

Deutsche Bank India Branches

**POLICY FOR
APPOINTMENT OF
STATUTORY AUDITORS**

Policy for appointment of statutory auditors

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Policy for appointment of statutory auditors

1 Introduction:

- 1.1 Reserve Bank of India (RBI) vide its circular dated April 27, 2021, has issued guidelines for appointment of Statutory Auditors (SAs), thereby superseding earlier guidelines issued. As per these guidelines, the Bank is required to formulate a Board approved policy and necessary procedure thereunder to be followed for appointment of SAs. Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.
- 1.2 Accordingly, the Bank has prepared the policy for appointment of SAs in line with norms applicable to commercial banks in India .
- 1.3 This Policy will be applicable for Financial Year 2021-22 and onwards in respect of appointment/reappointment of Statutory Auditors.
- 1.4 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.

2 Prior Approval of RBI

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.

3 Number of Statutory Auditors

- 3.1 The statutory audit shall be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. The Bank shall ensure that joint auditors of the Bank do not have any common partners and they are not under the same network of audit firms. Further, the Bank shall finalise the work allocation among Statutory Auditors, before the commencement of the statutory audit, in consultation with the SAs.
- 3.2 The Bank shall decide on the number of SAs after 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.

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- 3.3 Considering the above factors and the other requirements of the bank, the actual number of Joint Statutory Auditors to be appointed by BMB, shall be subject to the following limits:

| Sr no. | Asset Size of the Bank | Maximum No. of Auditors |
|--------|---|-------------------------|
| 1 | Upto Rs. 5,00,000 crore | 4 |
| 2 | Above Rs 5,00,000 crore and upto Rs 10,00,000 crore | 6 |
| 3 | Above Rs. 10,00,000 crore and upto Rs.20,00,000 crore | 8 |
| 4 | Above Rs. 20,00,000 crore | 12 |

4 Coverage of Audit

The Statutory Auditors will be asked to visit and audit at least the top 20% branches, 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 Sec 143(8) of the Companies Act, 2013 regarding of audit of accounts of all branches.

5 Minimum Eligibility Criteria of Auditors

The Bank shall adhere to the minimum eligibility criteria as mentioned in the RBI circular for appointment of the Statutory Auditors considering the asset size of the Bank.

6 Independence of Auditors

- 6.1 BMB 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 will be flagged by BMB to concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- 6.2 Concurrent auditors of the Bank will not be considered for appointment as Statutory Auditors. The audit of the Bank and any entity with large exposures to the Bank for the same reference year will be explicitly factored in while assessing independence of the auditor.
- 6.3 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors for the Bank or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory Auditors.

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The Group Entities refer to the RBI Regulated Entities in the Group, related to the Bank 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.

- 6.4 However, during the tenure as Statutory Auditor, an audit firm may provide such services to the Bank, which may not normally result in a conflict of interest and Bank will decide this in consultation with the BMB or persons authorized by the BMB.
As provided in the RBI guidelines, a conflict would not normally be created in the case of the following special assignments
- (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.
- 6.5 The restrictions as detailed in para 6.2 and 6.3 above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

7 Professional Standards of Statutory Auditors

BMB shall review the performance of Statutory Auditors on an annual basis. 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.

8 Tenure and Rotation

- 8.1 Bank shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. For removal of the audit firms during the above period the prior approval of RBI will be sought.
- 8.2 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.

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9 Audit Fees and Expenses

- 9.1 The audit fees for Statutory Auditors shall be decided by the BMB of the Bank or the persons authorized by the BMB in terms of the relevant statutory/regulatory provisions.
- 9.2 The audit fees for the Bank 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 Procedure for Appointment of Statutory Auditors

The Bank shall put in place detailed procedural guidelines, in conformity with the instructions under this policy and all relevant statutory/regulatory requirements for appointment of Statutory Auditors.

11 Review & disclosure of the policy

This Policy shall be reviewed by the BMB as and when any changes are to be incorporated in the Policy due to change in applicable law or regulation Policy will be published in the Banks' website.