

POLICY FOR APPOINTMENT OF THE STATUTORY AUDITOR

1. BACKGROUND, SCOPE AND OBJECTIVES

1.1 Background

The Reserve Bank of India (“RBI”), vide its circular no. dated April 27, 2021, has prescribed the ‘**Guidelines for Appointment of Statutory Central Auditors/ Statutory Auditors**’ (“RBI Guidelines”), which is applicable to Commercial Banks (excluding RRBs), all Primary (Urban) Co-operative Banks and all Non-Banking Finance Companies (“NBFC”).

The RBI Guidelines are applicable with respect to appointment/ re-appointment of Statutory Central Auditors and Statutory Auditors of respective regulated entities. As regards the NBFCs, the RBI Guidelines are applicable to all non-deposit taking NBFCs with asset size of ₹1,000 crore and above. Further, all regulated entities, to which the RBI Guidelines are applicable, are required to adopt a ‘**Policy on Appointment of the Statutory Auditor**’ with the approval of their respective Board of Directors.

In view of the above regulatory requirements, it is proposed that **Whizdm Finance Private Limited** (“Company”) shall adopt this **Policy for Appointment of the Statutory Auditor** (“Policy”) with approval of its Board of Directors (“Board”).

1.2 Objective of the Policy

The objective of the Policy is to define a framework covering various aspects relating to appointment of the Statutory Auditor of the Company including tenure, independence, professional qualifications & standards, disclosures etc.

1.3 Implementation and Review of the Policy

The Audit Committee of the Board (once constituted) of the Company (“ACB”) shall monitor and supervise implementation of the Policy. Till such time the Audit Committee is constituted the Board shall monitor and supervise implementation of the Policy. The Policy shall be reviewed as and when required by the applicable rules and regulations or earlier if deemed necessary.

2. ELIGIBILITY CRITERIA FOR THE STATUTORY AUDITOR

The Company shall be appointing its Statutory Auditor as per the eligibility norms prescribed in the RBI Guidelines, as amended from time to time.

2.1 Basic Eligibility

In accordance with the RBI Guidelines, the Company shall appoint one audit firm as its Statutory Auditor and shall adopt the following criteria for the same till it crosses asset size of ₹15,000 crore:

Parameter	Minimum Eligibility
Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least 3 years <i>(please refer Note 1*)</i>	3
Out of total FTPs, Minimum No Chartered Accountant (FCA) Partners associated with the firm for a period of at least 3 years	2
Minimum No. of Full Time Partners/ Paid CAs with CISA/ ISA Qualification <i>(please refer Note 2*)</i>	1
Minimum No. of years of Audit Experience of the firm <i>(please refer Note 3*)</i>	8
Minimum No. of Professional Staff <i>(please refer Note 4*)</i>	12

*** The Notes referred in the above table are as under:**

(a) Note 1: Minimum Number of Full-Time Partners (FTPs)- There should be at least 1 year of continuous association of partners with the firm as on the date of shortlisting for considering them as full-time partners. Further, for appointment as the Statutory Auditor of the Company, at least 2 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:

- (i) The full-time partner should not be a partner in other firm/s.
- (ii) She/ He should not be employed full time/ part-time elsewhere.
- (iii) 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.
- (iv) The ACB 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.

(b) Note 2: CISA/ ISA Qualification- There should be at least 1 year of 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.

(c) Note 3: Audit Experience- Audit experience shall mean experience of the audit firm as the Auditor of Commercial Banks/ UCBs/ NBFCs/ AIFIs. For this purpose, in case of merger and demerger of an audit firm, merger effect will be given after 2 years of merger while demerger will be considered immediately.

(d) 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/ stenographers/ computer operators/ secretaries/ subordinate staff, etc. There should be at least 1 year of continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

2.2 Additional Criteria/ Considerations

- (a) The Company shall ensure that the audit firm proposed to be appointed as its Statutory Auditor ("**Proposed Audit Firm**" or "**Audit Firm**"), should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- (b) The Company shall ensure that the Proposed 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.
- (c) The appointment of the Statutory Auditor shall be in line with the ICAI's Code of ethics/ any other such standards adopted and does not give rise to any conflict of interest.
- (d) If any partner of the Proposed Audit Firm is a director of the Company or any other entity qualifying as a group entity of the Company, the said firm shall not be appointed as the Statutory Auditor of the Company or any of the group entities of the Company. For this purpose, group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.
- (e) The Company, while selecting the Statutory Auditor, shall endeavor that the Proposed Audit Firm has capability and experience in deploying Computer Assisted Audit Tools/ Techniques and Generalized Audit Software, commensurate with the Company's size and complexity of its technological infrastructure.
- (f) Further, the location of the Proposed Audit Firm and its mobility shall also be one of the important factors to consider.

