict of interest, and Company may take their own decision in this regard, in consultation with the Board/ACB/LMC.
- d. The restrictions as detailed in point d above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

8. Professional Standards of SAs

- (a) The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- (b) The Board/Audit Committee shall review the performance of SAs on an annual basis. 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 should be sent with the approval/ recommendation of the Board/ Audit Committee, with the full details of the audit firm.
- (c) In the event of lapses in carrying out audit assignments resulting in misstatement of Company's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

9. Tenure and Rotation

- a. As per the RBI guidelines, in order to protect the independence of the auditors/ audit firms, the Company shall appoint the SAs for a continuous period of 3 years, subject to the SAs satisfying the eligibility norms each year. If the Company removes SAs before completion of 3 years of tenure, it shall inform the concerned Regional Officer at RBI about the same, along with the reasons /justification within a month of such decision being taken.
- b. The audit firm cannot not be reappointed in the Company for a period of six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other Companies.

10. Audit Fees and Expenses

The Company shall ensure that the audit fees of the Company 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 risk in financial reporting, etc.

Based on the recommendation of ACB, the Board of the Company shall decide the Audit fees and expenses of SAs.

11. Review

This Policy shall be reviewed as and when deemed necessary and submitted for approval to the Board. Any amendments to the policy required as a result of amendment/modifications to the Companies Act, 2013/ RBI guidelines shall be presented to the Board of Directors for its approval.

12. Disclosure / Transparency

This policy shall be hosted in the website of the Company and that the appointment(s) made shall be disclosed to concerned authorities as per relevant regulatory / statutory provisions.