

Avanti Finance Private Limited

Policy on Appointment of Statutory Auditors

This document was:

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1. Background and Purpose

Reserve Bank of India (RBI) vide its notification No. RBI/2021-22/25 Ref.No.DoS.CO. ARG/SEC.01/08.91.001/2021-22 dated 27th April 2021 had issued Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) ("RBI Guidelines"). This Policy on Appointment of Statutory Auditors ("the Policy") has been framed keeping in view the aforesaid RBI Guidelines as amended from time to time and applicable provisions of Companies Act, 2013 and the rules made thereunder.

In case of any inconsistency between the RBI Guidelines and this Policy, the guidelines issued by RBI from time to time shall prevail and that the Company shall ensure compliance with all the provisions of RBI Guidelines as prescribed in this regard from time to time.

2. Applicability

The Policy applies to appointment/re-appointment of SAs of the Company.

3. Eligibility Criteria of Statutory Auditors

3.1 In accordance with the RBI Guidelines, the audit firm(s) shall fulfil the following minimum criteria for being eligible to be considered for appointment as SAs of the Company:

- a) There should be Minimum 3 (three) full-time partners (FTP) associated with the firm for a period of at least three years.
- b) Out of total FTPs, there should be Minimum 2 (two) fellow chartered accountant (FCA) partners associated with the firm for a period of at least three years.
- c) There should be Minimum 1 (one) full-time partners/ paid Chartered Accountants (CAs) with Certified Information System Auditor (CISA)/ ISA qualification.
- d) The relevant audit experience of the firm as Statutory Central/ Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/ NBFCs/ AIFI should be minimum 8 (eight) years.
- e) There should be Minimum 12 (twelve) professional staff associated with the firm.

Explanation - FTPs in point (a), paid CA(s) in point (c), and professional staff in point (e) should be at least one-year continuous association with the firm as on date of empanelment to be considered them as FTPs/ paid CA(s)/ professional staff in the firm.

(Refer - Annex I of RBI Guidelines for detailed Eligibility criteria)

3.2 The audit firm(s) proposed to be appointed as the SA of the Company shall also comply with the other eligibility criteria as mentioned under Section 141 of the Companies Act, 2013 and rules made thereunder.

3.3 The audit firm(s) shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

- 3.4 No audit firm(s) shall be considered for appointment as SA of the Company, if it exceeds the maximum number of statutory audit of entities during a particular year i.e. four commercial banks, Eight UCBs, Eight NBFCs and within the overall ceiling prescribed by any other statutes or rules.

4. Independence of Auditors

- 4.1 The Audit Committee of the Board ('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 Company and concerned Regional Office (RO) of RBI.
- 4.2 The audit of the Company and any entity with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- 4.3 The time gap between any non-audit work i.e., services mentioned at Section 144 of Companies Act, 2013, internal assignments, special assignments, etc. by the SAs of the Company or any audit/non-audit work for the Company's group entities should be at least one year, before or after its appointment as SAs. However, during the tenure as SAs, an audit firm may provide such services to the concerned entities, which may not normally result in a conflict of interest, and the Company may take a decision in this regard, in consultation with the ACB.
- 4.4 The restrictions as detailed in para 4.2 and 4.3 above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

5. Professional Standards of SAs

- 5.1 The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- 5.2 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.
- 5.3 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.

6. Tenure and Rotation

- 6.1 The SA shall be appointed for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.
- 6.2 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.

- 6.3 An audit firm would not be eligible for reappointment for six years (i.e. two tenures) after completion of full or part of one term of the audit tenure with the Company.

7. Audit fees and expenses

- 7.1 The ACB shall decide and recommend the audit fees to the Board in accordance with the relevant statutory/regulatory provisions.
- 7.2 While recommending the audit fees, the ACB shall ensure that the same 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.

8. Procedure for appointment of SAs and reporting requirements

- 8.1 The Company 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.
- 8.2 The Company 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 it 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, under the seal of the said audit firm.
- 8.3 In addition to the above, prior to such appointment, a 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.
- 8.4 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.
- 8.5 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.
- 8.6 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 Companies within the timelines as prescribed under the Companies Act, 2013 and rules made thereunder.
- 8.7 The Company shall inform the concerned Regional Office of RBI about the appointment of SAs for each year by way of a certificate in Form A (as prescribed by RBI guidelines) within one

month of such appointment, as may be amended from time to time.

9. Review of Policy

The Policy will be approved by the ACB and the Board and hosted on the official website of AFPL.

The Policy will be reviewed on an annual basis or as and when deem necessary by the ACB and Board in the context of changing regulation and guidelines.