



**STATUTORY AUDIT POLICY AND APPOINTMENT PROCEDURE
OF
PAYU FINANCE INDIA PRIVATE LIMITED**

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Authority	Details
Scope	This Policy aims to act as a guideline for deciding on the number of Statutory Auditor(s) to be appointed for PayU Finance Private Limited and for determining their qualifications, eligibility, and procedure for appointment/ re- appointment.
Drafted by	Legal and Compliance Department
Approved by	Board of Directors

Version History

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DEFINITIONS AND INTERPRETATION

1 DEFINITIONS

- 1.1** “**Applicable Laws**” means all applicable laws, statutes, enactments, acts of central or state legislature, ordinances, rules, regulations, notifications, guidelines, directions, directives, policies, circulars, decisions and any other pronouncements issued in accordance with the Companies Act, the RBI SBR Master Directions or any other law applicable to the jurisdiction of India by any central, state, local, or other governmental, administrative or regulatory authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the government.
- 1.2** “**Audit Committee**” means the audit committee of PayU Finance.
- 1.3** “**Board**” means the Board of Directors of PayU Finance.
- 1.4** “**Companies Act**” means the Companies Act, 2013, as amended from time to time.
- 1.5** “**NBFC**” means non-banking financial company.
- 1.6** “**NBFC-ML**” means a middle layer NBFC as classified under RBI SBR Master Directions.
- 1.7** “**PayU Finance**” or “**Company**” means PayU Finance India Private Limited, a company incorporated under the Companies Act, 1956.
- 1.8** “**RBI**” means the Reserve Bank of India.
- 1.9** “**RBI Act**” means the Reserve Bank of India Act, 1934, as amended from time to time.
- 1.10** “**RBI Guidelines**” means the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), issued by the RBI, dated 27 April 2021, and bearing reference number DoS.CO. ARG/SEC.01/08.91.001/2021-22, as amended from time to time.
- 1.11** “**RBI SBR Master Directions**” means the Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 issued by the RBI, dated 19 October 2023, bearing reference number RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24, as amended from time to time.
- 1.12** “**Statutory Auditor Policy**” means this policy on statutory auditors and appointment procedure, as approved and adopted by the Board.

2 INTERPRETATION

Unless defined expressly herein, all capitalised terms used in this Statutory Auditor Policy shall have the meaning assigned to them under the Companies Act, the RBI SBR Master Directions, RBI Act, any notification, guideline and/or circular issued by the RBI from time to time and/or any other relevant policy or business document of PayU Finance (as the case may be).

INTRODUCTION

3 BACKGROUND

- 3.1** PayU Finance operates as a non-deposit taking NBFC and has been categorised as NBFC-ML in terms of the RBI SBR Master Direction. It is engaged *inter alia* in the business of providing products, enterprise lending and specific lending, apart from providing certain technology related services, financial services, or a combination of both.
- 3.2** In terms of RBI Guidelines, a non-deposit taking NBFC with asset size of INR 1000 crore or more is required to formulate a board approved policy to formulate necessary procedure to be followed for appointment of statutory central auditors/ statutory auditors.¹ The RBI SBR Master Directions require an NBFC to comply with the provisions of the RBI Guidelines in relation to appointment of statutory auditors.² The said policy is required to be hosted on the website of NBFCs.
- 3.3** The main objective of this Policy is to act as a guideline for deciding on the number of statutory auditors to be appointed by PayU Finance and determining their qualifications, eligibility, and procedure for appointment/ re-appointment.
- 3.4** In view of the above, the Board has approved and adopted this document as the 'Statutory Audit Policy and Appointment Procedure' of PayU Finance.

4 OBJECTIVES

The objective of this Policy is to lay down a framework of guidance and procedures for appointing statutory auditors in compliance with the RBI Guidelines, the RBI SBR Master Directions, and the Applicable Laws, including but not limited to the Companies Act, 2013, as amended from time to time.

5 OVERVIEW

This Statutory Auditory Policy is divided into the following parts:

- 5.1 Part 1 (Number and Tenure of Statutory Auditors)** provides a brief description of the metric for the number of statutory auditors required to be appointed by PayU Finance, and their tenure;
- 5.2 Part 2 (Eligibility Criteria for Appointment)** provides a brief description of the eligibility criteria for the appointment of statutory auditors;
- 5.3 Part 3 (Procedure for Appointment of Statutory Auditors)** provides a brief description of the procedure to be followed during the appointment of statutory auditors;
- 5.4 Part 4 (Audit Fees and Expenses)** sets out the framework for the fees and expenses that are to be paid to the statutory auditors;
- 5.5 Part 5 (Review of Performance of Statutory Auditors)** lays out the norms for the review of the performance of the Statutory Auditors; and
- 5.6 Part 6 (Review and Oversight)** describes the procedural aspects for implementing this Statutory Auditor Policy (such as the manner and periodicity in which this Statutory Auditor Policy will be reviewed and, if necessary, updated).

¹ Paragraph 2.1 read with Paragraph 10 of the RBI Guidelines.

² Paragraph 41 of the RBI SBR Master Directions.

PART 1

NUMBER AND TENURE OF STATUTORY AUDITORS

6 NUMBER OF STATUTORY AUDITORS³

- 6.1** RBI Guidelines prescribes the minimum and maximum number of statutory auditors required to be appointed by any regulated entity based on threshold of the assets size as per below table:⁴

Sr. No	Asset Size of the entity	Minimum number of SCAs/SAs	Maximum number of SCAs/SAs
1	Upto ₹ 15,000 crore	1	-
2	Above ₹ 15,000 crore and upto ₹ 5,00,000 crore	2	4
3	Above ₹ 5,00,000 crore and upto ₹ 10,00,000 crore	2	6
4	Above ₹ 10,00,000 crore and upto ₹ 20,00,000 crore	2	8
5	Above ₹ 20,00,000 crore	2	12

- 6.2** Based on audited financial as on 06 June 2024, the asset size of PayU Finance was more than ₹ 1,000 crore and accordingly PayU Finance is required to appoint one audit firm for conducting statutory audit.
- 6.3** Considering relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerisation, availability of other independent audit inputs, identified risks in financial reporting, etc., PayU Finance may voluntary consider appointing additional statutory auditors, from time to time. However, once the assets size of PayU Finance cross threshold of ₹ 15,000 crore, it shall mandatorily appoint two statutory auditors.
- 6.4** The work allocation between joint auditors, if any, shall be finalised in consultation with the statutory auditors.

7 TENURE OF STATUTORY AUDITORS⁵

- 7.1** The appointment of statutory auditors shall be for a continuous period of three financial years, subject to the statutory auditors satisfying the eligibility norms each financial year.⁶
- 7.2** If PayU Finance removes the statutory auditors before completion of three years, it shall inform the concerned Regional Office/ Senior Supervisory Manager of RBI about the same, along with the reasons/ justification within one month of such decision being taken.⁷
- 7.3** PayU Finance shall not reappoint an audit firm for six years (two tenures) after the completion of full or part of one term of the audit tenure⁸.

³ Paragraph 4 of the RBI Guidelines.

⁴ Paragraph 4.2 of the RBI Guidelines.

⁵ Paragraph 8 of the RBI Guidelines.

⁶ Paragraph 8.1 of the RBI Guidelines.

⁷ Paragraph 8.1 of the RBI Guidelines.

⁸ Paragraph 8.2 of the RBI Guidelines.

- 7.4** PayU Finance shall intimate the RBI about the appointment/re-appointment of the statutory auditor for each financial year by way of certificate prescribed under the RBI Guidelines within one month of such appointment/re-appointment.⁹

⁹ Paragraph 3.3 of the RBI Guidelines.

PART 2

ELIGIBILITY CRITERIA FOR APPOINTMENT OF STATUTORY AUDITORS

- 8.1** Based on current asset size of PayU Finance, i.e., more than ₹1,000 crore and less than ₹15,000 crore, the minimum eligibility criteria for appointment/re-appointment of a firm as statutory auditors of PayU Finance are as under:¹⁰
- 8.1.1** Minimum number of full-time partners associated with the firm for a period of at least three years shall be three.
 - 8.1.2** Out of total full-time partners, minimum number of fellow chartered accountant partners associated with the firm for a period of at least three years shall be two.
 - 8.1.3** Minimum number of full-time partners/ paid chartered accountants with Certified Information System Auditor (CISA) / Information System Audit qualification shall be one.
 - 8.1.4** Minimum number of years of relevant audit experience of the firm shall be eight.
- For calculating relevant audit experience, the experience of the firm as statutory central/branch auditor of a commercial banks (excluding regional rural banks)/ urban co-operative banks/ NBFCs/ All India Financial Institutions, shall only be counted.
- 8.2** Minimum number of professional staff shall be twelve.
- 8.3** The minimum time gap between any non-audit works (services mentioned at Section 144 of Companies Act, internal assignments, special assignments, etc.) by the statutory auditors for PayU Finance or any audit/non-audit works for its group entities should be of one year, before or after its appointment as statutory (applicable to an audit firm under the same network of audit firms or any other audit firm having common partners).¹¹
- 8.4** The concurrent auditors of PayU Finance shall not be eligible for an appointment as a statutory auditor.¹²
- 8.5** The audit of the Company and any entity with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the statutory auditor (applicable to an audit firm under the same network of audit firms or any other audit firm having common partners).¹³
- 8.6** The audit firm shall be duly qualified for appointment as such in terms of criteria specified under Section 141 of the Companies Act.¹⁴
- 8.7** The audit firm shall 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 sector regulators.¹⁵
- 8.8** The statutory 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 entities where the accounting and business data reside in order to achieve audit objectives.¹⁶

