RAINBOW INVESTMENTS LIMITED

POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

In terms of the extant RBI guidelines, **Rainbow Investments Limited (the Company)** has adopted the following policy with regard to appointment of statutory auditors of the Company:

1. Appointment of the Statutory Auditors (SAs)

The appointment of statutory auditors will be for three continuous years, subject to audit firms continuing to comply with the eligibility norms. The Company on appointment/reappointment of statutory auditors will inform the same to RBI on an annual basis within one month of such appointment. The statutory auditors of the Company will be appointed at the general meeting of shareholders of the Company. The audit firm will not be eligible for re-appointment in the Company for a period of six years after completion of full or part tenure in the Company.

Procedure for Appointment/Reappointment of Statutory Auditors:

a. The Company shall shortlist minimum of two (2) audit firms for every vacancy of SAs as per the RBI guidelines, as amended from time to time.
b. The Company shall place the name of shortlisted audit firms, in order of preference, before the Audit Committee for selection as SAs, which shall consider the same and make its recommendation to the Board of Directors. Thereafter, upon confirmation of the shortlisted SAs by the Board of Directors and verifying their compliance with the eligibility norms prescribed by RBI and other relevant regulations, the Company shall appoint SA and inform the same to the RBI in Form A prescribed by the RBI.
c. The Company shall obtain a certificate on eligibility norms, along with relevant information in FORM B from the audit firms proposed to be appointed/reappointed as SAs by the company as per latest RBI and other statutory requirements.
d. The Company shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI and other statutory requirements and recommend the names along with a certificate, in the prescribed format.
e. The appointment of SAs shall be approved by the shareholders at the general meeting.

2. Audit Fees payable to Statutory Auditors

Audit fee for the statutory audit and limited review audit shall be finalized by the Board of Directors on recommendation of Audit Committee of the Board, , which 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. Fees for other certification work can be finalized by the Management on case to case basis.

3. Number of statutory auditors

The statutory audit will be conducted by minimum of one audit firms (Partnership firms/Limited Liability Partnerships). In case the asset size is Rs 15,000 crore or more as at the end of previous year, the statutory audit will be conducted under joint audit of a minimum of two audit firms (Partnership firms/Limited Liability Partnerships).

The Audit Committee will decide on the number of joint statutory auditors, taking into account the 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.

In case of joint audit, the work allocation between joint auditors will be finalised by the Audit Committee of the Company in consultation with the SAs.

4. Eligibility criteria of the statutory auditors

The statutory auditors should fulfil the eligibility norms as prescribed in the RBI guidelines and the Companies Act, 2013, including number of full-time partners, number of Fellow Chartered Accountants (FCAs), number of full-time partners/paid CAs with CISA/ISA qualification, number of years of audit experience of the firm, minimum number of professional staff and eligibility in terms of Section 141 of the Companies Act, 2013.

5. Independence of the statutory auditors

The concurrent auditors of the Company will not be considered for appointment as statutory auditors. The audit of the Company and any entities with large exposure to the Company for the same reference year will also be factored in while assessing the independence of the auditors. 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. However, during the tenure as statutory auditors, an audit firm may provide such services to the Company and its RBI regulated group entities, which may not normally result in a conflict of interest. These restrictions will also apply to an audit firm under the same network of audit firms (as defined under Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) or any other audit firm having common partners. Concurrent auditors of the Company, if any, will not be considered for appointment as SAs.

If an audit firm engaged with audit/non-audit works for the Group entities (which are not regulated by RBI) is being considered by the Company, the Audit Committee will evaluate that there is no conflict of interest and independence of auditors is ensured.

The Audit Committee will monitor and assess the independence of the statutory auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard will be flagged to the Board of Directors and the concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

6. Discontinuation/Termination of Auditors

Subject to the provisions of the applicable law, including the Companies Act, 2013, the NBFC can remove an audit firm during their tenure with the prior approval of RBI, and with the approval of its shareholders. An audit firm would not be eligible for reappointment in the NBFC for six (6) years (i.e., two tenures of three years each) after completion of full or part of one term of the audit tenure.

7. Effective date and review of the policy

The policy will be effective as per the RBI circular and will be updated based on any change in guidelines by RBI or any changes recommended by Audit Committee and Board, will be informed to RBI.