SUMMIT SECURITIES LIMITED

POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

1. OBJECTIVE:

1.1. This policy is framed, inter alia, to lay down the required procedure to be followed for "appointment of Statutory Auditors (SAs)" in conformation with the RBI circular Ref. No. DoS. CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 ('RBI Circular'), applicable provisions under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. APPLICABILITY:

2.1. This Policy will be applicable to Summit Securities Ltd ('the Company'), presently fall in the category of non-deposit taking NBFC's with asset size above Rs. 1000 crore.

2.2. As these guidelines are being implemented for the first time from FY 2021-22 onwards, the Company has the flexibility to adopt these guidelines from H2 (second half) for FY 2021-22 in order to ensure that there is no disruption.

3. NUMBER OF STATUTORY AUDITORS:

3.1. The Company shall decide on the number of SAs after considering the relevant factorssuch 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. Since currently there are no branches of the company the Auditor will audit the books of accounts kept at the registered office of the Company.

4. (I) MINIMUM ELIGIBILITY CRITERIA OF AUDITORS:

A. Minimum Number of Full-Time Partners (FTPs) – 3 Nos.:
There should be at least one-year continuous association of partners with the firm as on the date of empanelment for considering them as full-time partners. Further, for appointment as SAs of the Company 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’ means 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

B. Minimum Number of CISA/ISA Qualification – 1 Nos.:

The Company shall give priority to firms with full time partners or full time Chartered Accountants (“CAs”) having 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.

C. Minimum Number of years of Audit Experience – 8 years:

Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks/UCBs/NBFCs/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.

D. Minimum Number of Professional Staff – 12 Nos.:

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.

E. Additional Criteria / Considerations:

i). The audit firm, proposed to be appointed as SCAs/SAs for Entities, should be duly qualified for appointment as 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 shall be 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 any partner of a Chartered Accountant firm is a director of the Company or its Subsidiaries, the said firm shall not be appointed as SAs of the Company or any of the group entities of that Entity.

(v). The auditors 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.

II. Continued Compliance with basic eligibility criteria:

In case the audit firm, after appointment as SAs of the Company, 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 the Company with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time (i.e. 6 months) 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 RBI to consider allowing the concerned audit firm to complete the audit, as a special case.

5. INDEPENDENCE OF AUDITORS:

5.1. Audit Committee of the Board (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 Company and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

5.2. In case of any concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SA shall approach the Board/ACB of the Company, under intimation to the concerned SSM/RO of RBI.

5.3. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SA for the Company or any audit/non-audit works for its group entities which are regulated by the RBI should be at least one year, before or after its appointment as SA.

However, if an audit firm engaged with audit/non-audit works for the Group Entities (which are not regulated by RBI) is being considered by any of the RBI Regulated Entities in the Group for appointment as SCAs/SAs, it would be the responsibility of the Board/ACB of the RBI Regulated Entity to ensure that there is no conflict of interest and independence of auditors is ensured, and this should be suitably recorded in the minutes of the meetings of Board/ACB.

5.4. The restrictions as detailed in para 5.3 above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

6. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS:

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

6.2. The Board/ACB of Company 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 to RBI within two months from completion of the annual audit. Such reports should be sent withthe approval/recommendation of the Board/ACB, with the full details of the audit firm.

7. TENURE AND ROTATION:

7.1. In order to protect the independence of the auditors/audit firms, Company will have to appoint the SA for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, incase of removal of the audit firms before completion of three years, the Company shall inform concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

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

8. AUDIT FEES AND EXPENSES:

8.1. The audit fees for SA shall be decided in terms of the relevant statutory/regulatory provisions.

8.2. The audit fees for SA for the Company 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.

8.3. The ACB shall make recommendation to the Board for fixing audit fees of SA.

9. PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS:

9.1. The Company shall shortlist minimum of 2 audit firms for every vacancy of SA's 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 SA's does not get delayed.

9.2. The Company shall obtain a certificate, along with relevant information as per Form B of the RBI circular, as may be amended from time to time, 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.

9.3. ACB shall verify the compliance of the shortlisted audit firm(s) to the eligibility norms prescribed by RBI and other statutory requirements and recommend the names alongwith a certificate in the prescribed format for the approval of the Board and Shareholders.

9.4. Based on the recommendation(s) of ACB, the Board shall consider and recommend the appointment of the audit firm as SA to the members for approval in accordance with the provisions of the applicable laws/regulations including the Companies Act, 2013.

9.5. The appointment of SA shall be approved by the members of the Company, at the General Meeting or through Postal Ballot, as the case may be.

9.6. Upon appointment of the SA by the members of the Company, the Company shall Intimate to the Regulatory Authorities and file required returns/forms including Form A of the RBI circular, as may be amended from time to time, for implementation of the said appointment.

9.7. The entire process for appointment of SAs shall be subject to compliance of the applicable laws., as amended from time to time.

10. AMENDMENTS TO THE POLICY:

10.1. The Board of Directors may amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

10.2. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail notwithstanding the provisions hereunder from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

10.3. The policy will be hosted on website of the Company

11. Version History

Sr. No.	Approved by	Approval Date
1.	Board of Directors based on recommendations of the Audit Committee	13.08.2021