

INDEL MONEY LIMITED(IML)

POLICY ON APPOINTMENT OF STATUTORY AUDITOR

1. OBJECTIVE & BACKGROUND

Chapter X of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014 provide for the appointment of statutory auditors in a Company registered under the Companies Act, 2013.

The Reserve Bank of India (“RBI”) has issued circular bearing Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), as may be amended or modified, replaced, or substituted from time to time, read with the FAQs issued on June 11, 2021 (“the RBI Guidelines”) for Appointment of Statutory Auditors of Non-Banking Finance Companies. The Guidelines provides necessary instructions for appointment of SAs, the number of auditors, eligibility criteria, tenure and rotation as well as norms for ensuring the independence of auditors.

The objective of this Policy is to lay down the criteria to be considered by the Audit Committee of the Board (ACB) and the Board of Directors of the Company before the appointment of statutory auditors (SAs).

2. SCOPE

This policy shall form the basis for the appointment of SAs. The Company shall comply with the relevant provisions of the Companies Act, 2013, rules made thereunder and the regulations/ guidelines/ circulars/ notifications as issued by the Reserve Bank of India and SEBI in this regard.

3. APPLICABILITY

Indel Money Limited (IML) is a NBFC -Middle Layer Company registered with Reserve Bank of India with asset size of more than INR 1000 Crores. Accordingly, IML has prepared the policy on appointment of Statutory Auditors in conformity to all relevant statutory/regulatory guidelines in addition to the RBI guidelines.

No Prior approval from RBI is required for the appointment of SAs in NBFCs. However, Company needs to inform RBI about the appointment of SAs for each year by way of a certificate in Form A within one month of such appointment.

4. ELIGIBILITY CRITERIA FOR APPOINTMENT OF STATUTORY AUDITORS

The RBI Guidelines prescribe certain eligibility norms which the audit firms are required to fulfil, based on the asset size of the Company. The Company’s asset size, being above Rs. 1000 crores and upto Rs. 15,000 crore, the audit firms shall fulfil the following

minimum criteria for being eligible to be considered for appointment as auditor of the Company.

A. Basic Eligibility

Asset size of the Company as on 31st March of the previous year	Minimum No. of Full-Time partners (FTPs) 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 ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12

Note 1: 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:

- (a) The full-time partner should not be a partner in other firm/s.
- (b) She/He should not be employed full time / part time elsewhere.
- (c) 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.
- (d) ACB/Board 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:

Audit experience shall mean experience of the audit firm as Statutory Auditor of NBFCs. 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/stenos/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 Statutory Auditors (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 Entities shall ensure that 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) If any partner of a Chartered Accountant firm is a director in any company, the said firm shall not be appointed as SA of any of the group entities of that Entity.

(v) The auditors should 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 Entities 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, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

5. INDEPENDENCE OF AUDITORS

5.1 The ACB 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 ACB to the Board of Directors of the NBFC and concerned Regional Office (RO) of RBI.

5.2 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/ACB of the Company, under intimation to the concerned SSM/RO of RBI.

5.3 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the Company or any audit/non - audit works for its group entities 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 Company which may not normally result in a conflict of interest, and the Company may take its own decision in this regard.

5.4 Concurrent auditors of the Company should not be considered for appointment as SAs of the Company. The audit of the Entity and any entity with large exposure, as defined in RBI instructions on 'Large Exposures Framework' to the Entity for the same reference year should also be explicitly factored in while assessing independence of the auditor.

The restrictions as detailed in para 5.3 and 5.4 above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

6. PROFESSIONAL STANDARDS OF SAs

The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The ACB 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 shall be sent with the approval/recommendation of the ACB with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SAs in relation to the Company, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

7. TENURE AND ROTATION

7.1 As per the provisions of the Companies Act, 2013, SA can be appointed for two terms consisting of five years each. RBI being the sectoral regulator, the appointment of SA shall be bound by the limitations/restrictions placed under RBI Guidelines.

7.2. The SA shall be appointed for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.

Further, in case of removal of SAs before the completion of three years tenure, the Company shall inform concerned RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

7.3 An audit firm would not be eligible for reappointment in the same Entity for 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 Entities.

7.4 As per Guidelines, one audit firm can concurrently take up statutory audit of a maximum of four

Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules.

8. AUDIT FEES AND EXPENSES

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

The ACB shall make recommendation to the Board for approval as per the applicable statutory/regulatory instructions for fixing audit fees of SAs.

9. REPORTING REQUIREMENTS

9.1 Post appointment of SAs, the Company shall file necessary e-forms as required under the Companies Act, 2013 within the timeliness provided under the Companies Act, 2013.

9.2 Company shall inform the Regional Office of RBI (Department of Supervision), under whose jurisdiction the Registered Office is located about the appointment of SAs for each year by way of a certificate in Form A within one month of such appointment.

10. PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS

IML will shortlist a 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.

IML shall obtain a certificate, along with relevant information as per Form B (as prescribed by RBI guidelines) 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 shall be signed by the main partner/s of the audit firm proposed for appointment of SAs of the Company, under the seal of the audit firm.

In addition to the above, prior to such appointment, the written consent of the auditor to such appointment and a certificate in compliance with applicable provisions of the Companies Act, 2013 and the rules made thereunder, shall be obtained from the SAs.

The ACB will review the independence, eligibility norms, terms of appointment and remuneration of the audit firm proposed to be appointed as SAs and recommend the appointment of the audit

firm for approval of the Board. The Board will discuss and approve the appointment of SAs subject to approval of the shareholders in the ensuing Annual General Meeting.

Any casual vacancy in the office of an auditor shall be filled by the Board of Directors within thirty 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 three months of the recommendation of the Board and the auditor shall hold the office till the conclusion of the next annual general meeting.

Upon appointment of SA by the Shareholders, the Company shall inform the auditors concerned of its appointment and file required return/forms with the Registrar of the Companies within the timelines as prescribed under the Companies Act, 2013 and rules made thereunder.

IML shall inform the concerned Regional Office of RBI about the appointment of SAs for each year by way of a certificate in Form A within one month of such appointment, as may be amended from time to time.

11. CONFLICT IN POLICY

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.

12. REVIEW OF POLICY

The policy will be approved by the Board and hosted on the official website of IML. The Policy will be reviewed on an annual basis or as and when deemed necessary by the ACB and Board in the context of changing regulation and guidelines.

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.

FORM A

Information to be submitted by the NBFCs regarding appointment of SCA/SA

The company has appointed M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Central Auditor (SCA)/Statutory Auditor (SA) for the financial year ____ for their 1st/2nd/3rd term.

2. The company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SCA/SA of the company for FY ____ along with relevant information in the format as prescribed by RBI.

3. The firm has no past association/association for _____ years with the company as SCA/SA/SBA.

4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of NBFCs.

Signature

(Name and Designation)

Date:

FORM B

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore
 #Details may be furnished separately for experience as SCAs/SAs and SBAs

B. Additional Information:

- i. Copy of Constitution Certificate.
- ii. Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.

- iii. Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- iv. Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- v. Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors have been declared as willful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner

(Name of the Partner)

Date: