



Policy on Appointment of Statutory Auditors

of

Branch International Financial Services Private Limited

Version Control

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1. INTRODUCTION

Reserve Bank of India (RBI) vide its circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, has issued guidelines for appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs). Further, the RBI on June 11, 2021 published certain clarifications to its circular dated April 27, 2021 in the form of Frequently Asked Questions (FAQs).

These guidelines will be applicable to the Company for Financial Year 2025-26 and onwards in respect of appointment/reappointment of SCAs/SAs of the entities..

Accordingly, Branch being an NBFC having asset size of more than 1000 Crores has formulated the policy laying down necessary procedures to be followed for appointment of SCAs/SAs ("Policy") and host it on the website.

2. OBJECTIVE

The objective of this policy is to provide a framework for the appointment of Statutory Auditors of the Company by prescribing the parameters to be followed by the Company for the appointment of Statutory Auditors.

3. DEFINITIONS

- a. **"Applicable Laws"** means the RBI Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) including FAQs, the Companies Act, 2013 and the rules/regulations issued thereunder, as amended from time to time;
- b. **"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;
- c. **"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;
- d. **"Board"** means Board of Directors of the Company;
- e. **"Company / Branch"** means Branch International Financial Services Private Limited;
- f. **"Management"** means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive Directors, including the functional heads.
- g. **"Policy"** means Policy on Appointment of Statutory Auditors;
- i. **"Statutory Auditors or SAs 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 the Applicable Law;



j. **“Promoter”** has the same meaning as in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and includes a member of the promoter group;

k. **“Potential Conflict of Interest”**

Potential Conflict of Interest, with reference to a firm that is being considered for appointment as SCAs/ SA, may arise, in any of the following circumstances:

- i) the firm is engaged with audit/non-audit works for a Group Entity which is not regulated by RBI
- ii) the audit firm was engaged with audit/non-audit works for a Group Entity which is not regulated by RBI, and not more than one year has elapsed since the completion/ relinquishment of such engagement.
- iii) a partner of the firm is a director in any of the Group Entities which are not regulated by RBI.

4. INTIMATION TO RBI

Branch shall inform the Department of Supervision, RBI, Mumbai about the appointment of SCAs/SAs for each year by way of a certificate in **Form A** within one month of such appointment.

5. NUMBER OF STATUTORY AUDITORS

Branch shall decide on the number of SAs based on 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.

Minimum number of SAs to be appointed by Branch shall be One if Branch’s asset size as on March 31 of previous year, is less than Rs.15,000 crore. In case of Branch’s asset size as on March 31 of previous year is Rs. 15,000 crore or more minimum no. of SA to be appointed shall be two. Branch shall ensure that joint auditors of the Entity do not have any common partners and they are not under the same network of audit firms. Branch shall finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with their SAs.

Taking into account relevant factors, the Audit Committee of the Company as the case may be shall decide on the number of Auditors to be appointed over and above minimum applicable auditors.

6. ELIGIBILITY NORMS, EMPANELMENT AND SELECTION OF STATUTORY AUDITORS

- A. The Company shall adhere to the following norms before proceeding to appoint Statutory Auditors, and/ or as amended by RBI from time to time.

Category	Asset Size of the Company as on 31 st March of	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA	Minimum No. of years of Audit Experience	Minimum No. of Professional staff (Note 4)
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	Previous Year	least three (3) years (Note 1)	period of at least three (3) years	Qualification (Note 2)	of the firm (Note 3)	
A	Above ₹15,000 crore	5	4	2	15	18
B	Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
C	Upto ₹1,000 crore	2	1	1*	6	8

* Not mandatory for NBFCs with asset size of upto INR 1,000 crore.

Note 1 Full Time Partner: There should be at least one-year continuous association of partners with the 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 firm would 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 other firm/s.
- (b) She / He should not be employed full time / part time elsewhere.
- (c) 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.
- (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. For NBFCs with asset size upto INR 1,000 crore, there is no minimum requirement in this regard. However, such NBFC's may give priority to firms with full time partners or full time CAs having CISA/ISA qualifications.

Note 3: Audit Experience: The audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCB's/NBFC's/AIFIs. 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, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

B. The Company shall adhere to the following additional criteria:

- i. The audit firm, proposed to be appointed as SAs for the Company, should be duly qualified for appointment as an auditor of a company in terms of Section 141 of the Companies Act, 2013.
- ii. 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.
- iii. The 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.
- iv. If the asset size of Branch is above ₹ 1,000 crore 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.
- v. If any partner of a Chartered Accountant firm is a director in an RBI Regulated group Entity, the said firm shall not be appointed as SA of Branch. Branch shall, as part of the process for selection of firms for appointment as SAs, obtain appropriate disclosures in this regard, including details of directorships in Group Entities that are not regulated by RBI.

C. Continued Compliance with basic eligibility criteria:

In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it shall promptly approach Branch with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for the 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, etc., which makes the firm ineligible with respect to any of the eligibility norms, Branch may approach RBI, along with relevant documents to allow the concerned audit firm to complete the audit, as a special case.

7. PROCEDURE FOR APPOINTMENT OF SCAs/SAs



- i. First preference will be given to existing SAs for their re-appointment subject to compliance of eligibility norms, including cooling period requirements. Branch shall obtain the willingness from the existing SAs for re-appointment. In case such consent is not received from any of the existing SAs, Branch shall follow the process for appointment of new SA to fill that vacancy as detailed below.
- ii. Branch shall invite applications / profiles from eligible Audit firms based on guidance given in the RBI circular including Branch's internal parameters.
- iii. Profiles / Applications received will be evaluated by the management. Based on the evaluation result management will shortlist firms. The shortlisted names will be presented to the Audit Committee/Board. Committee/Board will select firms from the list as required. In case Committee/ Board require shortlisted firms may be requested to give a presentation on their capability in brief.
- iv. Management shall shortlist a minimum of 2 audit firms for every vacancy of SAs so that even if the 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. In case of reappointment of SAs till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI.
- v. Management shall continue to place the name of shortlisted audit firms, in order of preference, before the Audit Committee or the Board as the case may be for selection or recommendation of SA.
- vi. Upon selection of SAs, Branch shall obtain the following documents from the shortlisted firms:
 - a. certificate, along with relevant information as per Form B (Annexure II), from the audit firm(s) proposed to be appointed/ reappointed as SAs, 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/ reappointment of SAs of the Company, under the seal of the said audit firm.
 - b. Written Consent / willingness to act as SAs of the Company pursuant to Section 139 of the Companies Act, 2013.
 - c. Certificate pursuant to Section 141 of the Companies Act, 2013.
- vii. The SAs are required to declare the list of their major corporate clients to avoid conflict of interest. In case any of the SAs is auditors of a corporate client who is assisted by the Company, then files of such corporate client shall be audited by the other SA.
- viii. Thereafter, Branch shall submit the information to RBI in the prescribed format within 30 days as prescribed in the RBI directive.

ix. General process to be followed:

- a. Branch shall inform RBI of appointment/re-appointment of SAs in FORM A (Annexure I) within one month of such appointment.
- b. Branch shall obtain a certificate, along with relevant information as per FORM B (Annexure II), from the audit firm(s) proposed to be appointed/ reappointed as SAs, 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/ reappointment of SAs of Branch, under the seal of the said audit firm.

8. INDEPENDENCE OF AUDITORS

- i. The Audit Committee of the Board (ACB) or the Board as the case may be 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 Management or ACB to the Board of Directors and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- ii. Concurrent auditors of the Company should not be considered for appointment as SAs of the Company. The audit of the Company and also of any entity with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- iii. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013 mentioned hereunder) by the SAs for the Company or any audit /non audit works for its 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 Company which may not normally result in a conflict of interest, as may be decided by the ACB.

A conflict of interest would not normally be created in the case of the following special assignments (indicative but not exhaustive 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 statutory auditor in compliance with statutory or regulatory requirements.
 - d) Reporting on financial information or segments thereof.
- iv. The restrictions as detailed in sub para ii & iii above, should 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 & Auditors) Rules, 2014.

9. PROFESSIONAL STANDARDS OF SAs

- i. The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- ii. The ACB/Board 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 ACB /Board, with the full details of the audit firm.
- iii. In the event of lapses in carrying out audit assignments resulting in misstatement of the Company's financial statements, and any violations / lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SAs, the SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

10. TENURE AND ROTATION

- i. The SAs shall be appointed for a continuous period of three years, subject to the SAs satisfying the eligibility norms each year but would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure. In case an audit firm has conducted audit of the Company for part tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Company for six years from completion of part-tenure.
- ii. The Company can remove the SAs before completion of three years tenure with an intimation to concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.
- iii. An audit firm proposed to be appointed as SA of Branch, can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year. A group of audit firms having common partners and/or under the same network, will be considered as one entity. 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.

11. AUDIT FEES AND EXPENSES

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



iii. The Board of the Company shall make recommendations to the Shareholders of the Company in Annual General Meeting/Extra Ordinary General Meeting as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

12. REVIEW OF THE POLICY

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

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the earliest opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

13. DISCLOSURE / TRANSPARENCY

This policy shall be hosted on the website of the Company and that the appointment(s) made shall be disclosed to concerned authorities as per relevant regulatory / statutory provisions.



ANNEXURE I

FORM A

INFORMATION TO BE SUBMITTED BY THE NBFCs REGARDING APPOINTMENT OF SCA/SA.

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 NBFCs.

Signature

(Name and Designation)

Date:

Annexure II

FORM B

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

A. Particulars of the Firm

Asset Size of Entity as on 31st March of Previous Year	Number of FullTime partners (FTP)s 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 in case of all Commercial Bank's (excluding RRBs), and UCBs/NBFCs with asset size of more than Rs. 1,000 crore

#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 other Commercial Bank (excluding RRBs) 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 etc. 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 Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). 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 14 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.

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

Signature of the Partner

(Name of the Partner)

Date:

*For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.