

# POLYCAB

POLYCAB INDIA LIMITED

## 'Those Charged with Governance' ('TCWG') Communication Framework

<b>Particulars</b>	<b>Date</b>	<b>Version</b>
<i>Policy prepared in consultation with Auditors placed for Board approval</i>	<i>03<sup>rd</sup> April 2026</i>	<i>1.0</i>

## **I. Preface: TCWG Communication Framework**

To enable effective implementation of the Standards of Auditing, the Board in consultation with the Statutory Auditors prepared and documented this '**TCWG Communication Framework**' for ensuring an effective two-way communication throughout the audit as explicitly mandated in the Companies Act, 2013 (CA 2013), the Standards on Auditing (SAs) prescribed under Companies Act 2013, National Financial Reporting Authority (NFRA) circular and other relevant Rules and Regulations.

This TCWG Communication Framework documents the form and process for an effective two-way communication between those in charge of governance and the Auditors.

TCWG Communication Framework is built on five pillars of Polycab's Governance Framework:

- i. Philosophy: Objective & Purpose
- ii. Directives: TCWG Communication Framework (TCWG Framework)
- iii. Structure: Governance Structure for Accounting & Auditing
- iv. Systems: TCWG Charter, Policy & SOP
- v. Evaluation: Redressal Mechanism

### **1. Philosophy, Objective and Purpose:**

The TCWG Framework provides a structured communication mechanism between Board of Directors, Statutory Auditors (Auditors), Those Charged with Governance (TCWG), Management Team, Audit Committee (AC), Nodal persons, Audit Engagement Team (AET) amongst others responsible for governance under the governance structure during the audit ensuring reliable audit quality and investor protection.

In accordance with Standards of Auditing, the Auditors shall communicate with TCWG/ TCWG sub-group/ Nodal persons/ Audit Committee in the form, timing, and expected general content of communications as encompassed in this Framework.

To ensure clarity, the Auditor and TCWG shall discuss and document, at the start of the audit of a financial year, the following:

- i. The planned scope and timing of the audit; and
- ii. The expectations of two-way communication, including typically expected agenda items.

### **2. Directives:**

The Policies, processes and guiding principles designed to implement the aforementioned objective and purpose, in practice, both in letter and spirit and to ensure the joint and collective mandatory obligation of the Company's Governing Body, i.e. the Board of Directors, its Audit Committee, its Management Team, its Statutory Auditors for establishing robust effective two-way communication between the Statutory Auditors and TCWG pursuant to the Companies Act, 2013, Standards for Auditing and relevant rules is achieved, TCWG Framework & TCWG Charter are defined in consultation and agreement with the Auditors.

### **3. Structure:**

The multi-tier Governance Structure defines the hierarchy, role and responsibilities and escalation matrix for achieving the objective and expectation for a robust two-way communication on matters that will be relevant to the audit such as strategic decision that may significantly affect the nature, timing and extent of audit procedures, the suspicion or the detection of fraud, and concerns with the integrity or competence of senior management, significant communications, if any, with Regulators, their views, awareness and actions regarding Internal Controls including Internal Audit Function, TCWG's awareness and actions in relation to developments in the financial reporting framework, corporate governance practices and other regulatory matters.

### **Scope & Applicability:**

This TCWG Framework & TCWG Charter shall be applicable to:

- a) The **Board of Directors** and its individual Board Members, as TCWG being overall responsible for the governance of the Company.
- b) The **Audit Committee**, which discharges TCWG responsibilities for vigilance, accounting, strategic decisions, risk management and accounting / audit-related matters.
- c) The **Key Managerial Personnel and Management Team**, being a part of the governance structure that are entrusted with the responsibility of accounting, auditing, and compliance.
- d) The **Statutory Auditors and the Audit Engagement Team (AET)** are responsible to perform the audit without prejudice to the professional scepticism as per the standards of Auditing
- e) **TCWG\*** determined by the Auditors at the start of the audit and entrusted with responsibility for overseeing the strategic direction of the Company and obligations relating to the accountability of the company.
- f) **Nodal persons** from amongst Board Members and Audit Engagement Team shall be responsible to strengthen the regular two-way communication, as encouraged by NFRA

