



ASIAN PAINTS LIMITED

POLICY ON ENGAGEMENT OF STATUTORY AUDITORS OF THE COMPANY

Formulated on: 29th March, 2023

1. SCOPE AND APPLICABILITY

The objective of the Policy on engagement of Statutory Auditors of the Company (“Policy”) is to act as a guideline for establishing proper procedures for determining *inter-alia*, qualification, eligibility, and procedure for appointment/re-appointment/removal of the statutory auditors that conform with the extant norms of applicable laws and regulations. This Policy would ensure transparency, objectivity, independence of the statutory auditor and compliance with all statutory requirements.

The Policy is applicable to the Company and to the extent relevant to the subsidiaries, associates, and joint ventures of the Company.

2. APPOINTMENT OF STATUTORY AUDITORS

The appointment of statutory auditors is governed by the provisions of the Companies Act, 2013 (“the Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”). In accordance with Section 139 of the Act, the Company shall appoint an individual or a firm as an auditor for one term of 5 (five) consecutive years and maximum two terms i.e. 10 (ten) years.

Further, the partner of the firm who is authorised to act and sign on behalf of the firm shall rotate if he has acted in that role for 5 (five) successive years.

The statutory auditors shall not be appointed/re-appointed for 5 (five) years after the completion of the term of 10 (ten) years as mentioned above. Furthermore, no audit firm having a common partner to the other audit firm, whose tenure has expired in the Company immediately preceding the financial year, shall be appointed as an auditor of the Company for a period of 5 (five) years.

3. POLICY AND PROCEDURES FOR APPOINTMENT OF STATUTORY AUDITORS

3.1 Eligibility and qualifications of statutory auditors

The Company shall appoint a firm as an auditor of the Company, and only the partners who are Chartered Accountants in practice shall be authorized by the firm to act and sign on behalf of the firm. Additionally, the following factors shall be assessed while identifying an auditor:

- a. Professional standing and reputation
- b. Independence and no conflict-of-interest position in terms of relevant regulatory provisions, standards, and best practices
- c. Past relevant professional experience of at least 10 years in audit services.

A partner authorised by the firm to act and sign on behalf of the firm shall not be eligible as such, if:

- a. he is of unsound mind and stands so declared by a competent court
- b. he is an undischarged insolvent
- c. he has applied to be adjudicated as an insolvent and his application is pending
- d. he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence.

Such a firm and the partner authorised by the firm to act and sign on behalf of the firm, against whom any order or case relating to fraud or misfeasance, or misappropriation of funds is pending with the National Financial Reporting Authority, the Serious Fraud Investigation Office, the National Company Law Tribunal, the National Company Law Appellate Tribunal and/or the courts of law shall not be considered for appointment as statutory auditors of the Company.

Before such appointment is made, the written consent of the audit firm to such appointment, and a certificate from it that the appointment, if made, shall be in accordance with the conditions as prescribed under the Act, shall be obtained.

3.2 Audit Committee

The responsibility for oversight and ensuring that the appointment of statutory auditors meets the requisite statutory and regulatory standards as well as the stipulations under this Policy vests with the Audit Committee. The Audit Committee shall evaluate the qualifications and experience of the proposed statutory auditors and whether such qualifications and experience are commensurate with the size and requirements of the Company.

The Audit Committee after being satisfied shall make recommendations for appointment and terms of appointment of auditors of the Company to the Board for consideration. The Audit Committee shall recommend audit fees for statutory auditors which is in terms of applicable regulatory provisions and is reasonable and commensurate with their respective 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.

3.3 Board of Directors

The Board of Directors of the Company, considering the recommendation of the Audit Committee, shall approve and further recommend the appointment of statutory auditors to the members in the Annual General Meeting.

3.4 Shareholders

The appointment/re-appointment of the statutory auditors is required to be approved by the Shareholders of the Company in the Annual General Meeting by passing an Ordinary Resolution. The explanatory statement of the notice of the meeting shall disclose the following:

- a. Proposed fees payable to the statutory auditor(s) along with term of appointment and in case of a new auditor, any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change; and
- b. Basis of recommendation for appointment including the details in relation to and credentials of the statutory auditor(s) proposed to be appointed.

