



APPOINTMENT OF STATUTORY AUDITORS

Version 1.0

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Document Control

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POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

Objective of the Policy

The overall objective of this Policy is to lay down the criteria to be considered by the Audit Committee of the Board (ACB) of the company before appointment of Statutory Auditors (SAs). The Policy is framed in terms of the Reserve Bank of India's ("RBI") circular bearing Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 hereinafter referred as ("RBI Circular") for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), as may be amended or modified, replaced, or substituted from time to time.

The policy has been drafted after consideration of the guidelines issued by RBI in term of issued circular.

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| Applicability | <ul style="list-style-type: none">➤ The Policy pertaining to the appointment of SAs shall be implemented by the Company from FY 2021-22 in pursuant to RBI circular as may be amended from time to time. |
| Intimation to RBI | <ul style="list-style-type: none">➤ The Company shall inform RBI about the appointment of SAs for each year by way of a certificate in Form - A as prescribed in RBI Circular within one month of such appointment. |
| Compliance | <ul style="list-style-type: none">➤ In addition to RBI Circular dated April 27, 2021, the appointment of SAs shall be subject to terms and conditions of Articles and Association of the Company and in compliance with the applicable provisions of Companies Act 2013, read with rules made thereunder and in accordance with the RBI Regulations as amended from time to time. |
| Number of Statutory Auditors | <ul style="list-style-type: none">➤ The Company shall appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit for particular financial year(s).➤ In case of joint auditors, it shall be ensured that joint auditors of the Company do not have any common partners and they are not under the same network of audit firms. Further, the Company shall finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with their SAs.➤ The Company shall decide on the number of SAs 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. |

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| Branch Coverage | <ul style="list-style-type: none"> ➤ The Company shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 and RBI circular, as may be amended from time to time, regarding audit of accounts of all branches. |
| Eligibility Criteria of Auditors | <ul style="list-style-type: none"> ➤ The Company shall appoint audit firm(s) as its SA/s fulfilling the eligibility norms as specified in Annex I of the RBI Circular. |
| Independence of Auditors | <ul style="list-style-type: none"> ➤ The Audit Committee of the Board (ACB) 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 concern in this regard may be flagged by the Audit Committee of Board to the Board of Directors of the Company and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI. ➤ In case of concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SA's shall approach to the Audit Committee of the Board of the Company under intimation to the concerned SSM/RO of RBI. |
| Professional Standards of SAs | <ul style="list-style-type: none"> ➤ The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence. ➤ Audit Committee of the Board 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 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 should be sent with the approval/recommendation of the Audit Committee of Board, with the full details of the audit firm. ➤ In the event of lapses in carrying out audit assignments resulting in misstatement of an Entity'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 Entities, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework |
| Tenure and Rotation | <ul style="list-style-type: none"> ➤ Subject to the provisions of Section 139, 140 & 141 read with rules made thereunder and other applicable provisions of Companies Act, 2013, the Company shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. ➤ If Company removes the SAs before completion of three years tenure then |

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| | <p>it shall inform to the concerned SSM/RO at RBI, along with reasons/justification for the same, within a month of such a decision being taken.</p> <ul style="list-style-type: none"> ➤ 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. |
| Audit Fees and Expenses | <ul style="list-style-type: none"> ➤ The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions. ➤ 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, identified risks in financial reporting, etc. ➤ The Audit Committee of Board of Company shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SAs. |
| Procedure for Appointment of SAs | <ul style="list-style-type: none"> ➤ The Company shall shortlist 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 can be appointed and the process of appointment of SAs does not get delayed. ➤ The Company shall place the name of shortlisted audit firms, in order of preference, before their Audit Committee of Board for selection as SA. ➤ Upon selection of SAs by the Company, post verifying their compliance with the eligibility norms prescribed by RBI, the Company shall inform RBI about the appointment of SAs by way of a certificate in Form - A as prescribed by RBI within one month of such appointment. ➤ The Company shall obtain a certificate, along with relevant information as per Form - B as prescribed by RBI, from the audit firm(s) proposed to be appointed as SAs by the Company 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 |
| Conflict | <ul style="list-style-type: none"> ➤ In case of conflict between the applicable provision of RBI, SEBI, Companies Act or any other applicable statute and this policy, the prevailing provision(s) as amended from time to time shall prevail over this Policy. |

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| Amendments | ➤ Any amendment in RBI Circulars pertaining to appointment of Statutory Auditors shall automatically be the part of this Policy. |
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