

Policy on Appointment of Statutory Auditor

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POLICY ON APPOINTMENT OF STATUTORY AUDITOR

1. Background

Fintree Finance Private Limited (hereafter referred to as ‘the FFPL’/ ‘the Company’) is a private limited company incorporated under the provisions of the Companies Act, 2013 and is a Reserve Bank of India (RBI) registered Non-Systemically Important Non-Deposit Taking Non-Banking Financial Company (“NBFC-ND-NSI”).

The Reserve Bank of India (RBI) vide its notification dated April 27, 2021, ref: RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22, has issued ‘Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)’ (“Guidelines”). The Guidelines are applicable to all NBFCs to the extent applicable to FFPL,

This Policy on Appointment of Statutory Auditor (“Policy”) is formulated in accordance with the provisions of the Guidelines, to the extent applicable to FFPL.

2. Procedure for Appointment of Statutory Auditor (SA)

- 1) FFPL shall 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;
- 2) FFPL shall recommend the names of the shortlisted audit firm to the Board of Directors of the Company;
- 3) The Board of Directors, after review, shall recommend the appointment of one firm as the Statutory Auditor of the Company;
- 4) The Board shall recommend the same for the approval of the shareholders.
- 5) Shareholders shall appoint the SA except the first SA and the appointment of SA in case of casual vacancy shall be ratified by the shareholders as per the provisions of the Companies Act, 2013.

6) FFPL shall inform the Central Office of RBI (Department of Supervision), Mumbai about the appointment of the Statutory Auditor for each year in the form and manner as stipulated by the RBI in this regard within one month of such appointment.

3. Eligibility, qualifications and disqualifications of auditors

A. Following is the eligibility criteria of auditor as per Companies Act, 2013:-

- i) A person shall be eligible for appointment as an auditor only if he is a chartered accountant.
- ii) Where a firm including a limited liability partnership is appointed as an auditor of a company, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm.

iii) Following person shall not be eligible for appointment as auditor:-

- A Body Corporate other than LLP registered under LLP Act, 2008.
- An officer or employee of the Company.
- A person who is partner, or who is in employment, of an officer or employee of the Company.
- A person who, or his relative or partner

(i) is holding any security of or interest in the company/ its subsidiary/its holding/ associate company/subsidiary of such holding company:

Provided that the relative may hold security or interest in the company of face value not exceeding Rs.1000 or such sum as may be prescribed i.e. Rs.1,00,000;

(ii) is indebted the company/ its subsidiary/its holding/ associate company/subsidiary of such holding company, in excess of Rs. 5000 or

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company/ its subsidiary/its holding/ associate company/subsidiary of such holding company, in excess of Rs. 1,00,000;

(e) a person or a firm who, whether directly or indirectly, has business relationship with the company/ its subsidiary/its holding/ associate company/subsidiary of such holding company of such nature as may be prescribed;

(f) a person whose relative is a director or is in the employment of the company as a director or key managerial personnel;

(g) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;

(h) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;

(i) a person who, directly or indirectly, renders any service referred to in section 144 of Companies Act to the company or its holding company or its subsidiary company.

- In case of disqualification of auditor as mentioned above, the auditor shall vacate the office.

4. Tenure and Rotation

As per the regulations of Companies Act, FFPL shall appoint the Statutory Auditor for a continuous period of five years, subject to the firm satisfying the eligibility norms.

FFPL shall inform the concerned SSM/RO at RBI in case of removal of Statutory Auditor before the completion of five years tenure, along with reasons/justification for the same, within a month of such a decision being taken.

The Company cannot reappoint an audit firm for more than two terms of five consecutive years.

5. Audit Fees and Expenses

The audit fees for Statutory Auditor of FFPL shall be decided in terms of the relevant statutory/regulatory provisions.

The audit fees for SCAs/SAs of all the Entities 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 shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SCAs/SAs.

6. Number of SCAs / SAs and Branch Coverage

FFPL shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches stated as below;-

Where a company has a branch office, the accounts of that office shall be audited either by the auditor appointed for the company under this Act, or where the branch office is situated in a country outside India, the accounts of the branch office shall be audited either by the company's auditor or by an accountant or by any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of that country and the duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor, if any, shall be such as may be prescribed:

Provided that the branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.

7. Disclosures and Transparency

This Policy shall be hosted on the official website of FFPL.

8. Review & Amendments

This policy shall be reviewed and updated periodically for any changes by Board of Directors of the Company.

"In case any amendments issued by Reserve Bank of India in form of clarifications, circulars or guidelines or by any other name, which may not be consistent with the current provisions laid down under this Policy, then the provisions of such amendments / clarifications, shall prevail upon the provisions contained in the RBI communication and the same shall stand amended accordingly effective from the date as laid down under such RBI communique."