

Policy on Appointment of Statutory Auditors

Falcon Trading Private Limited

1. Introduction

This Policy sets out the framework and criteria for the selection and appointment of Statutory Auditors (“SAs”) for Falcon Trading Private Limited (“the Company”).

It has been formulated in accordance with the Reserve Bank of India’s *Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)*, issued vide circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 (“RBI Guidelines”), as amended, modified, substituted, or clarified from time to time.

The Board of Directors (“Board”) has adopted this Policy in compliance with the applicable provisions of the RBI Guidelines, Sections 139 and 141 of the Companies Act, 2013, and the Companies (Audit and Auditors) Rules, 2014, as amended from time to time.

This Policy serves as a guiding document for establishing procedures to determine, inter alia, the qualifications, eligibility, and process for appointing Statutory Auditors in conformity with applicable laws and regulatory requirements.

This Policy was approved by the Board at its meeting held on **19 September 2022**.

2. Procedural Aspects

i. Number of Statutory Auditors

The number of Statutory Auditors to be appointed shall be determined by the Company based on factors such as:

- Size and geographical spread of assets
- Number of accounting and administrative units
- Complexity of transactions
- Level of computerization
- Availability of other independent audit inputs
- Identified risks in financial reporting

The determination shall be in line with the RBI Guidelines.

ii. Eligibility Criteria

Audit firms considered for appointment as Statutory Auditors must meet the eligibility norms prescribed under the RBI Guidelines, including but not limited to:

- a. Minimum number of full-time partners associated with the firm
- b. Number of Fellow Chartered Accountant partners
- c. Minimum number of full-time partners/paid Chartered Accountants with CISA/ISA qualifications
- d. Minimum years of audit experience of the firm
- e. Minimum number of professional staff
- f. Any other eligibility criteria prescribed under the RBI Guidelines and the Companies Act, 2013

iii. Ongoing Compliance with Eligibility Criteria

If, after appointment, an audit firm ceases to meet any eligibility norm (due to resignation, death of partners/employees, or regulatory action by Government agencies, NFRA, ICAI, RBI, or other financial regulators), it must promptly notify the Company with full details.

The firm shall take necessary steps to restore compliance within a reasonable period and, in any case, before the commencement of the annual statutory audit for the financial year ending 31 March, and maintain compliance until completion of the audit.

In exceptional circumstances arising after commencement of the audit (e.g., death of partners/employees) that render the firm ineligible, the RBI may, at its discretion, permit the firm to complete the audit as a special case.

iv. Independence of Statutory Auditors

The Board or Audit Committee shall monitor and assess the independence of the Statutory Auditors and identify any potential conflicts of interest, in accordance with applicable regulatory provisions, professional standards, and best practices.

Any concerns shall be reported to the Board/Audit Committee and the concerned Senior Supervisory Manager or Regional Office of the RBI.

The minimum cooling-off period prescribed in the RBI Guidelines shall be observed between any non-audit engagements undertaken by the Statutory Auditors for the Company or its RBI-regulated group entities, before or after their appointment.

During their tenure, Statutory Auditors may provide only those non-audit services that do not give rise to a conflict of interest, in compliance with the RBI Guidelines and the Companies Act, 2013.

v. Procedure for Appointment

- The Company shall shortlist eligible audit firms for each vacancy in accordance with the RBI Guidelines.
- In addition to eligibility norms, the Company shall consider factors such as prior experience in auditing banks/NBFCs, capability to audit technology systems, and other relevant parameters.
- The Company shall obtain a certificate from each proposed audit firm confirming compliance with all RBI eligibility norms.
- The Audit Committee/Board shall recommend the appointment to the Board, which shall, in turn, recommend it for approval by the shareholders.
- The Company shall notify the RBI of the appointment, as required under the RBI Guidelines.

vi. Tenure and Rotation

In accordance with the RBI Guidelines:

- Statutory Auditors shall be appointed for a continuous term of three (3) years, subject to annual confirmation of eligibility.
- An audit firm shall not be reappointed until the completion of the minimum cooling-off period specified in the RBI Guidelines, after serving a full or partial term.

vii. Remuneration

The audit fees shall be determined in accordance with applicable regulatory provisions and shall be reasonable, commensurate with:

- Scope and coverage of the audit
- Size and spread of assets
- Number of accounting and administrative units
- Complexity of transactions
- Level of computerization
- Identified risks in financial reporting

The quantum of remuneration shall be at the discretion of the Company, based on the agreed scope of work.

p3. Review of Performance

The Board or Audit Committee shall review the performance of the Statutory Auditors annually, in line with the RBI Guidelines and the Companies Act, 2013.

4. Effect of Changes in Applicable Laws/Regulations

In the event of any change in applicable laws or regulations, the provisions of such laws/regulations shall prevail over this Policy, and the Policy shall be read and applied accordingly.