### **\*Those Charged with Governance ('TCWG'):**

The following group / sub-group qualify as TCWG under the Governance Structure:

- i. Board of Directors being overall responsible for the governance of the Company shall qualify as TCWG.
  - ii. TCWG could also be a Sub-Group<sup>#</sup> of the Board comprising of:
    - a. Audit Committee plus some of the Board Members
    - b. Independent Director(s) plus Executive Director(s) as approved by the Board from time to time
- <sup>#</sup>where a sub-group has been determined as TCWG by the Auditor, the Auditor shall further determine if there is a further need for communicating with the full Board

The Role and Responsibilities of each tier of the Governance Structure responsible for Accounting & Auditing forms part of the TCWG Charter.

### **4. Systems:**

Once TCWG is determined, pursuant to the Standard for Auditing, the systems and process for regular two-way communication throughout the audit are defined in the **TCWG Charter** which includes the TCWG Standard Operating Process('SOP').

**TCWG Charter (Annexure)** entails:

- i. Constitution of TCWG and Nodal Persons
- ii. Frequency of communications and meetings between TCWG and Auditors
- iii. Agenda – Matters requiring communication of specific matters with TCWG by Auditors
- iv. Minutes of the meetings / letters formally acknowledged by both TCWG & Auditor
- v. Process of updating or escalating matters to TCWG.
- vi. Process of documenting and communicating the views, instructions, actions of TCWG on the significant matters communicated by the Auditors.
- vii. Forms of Communication
- viii. Expectations of the Auditors from the Board.

### **5. Evaluation & Grievance Redressal Mechanism**

The overall Governance Framework is evaluated periodically. The evaluation process includes upgrading various elements of the TCWG Framework including implementation of SOP based on amendments in law and good industry practices. The evaluation includes grievance redressal which encourages two-way communication through recommendation and feedback received from all stakeholders in a systematic process.

### **6. Amendments**

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment / modification in the Act shall automatically apply to this Policy.

**7. Communication of this Policy**

This Policy shall be posted on the website of the Company at [www.polycab.com](http://www.polycab.com)

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# POLYCAB

## POLYCAB INDIA LIMITED

### 'Those Charged with Governance' ('TCWG') Charter (Annexure 1)

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1. Constitution of TCWG
2. Frequency of communications and meetings between TCWG and Auditors
3. Quorum of the TCWG Meeting
4. Agenda – Matters requiring communication of specific matters with TCWG by Auditors
5. Minutes of the meetings / letters formally acknowledged by both TCWG & Auditor
6. Form of Communication by Auditors with TCWG/ACs and its documentation
7. Process of updating or escalating matters to TCWG
8. Process of documenting and communicating the views, instructions, actions of TCWG on the significant matters communicated by the Auditors
9. Expectations from Auditors
10. Expectations of the Auditors from the Board
11. Role & Responsibilities of the Governance Structure

#### 1. Constitution of TCWG and Nodal Persons:

##### i. TCWG

The Statutory Auditors has determined TCWG as the Board of Directors.

##### ii. Nodal Persons, jointly, shall be:

- a) Chairman & Managing Director / Executive Director
- b) Chairperson of Audit Committee
- c) Audit Partner

In furtherance:

- The Finance and Operations Committee of the Board shall be authorised to change Nodal persons of the Board from time to time
- CFO shall be a permanent sub-delegate of the Nodal Persons of the Board and a permanent invitee to the Meetings of TCWG and Meetings of Nodal Persons.

