Policy for Appointment of Statutory Auditors

Finova Capital Private Limited

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PREFACE

Finova Capital Private Limited (the "Company") is committed to maintaining the highest standards of corporate governance, financial reporting, transparency and accountability. The statutory audit of the Company's financial statements is an important component of the Company's governance framework and provides an independent assessment of the accuracy, completeness and reliability of its financial reporting.

This Policy for Appointment of Statutory Auditors ("Policy") has been formulated to establish a transparent, objective and consistent framework for the appointment and re-appointment of the Statutory Auditor(s) of the Company. The Policy is intended to ensure that the appointment of the auditor(s) is undertaken in accordance with applicable statutory and regulatory requirements and with due regard to their eligibility, independence, professional competence, experience and ability to conduct the audit effectively.

The Policy has been framed with reference to the provisions of the Reserve Bank of India (Non-Banking Financial Companies – Statutory Audit) Directions, 2026, as amended from time to time ("RBI Directions") and the Companies Act, 2013 read with the rules made thereunder.

DEFINITIONS

"**Act**" means the Companies Act, 2013 and shall include all rules, regulations, sub-ordinate legislations made thereunder, amendments, modifications and re-enactments thereof.

"Audit Committee" or "Committee" means a Committee of the Board of Directors of the Company constituted or reconstituted from time to time.

"Audit Firm" shall mean a partnership firm or Limited Liability Partnership (LLP).

"Board of Directors" or "Board" means the collective body of the Directors of the Company.

"**Group Entities"** shall mean two or more Companies related to each other through any of the following relationships, viz. Subsidiary - parent [defined in terms of Accounting Standards (AS) 21], Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter - Promotee [as provided in the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011] for listed companies (if applicable), a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20 per cent and above.

"RBI Directions" means the Reserve Bank of India (Non-Banking Financial Companies - Statutory Audit) Directions, 2026 (as amended from time to time).

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Companies Act, 2013, the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1934 and rules / regulations made thereunder or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

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NUMBER OF STATUTORY AUDITORS

The Company shall decide on the number of SAs to be appointed after considering 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 and any other relevant factors, subject to the limits prescribed by the RBI.

As per the RBI Directions, if asset size of the NBFC is Rs. 15,000 crore and above as at the end of previous year, the statutory audit shall be conducted under joint audit by a minimum of two audit firms. For the aforesaid purpose, asset size means total assets. All other NBFCs shall appoint a minimum of one audit firm for conducting statutory audit.

Provided that, the joint auditors do not have any common partners, and they are not under the same network of audit firms as defined in Rule 6(3) of the Companies (Audit and Auditors) Rules, 2014.

Considering the above factors and the requirements of the Company, the Board may decide the actual number of SAs to be appointed, subject to the maximum limits prescribed by the RBI.

ELIGIBILITY CRITERIA OF AUDITORS

The minimum standards and eligibility norms for audit firms to be appointed as SAs shall be as under:

A. Basic Eligibility

Asset Size of Company as on 31st March of Previous Year	**Minimum No. of Full-Time partners (FTPs) associated with the audit firm for a period of at least three (3) years Note 1**	**Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the audit firm for a period of at least three (3) years**	**Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2**	**Minimum No. of years of Audit Experience of the firm Note 3**	**Minimum No. of Professional staff Note 4**
Above Rs. 15,000 Crore	5	4	2	15	18
Above Rs. 1,000 Crore and upto Rs. 15,000 Crore	3	2	1	8	12

Note 1: There should be at least one-year continuous association of partners with the audit firm as on the date of shortlisting for considering them as full-time partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years. The full-time partner's association with the audit firm shall mean 'exclusive association'. The definition of 'exclusive association' will be based on the following criteria:

a) The full-time partner should not be a partner in another audit firm(s).
b) They should not be employed full time / part time elsewhere.
c) They should not be practicing in their 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.

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d) The Audit Committee 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.

Note 2: CISA/ISA Qualification: There should be at least one-year 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 for the purpose.

Note 3: Audit Experience: Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks, Small Finance Banks, Payment Banks, Local Area Banks, AIFIs, UCBs and NBFCs. 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.

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. There should be at least one-year continuous association of professional staff with the audit firm as on the date of shortlisting for considering them as professional staff for the purpose.

B. Additional Consideration

a) The audit firm, proposed to be appointed as SAs, should be duly qualified for appointment as auditor of the Company in terms of Section 141 of the Companies Act, 2013.
b) 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.
c) The Company shall ensure that appointment of SAs 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.
d) If any partner of an audit firm is a director in any of the group entities of the Company, the said firm shall not be appointed as SAs of the Company.
e) The SAs 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 Company where the accounting and business data reside in order to achieve audit objectives.

C. Continued Compliance with basic eligibility criteria

In case the audit firm (after appointment) fails to comply with any of the eligibility norms (on account of reasons such as resignation or death of any of the partners/ employees, action by Government Agencies, NFRA, ICAI, RBI and other financial regulators), it shall promptly approach the Company with full details. Further, the audit firm shall take all necessary steps to regain eligibility within a reasonable time and in any case, the audit firm must comply 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 or any other reason, which makes the audit firm ineligible with respect to any of the eligibility norms, the Company may approach RBI and the RBI will have discretion to allow the concerned audit firm to complete the audit, as a special case.

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INDEPENDENCE OF AUDITORS

1. 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 the Company and concerned Senior Supervisory Manager (SSM), Department of Supervision (DoS), RBI.

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 SAs shall approach the Audit committee of the Company, under intimation to the concerned SSM of DoS, RBI. The SAs shall directly approach the Board when they notice a matter of concern involving any member of the Audit Committee.

3. Concurrent auditors of the Company shall not be considered for appointment as SAs of the Company.

4. Before appointment or after completion of the audit assignment as SAs, the time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, internal assignments or special assignments) by the SAs for the Company or any audit/non-audit works for its group entities should be at least one year. However, during the tenure as SA, an audit firm may provide such services to the Company which may not normally result in a conflict of interest and the Company may take its own decision in this regard in consultation with the Audit Committee.

   A conflict would not normally be created in the case of following special assignments (indicative list):

   a) Tax audit, tax representation and advice on taxation matters.
   b) Audit of interim financial statements.
   c) Certificates required to be issued by the SA in compliance with statutory or regulatory requirements.
   d) Reporting on financial information or segments thereof.

5. The restrictions as detailed in para 3 and 4 above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners as defined in Rule 6(3) of the Companies (Audit and Auditors) Rules, 2014.

PROCEDURE FOR APPOINTMENT OF SAs:

The procedure for appointment of SAs at a minimum, includes the following:

1. The Company shall shortlist minimum of two (2) audit firms for every vacancy of SAs.

2. The Company shall obtain a certificate, along with relevant information in Form B (annexed below as Annexure A) from the audit firm(s) proposed to be appointed as SAs to the effect that it complies with all the eligibility norms prescribed by RBI and such certificate should be duly signed by the main partner(s) of the audit firm proposed for appointment, under the seal of the said audit firm.

3. The Company shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, appoint the audit firm as SA.

4. The Audit Committee after taking into consideration the qualifications and experience of the audit firm proposed to be considered for appointment as SA, shall recommend the name of the audit firm

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for appointment along with their remuneration and terms of appointment to the Board for its consideration and the Board shall further recommend the same to the members for their approval at the Annual general meeting.

Appointment of Auditor in Casual Vacancy

1. Any casual vacancy in the office of an auditor shall be filled by the Board of Directors on recommendation from Audit Committee within thirty days from the occurrence of casual vacancy.

2. In case the casual vacancy is caused as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three (3) months of the recommendation of the Board and the auditor shall hold the office till the conclusion of the next Annual general meeting.

TENURE AND ROTATION

1. To protect the independence of the auditor, the Company shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. The audit firm(s) which have already completed tenure of one year or two years with the Company may be permitted to complete the balance tenure only i.e., two years and one year, respectively, if they fulfil the eligibility norms on an annual basis.

2. Upon completion of the prescribed tenure of three years of the SA and until appointment of the incoming SAs for the relevant financial year, the outgoing SAs of the Company may continue for the Limited Review of financial statements for ensuing quarter(s) in accordance with the provisions of RBI Directions and the applicable statutory requirements.

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

4. In case the audit firm has conducted audit of the Company for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, it also would not be eligible for reappointment in the Company for six years from completion of part-tenure.

5. 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 SAs accordingly. Shared/Sub-contracted 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.

AUDIT FEES AND EXPENSES

1. The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions.

2. The audit fees for 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 computerization and identified risks in financial reporting.

3. The Audit Committee shall make recommendation to the Board and the Board shall further recommend the same to the members as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

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PROFESSIONAL STANDARDS

1. The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

2. 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 DoS, RBI within two months from completion of the annual audit. Such reports shall be sent with the approval / recommendation of the Board / Audit Committee, along with the full details of the audit firm.

3. In the event of lapses in carrying out audit assignments resulting in misstatement of 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 the Company, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

FILING AND INTIMATIONS

1. The Company shall inform the auditor concerned of its appointment, and also file a notice of such appointment in Form ADT-1 with the Registrar within fifteen (15) days of the meeting in which the auditor is appointed.

2. The Company shall inform the Regional Office of RBI (DoS), under whose jurisdiction the Head Office of the Company is located about the appointment of SAs for each year by way of certificate in Form A (annexed below as Annexure B) within one month of such appointment.

3. Where removing the SAs before completion of three years tenure, the Company shall inform SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

REVIEW OF THE POLICY

The Board and/or Audit Committee of the Company may review the policy as and when required.

Further, this policy may be amended subject to the approval of the Board on recommendation of the Audit Committee of the Company, from time to time in line with the business requirement of the Company or any regulatory / statutory enactment or amendment thereto. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

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ANNEXURE A

FORM B

Eligibility Certificate from (Name and Registration Number of the Audit Firm)

A. Particulars of the firm:

Asset Size of Company 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.**
#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 Commercial Bank, Small Finance Banks, Payment Banks, Local Area Banks / 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 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 the Company. 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 wilful defaulter by any bank / financial institution. For the purpose of this declaration, the credit facilities availed by companies where the partner of the firm has been appointed as non-executive director in a professional capacity having no financial interest has not been included.

It is confirmed that the information provided above is true and correct.

Signature of the Partner
(Name of the Partner)
Date:

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ANNEXURE B

FORM A

Information to be submitted by the Company regarding appointment of Statutory Central Auditor / Statutory Auditor

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 the Company.

Signature
(Name and Designation)
Date:

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