



Policy for Appointment of Statutory Auditors

UBS Finance India Private Limited

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1 Key conduct and required behavior

UBS Finance India Private Limited (“the Company”) and its personnel:

must not engage the External Local Statutory Auditors (Statutory Auditors) to provide any type of service that would impair the Statutory Auditor’s independence or is in contravention to provisions of Section 144 of the Companies Act, 2013.

must obtain the pre-approvals outlined in this Policy for any engagement of the Statutory Auditors to provide services to or on behalf of, or that will be paid for by, UBS Finance India Private Limited.

must ensure all Statutory Auditor engagements are routed through Procurement (previously known as Sourcing and Vendor Management (SVM)).

2 Appointment of Statutory Auditors

2.1 Introduction

The Reserve Bank of India (“RBI”) has issued fresh guidelines on appointment of Statutory Auditors bearing number Ref.No.DoS.CO.ARG/SEC.01/ 08.91.001/2021-22 dated 27 April 2021 (“RBI Circular”) followed by issuance of clarifications to the circular in the form of Frequently Asked Questions (FAQs) on June 11, 2021. Accordingly, the Company has adopted the following policy and procedure for appointment of Statutory Auditors in line with the extant RBI guidelines and as per applicable provisions of the Companies Act, 2013 and underlying rules as amended from time to time.

2.2 Tenure and rotation

Pursuant to provisions of Companies Act, 2013, every company shall appoint statutory auditors for a period of five years. However in compliance with the above mentioned RBI Circular, the Statutory Auditors will be appointed for a continuous period of three years, subject to the appointed firms satisfying the eligibility criteria every year.

In case of failure of the Statutory Auditors to satisfy the eligibility criteria or for any other justifiable cause, the Company can remove Statutory Auditors during the three years, subject to applicable provisions of Companies Act 2013. In case of removal of the Statutory Auditors before completion of three years tenure, the Company will inform concerned Senior Supervisory Manager(SSM)/Regional Office (RO) at RBI along with reasons / justification for the removal, within a month of such a decision being taken.

An audit firm will 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.

2.3 Number of Statutory Auditors

a. The Board of Directors (Board) of the Company will consider the relevant factors such 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. to decide the number of Statutory Auditors to be appointed.

b. The minimum and maximum number of Statutory Auditors to be appointed is governed by the extant RBI guidelines.

2.4 Eligibility requirements

Audit firms fulfilling the eligibility criteria for Statutory Auditors as prescribed in the extant RBI guidelines and Companies Act will qualify for appointment.

2.5 Appointment pre-approval requirements

Appointments of the Statutory Auditors are subject to the internal pre-approval requirements outlined below.

2.5.1 Appointment for audit services

The Board approves the appointment of Statutory Auditors based on recommendation of the Audit Committee (ACM), The appointment also has to be approved at the Shareholders Meeting. Thereafter RBI (Department of Supervision) has to be informed about the appointment within 30 days of appointment.

Company will continue to shortlist Group External Auditor as Statutory Auditors in the years the Group External Auditor (i) is eligible as per the requirements laid down in the extant RBI guidelines and (ii) is able to accept auditor appointment of the Company considering the limit of 8 NBFC audits allowed per audit firm. In any term of 3 financial years, if the Group External Auditor is not appointed as Statutory Auditors, exception approval from the Group Chief Accountant's Office will be sought prior to such appointment.

2.5.2 Appointment for non-audit services

Every engagement of the Statutory Auditors for services to be provided to or on behalf of, or that will be paid for by, UBS Finance India Private Limited, requires pre-approval. During the tenure as Statutory Auditors, an audit firm may provide such services to the Company which may not normally result in a conflict of interest, and the Company may take its own decision in this regard, in consultation with the Board.

The specific pre-approval(s) required under this Policy vary based on the type of service.

Service Type	Pre-approval / Notification required **
Pre-approved service type *	Notification to ACM/Board. Appointment request shall be submitted to Procurement to ensure actions related to engagement, onboarding and quarterly intimation to ACM/Board are completed
New services / Others	Pre-approval of ACM/Board required for which necessary information to be submitted to Procurement

* Standard permissible service types will be approved by Board eg. Certificates required from Statutory Auditors by various regulators etc. This list will be available with Procurement post approval by Board.

