SAMUNNATI FINANCE PRIVATE LIMITED	
POLICY	Policy on Appointment/Reappointment of Statutory Auditors (SAs)
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Policy for Appointment of Statutory Auditors (SAs)

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1. Background

Based on the announcement in the 'Statement on Developmental and Regulatory Policies' issued as part of the Monetary Policy Statement dated December 4, 2020 Reserve Bank of India on April 27, 2021 issued guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of NBFCs (including HFCs) under Section 30(1A) of the Banking Regulation Act, 1949, Section 10(1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 and Section 41(1) of SBI Act, 1955; and under provisions of Chapter IIIB of RBI Act, 1934 for NBFCs, on 27th April 2021 ("Guidelines"). These Guidelines together with the FAQ issued on June 11, 2021, provide necessary instructions for appointment of SCAs/SAs, the number of auditors, their eligibility criteria, tenure and rotation, etc. while ensuring the independence of auditors.

In compliance with the provisions of the above Guidelines, Samunnati Financial Intermediation and Services Private Limited ("**Samunnati**") is required to formulate a Board approved policy laying down necessary procedure to be followed for appointment of SCAs/SAs ("Policy") and upload it on the official website of the Samunnati.

2. Applicability

- Applicable for appointment of SAs for FY 2021-22 onwards;
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3. Eligibility for appointment of SAs

The eligibility norms for appointment of SAs is enclosed as Annexure I to this Policy.

4. Manner of Appointment

Samunnati shall continue to follow the practice of appointing a minimum of one audit firm for conducting its statutory audit till such time it achieves the asset size of ₹15,000 Crores. Further, in case required, more than one SA shall be appointed (within the maximum limit prescribed under the Guidelines) if deemed necessary by the Board of Directors of Samunnati ("Board"). The Board shall determine the same considering the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc.

In case of joint auditors, it shall be ensured that there are no common partners and they are not under the same network (the term 'same network' as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014, includes the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control) of audit firms. Further, Samunnati shall finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with their SAs.

SAs shall be appointed for continuous period of three years subject to meeting the eligibility criteria every year. An audit firm would not be eligible for reappointment in the same Entity for six years s after completion of full or part of one term of the audit tenure.

Samunnati shall shortlist minimum two SAs for every vacancy. However, in case of reappointment, during the 3 year tenure, subject to the firms qualifying the eligibility criteria every year and confirmation obtained at the annual general meeting, Samunnati may reappoint same SAs and shall not be required to shortlist two audit firms. SAs eligible for appointment shall provide a certificate, along with relevant information in prescribed Form B (format as provided in Annexure II of this Policy).

Further, Samunnati shall inform the RBI about the appointment of SAs for each year by way of a certificate in Form A (format as provided in Annexure III of this Policy) within one month of such appointment.

5. Audit Fee payable to SAs

Audit fee for the statutory audit and limited review audit shall be finalized by the Board on recommendation of the Audit Committee , as per applicable statutory provisions, which 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. Fees for other certification work can be finalized by the Management on case to case basis.

During the tenure as SA, an audit firm may provide services which may not result in conflict of interest, and Samunnati may take its own decision in this regard, in consultation with the Board/ the Audit Committee.

6. Auditor's Independence

Before appointment of an audit firm as SA of Samunnati, there should be a time gap of minimum one year between this appointment and completion of the assignment of any non-audit works given to the same audit firm in Samunnati or completion of any audit/non-audit works in other RBI regulated Entities in the Group. This stipulation shall be applicable prospectively, i.e. from FY 2022-23.

The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SA for Samunnati or any audit/non-audit works for Samunnati`s 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 concerned Entities which may not normally result in a conflict of interest, and Entities may take their own decision in this regard, in consultation with the Board/Audit Committee of the Board ("Audit Committee").

The Audit Committee shall monitor and assess the independence of the auditors and any conflict of interest position in terms of relevant regulatory provisions, standards and best practices and this should be suitably recorded in the minutes of the meetings of the Board/ Audit Committee.

Any concern identified by the Audit Committee in this regard, shall be referred to the Board and Regional Office (RO) of RBI and concerned Senior Supervisory Manager(SSM)

Carrying out audit of Samunnati and any other entity with large exposure to the Company for the same reference year should be explicitly factored while assessing independence of auditor. Further, the concurrent auditors of Samunnati shall not be considered for appointment as SAs.

7. Review of performance of SAs

The Audit Committee of Samunnati shall review the performance of SAs appointed under the Guidelines 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 Audit Committee, with the full details of the audit firm.

In case of any lapses in carrying out audit assignments resulting in misstatement of Samunnati`s financial statements, or any violation of applicable rules, regulation and guidelines regarding the role and responsibilities of the SAs, the SAs would be liable to be dealt with under the said relevant statutory/regulatory framework.

8. Removal of SAs before the tenure of appointment

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

Annexure - I

- **Eligibility for Auditors**

Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs)	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA)	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Minimum No. of years of Audit Experience of the firm	Minimum No. of Professional staff
Above ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
Upto ₹1,000 crore	2	1	1*	6	8

Note: *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. The full-time partner's association with the firm would mean exclusive association[31]. Further, for appointment SAs, at least two partners of the firm shall have continuous association with the firm for at least 10 years.*

- SAs proposed to be appointed, should be duly qualified for appointment as auditor in terms of Section 141 of the Companies Act, 2013.

- 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.

- The Samunnati shall ensure that appointment of SA 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.

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[1] '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.

For other Entities, the Board/ACB/LMC 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

- The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Samunnati where the accounting and business data reside in order to achieve audit objectives.

- In case any SAs (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 shall promptly approach the Samunnati with full details. Further, SAs 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 toany of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

- 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. For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm.

- The existing SAs of Samunnati can continue (including as Joint Auditors) only if they fulfill the eligibility criteria and have not completed the stipulated tenure of 3 (three)years as SAs of Samunnati. Till the appointment of SAs for FY 2021-22 in the Annual General Meeting, as per the requirements of the Circular and applicable statutory provisions, the SAs for FY 2020-21 can continue for the Limited Review for Q1, Q2, etc.

- Samunnati shall give priority to firms with full time partners or full time CAs having CISA/ISA qualification.

- For Samunnati, audit experience shall mean experience of the audit firm as Statutory Central/ Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/ NBFCs/ AIFIs.

- 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.

ANNEXURE-II
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 Marchof PreviousYear	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA 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 15 have been declared as wilful 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:

Annexure III

FORM A

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

1. 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: