

ASEEM INFRASTRUCTURE FINANCE LIMITED (AIFL or COMPANY)

POLICY ON APPOINTMENT OF STATUTORY AUDITORS (SAs)

Reviewing & Approving Authority

Authority	Designation
Prepared By	Chief Financial Officer
Reviewed By	Chief Executive Officer Compliance Officer
Recommended By	Audit Committee
Approved By	Board of Directors
Date of approval	August 26, 2021

Version History

Version	Issue Date	Brief Description
V.1	August 26, 2021	New Policy Adopted

ASEEM INFRASTRUCTURE FINANCE LIMITED

Regd. Office: Aseem Infrastructure Finance Limited | UTI Tower, GN Block, 4th Floor, BKC, Mumbai-400051, Maharashtra

CIN: U65990MH2019PLC325794 | **Phone:** +91- 022 68591350 | **Website:** www.aseeminfra.in

1. Preamble:

Reserve Bank of India, vide its circular No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, has issued detailed guidelines for appointment of Statutory Auditors (SAs) of Non-Banking Finance Companies (NBFCs) under provisions of Chapter IIIB of RBI Act, 1934. All prior guidelines on the subject have been superseded by these guidelines.

2. Applicability:

These guidelines are applicable to Commercial Banks (excluding RRBs), UCBs and NBFCs including HFCs from Financial Year 2021-22 onwards in respect of appointment/reappointment of Statutory Auditors (SAs) of the entities. The NBFCs have the flexibility to implement these guidelines from H2 of FY21-22.

3. Statutory Auditor Appointment Policy and appointment procedure

3.1 Intimation to RBI

As per the guidelines, the Company does not have to take prior approval of RBI for appointment of SAs. However, the Company needs to inform RBI about the appointment of SAs for each year by way of a certificate in **Form A** within one month of such appointment.

3.2 Number of SAs and Branch Coverage

In terms of RBI guidelines for NBFC entities with asset size of ₹15,000 crore and above as at the end of previous year, the statutory audit is required to be conducted under joint audit of a minimum of two audit firms that can be Partnership firms or Limited Liability Partnerships (LLPs). Before appointment of Auditors, 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 as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014.

The Company shall decide on the number of SAs, considering the parameters as outlined in the RBI Guidelines. The Company will finalize the work allocation amongst the SAs, in consultation with the SAs, before the commencement of the statutory audit for the year.

Currently, the Company intends to appoint only one SA until its asset size crosses ₹. 15,000 crores.

3.3 Procedure for Appointment of SA

- The Company shall shortlist a minimum of two (2) audit firms for every vacancy of SAs as per the RBI Guidelines as amended from time to time.
- The Company shall place the name of shortlisted audit firms, in order of preference, before the Audit Committee of Board ('ACB') for selection as SAs, which shall consider the same and make its recommendation to the Board of Directors. Thereafter, upon confirmation by the Board of Directors and verifying their compliance with the eligibility norms prescribed by RBI and other relevant regulations, the Company shall make the appointment.
- The Company shall obtain a certificate on eligibility norms, along with relevant information from the audit firms proposed to be appointed/ reappointed as SAs as per RBI and other statutory requirements and shall verify the same.
- The appointment of SAs shall be approved by the shareholders at the annual general meeting.

3.4 Eligibility Criteria of Auditors

Company will appoint audit firm(s) as its SA(s) fulfilling the following eligibility norms given in ***Annexure I***.

3.5 Independence of Auditors

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

3.5.2 As outlined in the RBI Guidelines, the SAs can approach the ACB or the Board in case of any concern with the Management such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, under intimation to the concerned SSM/RO of RBI.

3.5.3 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the Company or any audit/non-audit works for its group entities will be at least one year, before or after its appointment as SA. However, during the tenure as SA, the audit firm may be permitted to provide such services to the Company which may not normally result in a conflict of interest, and Company's management will take decision in this regard, in consultation with the Board/ACB.

A conflict would not normally be created in the case of the following special assignments (indicative list):

- (i) Tax audit, tax representation and advice on taxation matters,
- (ii) Audit of interim financial statements.
- (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements.
- (iv) reporting on financial information or segments thereof

3.5.4 The restrictions as detailed in immediate above 2 paras, 3.4.3 & 3.4.4, shall 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.

3.6 Professional Standards of SAs

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

3.6.2 The ACB shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs 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 Board, with the details of the audit firm.

3.6.3 In the event of lapses in carrying out audit assignments resulting in misstatement of the Company's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the /SAs in relation to the Company, the /SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

3.7 Tenure and Rotation

3.7.1 To protect the independence of the audit firms, the Company shall appoint the SAs for a continuous period of three years, subject to the firm(s) satisfying the eligibility norms each year. Further, Company will be entitled to remove the audit firms during the above period and 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.

3.7.2 An audit firm will not be reappointed by the Company for a period of six years, after completion of a full term of three years or a part of the term in case their appointment was terminated for any reason whatsoever.

3.8 Audit Fees and Expenses

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

3.8.2 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 technology adoption, etc.

3.8.3 The ACB shall make recommendation to the Board of Directors as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

3.9 Disclosure

The Policy on appointment of SAs as approved by the Board of Directors to be hosted on the website of the Company.

Eligibility Criteria for Appointment as SA as per the current RBI Guidelines

I. Basic Eligibility

Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
Above ₹15,000 crore	5	4	2	15	18
Above ₹1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
Upto ₹1,000 crore	2	1	1*	6	8

Note 1:

There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full-time partners. Further, for appointment as SAs of NBFC with asset size above ₹ 1,000 crore, at least two partners of the firm should have had continuous association with the firm for at least 10 years. Continuous association for a partner is as defined in the RBI guidelines.

Note 2:**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.

Note 3:**Audit Experience:**

Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ 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.

Note 4:

I. Professional Staff

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 professionalstaff for the purpose.

II. Additional Consideration

The RBI guidelines have also laid down other additional considerations with regard to the SAs proposed to be appointed and the Company shall ensure to comply with these requirements.

III. Continued Compliance with basic eligibility criteria

As per the RBI guidelines, in case any audit firm (after appointment) 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 be expected to promptly approach the Company with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of the Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.

Information to be submitted by NBFCs regarding appointment of SA

1. The Company has appointed M/s [●] Chartered Accountants (Firm Registration Number [●]) as Statutory Auditor (SA) for the financial year [●] for their 1st/2nd/3rd term.
2. The Company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SA of the company for FY [●] along with relevant information in the format as prescribed by RBI.
3. The firm has no past association/association for [●] years with the Company as SAs
4. The Company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SAs of NBFCs.

For Aseem Infrastructure Finance Ltd.

Signature
Name
Designation

Date