

**POLICY ON APPOINTMENT OF STATUTORY AUDITOR
OF
NORTH EAST HIRE PURCHASE CO. (INDIA) PRIVATE LIMITED**

Version 1

**Approved by the Board of Directors of
North East Hire Purchase Co. (India) Private Limited
On
15th April, 2024**

PREAMBLE:

The Reserve Bank of India ("RBI") has issued Guidelines for the appointment of Statutory Auditors (SAs) of Non-Banking Financial Companies (NBFCs) on April 27, 2021 ("RBI Guidelines"). In terms of said RBI Guidelines, North East Hire Purchase Co. (India) Private Limited (hereinafter 'the Company'), is required to comply with these RBI Guidelines while appointing the statutory auditors of the Company. Further, the RBI Guidelines requires formulation of suitable policy on the appointment of Statutory Auditor (SA). The Company is required to ensure that the Statutory Auditor fulfils the prescribed eligibility norms.

The objective of this policy is to provide sufficient framework for the appointment of Statutory Auditors of the Company by prescribing the parameters and brief procedure to be followed by the Company for the appointment of Statutory Auditor confirming to all relevant applicable statutory/regulatory requirements.

DEFINITIONS:

- a. **"RBI"** means Reserve Bank of India constituted in accordance with the provisions of the Reserve Bank of India Act, 1934.
- b. **"RBI Guidelines"** means Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021 including guidelines, circulars or directions issued by RBI from time to time in connection with Statutory Auditors shall prevail over and above the provisions of the "Policy for Appointment of Statutory Auditors" of the Company.
- c. **"Board"** means Board of Directors of the Company.
- d. **"Audit Committee of Board or ACB"** means the Committee duly constituted by the Board of Directors of the Company in accordance with the provisions of all applicable regulatory/statutory requirements.
- e. **"Applicable Laws"** means the RBI Guidelines, ICAI Act, Income Tax Act, the Companies Act, 2013 and the regulations issued there under, as amended from time to time, dealing with the qualification, eligibility, selection, appointment, tenure, or cessation of the office of SA and/ or roles & responsibilities of such SA .
- f. **"Audit Firm"** means the firm of Chartered Accountant(s) constituted as per the provisions of the ICAI Act and permitted to conduct the audit of entities in India under the provisions of Applicable Laws.
- g. **"The Company"** means North East Hire Purchase Co. (India) Private Limited
- h. **"Policy"** means 'Policy on Appointment of Statutory Auditor'.
- i. **"Statutory Auditor or SA or Auditor"** means the auditor appointed or to be appointed by the Shareholders of the Company for conducting the audit of the Company as per Applicable Law.
- j. **"Asset Size"** means value of total assets of the Company as on the last day of the immediately previous financial year.
- k. **"NBFC"** means a Non-Banking Financial Company registered with RBI under the provisions of RBI Act, 1934.

NUMBER OF STATUTORY AUDITORS:

Pursuant to the applicable provisions of the RBI Guidelines and the Asset Size being less than ₹15,000 crore, the Company shall appoint one (01) audit firm for conducting statutory audit of the Company. The Company shall comply with RBI Guidelines and appoint such number of SA as may be required pursuant to increase in the Asset Size or other factors introduced under Applicable Law, from time to time, for the number of SA to be appointed.

Since the operations and accounts of the Company are centralized and it has no branch office, there is no requirement for audit of accounts of the branches in terms of RBI Guidelines and Section 143 (8) of the Companies Act, 2013.

The Company does not operate in branch model for the purpose of soliciting, selling, or marketing its products nor provides any customer services at branch level, though, the Company has call centres and administrative offices for training & recruitment of employees. Therefore, the Company is not required to appoint branch auditors.

ELIGIBILITY CRITERIA:

The Audit Firm considered for appointment as a SA of the Company, shall fulfil the following eligibility criteria: at the time of their appointment and on continuous basis.

- (i) The Audit Firm(s) and its partners complies the criteria specified in RBI Guidelines, as amended from time to time.
- (ii) The Audit Firm is not the auditor of more than eight NBFCs (including the Company).
- (iii) The Audit Firm, or any of its partners does not have any relationship or arrangements with the current/existing SA of the Company.
- (iv) The partner of the Audit Firm, or any relative of such partner, should not be the director, promoter, KMP, or the member of senior management team of the Company.
- (v) The Audit Firm, its partners or any relative of such partner, neither hold any security, nor is indebted to, nor has given a guarantee or provided any security in connection with the indebtedness of any third person, to the company or its holding or associate company.
- (vi) The Audit Firm has not rendered any non-audit works (services mentioned in Section 144 of Companies Act, 2013, internal assignments, special assignments, etc.) to the Company or any audit/non-audit works to its group entities for a period of one year before or after its appointment.
- (vii) The Audit Firm, or any of its partner, has not been debarred from taking up audit assignments by any regulator/ government authority or Court of Law.
- (viii) The Audit Firm is duly qualified for appointment as auditor in terms of Section 141 of the Companies Act, 2013 read with Rule 10 of Companies (Audit and Auditors) Rules, 2014.
- (ix) Concurrent auditors of the Company, if any, should not be considered for appointment as SA of the Company.

INDEPENDENCE OF AUDITOR:

The Audit Committee or the Board, as the case may be, shall monitor and assess the independence of the auditor and conflict of interest position in terms of relevant regulatory provisions, standards and best practices and any conflict/ concern in this regard shall be reported to Board of Directors and Regional Office of RBI. The Committee or the Board shall also review and monitor the effectiveness of audit process.

In case of any concern with the management such as non-availability of information/non-cooperation by the management, which may hamper the audit process, the SA shall approach the Board or ACB, under intimation to the concerned Regional Office of RBI.

