

**POLICY FOR APPOINTMENT OF STATUTORY  
AUDITORS  
OF  
CSL CAPITAL PRIVATE LIMITED**

**Approved by Board of Directors as on 11.02.2025**

### **Objective**

The objective of this Policy is to lay down the criteria to be considered by the Audit Committee of the Board (ACB) of the NBFC before appointment of statutory auditors (SAs).

The Policy is framed under the Reserve Bank of India's ("RBI") guidelines bearing Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 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, read with the FAQs issued on June 11, 2021 ("the RBI Guidelines") for Appointment of Statutory Auditors (SAs) of NBFCs.

### **Criteria to be Considered Before Appointment of Statutory Auditors**

The ACB shall consider the following factors before appointment of Statutory Auditors:

- a) Provisions of the RBI Guidelines
- b) Eligibility criteria of the SAs as prescribed by RBI from time to time based on the asset size of the NBFC
- c) Qualification as an auditor as per Section 141 of the Companies Act, 2013.
- d) 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.
- e) The appointment of SAs should be in line with the ICAI's Code of Ethics/ any other such standards adopted and should not give rise to any conflict of interest.
- f) Written consent of the auditor to such appointment and certificate that the appointment, if made, shall be in accordance with the conditions stipulated under the RBI Guidelines and other statutory provisions.
- g) The prescribed limit on minimum and maximum number of joint auditors based on asset size of the NBFC and other prescribed factors from time to time including in terms of the RBI Guidelines.
- h) Limit on NBFC audits by SAs as prescribed by RBI from time to time.
- i) The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the NBFC or any audit/non-audit works for its group entities (as defined under the RBI guidelines) should be at least one year, before or after its appointment as SAs. The look back stipulation of one year shall be applicable from FY 2022-23. During the tenure as SA, an audit firm may provide such services to the NBFC which may not normally result in a conflict of interest, and the NBFC shall decide in this regard, in consultation and approval of the ACB. (A conflict would not normally be created inter alia in the case of the following special assignments (indicative list):
  - (i) Tax audit, tax representation and advice on taxation matters
  - (ii) Audit of interim financial statements.

- (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements.
- (iv) reporting on financial information or segments thereof)
- j) Concurrent auditors of the NBFC should not be considered for appointment as SAs.
- k) The restrictions would also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.
- l) Any restrictions due to the directorship of a partner of an audit firm in the group entity of the NBFC as defined under these guidelines.
- m) Any other applicable regulations for the NBFC from time to time.

### **Procedure for Appointment/ Reappointment of Statutory Auditors**

- a) The NBFC shall shortlist minimum of two (2) audit firms for every vacancy of SAs as per the RBI guidelines as amended from time to time.
- b) The NBFC shall place the name of shortlisted audit firms, in order of preference, before the ACB for selection as SAs, which shall consider the same and make its recommendation to the Board of Directors. Thereafter, upon confirmation of the shortlisted SAs by the Board of Directors and verifying their compliance with the eligibility norms prescribed by RBI and other relevant regulations, the NBFC shall seek RBI's prior approval for appointment of SAs, for which purpose, the NBFC shall submit to RBI, the names of the shortlisted SAs in order of preference. However, in case of reappointment of an SA by the NBFC till completion of tenure of continuous term of three (3) years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment of such SA.
- c) The NBFC shall obtain a certificate on eligibility norms, along with relevant information from the audit firms proposed to be appointed/ reappointed as SAs by the NBFC as per RBI and other statutory requirements.
- d) The NBFC shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI and other statutory requirements and recommend the names along with a certificate, in the prescribed format.
- e) The NBFC shall seek prior approval of RBI (Department of Supervision) for appointment/ reappointment of SAs, on an annual basis in terms of the statutory provisions before 31st July of the reference year.
- f) While approaching the RBI for its prior approval for appointment of SAs, NBFC shall submit details such as total asset size as on 31st March of the previous year (audited figures) of the NBFC, a copy of the resolution of the ACB and/ or Board resolution recommending names of audit firms for appointment as SAs in the order of preference along with prescribed information.
- g) The appointment of SAs shall be approved by the shareholders at the annual general meeting.

### **Intimation to RBI**

Company shall inform concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located about the appointment of SAs way of a certificate in Form A (as prescribe by RBI) within one month of such appointment.

### **Tenure of Appointment**

As per RBI guidelines, NBFC shall appoint the SAs for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year and the approval of the ACB and Board.

### **Remuneration to Auditors**

The audit fees for SAs shall be in terms of applicable regulatory provisions and shall be reasonable and commensurate with their respective 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. Further, it shall be the discretion of the ACB & the Board to decide on the quantum of remuneration payable to each joint SA as appointed by the NBFC, depending upon their respective scope of work.

### **Conflict in Policy**

In the event of a conflict between this Policy and the extant regulations or laws (as may be amended, replaced, restated, from time to time), the regulations and laws shall prevail.

### **Review of Policy**

This Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in applicable law or regulation, or at least once in every three years and updated accordingly.

### **Disclosure of Policy**

The Policy will be available on NBFC's website.

Version 1.0

\*\*\*\*