

Alpha Alternatives Financial Services Private Limited
Policy for Appointment of Statutory Auditor

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1. Applicability

The Reserve Bank of India (“RBI”) vide its circular no. RBI/2021-22/25 dated April 27, 2021, prescribed “Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)” (“Guidelines”) applicable. In terms of the Guidelines, the Company is required to formulate a Board approved Policy covering necessary procedures for appointment / reappointment of Statutory Auditors (“SAs”) which needs to be hosted on the Company’s official website. The main objective of this Policy is to act as a guideline for deciding on the number of SAs to be appointed for the Company and for determining their qualifications, eligibility and procedure for appointment / re-appointment.

2. Scope of the policy

This policy shall form the basis for appointment of SAs. The Company shall comply with the relevant provisions of the Companies Act, 2013, rules made there under and the guidelines/ circulars issued by RBI from time to time as well as SEBI (Listing Obligations and Disclosure Requirements), 2015 (“SEBI LODR”) for appointment of Statutory Auditors (SAs), as applicable.

All queries / clarifications on this Policy should be obtained from the Finance team. Clarifications on any regulatory issue shall be obtained from the respective Compliance Officers.

3. Number of SAs

In terms of the Guidelines, since the asset size of the Company is less than Rs. 15,000 crore as at last reporting period, the Company is not required to appoint joint auditors. If the asset size increases above Rs. 15,000 crore as at the end of any financial year, the Company shall appoint minimum two joint SAs and may appoint maximum four joint SAs. If Joint auditors are to be appointed, then it shall be ensured that joint auditors of the Company do not have any common partners, and they are not under the same network of audit firms.

4. Tenure of SAs

The appointment of SAs shall be for a continuous period of three years, subject to the SAs satisfying the eligibility norms each year. If the Company removes SAs before completion of 3 years, it shall inform the concerned Regional Office / Senior Supervisory Manager of RBI about the same, along with the reasons / justification within a month of such decision being taken. The Company will not reappoint an audit firm for six years after the completion of full or part of one term of the audit tenure.

The Company shall inform RBI about the appointment/re-appointment of SAs for each

year by way of certificate prescribed under the Guidelines within one month of such appointment.

5. Eligibility Criteria for appointment of SAs

The Company's asset size, being more than ₹ 1,000 crore and less than Rs. 15,000 crore, the SAs shall fulfil the following minimum criteria for being eligible to be considered for appointment as SA of the Company:

- a. Minimum number of full-time partners (FTPs) associated with the firm for a period of at least three years shall be three.
- b. Out of total FTPs, minimum number of Fellow Chartered Accountant (FCA) partners associated with the firm for a period of at least three years shall be two.
- c. Minimum number of FTPs / paid Chartered Accountants (CAs) with Certified Information System Auditor (CISA) / ISA qualification shall be one.
- d. Minimum number of years of relevant audit experience of the firm shall be eight. The relevant audit experience would be experience of the firm as statutory / branch auditors of Banks / NBFCs / All India Financial Institutions
- e. Minimum number of professional staff shall be twelve.
- f. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the Company or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SAs (applicable to an audit firm under the same network of audit firms or any other audit firm having common partners).
- g. Concurrent auditors of the Company shall not be considered for appointment as SAs. 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 SA (applicable to an audit firm under the same network of audit firms or any other audit firm having common partners).
- h. The SAs shall be duly qualified for appointment as such in terms of criteria specified under Section 141 of the Companies Act, 2013.
- i. 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 Regulators.

6. Procedure for appointment of SAs

The following procedure will be adopted for appointment of SAs:

- a. The Company shall shortlist minimum of two audit firms for every vacancy of SA.
- b. Company shall obtain a certificate from each of the audit firms proposed to be appointed as SAs that they comply with all the eligibility norms prescribed by RBI and under the Companies Act, 2013. Such certificate shall be duly signed by the managing partner/s of the audit firm proposed for appointment under the seal of the said audit firm.
- c. The proposal for appointment of SAs shall be placed before the Audit Committee. The Audit Committee shall recommend the appointment to the Board and thereafter the appointment will be placed before the Board for approval subject to the approval of the shareholders. The approval of the shareholders will be sought in accordance with the provisions of the Companies Act, 2013.

7. Audit fee and expenses

The audit fees for SAs 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 risk in financial reporting etc. The Audit Committee shall recommend the remuneration payable to the SAs, for each financial year, to the Board for its approval.

8. Review of the performance of SAs

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

9. Review of the policy

This Policy shall be reviewed as and when deemed necessary and submitted for approval to the Audit Committee and the Board. Amendments / modifications whenever necessary, shall be carried out in the Policy as per any circular, notification, guidelines, etc. issued by RBI / any other Regulatory statutory authority from time to time and shall be placed before the Audit Committee and the Board for their approval.