#### 2. Frequency of communications and meetings between TCWG and Auditors

For achieving the objectives of the TCWG Framework, TCWG Charter, Standards of Auditing, and other requirements of various acts and rules, regular two-way communication between the Auditors and TCWG / its sub-groups / nodal persons throughout the audit period is detailed below:

- i. Auditors and TCWG shall meet in person or virtually at least twice a year, once before the commencement of the audit and second time well in advance of the time, before the approval of financial statements by TCWG to facilitate effective deliberations about the audit-related matters at the quarterly meetings of the Board.  
The TCWG and Auditors shall meet primarily to discuss:
  - a. Pre-audit meeting – Discuss audit strategy, scope, materiality, key risks.
  - b. Post-audit meeting – Discuss significant findings, deficiencies, judgments, and unresolved issues
- ii. In addition to the above, the Auditors shall request a meeting with TCWG in writing, and TCWG shall either accede to the request or, in writing, communicating the reasons for declining it, in the event situations warranting discussion between the Auditors and TCWG arise.
- iii. Audit Engagement Team and Nodal persons / TCWG sub-group shall meet regularly atleast once in every quarter for discussing the following:
  - a) presentation of audit strategy & scope;
  - b) identification of Key Audit Risks; and
  - c) timeline of audit deliverables, milestones, and management information requirements.
- iv. The Audit Engagement team and Management Team shall meet regularly while finalising the financial results. The discussions and actions that are significant during their deliberations shall further be

informed to the TCWG and Auditors for their deliberations and noting.

3. **Quorum of the TCWG Meeting:**

The Quorum for TCWG shall be 1/3<sup>rd</sup> of total members or 2 whichever is higher with atleast one Independent Director and one representative of Statutory Auditors.

4. **Agenda - matters requiring communication of specific matters with TCWG by the Auditors:**

While the SAs, and provisions of CA 2013 and Rules thereof have a comprehensive and detailed list of matters to be discussed with and communicated between the Auditors and TCWG, the following matters shall invariably form part of the agenda matters for interactions between Auditors and TCWG:

**a) Audit Strategy and Audit Planning including quantification of Materiality and its effect on nature and extent of audit work:** Auditors assessment of risk of material misstatement (ROMM), Internal Control Environment in particular to prevent frauds and non-compliance with critical laws and regulations; areas of significant accounting policy judgment and management estimations; areas requiring involvement of experts, either by the Management or the Auditors; accounting or other areas of concerns requiring special attention by the Auditors.

**b) Status of audit work and significant findings during the audit period:**

- Significant difficulties during the audit, like unavailability of expected information etc.
- Significant transactions or events where the Management encountered difficulties in identifying the appropriate accounting policies or standards, and the Auditor's view on the appropriateness of the policies applied by the Management.
- Significant and material weaknesses in internal financial controls and non-qualification of the Auditor's specific report on adequacy and operating effectiveness of internal financial controls.
- Discussions with Management on accounting estimates that involve significant management judgments or use of significant assumptions and forecasts such as valuation and impairment testing of unlisted shares/properties, going concern assessments, expected credit loss allowance estimates, etc.

**c) Auditor's compliance with Independence and Code of Ethics** regarding all the relationships and other matters such as business relationships, non-audit services, if any, between the Firm, Network Firms and the Auditee Company and other specified entities that may have an impact on Independence; and safeguards applied to eliminate or reduce threats to independence.

5. **Minutes of the meetings / letters formally acknowledged by both TCWG & Auditor**

All significant communications shall be in writing and formally acknowledged by both the Auditors and TCWG, either in the form of minutes of the meeting or letters. The Minutes shall be prepared by the Auditors and authenticated by all the attendees. The decisions and deliberations at the Meetings shall be documented for reference and action.

6. **Form of Communication by Auditors with TCWG/ACs and its documentation:**

- a. Communication shall be in writing. In case of oral communication, it shall be documented in writing and shall include the date, time and details of the persons involved in the communication. The written communication shall form part of the Audit Work Papers and part of the agenda and minutes of the Board or AC meeting held subsequently.
- b. Written communication shall be unambiguous and specific in respect of issues or matters for the consideration of both parties. Presentations shall be preferably in bullet form.
- c. Communication shall also contain the views/suggestions of TCWG on the subject matter raised by the Auditors and vice versa.
- d. Duration of discussion between the Auditors and TCWG must be sufficient for a meaningful outcome.