2.3 Continued Compliance with Basic Eligibility Criteria

If the Proposed Audit Firm, after appointment as the Statutory Auditor of the Company, 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 shall be required to promptly approach the Company with full details and 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 March 31, 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 Audit Firm

ineligible with respect to any of the eligibility norms, the Company would approach the RBI to consider allowing the concerned audit firm to complete the audit, as a special case.

3. PROCEDURE FOR APPOINTMENT OF THE STATUTORY AUDITOR

- 3.1** The Company shall shortlist minimum of 2 audit firms for vacancy of the Statutory Auditor so that even if firm at first preference is found to be ineligible or it refuses appointment, the firm at second preference could be appointed and the process of appointment of the Statutory Auditor does not get delayed.
- 3.2** The names of the shortlisted audit firms, proposed to be appointed as the Statutory Auditor, shall be placed before the ACB and the Board along with the order of preference. The Board will then recommend to the shareholders of the Company such proposal for appointment of its Statutory Auditor. However, in case of reappointment till completion of tenure of continuous term of 3 years, the Company may reappoint the same Audit Firm as the Statutory Auditor and it shall not be required to shortlist 2 audit firms.
- 3.3** The Company shall obtain a certificate from the Proposed Audit Firm(s) along with relevant information as per the format prescribed under the RBI Guidelines to the effect that the Audit Firm(s) complies with all the eligibility norms prescribed by the RBI. The current format prescribed by the RBI is enclosed as **Annexure I** of the Policy. Such certificate should be signed by the main partner(s) of the audit firm proposed to be appointed as the Statutory Auditor, under the seal of the said audit firm.

4. INDEPENDENCE OF THE STATUTORY AUDITOR

- 4.1** The ACB shall monitor and assess the independence of the Statutory Auditor and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard shall be flagged by the ACB to the Company's Board of Directors and, also, to the Department of Supervision in the Regional Office of the RBI where the Company has the registered office ("**Regional Office, RBI**").
- 4.2** 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 Statutory Auditor shall have discretion to approach the ACB under intimation to the Department of Supervision, Regional Office, RBI.
- 4.3** The concurrent auditors of the Company, if any, shall not be considered for appointment as the Statutory Auditor of the Company. The audit of the Company and any other entity with large exposure to the Company (as defined in RBI Directions on "Large Exposures Framework") for the same reference year shall be factored in while assessing independence of the Statutory Auditor.

- 4.4** 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 Auditor for the Company or any audit/ non-audit works for its group companies should be at least 1 year, before or after its appointment as the Statutory Auditor. However, during the tenure as the Statutory Auditor, an audit firm may provide such services to the Companies or its group Companies which may not normally result in a conflict of interest and the Company may take its own decision in this regard, in consultation with its ACB.
- 4.5** The restrictions specified in sub-para 4.3 and sub-para 4.4 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 THE STATUTORY AUDITOR

- 5.1** The Statutory Auditor shall be required to 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 the Statutory Auditor on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditor or any other matter considered as relevant shall be reported to RBI within 2 months from completion of the annual audit. Such reports should be sent with the approval/ recommendation of the ACB or the Board, with the full details of the audit firm.
- 5.3** In the event of lapses in carrying out audit assignments resulting in misstatement of the Company's financial statements, and any violations/ lapses vis-à-vis the RBI's directions/ guidelines regarding the role and responsibilities of the Statutory Auditor, the Statutory Auditor shall be liable to be dealt with suitably under the relevant statutory/regulatory framework.
- 5.4** The Scope of Statutory Audit shall cover various aspects as per the provisions of the Companies Act, 2013, applicable accounting standards and regulatory requirements prescribed by the RBI, from time to time, including coverage of branches, wherever applicable.