¹⁰ Annexure I to the RBI Guidelines.

¹¹ Paragraph 6.4 of the RBI Guidelines.

¹² Paragraph 6.3 of the RBI Guidelines.

¹³ Paragraph 6.3 of the RBI Guidelines.

¹⁴ Annexure I to the RBI Guidelines.

¹⁵ Annexure I to the RBI Guidelines.

¹⁶ Annexure I to the RBI Guidelines.

PART 3

PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITOR

- 9** PayU Finance will follow below procedure for appointment of statutory auditors:
- 9.1** Financial accounting team of PayU Finance shall shortlist minimum of two audit firm for every vacancy of statutory auditors.
- 9.2** A certificate from the audit firms proposed to be appointed as statutory auditors that they comply with all the eligibility norms prescribed by RBI and under the Companies Act shall be obtained. Such certificate shall be duly signed by the managing partner of the audit firm proposed for appointment under the seal of the said audit firm and shall be in the format provided in the RBI Guidelines.¹⁷
- 9.3** The proposal for appointment of statutory auditors shall be first placed before the Audit Committee of PayU Finance.
- 9.4** Post approval of the Audit Committee, same shall be presented to the Board for consideration and approval, subject to approval of the shareholders in accordance with the provisions of the Companies Act. The Board will, amongst other things, consider the requirements for ensuring that the statutory auditor meets the test of being independent, as prescribed in Paragraph 6 of the RBI Guidelines.

¹⁷ Paragraph 5 of Annexure II to the RBI Guidelines.

PART 4

AUDIT FEE AND EXPENSES

- 10** The audit fees for statutory auditors 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 computerisation, identified risk in financial reporting, etc.¹⁸
- 11** The Audit Committee shall approve and recommend the remuneration payable to the statutory auditors, for each financial year, to the Board for its approval.¹⁹

¹⁸ Paragraph 9.2 of the RBI Guidelines.

¹⁹ Paragraph 9.3 of the RBI Guidelines.

PART 5
REVIEW OF THE PERFORMANCE OF STATUTORY AUDITORS

- 12** The Audit Committee shall review the performance of the statutory auditors on an annual basis. Any serious lapses/negligence while carrying out audit responsibilities or any conduct issues on the part of the statutory auditors or any other matter considered as relevant shall be reported to the RBI within two months of completion of annual audit and after approval from the Audit Committee.²⁰

²⁰ Paragraph 7.2 of the RBI Guidelines.

PART 6

REVIEW AND OVERSIGHT

13 BOARD APPROVAL

The Board has reviewed, approved, and adopted this document as the Statutory Auditor Policy of PayU Finance.

14 PERIODICITY OF REVIEW

This Statutory Auditor Policy will be reviewed by the Board and/ or the Audit Committee on a periodical basis, as may be deemed appropriate by the Board and/or the Audit Committee to ensure compliance with modification, amendment or supplementation to Applicable Laws.

15 AMENDMENTS

15.1 Any amendments to this Statutory Auditor Policy will be reviewed and approved by the Board and/or the Audit Committee, as appropriate.

15.2 Provisions of this Statutory Auditor Policy are subject to amendment in accordance with Applicable Laws (including rules, regulations, notifications) on the subject as may be issued from time to time. In case any provisions of this Statutory Auditor Policy are inconsistent with Applicable Laws (including any subsequent amendment(s), clarification(s), circular(s), etc.) then such provisions of Applicable Laws shall prevail over the provisions hereunder and this Statutory Auditor Policy shall stand amended so that it complies with Applicable Laws from the effective date of the change in Applicable Laws.

16 PUBLICATION

This Policy shall be displayed on the website of PayU Finance.