** In case the Group Auditor is appointed as Statutory Auditor, in line with Group Policy GP-11008 Engagement of the Group's External Auditor for Audit and Non-Audit Services, all pre-approvals will require to be first coordinated through the UBS Group System for Accounting Firm Engagements (SAFE). Post approval at Group level, necessary notification / approval process will also be followed with the Company's ACM/Board.

ACM/Board will be notified of all pre-approved service type engagements awarded to the Statutory Auditors on a quarterly frequency by Procurement.

2.6 Appointment process

Process for engagement of the Statutory Auditors is outlined in the Procedure document "Process for Appointment of Statutory Auditors of UBS Finance India Private Limited".

2.7 Fees and expenses

The audit fees for Statutory Auditors of the Company shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees for Statutory Auditors of 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

3 Independence of Statutory Auditors

a. The Company and its personnel may not engage the Statutory Auditors to provide any service that would impair the Statutory Auditor's independence under applicable regulations. However, during the tenure as Statutory Auditors, an audit firm may provide such services to the Company which may not normally result in a conflict of interest, and the Company may take its own decision in this regard, in consultation with the ACM/Board. The ACM shall monitor and assess the independence of auditors and conflict of interest position in terms of relevant regulatory provision, standards and best practices. Any concern in this regard may be flagged by ACM to the concerned SSM/RO of RBI.

In addition, Section 144 of the Companies Act, 2013 also specifies a list of restricted activities for Statutory Auditors.

b. Concurrent auditors of the Company will not be considered for appointment as Statutory Auditors.

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

d. The restrictions as detailed in para b and c above, will also apply to an audit firm under the 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.

e. In case of any concern with the Management of the Company such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditors shall approach the ACM of the Company, under intimation to the concerned SSM/RO of RBI.

4 Performance monitoring

The ACM shall review the performance of Statutory Auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditors 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 with the approval/recommendation of the ACM, with the full details of the audit firm.

5 Indemnification / Limitation of Liability Provisions in Engagement Letters for Audit Services, Arrangements

Due to potential independence concerns, UBS Finance policy is that the terms of engagement letters for audit services required to be provided by the Group Statutory Auditors when providing services as Local Statutory Auditors may not:

- Provide for indemnification of the Statutory Auditors
- Provide for any limitation of the Statutory Auditor's liability, unless specifically required by local law.

Furthermore, the Statutory Auditors may not be engaged to provide any audit or non-audit service on a contingent fee basis (i.e., an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such product or service. Note: a fee is not a "contingent fee" if the amount is fixed by courts or other public authorities and not dependent on a finding or result.)

6 Roles and Responsibilities

6.1 All personnel

All personnel are responsible for:

Adherence to the requirements and restrictions defined by this Policy

6.2 Board of Directors

Board is responsible for:

The pre-approvals defined by this Policy.

Monitoring independence of auditors.

Receiving and reviewing of any escalations or concerns from the Statutory Auditors.

6.3 Audit Committee

ACM is responsible for:

The recommendations for pre-approvals to the Board defined by this Policy.

Monitoring independence of auditors.

Conducting annual review of performance of the auditors.

Receiving and reviewing of any escalations or concerns from the Statutory Auditors.

6.4 Legal Entity Finance (LEF)

LEF is responsible for:

Collaborating with Procurement to identify the shortlist of firms eligible to be auditors.

Manage the ACM / Board and regulator intimation process for appointment of Statutory Auditors.

Primary contact for Statutory Auditors.

Report quarterly information to ACM / Board for all engagements of Statutory Auditors after sourcing details from Procurement.

6.5 Procurement

Procurement is responsible for:

Collaborating with LEF to identify the shortlist of firms eligible to be auditors.

Provide details to LEF for quarterly information to ACM / Board for all engagements of Statutory Auditors.

Point of contact for all personnel for all engagements of Statutory Auditors.

7 Policy Review

The ACM/Board of the Company may review the policy annually or as and when it deems necessary. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

8 Policy Disclosure

UBS Finance India Private Limited will host the Board approved Policy on its official website/public domain