

POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

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Approved by: Board of Directors

Owner of the Policy: Secretarial & Compliance

Version Control: V1

Policy Review Cycle: Annually

INTRODUCTION:

The Reserve Bank of India (RBI), has issued guidelines for the appointment of statutory auditors of Non-Banking Financial Companies vide their notification (Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22) dated April 27, 2021 (“**RBI Guidelines**”) with the basic objectives of putting in place ownership-neutral regulations, ensuring independence of auditors, avoiding conflict of interest in auditor’s appointments and to improve the quality and standards of audit in RBI Regulated Entities.

INFINITY FINCORP SOLUTIONS PRIVATE LTD. (‘IFSPL’ or ‘the Company’) is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI). IFSPL is required to comply with these RBI guidelines while appointing statutory auditors of the Company from the Financial Year 2025-26 onwards. Further, the RBI guidelines require formulation of suitable policy for appointment of statutory auditors.

This policy for appointment of Statutory Auditors is outlined in conformity with the said guidelines and the corresponding FAQs dated June 11, 2021, issued by RBI.

Objective

The Objective of this policy is to provide the framework for appointment of Statutory Auditors of the Company by prescribing the eligibility criteria and procedure to be followed for appointment of Statutory Auditors (“SAs”) of the Company in accordance with the extant norms of RBI, SEBI, Companies Act, 2013 (“the Act”) and other applicable / relevant statutory requirements.

Governance

- I. The Policy shall be applicable from the FY 2025-26 and onwards including any amendments, if any made from time to time.
- II. The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- III. The Audit committee of the Company shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part the SAs or any other matter considered as relevant by the Audit Committee of the Company shall be reported to RBI within two months from completion of the Board, with the full details of the audit firm.
- IV. 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 SCAs/SAs, the SCAs/SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

Eligibility criteria for Statutory Auditors

An audit firm proposed to be appointed as SA should meet the eligibility criteria and possess the qualifications as prescribed under Section 141 of the Companies Act, 2013, (‘Act’) as may be amended from time to time and shall not have any of the disqualifications specified therein.

The audit firm shall be subjected to the peer review process of the Institute of Chartered Accountants of India and shall hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

In addition to the aforementioned, the audit firm proposed to be appointed as SA shall also meet the eligibility criteria, prescribed under RBI guidelines, as given below:

- a) Three full time partners of which at least two of them should be Fellow Chartered Accountants. Only those partners associated with the firm for a period of at least three years shall be considered for this purpose. 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, for appointment as SCAs/SAs, at least two partners of the firm shall have continuous association with the firm for at least 10 years. 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 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 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.
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- b) Two partners of the firm shall have continuous association with the firm for at least 10 years
 - a) One full time partner or one full time Chartered Accountants (CAs) in the firm should possess CISA / ISA qualification. There should be at least one-year continuous association of paid Cas with CISA / ISA qualification with the firm.
 - b) Eight years of audit experience as statutory auditor of NBFCs or Statutory Central Auditor/Branch Auditor of commercial banks. Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ AIFIs. 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.
 - c) Twelve professional staff with at least one year of continuous association with the firm. Professional staff means persons with knowledge of book-keeping and accountancy including audit and article clerks engaged in on-site audits. 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.

Additional criteria

- 1) 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.
- 2) If any partner of the firm is director of the Company, the said firm cannot be appointed as auditor of the Company or any group companies thereof.
- 3) The firm needs to have capacity 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 Company where the accounting and business data reside in order to achieve audit objectives.
- 4) 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 permission will be needed and RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

Independence of Auditors

The Audit Committee shall, at the time of appointment and every year thereafter, monitor and assess the independence of the SAs 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 Audit Committee to the Board of Directors of the Company and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

Concurrent auditors of the Company shall not be considered for appointment as SAs of the Company. The audit of the Company and any entity with large exposure to the Company for the same reference year shall also be explicitly factored in while assessing independence of the auditor.

The Audit Committee shall ensure that 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 shall be at least one year, before or after its appointment as SAs. During the tenure as SCA/SA, an audit firm may be permitted to provide such services to the Company which may not normally result in a conflict of interest.

