

SHRADHA AI TECHNOLOGIES LIMITED

(Formerly known as Shradha Industries Limited)

POLICY ON EFFECTIVE COMMUNICATION BETWEEN STATUTORY AUDITORS AND THOSE CHARGED WITH GOVERNANCE (TCWG)

1. Preamble

This Policy establishes a structured, transparent, and documented framework for effective two-way communication between the Statutory Auditors and Those Charged with Governance (TCWG). This Policy is adopted in line with:

- The Companies Act, 2013.
- Standards on Auditing (including SA 260 (Revised) and SA 265).
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- NFRA Circular dated 07 January 2026. Every non-compliance with these provisions impacts the governance framework and may erode investor confidence.

2. Objective

The objectives of this Policy are:

- To ensure robust, documented, two-way communication throughout the audit.
- To ensure TCWG has timely and clear visibility into the audit process and key risks.
- To ensure compliance with statutory requirements and protect public interest.

3. Applicability

This Policy applies to:

- The Board of Directors and its Audit Committee.
- Independent Directors.
- Key Managerial Personnel and Senior Management.
- Statutory Auditors of the Company.

4. Definition and Determination of TCWG

- The **Board of Directors** is overall responsible for governance and shall be regarded as TCWG.
- The Audit Committee (AC) functions as a sub-group of the Board.
- The Auditor shall determine the appropriate persons as TCWG at the start of the audit.
- If the Auditor communicates with a sub-group (AC), they must assess if the sub-group has sufficient authority and whether there is a further need to communicate with the full Board.

5. Communication Framework

5.1 General Principles

- Communication shall be two-way, timely, and specific.
- The Board and Auditors shall designate Nodal Persons (including Independent Directors) to ensure effective communication throughout the year.
- The duration of discussions must be sufficient for a meaningful outcome.

5.2 Form of Communication

- Significant matters must be communicated in writing.
- Oral communications must be documented in writing, including the date, time, and details of persons involved.
- Written communication must be unambiguous; presentations in bullet form alone or emails with a caveat that "no comments is construed as acceptance" are unacceptable.

6. Matters to be Communicated by the Statutory Auditors

The Auditors shall communicate, inter alia:

1. **Audit Strategy and Planning:** Planned scope, timing, and the **quantification of materiality**.
2. **Specialized Skills:** The nature and extent of expertise needed (e.g., Fair Value Measurements, Expected Credit Loss Allowance).
3. **Risk Assessment:** Assessment of Risk of Material Misstatement (ROMM), including fraud and non-compliance with laws.
4. **Internal Control:** Significant deficiencies in internal financial controls, explained with their potential effects.
5. **Accounting Estimates:** Discussions on management judgments, assumptions, and forecasts (e.g., impairment testing, going concern).
6. **Unusual Transactions:** Significant transactions outside the normal course of business, including supplier/land advances and circuitous dealings with promoter entities.
7. **Independence:** Confirmation of compliance with the Code of Ethics, including non-audit services and relationships of Network Firms.

7. Matters to be Communicated by TCWG / Management

TCWG and Management shall communicate to the Auditors:

- Significant strategic decisions affecting the audit.
- Suspected or identified fraud and concerns regarding the integrity or competence of senior management.
- Significant communications with Regulators or investigations.
- Views on Internal Control Systems and the Internal Audit function.

8. Frequency of Meetings

- **Pre-Audit Meeting:** Before the commencement of the audit to discuss scope and strategy.
- **Pre-Approval Meeting:** Well in advance of the approval of financial statements to discuss findings.
- **Quarterly Reviews:** Meetings should facilitate effective deliberations at quarterly Board meetings.

9. Documentation and Record Maintenance

- Written communications shall form part of the Audit Work Papers and the agenda/minutes of the Board/AC meetings.
- Minutes must formally acknowledge discussions, views expressed by both parties, and instructions given.

10. Escalation Mechanism

- If the Auditor identifies significant fraud, control weaknesses, or management non-cooperation, they shall request a meeting with TCWG in writing.
- TCWG shall either accede to the request or communicate reasons for declining in writing.

11. Roles and Responsibilities

- **Board of Directors:** Prepare and document the overall communication framework.
- **Audit Committee:** Review Auditor independence, performance, and the effectiveness of the audit process.
- **Company Secretary:** Ensure this circular/policy is brought to the notice of the Board and AC and ensure proper documentation in minutes.

12. Review of Policy

This Policy shall be reviewed by the Audit Committee and the Board periodically or upon any regulatory amendment.

13. Disclosure

This Policy shall be hosted on the website of the Company in accordance with applicable regulatory requirements.