

ASIAN PAINTS LIMITED

POLICY ON ENGAGEMENT OF AUDITORS OF THE COMPANY

Formulated on: 29th March 2023
Revision on: 27th March 2025

1. SCOPE AND APPLICABILITY

The objective of the Policy on engagement of 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 Auditors that conform with the extant norms of applicable laws and regulations. This Policy would ensure transparency, objectivity, independence of the Auditors and compliance with all statutory requirements.

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

2. DEFINITIONS

- a. **"Auditors"** includes the Statutory Auditor, Secretarial Auditor and the Cost Auditor.
- b. **"Company"** means Asian Paints Limited or APL.
- c. **"Cost Auditor"** means a Cost Accountant in practice, as defined in clause (d), who is appointed by the Board of Directors of the Company.
- d. **"Cost Accountant in practice"** means a cost accountant as defined in Section 2(1)(b) of the Cost and Works Accountants Act, 1959, who holds a valid certificate of practice under Section 6(1) of that Act and who is deemed to be in practice under Section 2(2) thereof, and includes a firm or limited liability partnership of cost accountants.
- e. **"Peer Reviewed Company Secretary"** means a Company Secretary in practice, who is either practicing individually or as a sole proprietor or as a partner of a Peer Reviewed Practice Unit, holding a valid certificate of peer review issued by the Institute of Company Secretaries of India.
- f. **"Secretarial Auditor"** means a Company Secretary in Practice or a firm of Company Secretary(ies) in practice who is deemed to be in practice under Section 2(2) of the Company Secretaries Act, 1980, appointed in pursuance of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, to conduct the Secretarial Audit and holds a valid certificate of practice under Section of 6(1) of the Company Secretaries Act, 1980.
- g. **"Statutory Auditor"** means a Chartered Accountant in Practice or a firm of Company Secretary(ies) in practice who is deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949, appointed in pursuance of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and holds a valid certificate of practice under Section 6(1) of the Chartered Accountants Act, 1949.
- h. **"Professional bodies"** means and includes the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India, the Institute of Cost Accountants of India and National Financial Reporting Authority (NFRA).

3. APPOINTMENT OF AUDITORS

A. 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 not appoint an individual as a Statutory Auditor for more than one term of 5 (five) consecutive years or an audit firm as a Statutory Auditor for more than two terms of 5 (five) consecutive years.

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

Statutory Auditors shall not be appointed/re-appointed for 5 (five) years after the completion of the term of 5 (five) years or 10 (ten) years, as the case maybe. 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 a Statutory Auditor of the Company for a period of 5 (five) years.

B. SECRETARIAL AUDITORS

The appointment of Secretarial Auditors is governed by the provisions of the Act and the Listing Regulations. In accordance with the provision of the Act read with the Listing Regulations, the Company and its material unlisted subsidiaries incorporated in India are required to undertake secretarial audit by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary and shall annex the Secretarial Audit Report in such form as may be specified, to the Board’s Report of the Company made in terms Section 134(3) of the Act.

As per the Listing Regulations, the Company shall not appoint an individual as a Secretarial Auditor for more than one term of 5 (five) consecutive years or an audit firm as a Secretarial Auditor for more than two terms of 5 (five) consecutive years.

The Secretarial Auditors shall not be appointed/re-appointed for 5 (five) years after the completion of the term of the term of 5 (five) years or 10 (ten) years, as the case may. Furthermore, no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in the Company immediately preceding the financial year, shall be appointed as a Secretarial Auditor of the Company for a period of 5 (five) years.

C. COST AUDITORS

The appointment of cost Auditors is governed by the provisions of the Act. In accordance with Section 148 of the Act, the Company shall appoint an individual or audit firm as a Cost Auditor for a term as may be specified to conduct the cost audit.

4. POLICY AND PROCEDURES FOR THE APPOINTMENT OF AUDITORS

4.1 Eligibility and qualifications of Auditors

The Company shall only appoint an audit firm as a Statutory 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 audit firm. Further, the Company shall appoint an individual or an audit firm as a Secretarial Auditor or Cost Auditor, and in case of an audit firm, the partners who are Peer Reviewed Company

Secretaries or Cost Accountants in practice shall be authorized by the firm to act and sign on behalf of the audit firm.

Before such appointment is made of the auditor, the Company shall obtain a written consent of the individual or an audit firm, as the case maybe and a certificate confirming independence, eligibility and non-disqualification in accordance with the conditions as prescribed under the Act or other relevant statutes.

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 statutory audit services.
- d. Eligibility to be appointed as an auditor and if such auditor is free from any disqualifications mentioned under Section 141(3) of the Act

Further, 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.

An individual, audit firm and the partner authorised by the audit firm to act and sign on behalf of the audit 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 the Auditors of the Company.

4.2 Appointment matrix

A. Audit Committee

The responsibility for oversight and ensuring that the appointment of Auditors meet 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 Auditors and whether such qualifications and experience are commensurate with the size and requirements of the Company.