6. TENURE AND ROTATION

- 6.1** In order to protect the independence of the Audit Firm, the Company shall appoint the Statutory Auditor for a continuous period of 3 years, subject to the firms satisfying the eligibility norms each year.
- 6.2** An audit firm would not be eligible for reappointment in the Company for 6 years after completion of full or part of one term of the audit tenure. In case an audit firm has conducted audit of the Company for part-tenure (1 year or 2 years) and then not appointed for the remainder of the tenure, they also shall not be eligible for reappointment for 6 years from completion of part-tenure.

6.3 In accordance with the RBI Guidelines, the Statutory Auditor of the Company can concurrently take up statutory audit of a maximum of 4 Commercial Banks [including not more than 1 PSB or 1 All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], 8 UCBs and 8 NBFCs during a particular year. For this purpose, a group of audit firms having common partners and/or under the same network shall be considered as one entity and they will be considered for appointment of the Statutory Auditor accordingly.

6.4 Shared/ Sub-contracted audit by any other/ associate audit firm under the same network of audit firms shall not be permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

7. AUDIT FEE AND EXPENSES

The Audit Fee for the statutory audit and limited review audit shall be finalized by the Board on recommendation of the ACB, as per applicable statutory provisions.

The Audit Fee and Expenses 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. Further fees for other certification work can be finalized by the Management on case-to-case basis.

8. REMOVAL OF THE STATUTORY AUDITOR BEFORE THE TENURE OF APPOINTMENT

Any removal of the Statutory Auditor before completion of the period of 3 years will be done with the approval of the ACB and the Board, for reasons to be explained. In such a case, the Company shall inform the Department of Supervision, Regional Office, RBI, along with reasons/justification for the same, within a month of such a decision being taken.

9. INTIMATION OF APPOINTMENT OF THE STATUTORY AUDITOR TO THE RBI

The Company shall inform the Department of Supervision, Regional Office, RBI about the appointment of the Statutory Auditor each year by way of a certificate in the format as prescribed by the RBI within 1 month of such appointment. Current format prescribed by the RBI is enclosed as **Annexure II** of this Policy.

10. REVIEW & DISCLOSURE OF THE POLICY

Policy will be reviewed at least once in two year or as mandated due to regulatory changes. The Company shall host the 'Policy for Appointment of the Statutory Auditor' on its website.

Annexure I**Eligibility Certificate from** *(Name and Firm Registration No. of the firm)***A. Particulars of XX XX XX (“the Firm”) proposed to be appointed as the Statutory Auditor:**

Asset Size of the Company as on March 31, of Previous Year	Number of Full-Time Partners exclusively associated with the firm for a period of 3 yrs	Out of total FTPs, Number of FCA Partners associated with the firm for a period of 3 yrs	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience #	Number of Professional staff

Details may be furnished separately for experience as Statutory Central Auditors/ Statutory Auditors/ Statutory Branch Auditors.

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 Statutory Central Auditor/ Statutory Auditor by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution/ Reserve Bank of India/ Primary (Urban) Co-operative Banks/ Non-Banking Financial Company 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 3 years, both closed and pending.

C. Declaration from the firm

The Firm complies with all eligibility norms prescribed by the Reserve Bank of India (“RBI”) regarding appointment of the Statutory Auditor of **Whizdm Finance Private Limited**, a Non-Banking Finance Company registered with the RBI. 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 of the Firm

Name of the Partner of the Firm

Designation

Date

Annexure II**Information regarding appointment of the Statutory Auditor**

Whizdm Finance Private Limited ("Company") has appointed M/s _____, Chartered Accountants (Firm Registration Number _____) as the Statutory Auditor for the financial year ____ for their _____ term. *(1st/ 2nd/ 3rd term, as applicable)*

The Company has obtained eligibility certificate from _____ (name and Firm Registration Number of the audit firm) appointed as the Statutory Auditor of the Company for FY ____ along with relevant information in the format as prescribed by RBI.

The firm has no past association/association for _____ years with the company as the Statutory Auditor.

The Company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of Statutory Central Auditor/ Statutory Auditor of NBFCs.

Signature

Name-

Designation-

Date-

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