## 7. Process of updating or escalating matters to TCWG

The significant discussion and communications between Nodal officers / subgroups of TCWG and the Auditors shall be escalated to the TCWG and Auditors for inclusion in the Agenda

## 8. Process of documenting and communicating the views, instructions, actions of TCWG on the significant matters communicated by the Auditors

Policy and process of documenting and communicating the views/ instructions/ actions of TCWG on the significant matters communicated by the Auditors, such as planned scope and timing of audit, Auditor's assessment of Risk of Material Misstatement due to fraud or error, Auditor's evaluation of the Internal Control System in the Company.

## 9. Expectations from Auditors:

- a. Auditors to adequately evaluate the entity's governance structure and determine TCWG.
- b. The communication process with TCWG be complete and adequately documented.
- c. The communication to clearly record the purpose and objective of such communication
- d. Auditors to communicate with TCWG significant matters, including the planned scope and timing of the audit, materiality, key audit matters and significant risks (such as going concern issues, valuation deficiencies and unusual transactions outside the normal course of business).
- e. Auditors to establish and document the form, timing and two-way nature of communication with TCWG.
- f. Auditors to document communications from TCWG about significant strategic decisions, suspected or identified fraud, and views regarding the integrity and competence of senior management.
- g. Communications by Auditors to the TCWG to be adequately supported with documentation of discussions of significant matters or of actions arising from Audit Committee deliberations rather than limited to a presentation shortly before approval of the financial statements.
- h. Auditor shall ensure that Meetings and discussions with Nodal persons / Management are documented in addition to communication with TCWG.
- i. Significant unusual transactions, including supplier and land advances, borrowing and lending transactions, and circuitous dealings with promoter or group-controlled entities outside the normal course of business, to form part of the communication to TCWG.
- j. Instances of non-compliance with laws and regulations, including prudential and regulatory requirements that could affect the entity's license to operate, be communicated.
- k. Communications of deficiencies in the entity's related party transaction policy and issues in related party transactions, such as significant increases, questions as to whether they were in the ordinary course of business, or whether they were at arm's length to form part of the communication to TCWG.
- l. Requirement of Law and Standards regarding internal controls, the Auditors to communicate identified weaknesses or the absence of internal controls to TCWG, including serious deficiencies in credit policies and the failure of the Risk Management Committee to meet over multiple years.

## 10. Expectations of the Auditors from the TCWG

The Auditors expect a two-way communication i.e., TCWG will communicate to the Auditors on the matters that will be relevant to audit such as strategic decisions that may significantly affect the nature, timing and extent of audit procedures, the suspicion or the detection of fraud, and concerns with the integrity or competence of senior management, significant communications, if any, with Regulators, their views, awareness and actions regarding Internal Controls including Internal Audit Function, TCWG's awareness and actions in relation to developments in the financial reporting framework, corporate governance practices and other regulatory matters, without prejudice to the professional scepticism required of the Auditor as per the standards on Auditing.

## 11. Role & Responsibilities of the Governance Structure for Accounting & Auditing

### 11.1. Board of Directors:

The Board of Directors is overall responsible for the governance of the Company. In addition, the Board approves the financial statements and Directors' Responsibility Statement disclosing the Board's assertions regarding certain critical aspects, such as adherence to applicable accounting standards; selection and application of accounting policies and making of judgements/estimates on reasonable and prudent basis. The Board is also responsible for maintenance of adequate records for safeguarding the assets of the company and preventing and detecting fraud and other irregularities; preparation of accounts on a going-concern basis; implementation of adequate internal financial controls and ensuring their operating effectiveness; and implementation of proper systems to ensure compliance with all applicable laws.

### 11.2. Independent Directors:

The Code for Independent Directors casts an obligation on them to satisfy themselves of the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

### 11.3. Audit Committees:

The critical responsibilities of the Audit Committee are defined in its terms of reference which include review and monitor the Auditor's independence and performance, and the effectiveness of the audit process.

### 11.4. Auditors:

The Auditors prepare and submit Report to members of the Company on the accounts examined, the financial statements pursuant to the accounting and auditing standards, and whether the financial statements give a true and fair view. It is accompanied with an obligation on the Auditor to comply with 'Powers and duties of auditors and auditing standards'. The Standards of Auditing casts a statutory obligation on the Auditor to ensure effective two-way communication between the Auditors and TCWG, Audit Committee and Management. The Auditors shall determine who constitutes TCWG at the beginning of the Audit and have specific communication requirements for dealing with communication between the Auditors and Those Charged with Governance ('TCWG'), Audit Committee and Management.