After being satisfied, the Audit Committee shall make recommendations for the appointment and terms of appointment of Auditors of the Company to the Board for their consideration. The Audit Committee shall recommend audit fees/remuneration for Auditors which are in terms of applicable regulatory provisions and are 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, operation, etc.

B. Board of Directors

The Board of Directors of the Company, considering the recommendation of the Audit Committee, shall approve the appointment and remuneration payable to Auditors of the Company and further recommend the same as applicable, for the approval of the shareholders.

C. Shareholders

The approval of the shareholders for the appointment, including re-appointment and remuneration payable to the Auditors is required as under:

Particulars		Statutory Auditors	Secretarial Auditors	Cost Auditors
Approval for appointment/re-appointment	Ordinary	✓	✓	Not applicable
	Special	-	-	
Approval for remuneration	Ordinary	✓	Not applicable	✓
	Special	-		-

The explanatory statement of the Notice of the meeting shall disclose the following:

- Proposed fees payable to the Statutory Auditor(s) or Secretarial Auditor 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
- Basis of recommendation for appointment including the details in relation to and credentials of the Statutory Auditor(s) or Secretarial Auditor proposed to be appointed.

4.3 Disclosures

- The Company shall inform the auditor concerned of its appointment.
- The Company shall file a notice of such appointments with the Registrar of Companies.
- The Company shall disclose such appointments to the Stock Exchanges on which its shares are listed for public dissemination, as may be required.
- The Company shall upload the auditor's profile on the website of the Company for the information of the stakeholders.
- The Company shall disclose such appointments and the overall fees that the Company has paid to the Auditors and the details of the services provided to the Company and to the Group for both audit and non-audit services in the annual report of the Company.

5. ROLE AND RESPONSIBILITY OF AUDITORS

The Auditors shall *inter alia* have the following roles and responsibilities:

- The auditor's professional duty to maintain the confidentiality of client information
- Be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence. He/she shall as far as applicable adhere to the guidelines issued by the professional bodies in this regard
- every auditor shall comply with the standards and guidance notes for audit, assurance, accounting and secretarial practices as issued by the professional bodies

- d. Statutory Auditors
 - i. to be present in all the meetings of the Audit Committee scheduled for consideration of financial results
 - ii. to 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
 - iii. to 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
- i. 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
- j. if the auditor in course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving such amount or amounts as may be prescribed, is being or has been committed in the company by its officers or employees, the auditor shall report the matter to the Central Government within such time and in such manner as may be prescribed
- k. be liable for any professional or other misconduct stipulated under the relevant statutes

6. REVIEW OF PERFORMANCE

The Audit Committee shall annually review and monitor the Statutory 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. The Audit Committee ensures the aforesaid for the Secretarial Auditor and Cost Auditor at the time of appointment, from time to time.

To this end, the 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.

7. AVAILING OF NON-AUDIT SERVICES

The offering of any non-audit related services, by the Statutory Auditors or Secretarial Auditors of the Company and all entities that are part of the network firm / network entity of which such Auditors is a member shall require approval of the Audit Committee/ Board of Directors, as applicable. 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:
 - i. financial information system (only for Statutory Auditors)
 - ii. compliance management system, information system, policy framework, systems or processes for compliance (only for Secretarial Auditors)
- d. actuarial services (only for Statutory Auditors)
- e. investment advisory services
- f. investment banking services

- g. rendering of outsourced:
 - i. financial services (only for Statutory Auditors)
 - ii. compliance management, record keeping & maintenance services (only for Secretarial Auditors)
- h. management services
- i. any other kind of services as may be prescribed.

8. CASUAL VACANCY AND REMOVAL

8.1 Statutory Auditors and Cost Auditors

Any casual vacancy in the office of a Statutory Auditor or a Cost 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 a Statutory Auditor, then 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 or Cost 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 Statutory Auditors or Cost Auditor, shall be disclosed by the Company to the stock exchanges.

The Statutory Auditor of the Company/material subsidiary upon resignation shall abide by the conditions prescribed by the SEBI vide Circular no. CIR/CFD/CMD1/114/2019 dated 18th October 2019, as amended from time to time, for limited review / audit report.

The Statutory 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 on that behalf in the manner prescribed under the Act. Further, the Cost Auditor may be removed before the expiry of the term, through a board resolution after giving a reasonable opportunity of being heard to the Cost Auditor and recording the reasons for such removal in writing.

8.2 Secretarial Auditors

Any casual vacancy arising out of resignation, death or disqualification of a Secretarial Auditor shall be filled by the Board of Directors within 3 months and the Secretarial Auditor so appointed shall hold office till the conclusion of the next annual general meeting.

The Secretarial Auditor may be removed before the expiry of the term by an ordinary resolution of the Company.

In case the Secretarial 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 Secretarial Auditor shall be disclosed by the Company to the stock exchanges.

9. 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 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 Auditors of the Company.

10. 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.