3.5 Disclosures

- a. The Company shall inform the auditor concerned of its appointment.

- b. The Company shall file a notice of such appointment with the Registrar of Companies.
- c. The Company shall disclose such appointment to Stock Exchanges on which its shares are listed.
- d. The Company shall upload the auditor's profile on the website of the Company.
- e. The Company shall disclose such appointment and the overall fees that the Company has paid to the statutory auditors and the details of the services provided to the Company and to the Group for both audit and non-audit services.

4. ROLE AND RESPONSIBILITY OF STATUTORY AUDITORS

The statutory auditors shall:

- a. be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- b. be present in all the meetings of the Audit Committee scheduled for consideration of financial results.
- c. present to the Audit Committee its strategy and working plan in relation to the audit and the implementation thereof, any other issues relating to the audit process, and any other issues provided for by applicable laws.
- d. provide their opinion on management's accounting treatment of complex, high-risk or contested operations or transactions, the methods and hypotheses used by management in significant accounting estimates, as well as the effect of taking alternative methods or hypotheses into consideration.
- e. report any significant findings deriving from its audit process and other related work.
- f. approach the Chairman of the Audit Committee in case of any concern with the management of the Company/material subsidiary such as non-availability of information/non-cooperation by the management which may hamper the audit process.

5. REVIEW OF PERFORMANCE

The Audit Committee shall annually review and monitor the auditor's independence, performance, effectiveness of audit process and level of coordination among the different firms auditing the entities of the Group, if there is more than one such firm.

To this end, the statutory auditors shall include in the annual certification a statement in which it reports on compliance with the internal procedures that have been implemented to guarantee quality and safeguard independence.

6. NON-AUDIT SERVICES

The offering of any non-audit related services under Section 144 of the Act, by the statutory auditors of the Company, and all entities that are part of the network firm / network entity of which such auditor is a member, shall require the prior approval of the Audit Committee of the Company. However, such service shall not include any of the following services, whether rendered directly or indirectly to the Company or its subsidiary companies:

- a. accounting and bookkeeping services
- b. internal audit
- c. design and implementation of any financial information system
- d. actuarial services

- e. investment advisory services
- f. investment banking services
- g. rendering of outsourced financial services
- h. management services
- i. any other kind of services as may be prescribed.

7. CASUAL VACANCY AND REMOVAL

Any casual vacancy in the office of an auditor shall be filled by the Board of Directors within 30 days, but if such casual vacancy is as a result of the resignation of an Auditor, such appointment shall also be approved by the Company at a general meeting convened within 3 months of the recommendation of the Board and the firm shall hold the office till the conclusion of the next Annual General Meeting.

In case the statutory auditors propose to resign, all concerns with respect to the proposed resignation, along with relevant documents shall be brought to the notice of the Audit Committee. Further, the reasons for such resignation as given by the auditor, shall be disclosed by the Company to the stock exchanges.

The Auditor may be removed before the expiry of the term only by a special resolution of the Company, after obtaining the previous approval of the Central Government in that behalf in the manner prescribed under the Act.

8. RESTRICTION ON EMPLOYMENT OF AUDITORS

A current or former partner/ director (including such other equivalent designation) of any firm that has been appointed as the statutory auditors of the Company, shall not be appointed to a financial reporting oversight role (*a role in which a person is in a position to or does exercise influence over the contents of the financial statements of the Company or anyone who prepares causing a violation of independence requirements*) for a period of 2 (two) years from the date of termination of the last engagement of the relevant firm as statutory auditors of the Company.

9. AMENDMENTS TO THE POLICY

The Company is committed to continuously reviewing and updating its policies and procedures. Therefore, this Policy is subject to modification. The Audit Committee shall review this Policy once in three (3) years. This Policy and every subsequent modification, alteration or amendment made thereto, shall be promptly disclosed on the Company's website at www.asianpaints.com.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.