Appropriate determination and documentation of TCWG under Indian Legal and Regulatory Framework: The Auditor shall determine who constitutes TCWG at the beginning of the Audit. If the Auditors communicate with a sub-group, as mentioned in paragraph 3.1 above, it is relevant that the Auditor keeps in mind as to whether the sub-group has the authority to take action in respect of the matters communicated, the adequacy of communication between the sub-group and the full Board of Directors, and whether they need to also communicate with the full Board in addition to communication with the sub-group of TCWG.

### 11.5. Those Charged with Governance ('TCWG'):

TCWG are those with responsibility for overseeing the strategic direction of the Company and obligations relating to the accountability of the company. It is necessary for the Auditor to determine TCWG within the governance structure of the Company at the start of the audit.

Once TCWG is determined, the Standard for Auditing requires regular, two-way communication with TCWG throughout the audit.

### **11.6. TCWG and Management Responsibilities:**

The objectives of communications with TCWG include obtaining from TCWG the information relevant to the audit and providing them with timely observations arising from the audit that are significant and relevant for the Statutory Auditors to fulfil their responsibility of oversight of the financial reporting. These communication requirements are designed, inter alia, to strengthen governance over the financial reporting process by ensuring that TCWG has a timely and clear visibility into the audit process. Timely information on the audit plan, areas of key risks, Auditors independence, enables TCWG to ensure uncompromising objectivity of the Auditors and enhance audit quality and, in turn, protecting public interest.

### **11.7. Nodal Persons:**

Nodal persons are appointed by the Board and Auditor to ensure effective two-way communication throughout the audit. Nodal persons shall be Members of the Board and Audit Engagement Team (AET). Nodal persons of the Board may include Independent Directors as well as Non-Independent Directors.

Nodal persons identified for ensuring effective two-way communication throughout the audit, updating or escalating the matters to TCWG, about the discussion and communication between Nodal officers of TCWG and Auditors and also the Auditors' interaction with subgroups of TCWG shall be:

Policy and Process of updating or escalating the matters to TCWG, about the discussion and communication between Nodal officers of TCWG and Auditors and also the Auditors' interaction with subgroups of TCWG, if any.

### **11.8. Management Team:**

The Standards for Auditing deals with the Auditor's communication about the deficiencies in internal controls identified during the audit, with both TCWG and Management. These need to be communicated in writing and in a timely manner. The Auditor shall determine whether control deficiencies, if any, identified are significant, individually or in combination, and the communication of such deficiencies must explain their potential effects in writing and in a timely manner.

The Auditors assessment of risk of material misstatement (ROMM), Internal Control Environment in particular to prevent frauds and non-compliance with critical laws and regulations; areas of significant accounting policy judgment and management estimations; areas requiring involvement of experts, either by the Management or the Auditors; accounting or other areas of concerns requiring special attention by the Auditors.

### **11.9. Audit Engagement Team (AET)**

The Audit Engagement Team refers to the group of individuals who perform the audit work for a particular audit engagement. The Audit Engagement team shall consist of

- a) Audit Partner(s) and
- b) Audit Staff such as managers, seniors, and assistants who perform audit procedures;
- c) Experts engaged by partners, if any.