The time gap between any non-audit works (services mentioned at Section 144 of CA, 2013, internal assignments, special assignments, etc.) by the SAs for the Company or any audit/non-audit work for its

group entities should be at least one year, before or after its appointment as SAs. However, during the tenure as SAs, an audit firm may provide such services which may not normally result in a conflict of interest, and Company may take its own decision in this regard, in consultation with the ACB.

SA shall provide the Company only such other services which are approved by the Board or the ACB, as the case may be, but which shall not include any of the services as specified under Section 144 of CA, 2013 (whether such services are rendered directly or indirectly to the company or its holding company or subsidiary Company).

The Board or ACB shall review the performance of SA on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SA or any other matter considered as relevant shall be reported by the Company to RBI **within two months** from completion of the annual audit. Such reports should be sent with the approval/ recommendation of the Board/ACB, with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SA, the SA would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

TENURE & ROTATION:

¹The Company shall appoint SA for maximum period of three (3) continuous years upon SA satisfying the eligibility norms every year. Audit Firm would not be eligible for reappointment in the same entity for six years after completion of full or part of one term of the audit tenure.

The Company may remove SA before completion of three years. The concerned office of RBI shall be informed about such termination along with reasons for the same, within a month of such a decision being taken.

Para 74 of RBI Master Direction² provides that the Company shall rotate the partner/s of the Audit Firm conducting the audit, every three years so that same partner shall not conduct audit of the Company continuously for more than a period of three years. However, pursuant to RBI Guidelines, the rotation of partner may not be required if the tenure of SA is fixed for 3 years only.

AUDIT FEES & EXPENSES:

The fees for audit shall be decided in terms of the provisions of Applicable Law and shall be reasonable considering 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. Such fee shall be either approved by the shareholders of the Company or under the power delegated by the shareholders of the Company. Such fee shall be exclusive of the expenses, if any, incurred by the SA in connection with the audit of the Company.

PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS:

The Compliance Department in coordination with Finance Department shall verify the eligibility of Audit Firms as provided in this Policy by seeking requisite documents, declarations and certificates from the Audit Firm, including but not limited to:

- a. A certificate certifying the eligibility criteria as per Rule 4 of The Companies (Audit and Auditors) Rules, 2014.

¹Considering that the provisions/ norms relating to the tenure of office of SA as prescribed under RBI Guidelines are more stringent vis-à-vis provisions specified under CA, 2013, the Company shall comply with the provisions of RBI Guidelines on the subject and implement better corporate governance practice.

²RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016]

- b. A certificate along with relevant information in format as specified by RBI to the effect that the Audit Firm complies with all the eligibility norms prescribed by RBI.

At least two (02) Audit Firms shall be shortlisted in consultation with the Chief Financial Officer of the Company and recommended to Board/ ACB for final selection. Board or ACB shall select one of the Audit Firm as SA basis the information presented before the Board/ ACB. If the Audit Firm selected by the Board/ ACB either rejects the offer, or is found to be ineligible later on, the Audit Firm preferred at second place can be appointed by the Company.

The Board/ ACB, in its meeting shall take into consideration the qualifications, eligibility and experience of proposed Auditor Firm(s) and whether such qualifications and experience are commensurate with the size and requirements of the Company. If satisfied, the Audit Committee shall recommend to the Board, the name of an audit firm(s) which may replace the existing auditor on expiry of the term of such incumbent.

The Board shall recommend Audit Firm for appointment as SA of the Company to the members in the forthcoming general meeting.

The appointment of Audit Firm as SA, once approved by shareholders of the Company, shall be intimated to the concerned RO of RBI by way of a certificate in the format prescribed by RBI.

The Company shall also inform the Audit Firm of his or its appointment as SA and ensure requisite intimation/ returns before concerned stock exchange, Registrar of Companies and other authorities.

GOVERNANCE AND PRIMARY RESPONSIBILITIES:

Board of Directors (Board):

- The Board shall approve this Policy for implementation.
- The Board shall pass necessary instructions, orders, clarifications, or assign responsibilities, delegate requisite powers, as may be required from time to time in the course of implementation of the Policy.
- The Board shall recommend the appointment of Audit Firm as SA to the members of the Company for their approval.

- The Board shall monitor and assess the independence of the SA under relevant provisions.
- The Board shall assist SA in case of any concern with the management.
- The Board shall recommend the appointment of Audit Firm as SA to the Board.
- The Board shall review the performance of SA on annual basis.

Finance Department:

- Finance Department shall ensure collection of various information/ documents required for verification and selection of Audit Firm.
- Finance Department shall assist and provide requisite support in ascertaining the eligibility of Audit Firm for appointment as SA.

Compliance Department:

- Compliance Department shall verify the eligibility of Audit Firm under Applicable Laws basis the information, documents and declarations received from such Audit Firm.
- Compliance Department shall present requisite information before ACB, Board and the shareholders of the Company, as the case may be, as may be required for taking appropriate decision
- Compliance Department shall ensure requisite intimations, submission of forms/returns to the prescribed authorities and SA regarding the appointment.

FINAL PROVISION TO POLICY:

Owner of the Policy:

The responsible function (i.e. owner) for implementation of this Policy as per the instructions received by the Board is the Compliance Department.

Amendment/Modification in the Policy:

The Policy shall be amended or modified with approval of the Board. The Policy shall be reviewed from time to time. Consequent upon any amendments in Applicable Laws or any change in the position of the Company, Compliance Department shall ensure necessary changes in this Policy upon the approval of Director of the Company. Such changes shall be brought to the notice of the Board in the meeting convened immediately after such change.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.

Implementation:

This Policy is issued on 15th April, 2024