

POLICY ON APPOINTMENT OF STATUTORY AUDITORS



Exclusive Leasing and Finance Private Limited
(Formerly known as Exclusive Leasing and Finance Limited)

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(1) BACKGROUND

RBI vide its circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 ("RBI Circular") read with Master Direction – Reserve Bank of India (Non- Banking Financial Company- Scale Based Regulations) Directions, 2023 has issued guidelines for Appointment of Statutory Auditors (SAs) of Commercial banks, (excluding RRBs), UCBs and NBFCs (including HFCs). The guidelines require lending institutions to formulate a policy approved by the Board of Directors ("the Board") to be hosted on its official website and formulate necessary procedures thereunder to be followed for the appointment of Statutory Auditors.

(2) OBJECTIVE

The Policy shall act as a guideline for appointment of the Statutory Auditors of the Company.

The Objective of the Policy is to:

- i) Determine the number of Statutory Auditors based on various parameters;
- ii) Criteria for appointment of Statutory Auditors; and
- iii) Procedure to be followed for appointment of Statutory Auditors.

(3) APPLICABILITY

This Policy will be applicable for appointment of Statutory Auditors by the Company by second half of the financial year 2021-22 and onwards including any amendments, if any, made from time to time by the regulators.

(4) NUMBER OF STATUTORY AUDITORS

The Company shall appoint minimum one Statutory Auditor and maximum four joint Statutory Auditors till the time the asset size exceeds INR 15,000 crores. Once the asset size exceeds INR 15,000 crores, the Company shall appoint such number of auditors as is prescribed under the RBI Circular.

Taking into account relevant factors, the Board of the Company shall decide on the number of Auditors to be appointed over and above minimum applicable auditors. However, the actual number of SAs to be appointed shall be subject to the following limits prescribed by RBI:

S.No.	Asset Size of the Entity	Maximum number of SCAs/ SAs
(1)	Upto ₹5,00,000 crore	4
(2)	Above ₹ 5,00,000 crore and Upto ₹ 10,00,000 crore	6

(3)	Above ₹ 10,00,000 crore and Upto ₹ 20,00,000 crore	8
(4)	Above ₹ 20,00,000 crore	12

Considering the asset size of the Company, the statutory audit of the Company shall be conducted by minimum of 1 (one) audit firm [Partnership firms/Limited Liability Partnerships (LLPs)].

(5) INDEPENDENCE OF AUDITORS

- a. The Board shall monitor and assess the independence of the Statutory Auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices in line with the guidance prescribed in Annexure 1. Any concerns in this regard may be flagged by the Board of Directors of the Company to Delhi Regional Office (DRO) of RBI.
- b. 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 Statutory Auditors shall approach the Board of the Company, under intimation to the concerned RO of RBI.
- c. Concurrent auditors of the Company, if any, will not be considered for appointment as Statutory Auditors. The audit of the Company and any entity with large exposures to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- d. 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 Statutory Auditors 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 Statutory Auditors. However, during the tenure as Statutory Auditor, an audit firm may provide such services to the concerned entities, which may not normally result in a conflict of interest, and Company may take their own decision in this regard, in consultation with the Board.

(6) TENURE AND ROTATION

As per the provisions of the Companies Act, 2013, the Statutory Auditor can be appointed for two terms consisting of five years each.

However, as per the RBI Circular, in order to protect the independence of the auditors/audit firms, the Company shall appoint the Statutory Auditors for a continuous period of 3 years, subject to the Statutory Auditor satisfying the eligibility norms each year. If the Company removes Statutory Auditors before completion of 3 years of tenure, it shall inform Delhi Regional office of RBI about the same, along with the reasons / justification within a month of such decision being taken. The Company will

not reappoint an audit firm for six years after the completion of full or part of one term of the audit tenure.

RBI being the sectoral regulator, the Company shall appoint the Statutory Auditor as per the RBI guidelines.

(7) AUDIT FEES AND EXPENSES

The Company shall ensure that the audit fees of the Company 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 computerisation, identified risk in financial reporting etc.

The Audit fees shall be approved by the Board in consultation with the Statutory Auditor or as permitted by the Shareholders of the Company.

(8) PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS

The RBI circular prescribe the procedure for appointment of Statutory Auditors, which includes the following:

- a) The Company shall shortlist minimum of two audit firms for every vacancy of Statutory Auditor.
- b) The Company shall obtain a certificate from each of the audit firms proposed to be appointed as Statutory Auditors that it complies with all the eligibility norms prescribed by RBI. Such certificate shall be duly signed by the main partner/s of the audit firm proposed for appointment under the seal of the said audit firm.
- c) The Board shall recommend the appointment of Statutory Auditors for the approval of the shareholders. The Shareholders shall appoint the Statutory Auditor and the appointment of Statutory Auditor in case of casual vacancy shall be ratified by the shareholders as per the provisions of the Companies Act, 2013.

(9) RBI REPORTING

The Company will inform the Delhi Regional Office of RBI (Department of Supervision), with respect to the appointment of Statutory Auditors for each year by way of a certificate in Form A (as prescribe by RBI) within one month of such appointment.

(10) REVIEW OF THE POLICY

This Policy shall be reviewed as and when deemed necessary and will be submitted to the Board for its approval.

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall stand modified in accordance with regulations subject to ratification at the subsequent meeting.

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