### **Illustrative list of Agenda items and matters to be considered by the TCWG & Auditors at their Meetings:**

- (i) to determine whether the control deficiencies identified are significant, individually or in combination, and the communication of such deficiencies must explain their potential effects.
- (ii) to communicate in writing and in a timely manner significant deficiencies in internal control
- (iii) to convene the Meetings of TCWG, Meetings of Nodal Persons and Meetings of TCWG & Auditors
- (iv) to finalise the Agenda of the TCWG Meetings
- (v) to provide information where the Auditors are experiencing significant difficulty during the audit to obtain the sufficient appropriate audit evidence
- (vi) to facilitate discussion between the Auditors and TCWG, where the Auditors have reason to believe a potential fraud / observed significant weaknesses in the internal controls or differences of views/ opinions with those of the Management in respect of significant accounting estimates, etc.
- (vii) to recommend TCWG Policy and Process for updating or escalating the matters to TCWG, about the discussion and communication between Nodal officers of TCWG and Auditors and also the Auditors' interaction with subgroups of TCWG, if any.
- (viii) to establish robust, effective two-way communication.
- (ix) To obtain from the Management and provide to the Auditors information relevant to the audit

- (x) To facilitate timely communication with Auditors on observations on matters arising from the audit that are significant and relevant for them to fulfil their responsibility of oversight of the financial reporting designed, inter alia, to strengthen governance over the financial reporting process by ensuring that TCWG has a timely and clear visibility into the audit process.
- (xi) To evaluate the timely flow of information, audit plan, areas of key risks, and Auditors independence,
- (xii) To recommend appropriate policies and processes and amendments thereto to implement these requirements in practice in letter & spirit.
- (xiii) To prepare / document in the Minutes of the Meeting of TCWG and Auditors, the effective two-way communications made prior to the adoption of the financial results of the Company
- (xiv) To prepare Agenda for discussions with TCWG shall include:
  - Assumptions / presumptions, estimates and judgements amongst others prescribed under Companies Act, relevant Standards on Auditing, Ind AS amongst others
  - Identified internal controls and deficiencies if any
  - Deficiencies in compliance or procedural violations
  - Significant risks including going-concern issues, strategic decisions, suspected frauds, unusual transactions, related party transactions,
  - Financial Reporting frameworks, corporate governance practices and other regulatory matters
  - Key audit matters
  - Audit plan
  - Draft Management Representation Letters
  - Governance structure review and determination of TCWG from time to time
  - Planned scope and timing of the audit, materiality, key audit matters and significant risks
  - Going-concern issues, valuation deficiencies and unusual transactions (outside the normal course of business).
  - Significant strategic decisions suspected or identified fraud, and views regarding the integrity and competence of senior management.
  - Actions arising from Audit Committee deliberations
  - Actions arising from discussions with Nodal persons / Management.
  - Significant unusual transactions, including supplier and land advances, borrowing and lending transactions, and circuitous dealings with promoter or group-controlled entities outside the normal course of business
  - Instances of non-compliance with laws and regulations, including prudential and regulatory requirements that could affect the entity's license to operate, be communicated.
  - Deficiencies in the entity's related party transaction policy and issues in related party transactions, such as significant increases, questions as to whether they were in the ordinary course of business, or whether they were at arm's length.
  - Identified weaknesses or the absence of internal controls, including serious deficiencies in credit policies and the
  - Failure of compliance with the requirements of the Risk Management Committee.
  - written representations from management and, where appropriate, those charged with governance whether they believe significant assumptions used in making accounting estimates are reasonable
  - such other matters as may be identified as significant during the communications

## Terms of Reference of TCWG:

- I. Oversight of Audit Process**
  - Review audit strategy, plan, scope, materiality thresholds, and areas of significant risk.
  - Discuss key audit matters and ensure escalation to the Board where required
- II. Communication with Statutory Auditors**
  - Ensure continuous two-way communication throughout the audit cycle.
  - Avoid reliance solely on management-level communication, which NFRA states is insufficient.
- III. Review of Audit Findings**
  - Review deficiencies in internal controls, unusual transactions, non-compliance issues, and related-party risks.
  - Ensure management implements corrective actions.
- IV. Documentation Requirements**
  - Ensure that all communications—written and oral—are documented as required under SA 260 and SA 265.
  - Maintain minutes, action-taken reports, and auditor communication logs.
  - Minutes shall be placed at the Board meeting for their noting
- V. Governance and Oversight**
  - Monitor auditor independence and objectivity.
  - Review non-audit services and conflict-of-interest considerations.
  - Promote transparency and strengthen governance culture.
- VI. Regulatory Compliance**
  - Review developments requiring reporting to NFRA or other regulators.
  - Ensure adherence to requirements under the Companies Act and auditing standards.
- VII. Reporting and Escalation Mechanisms**
  - Significant deficiencies, judgments, and unresolved matters shall be escalated to the full Board.
  - Action-taken reports shall be reviewed at subsequent meetings.
  - Any matter requiring regulatory reporting shall be flagged immediately.
- VIII. Review of the Charter**

This Charter shall be reviewed if required due to:

  - changes in NFRA regulations,
  - amendments to Standards on Auditing, or
  - Board-mandated governance changes.