The restrictions as detailed in para (b) and (c) above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

Procedure for appointment and intimation to RBI

- a) The Company shall 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 may be appointed and the process of appointment of SAs does not get delayed.
- b) The Company shall obtain a certificate, along with relevant information as per the format specified 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 should be signed by the main partner/s of the audit firm proposed for appointment of SAs of the Company, under the seal of the said audit firm. The format prescribed by RBI is enclosed at the end of this policy as Annexure - I.

The Company shall also obtain the following documents from the audit firm(s) proposed to be appointed as SAs by the Company:

- i. Complete profile of the firm.
- ii. Certificate of Membership and Practice of Individual partners issued by ICAI.
- iii. Written Consent / willingness to act as SCAs / SAs of the Company pursuant to Section 139 of the Companies Act, 2013.
- iv. Certificate pursuant to Section 141 of the Companies Act, 2013.
- v. Form B to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. The format prescribed by RBI is enclosed at the end of this policy as Annexure - II.

The above certificates should be signed by the main partner/s of the audit firm proposed for appointment of SCAs/SAs of the Company, under the seal of the said audit firm.

- c) The Company having its registered office at Mumbai shall accordingly intimate such appointment of SA for each year in the format as specified by RBI guidelines within one month of such appointment to the Regional Office of RBI (Department of Supervision) located in Mumbai

Scope and coverage of Audit

The number of SAs to be appointed for a financial year shall be decided, inter alia, taking into account the relevant factors such as 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. The actual number of SAs to be appointed shall be decided by Board subject to the following limits:

Asset Size of the Company	Maximum No. of Auditors
Upto ₹5,00,000 crore	4
Above ₹5,00,000 crore and upto ₹10,00,000 crore	6
Above ₹10,00,000 crore and upto ₹20,00,000 crore	8

Keeping in view the above guidelines, the Company shall appoint a minimum of one audit firm for conducting the Statutory Audit of the Company until such time the asset size of the Company exceeds ₹ 15,000 Crores.

From a branch audit perspective, the Company shall seek the SAs to visit and audit the Top 20 branches which would be selected in order of the level of outstanding advances. In addition, the Company shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

Tenure and Rotation

The Company shall appoint the SAs for a **continuous period of three years**, subject to the satisfaction of eligibility norms each year. Removal of statutory auditor before completion of their term will require special resolution passed at the general meeting and the Company shall comply with the procedure prescribed under section 140 of the Act and other requirements as applicable under the Act. In case the appointed SA is removed by the Company before completion of three years tenure, the same shall be informed to the concerned SSM/RO at RBI along with reasons/justification for the same, within a month of such a decision being taken.

An audit firm would not be eligible for reappointment in the entity for six years (two tenures) after completion of full or part of one term of the audit tenure.

The Company shall ensure that the SA is compliant with the limit prescribed under the RBI guidelines for statutory audit of Commercial Banks, All India Financial Institutions, Urban Cooperative Banks and NBFCs. The SA has to ensure continued compliance with all the eligibility and qualification criteria prescribed under applicable statutes.

One audit firm can concurrently take up statutory audit of a maximum of 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. A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of statutory auditors accordingly. Shared/Subcontracted audit by any other/associate audit firm under the same network of audit firms is not 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.

Fees and Expenses

The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions, and shall be reasonable and commensurate with the scope and coverage of audit, size and

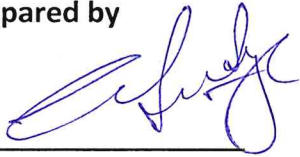
spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.

The Board, based on the recommendation of the Audit Committee, shall make recommendation to the competent authority (Shareholders) as per the relevant statutory/regulatory provisions for fixing audit fees of SAs.

Review and Disclosure:

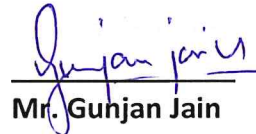
The Policy will be reviewed in reasonable intervals as it may deem fit by the Board of Directors of the Company in their sole and absolute discretion and shall be hosted on the website of the Company.

Prepared by



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Reviewed by



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Reviewed by



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Approved by Board



Mr. Shrikant Ravalkar
(Managing Director & CEO)

ANNEXURE I

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:

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 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 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 14 mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors¹⁵ 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: