

**P- 01624**  
**Local Policy**

Level 3 policy

Version 1.4

**Last revision**  
March 25, 2025

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## Appointment of Statutory Auditors of UBS AG (Mumbai Branch)

This Policy sets out the directions for the appointment of External Local Statutory Auditor for audit and non-audit services.

- **Pre-approval is required before engaging the Statutory Auditors for any service**
- **The types of services that may be provided by the Statutory Auditors are restricted, as are certain engagement terms**

**Scope**  
This policy applies to all personnel of UBS AG,- Mumbai Branch

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# 1 Key conduct and required behavior

UBS AG - Mumbai Branch ("the Bank") and its personnel:

- **must not** engage the External Local Statutory Auditors (Statutory Auditors) to provide any type of service that would impair the Statutory Auditor's independence.
- **must** obtain the pre-approvals outlined in this Policy for any engagement of the Statutory Auditors to provide services to or on behalf of, or that will be paid for by, UBS AG (Mumbai Branch).
- **must** ensure all Statutory Auditor engagements are routed through Procurement (previously known as Sourcing and Vendor Management (SVM)).

## 2 Changes

The changes from the previous version of the policy are as follows:

- No changes

## 3 Appointment of Statutory Auditors

### 3.1 Introduction

The Reserve Bank of India ("RBI") has issued fresh guidelines on appointment of Statutory Auditors bearing number Ref.No.DoS.CO.ARG/SEC.01/ 08.91.001/2021-22 dated 27 April 2021 followed by issuance of clarifications to the circular in the form of Frequently Asked Questions (FAQs) on June 11, 2021. Accordingly, the Bank has adopted the following policy and procedure for appointment of Statutory Auditors in line with the extant RBI guidelines, applicable provisions of the Banking Regulation Act, 1949 and the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 as amended from time to time.

### 3.2 Tenure and rotation

- a. The Statutory Auditors will be appointed for a continuous period of three years, subject to the appointed firms satisfying the eligibility criteria every year and RBI approval for appointment / reappointment every year.
- b. In case of failure of the Statutory Auditors to satisfy the eligibility criteria or for any other justifiable cause, the Bank can remove the Statutory Auditors during the three years only after obtaining approval from RBI.
- c. An audit firm will not be eligible for reappointment in the Bank for six years (two tenures) after completion of full or part of one term of the audit tenure. RBI will be notified in case the Statutory Auditors resign or are removed before the continuous period of three years

### 3.3 Number of Statutory Auditors

- a. The Local Management Committee (LMC) of the Bank will consider 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. to decide the number of Statutory Auditors to be appointed.

b. The minimum and maximum number of Statutory Auditors to be appointed is governed by the extant RBI guidelines.

c. The Bank will finalize the work allocation among Statutory Auditors, before the commencement of the statutory audit every year, in consultation with the Statutory Auditors.

### 3.4 Eligibility requirements

Audit firms fulfilling the eligibility criteria for Statutory Auditors as prescribed in the extant RBI guidelines and Companies Act will qualify for appointment.

### 3.5 Appointment pre-approval requirements

Appointments of the Statutory Auditors are subject to the internal and external pre-approval requirements outlined below.

#### 3.5.1 Appointment for audit services

LMC will review the shortlist of proposed Statutory Auditors prior to submission of approval request to RBI (Department of Supervision). For appointment/reappointment of Statutory Auditors on an annual basis, Bank will take prior approval of RBI (Department of Supervision). Bank will apply for approval to RBI by 31st July of the reference year.

Bank will continue to shortlist Group's External Auditor as one of the Joint Auditors for RBI's approval in the years the Group's External Auditor (i) is eligible as per the requirements laid down in the extant RBI guidelines and (ii) is able to accept auditor appointment of the Bank considering the limit of 4 commercial bank audits allowed per audit firm. In any term of 3 financial years, if the Group's External Auditor is not appointed as one of the Statutory Auditors, exception approval from the Group Chief Accountant's Office will be sought prior to such appointment.

#### 3.5.2 Appointment for non-audit services

Every engagement of the Statutory Auditors for services to be provided to or on behalf of, or that will be paid for by, UBS AG,- Mumbai branch, requires pre-approval. During the tenure as Statutory Auditors, an audit firm may provide such services to the Bank which may not normally result in a conflict of interest, and the Bank may take its own decision in this regard, in consultation with the LMC.

The specific pre-approval(s) required under this Policy vary based on the type of service

Service Type	Pre-approval / Notification required **
Pre-approved service type *	Notification to LMC. Appointment request shall be submitted to Procurement to ensure actions related to engagement, onboarding and quarterly intimation to LMC are completed
New services / Others	Pre-approval required for which necessary information to be submitted to Procurement

\* Standard permissible service types will be approved by LMC eg. Certificates required from Statutory Auditors by various regulators etc. This list will be available with Procurement post approval by LMC.

\*\* In case the Group Auditor is appointed as Statutory Auditor, in line with Group Policy GP-11008 Engagement of the Group's External Auditor for Audit and Non-Audit Services, all pre-approvals will require to be first coordinated through the Bank's System for Accounting Firm Engagements (SAFE). Post approval at Group level, necessary notification / approval process will also be followed with the LMC.

LMC will be notified of all pre-approved service type engagements awarded to the Statutory Auditors on a quarterly frequency by Procurement.

### **3.6 Appointment process**

Process for engagement of the Statutory Auditors is outlined in the Procedure document "Process for Appointment of Statutory Auditors of UBS AG (Mumbai Branch)".

### **3.7 Fees and expenses**

The audit fees for Statutory Auditors of the Bank shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees for Statutory Auditors of 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

## **4 Independence of Statutory Auditors**

a. The Bank and its personnel may not engage the Statutory Auditors to provide any service that would impair the Statutory Auditor's independence under applicable regulations. However, during the tenure as Statutory Auditors, an audit firm may provide such services to the Bank which may not normally result in a conflict of interest, and the Bank may take its own decision in this regard, in consultation with the LMC. The LMC shall monitor and assess the independence of auditors and conflict of interest position in terms of relevant regulatory provision, standards and best practices. Any concern in this regard may be flagged by LMC to the concerned Senior Supervisory Manager(SSM)/Regional Office (RO) of RBI.

In addition, Section 144 of the Companies Act, 2013 also specifies a list of restricted activities for Statutory Auditors.

b. Concurrent auditors of the Bank will not be considered for appointment as Statutory Auditors.

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 Statutory Auditors for the Bank or any audit/non-audit works for its RBI regulated group entities should be at least one year, before or after its appointment as Statutory Auditors.

d. The restrictions as detailed in para b and c 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.

e. In case of any concern with the Management of the Bank such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditors shall approach the LMC of the Bank, under intimation to the concerned SSM/RO of RBI.

## **5 Performance monitoring**

▪ The LMC 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. Such reports should be sent with the approval/recommendation of the LMC, with the full details of the audit firm.

## 6 Indemnification / Limitation of Liability Provisions in Engagement

Due to potential independence concerns, UBS policy is that the terms of engagement letters for audit services required to be provided by the Group Statutory Auditors when providing services as Local Statutory Auditors may not:

- Provide for indemnification of the Statutory Auditors
- Provide for any limitation of the Statutory Auditor's liability, unless specifically required by local law.
  - Furthermore, the Statutory Auditors may not be engaged to provide any audit or non-audit service on a contingent fee basis (i.e., an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such product or service. Note: a fee is not a "contingent fee" if the amount is fixed by courts or other public authorities and not dependent on a finding or result.)

## 7 Roles and responsibilities

### 7.1 All employees

All personnel are responsible for:

- Adherence to the requirements and restrictions defined by this Policy

### 7.2 LMC

LMC is responsible for:

- The pre-approvals defined by this Policy.
- Monitoring independence of auditors.
- Conducting annual review of performance of the auditors.
- Receiving and reviewing of any escalations or concerns from the Statutory Auditors.

### 7.3 Legal Entity Finance

LEF (Legal Entity Finance) is responsible for:

- Collaborating with Procurement to identify the shortlist of firms eligible to be auditors.
- Manage the LMC and regulator approval process for appointment of Statutory Auditors.
- Primary contact for Statutory Auditors.
- Report quarterly information to LMC for all engagements of Statutory Auditors after sourcing details from Procurement.

### 7.4 Procurement

Procurement is responsible for:

- Collaborating with LEF to identify the shortlist of firms eligible to be auditors.
- Provide details to LEF for information to LMC with respect to engagements of Statutory Auditors.
- Point of contact for all personnel for all engagements of Statutory Auditors.

## 8 Policy Review

The LMC of the Bank may review the policy annually or as and when it deems necessary. 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.

## 9 Policy Disclosure

UBS AG -Mumbai Branch will host the LMC approved Policy on its official website.

## A Abbreviations

List of abbreviations in alphabetical order

**LEF** – Legal Entity Finance

**LMC** – Local Management Committee

**RBI** – Reserve Bank of India

**RO** – Regional Office

**SSM** – Senior Supervisory Manager

## M Metadata page

### M1 Issuer / Gatekeeper / Signing Authority

Issuer: Legal Entity Finance / Chief Financial Officer

Policy Owner: Bagaria, Ankit

Policy Owner OE code: TNAX

Contact: Bagaria, Ankit

Contact OE code: TNAX

Gatekeeper: Prabhu, Krishma

Gatekeeper OE code: TGNU

### M2 Original policy issuance date / original language

Original issuance date: July 30, 2021

Original language: English

The original language version is binding in all respects.

### M3 Related documents

Appendices:

N/A

Document references:

- [1-P-000049: Business Relationships with UBS' Principal Auditors and with Other Audit Firms](#)
- Procedure document "Process for Appointment of Statutory Auditors of UBS AG (Mumbai Branch)". is saved in below path

[\\NMUM11P20104A\BBFC\\$\Audit\Statutory Audit\Auditors Appointment Policy\UBS AG 2024](#)

Document replacements:

- N/A

### M4 Underlying rules and regulations and supervisory standards

- RBI Guideline Ref.No.DoS.CO.ARG/SEC.01/ 08.91.001/2021-22 dated 27 April 2021.
- RBI Frequently Asked Questions on Guidelines for appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs).
- Section 30 (1A) of the Banking Regulation Act, 1949.
- Section 139, 141 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

### M5 Risks

- 10 – Corporate Governance and Framework