## **Role and Responsibilities of the Governance Structure under**

### **1.1 Board of Directors:**

The Board of Directors has been determined to be 'TCGW' by the Auditors based on the recommendation of the Independent Directors. The Board may further appoint Nodal Officers or authorise Finance and Operations Committee to appoint a Nodal Officer for ensuring an effective two-way communication throughout the audit.

Section 134 of CA 2013 and related Rules require that the financial statements, including the consolidated financial statements, if any, be approved by the Board of Directors. A report by the Board shall be attached to the financial statements, which shall include, inter alia, an important statement called Directors' Responsibility Statement. According to sub-section 5 of Section 134, this statement shall disclose the Board's assertions regarding certain critical aspects, such as adherence to applicable accounting standards; selection and application of accounting policies and making of judgements/estimates on reasonable and prudent basis; maintenance of adequate records for safeguarding the assets of the company and preventing and detecting fraud and other irregularities; preparation of accounts on a going concern basis; implementation of adequate internal financial controls and ensuring their operating effectiveness; and implementation of proper systems to ensure compliance with all applicable laws.

**1.2 Independent Directors:** Schedule IV to the CA 2013 lays down a Code for Independent Directors. Sub-clause 4 of Clause II casts an obligation on them to satisfy themselves of the integrity of financial information and that financial controls and the systems of risk management are robust and defensible. Further, Clause III casts several duties on the independent directors, such as appropriate induction and regular updation of their skills, knowledge and familiarity with the company; clarification or amplification of information; remaining well informed about the company and the external environment it operates; paying sufficient attention and ensuring that adequate deliberations are held before approving related party transactions. Reporting concerns about unethical behaviour, actual or suspected fraud or violation of the company's Code of Conduct or Ethics Policy; and where there are concerns about the running of the company or proposed action, the independent directors are to ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting.

**1.3 Audit Committees:** Section 177 of CA 2013, the related Rules stipulate several important roles and responsibilities of the Audit Committee. One of the critical responsibilities is to review and monitor the Auditor's independence and performance, and the effectiveness of the audit process. Other areas of critical significance relate to related party transactions, inter-corporate loans and investments, the valuation of assets of the company, the evaluation of internal financial controls and risk management systems, the review of major accounting entries involving estimates based on the exercise of judgment by management and discussions with Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern and so on.

**1.4 Auditors:** Section 143 of CA 2013 is titled 'Powers and duties of auditors and auditing standards'. Sub-section 2 of section 143 requires the Auditor to make a report to members of the company on the accounts examined and the financial statements, inter alia, after taking into account the provisions of CA 2013, the accounting and auditing standards, and whether the financial statements give a true and fair view. Further, subsection 9 of section 143 of CA 2013 casts a statutory obligation on the Auditor to comply with the auditing standards. There are two SAs, viz. SA 260 (Revised)<sup>1</sup> and SA 2652 that deal with communication between the Auditors and Those Charged with Governance ('TCWG'), Audit Committee and Management. Also, there are many other SAs, including SQC 1, that have specific communication requirements between the Auditor and TCWG (Refer Annexure I).

**1.5 Those Charged with Governance ('TCWG'):** Paragraph 10 (a) of SA 260 (Revised) defines TCWG as those with responsibility for overseeing the strategic direction of the company and obligations relating to the accountability of the company. Paragraph 11 lays down a mandatory requirement for an Auditor to determine appropriate persons as TCWG within the governance structure. As per the CA 2013, since the Board of Directors is overall responsible for the governance of the company, it

