

Policy for Appointment of Statutory Auditor

Nuvama Wealth Finance Limited

Document Control

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Introduction

The Reserve Bank of India (RBI) vide its circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27 April 2021, has issued the Guidelines for Appointment of Statutory Auditors of commercial banks (excluding RRBs), UCBs and NBFCs (including HFCs) (referred to as ‘**RBI Guidelines**’).

The RBI Guidelines requires lending companies to formulate a Policy for appointment of Statutory Auditors, approved by the Board of Directors to be hosted on its website and formulate the procedures and guidelines to be followed for the appointment of Statutory Auditors (SAs) of the Company.

Applicability

This Policy will be applicable for appointment of Statutory Auditors (SAs) of Nuvama Wealth Finance Limited (“**the Company**”) from the financial year 2021-2022 i.e. before the commencement of the annual statutory audit for financial year ending March 31, 2022.

Objective

The Objective of the Policy is to:

- A. Determine the number of SAs based on various parameters
- B. Eligibility Criteria for appointment of SAs
- C. Procedure to be followed for appointment of SAs

A. Determination of the number of SAs

In accordance with RBI Guidelines, the Company is required to appoint SAs basis the Asset Size as on March 31 of the previous year. Accordingly, based on the Asset Size as on March 31, 2026, the Company can appoint minimum one SA and maximum four joint SAs.

B. Eligibility Criteria for appointment of SAs

- a. The SA firm shall fulfil the following Eligibility Criteria based on the Asset Size of the Company as on March 31st of the previous year:

Eligibility Criteria	Asset Size of the Company		
	Above ₹15,000 crore	Above ₹ 1,000 crore and Up to ₹15,000 crore	Upto ₹1,000 crore
Minimum number of full-time partners (FTPs) associated with the firm for a period of at least three years.	5	3	2
Out of total FTPs, minimum number of Fellow Chartered Accountant (FCA) partners associated with the firm for a period of at least three years.	4	2	1
Minimum number of Full Time Partners/ Paid Chartered Accountants with CISA/ISA qualification.	2	1	1
Minimum number of years of audit experience of the firm (in domain of audit of Banks / NBFCs / AIFI)	15	8	6
Minimum number of professional staff	18	12	8
Any other criteria as specified in section 141 of the Companies Act, 2013			

- b. There should be atleast one year continuous association of partners with the firm as the Partner as on date of shortlisting for considering them as full time partners. At least two partners of the firm shall have continuous association with the firm for at least 10 years. Full time association shall mean exclusive association, which shall mean the following
 - 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.
- c. There should be atleast one year continuous association of Paid CAs with CISA/ISA qualification and professional staff with the firm as on the date of shortlisting for considering them for the purpose.
- d. If any partner of CA firm is the director of the Company, the said firm shall not be appointed as Statutory Auditor of any of the group entities of the Company.
- e. And/or any other eligible criteria applicable on partner/s/firm as defined by the RBI from time to time.

C. Procedure for appointment of SAs

- a. The Company will shortlist two (2) audit firms as SAs for every vacancy of SAs so that even if SA with first preference is found to be ineligible/refuses appointment, the SA at second preference can be appointed and the process of appointment of SAs does not get delayed.
However, in case of reappointment of SAs till completion of tenure of continuous term of 3

years, there would not be any requirement of shortlisting multiple audit firms for appointment. The appointment of SAs shall be in conformity with the RBI Guidelines and other applicable laws.

- b. The Company shall obtain a certificate from each of the audit firms proposed to be appointed as SAs that it complies with all the eligibility norms prescribed by RBI and Companies Act 2013. 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 Company shall also obtain a written consent letter from the SA to act as the Statutory Auditor of the Company and certificate satisfying the criteria provided in section 141 of the Companies Act, 2013.
- d. The Audit Committee shall recommend the appointment to the Board and the Board shall recommend the same for the approval of the Shareholders. Shareholders shall appoint the SA, except the first SA, the appointment of SA in case of casual vacancy and reappointment of SA during their tenure, shall be ratified by the Shareholders as per the provisions of the Companies Act, 2013.

Tenure and Rotation of SAs

- a. As per the provisions of the Companies Act, 2013, SA can be appointed for two terms consisting of five years each. However, as per the RBI Guidelines, in order to protect the independence of the auditors/audit firms, the Company shall appoint the SAs for a continuous period of 3 years, subject to the SA satisfying the eligibility norms each year.
- b. If the Company removes SAs before completion of 3 years of tenure, it shall inform the Senior Supervisory Manager/Regional Officer at RBI about the same, along with the reasons / justification within a month of such decision being taken.
- c. The Company cannot reappoint an audit firm for six years after the completion of full or part of one term of the audit tenure.
- d. RBI being the sectoral regulator and its guidelines being more stringent, the Company shall appoint the SA as per the RBI Guidelines.

Independence of Auditors

- a. The Audit Committee 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 Audit Committee to the Board of Directors of the Company and concerned Senior Supervisory Manager (SSM)/Mumbai Regional Office (MRO) 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 SAs shall approach the Audit Committee/ Board of the Company, under intimation to the concerned SSM/RO of RBI.
- c. Concurrent auditors of the Company 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 under 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 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 Company may take its own decision in this regard, in consultation with the Board and Audit Committee.
- e. The restrictions as detailed in para (c) and (d) above, shall apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

Audit Fees and Expenses

The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees for the SAs 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 Audit Committee of the Board in consultation with the SA or as permitted by the Shareholders of the Company.

Professional Standards of Auditors

- a. The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- b. The Audit Committee 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 the RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Audit Committee, with the full details of the audit firm.
- c. In the event of lapses in carrying out audit assignments resulting in misstatement of a Company's 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 Company, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

Number of SAs and Branch Coverage

The Company to appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit. SAs shall visit and audit at least the Top 20 branches/Top 20% of the branches of the Entities (in case of Entities having less than 100 branches), to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the Entities. 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.

Reporting

The Company will inform the office of the RBI (Department of Supervision) as may be directed from time to time, of the appointment of SAs for each year by way of a certificate in Form A (in the format as prescribed by RBI) within one month of such appointment.

Review of the Policy

The Company may review or amend the Policy, through the Audit Committee and the Board, to comply with regulatory requirements or to make any necessary modifications to meet business needs.

However, Policy shall be reviewed at least annually and approved by the Board.

In case, any amendments, clarifications, circulars or guidelines is issued by the regulatory body(ies)/authority(ies) and is immediately effective, then provisions of such amendments, clarifications, circulars and the guidelines shall prevail over the existing policy from the effective date as referred in the notification.