

Trillionloans Fintech Private Limited

Policy Name	Statutory Auditors Policy
Issue and Effective Date	27 th August, 2024
Version	1.0
Approved by	Board of Directors

Appointment of Statutory Auditors Policy

➤ 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 Company 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 NBFCs, applicable provisions of Companies Act, 2013 and the rules made thereunder and 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.

➤ Purpose of the Document

This policy is formulated pursuant to "Guidelines for appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs)" ("Guidelines") issued by the Reserve Bank of India ("RBI") on dated 27th April 2021. Trillionloans Fintech Private Limited (the "Company" / "Trillionloans") is a NBFC -Middle Layer Company registered with Reserve Bank of India with asset size of more than INR 1000 Crores. Accordingly, the Company has prepared the policy on appointment of Statutory Auditors in conformity to all relevant statutory/regulatory guidelines in addition to the RBI guidelines.

➤ Key Considerations

The policy will be applicable for the appointment/re-appointment of Statutory Auditors for the Financial Year 2024-25 and onwards.

➤ Process and Guidelines

a. Definitions:

"Group entities" shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23).

"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.

"SAs" mean Statutory Auditors appointed as per the policy to conduct statutory audit of the company.

Same network: As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

“ACB” means the Audit Committee of the Board

“Board” means the Board of Directors

“ICAI” means the Institute of Chartered Accountants of India

“RBI” means the Reserve Bank of India

“NFRA” means the National Financial Reporting Authority

“large exposure” as defined in RBI instructions on ‘Large Exposure Framework’

b. Eligibility Criteria of Auditors:

The eligibility norms for appointment/re-appointment of Statutory Auditors are given below:

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

Note 1: 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. ACB 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.

Note 3: Audit experience shall mean experience of the audit firm as Statutory Auditor of NBFCs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be affected 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/stenos/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.

c. Additional Consideration:

The audit firm, proposed to be appointed as SAs, should be duly qualified for appointment as auditor in terms of Section 141 of the Companies Act, 2013.

The audit firm should not be under debarment by any Government Agency, NFRA, ICAI, RBI or Other Financial Regulators.

The Company shall ensure that 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.

If any partner of a Chartered Accountant firm is a director in any Company, the said firm shall not be appointed as SA of any of the group entities of that Company.

The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques ("CAATs") 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.

d. 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 may promptly approach the Company 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 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, the Company will approach the RBI to allow the concerned audit firm to complete the audit,

as a special case.

e. Independence of Auditors:

The 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 concerns in this regard may be flagged by the ACB to the Board of Directors of the NBFC and concerned Regional Office (RO) of RBI.

Concurrent auditors of the Company, if any shall not be considered for appointment as SA of the Company.

The audit of the Company and any entity with large exposure to the Entity for the same reference year should also be explicitly factored in while assessing independence of the auditor.

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 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, and the Company will take a decision in this regard, in consultation with the ACB.

The restrictions as detailed above, will also apply to an audit firm under the same network.

f. Professional Standards of SAs:

The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The ACB 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 shall be sent with the approval/recommendation of the 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 SAs in relation to the Company, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

g. Tenure and Rotation:

The SA shall be appointed for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.

Further, in case of removal of SAs before the completion of three years tenure, the Company shall inform concerned RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

An audit firm would not be eligible for reappointment for six years (i.e. two tenures) after completion of full or part of one term of the audit tenure.

h. Audit Fees and Expenses

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 ACB shall make recommendation to the Board for approval as per the applicable statutory/regulatory instructions for fixing audit fees of SAs.

i. Procedure for appointment of Statutory Auditors

Trillionloans will shortlist a 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.

Trillionloans shall obtain a certificate, along with relevant information as per Form B (as prescribed by RBI guidelines) from the audit firm(s) proposed to be appointed as SAs to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate shall be signed by the main partner/s of the audit firm proposed for appointment of SAs of the Company, under the seal of the audit firm.

In addition to the above, prior to such appointment, the written consent of the auditor to such appointment and a certificate in compliance with applicable provisions of the Companies Act, 2013 and the rules made thereunder, shall be obtained from the SAs.

The ACB will review the independence, eligibility norms, terms of appointment and remuneration of the audit firm proposed to be appointed as SAs and recommend the appointment of the audit firm for approval of the Board. The Board will discuss and approve the appointment of SAs subject to approval of the shareholders in the ensuing Annual General Meeting.

Any casual vacancy in the office of an auditor shall be filled by the Board of Directors within thirty days, but if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the Company at a general meeting convened within three months of the recommendation of the Board and the auditor shall hold the office till the conclusion of the next annual general meeting.

Upon appointment of SA by the Shareholders, the Company shall inform the auditors concerned of its appointment and file required return/forms with the Registrar of the Companies within the timelines as prescribed under the Companies Act, 2013 and rules made thereunder.

The Company shall inform the concerned Regional Office of RBI about the appointment of SAs for each year by way of a certificate in Form A within one month of such appointment, as may be amended from time to time.

Review of Policy

The policy will be approved by the Board and hosted on the website of the Company.

The Policy will be reviewed on an annual basis or as and when deemed necessary by the ACB and Board in the context of changing regulation and guidelines.

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.