# POLICY ON COMMUNICATION

# BETWEEN

# STATUTORY AUDITORS

# AND

# THOSE CHARGED WITH GOVERNANCE

# (TCWG)

**Rico Auto Industries Limited**

| Prepared by: | Reviewed by : | Approved by: |
|---|---|---|
| Company Secretary | Chief Financial Officer | Chairman & Managing Director |

**Determination of TCWG**

The Board Members as per the recommendation of the audit committee on the National Financial Reporting Authority ("NFRA") circular dated 07.01.2026 ("NFRA circular"), ascertained Those Charged With Governance ("TCWG") as stated in compliance with the Circular as comprising of following four Directors who are also the members of various Board Committees of the Company such as Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders' Relationship Committee, and Corporate Social Responsibility Committee having oversight on various operations and departments of the Company such as Human Resources, Finance, Information Technology/Security, Risk, Internal Audit, Operations Compliance and Legal, investor/ stakeholders' relationship etc.

The Managing Director has substantial powers of management of the affairs of the Company and the role of Independent Directors include 1) assist the company in implementing the best corporate governance practices, 2) uphold ethical standards of integrity, 3) shall help in bringing an independent judgment in Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct, 4) shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible, 5) shall safeguard the interests of all stakeholders, particularly the minority shareholders and balance the conflicting interest of the stakeholders.

It was also intended to identify TCWG as a sub-group of the Board instead of making the entire Board TCWG. The individuals mentioned below also comprised majority of the members of all Board Committees of the Company as mentioned above. Therefore, the below mentioned individuals are identified as TCWG.

a. Shri Yogesh Kapur, Independent Director and Chairperson of the Audit Committee
b. Shri Hemant Bharat Khandwala, Independent Director and Member of the Audit Committee.
c. Shri Prabhakar Kadapa, Independent Director and Member of the Audit Committee.
d. Shri Arvind Kapur, Chairman, CEO, Managing Director and Member of the Audit Committee.
e. Shri Kaushalendra Verma, Executive Director.
f. Shri Rajiv Kumar Miglani, Executive Director.
g. Shri Samarth Kapur, Executive Director
h. Shri Naveen Sorot, Chief Financial Officer.
i. Ms. Ruchika Gupta, Company Secretary

**Objective and purpose of Two-Way Communication Policy**

To establish effective **two-way communication** between the **TCWG** and the Auditors, the following structured framework should be implemented to ensure transparency, accountability, and timely information flow:

**1. Annual Shared Work Planning Session (Audit Planning Stage)**

At the beginning of each financial year—or prior to the start of the annual audit—a joint planning session should be conducted.

**Scope of Discussion:**

- Audit Strategy and Audit Planning/ scoping 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
- Key audit matters expected during the year
- Internal audit plan and scope
- Timelines and reporting milestones
- Other matters as required under the auditing standards and other laws and regulations

**2. Quarterly Audit Committee Meetings**

Quarterly meetings of the Audit Committee should formally include members of TCWG and the Statutory Auditors. In addition, there will be two or more meetings/ calls as may be required between the auditors and TCWG during the financial year.

There may be situation warranting discussion between the Auditors and TCWG, Auditors shall request a meeting with TCWG in writing, and TCWG shall either accede to the request or, in writing, communicate the reasons for declining it.

The auditors may assess the need to communicate any specific matter to the full Board of Directors instead of TCWG and may do so as necessary.

**Key Objectives:**

- Presentation of Auditors on matters related to Companies Act, Accounting standards etc.
- Review of quarterly financial statements prior to Board approval
- Review of management's response to observations arising from Internal Audit reports and testing of Internal Financial Controls.
- Discuss significant audit findings, risk areas, and internal control observations
- Address management judgments, accounting estimates, and policy changes
- Provide auditors with an opportunity to raise concerns independently of management

## 3. Nodal persons for effecting two-way communication

To ensure comprehensive and informed discussions, TCWG as defined above should attend all meetings. In case, any of the members of the TCWG are not able to attend any of the meetings, the following Nodal officials shall carry the responsibility of communicating the relevant matters to such members:

- Chairperson of Audit Committee
- Engagement partner(s) from the Statutory Auditors team or the relevant person designated by the Engagement partner.

The Company Secretary shall be responsible for organizing and conducting meetings between TCWG and Auditors.

## 4. Agenda and matters to be communicated to TCWG

Companies Act prescribe detailed requirements for auditor-TCWG communications which include:

**Communications to be made by auditors to TCWG**

- Audit planning and risk assessment.
- Audit Strategy and Audit Planning including quantification of Materiality and its effect on nature and extent of audit work;
- Status of audit work and significant findings during the audit period
- Significant and material weaknesses in internal financial controls.
- Non-qualification of the Auditor's specific report on adequacy and operating effectiveness of internal financial controls.
- Auditor's compliance with Independence and Code of Ethics regarding all the relationships and other matters
- 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.

  The auditor's views about significant qualitative aspects of the entity's **accounting practices, including accounting policies, accounting estimates and financial statement disclosures.**

**Communications to be made by TCWG to auditors**

- Compliance with Companies Act, 2013 and applicable accounting standards.
- Significant transactions and accounting matters, Critical estimates, Non-compliances with Laws and regulations, going concern issues, significant deficiencies in Internal controls and regulatory/compliance matters, Arm 'length evaluations Related party transactions.
- 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.,

- Communication shall also contain the views/suggestions of TCWG on the subject matter raised by the Auditors and vice versa.
- Whistleblower matters relevant to financial reporting, controls, fraud risk, or governance.
- TCWG should inform auditors about major business strategic decisions (as the transaction comes close to fructification and not at an early stage)—such as acquisitions, restructuring, new ventures, or financing changes, as these can significantly affect financial reporting risks and audit planning.
- TCWG must communicate any known or suspected fraud involving management, employees in key control roles, or external parties, along with actions taken, as this directly impacts the auditor's fraud-risk assessment.
- TCWG shall communicate any concerns, if any, regarding the integrity, ethical conduct, or competence of senior management that may have a bearing on financial reporting or audit.
- TCWG are expected to notify auditors about significant control deficiencies, internal audit findings, system changes, or incidents (including cyber events) that materially affect the effectiveness of financial reporting/ control environment.
- Auditors should be made aware of litigation, regulatory investigations, non-compliance events, or covenant breaches that may create financial reporting implications or require disclosures.
- TCWG should communicate new or sensitive related-party relationships, concerns about transparency, and management's process for identifying and approving such transactions, as these often carry heightened audit risk.
- TCWG should share information on key accounting estimates, major judgments, policy changes, going-concern considerations, or complex transactions that shape the financial statements.
- TCWG may communicate expectations regarding the audit process, and raise any concerns, where relevant, relating to audit independence, effectiveness, or interactions with management.
- TCWG will communicate any specific matters to auditors in the manner prescribed in the NFRA circular

**5. <u>Maintenance and Circulation of Minutes</u>**

Accurate documentation is critical to maintaining accountability and transparency.

**Process Requirements:**

- Concerns of Independent Directors about the running of the Company to the extent they are unresolved to be recorded in minutes
- Identification of responsible persons and deadlines.
- Minutes should clearly lay down the summary of discussions/deliberations/ objections/suggestions, conclusions, actions agreed by auditors and TCWG, follow up on previously agreed actions.
- Circulation to all relevant participants, including TCWG members and auditors
- Secure archival for regulatory and governance compliance
- All significant communications shall be in writing and formally acknowledged by both the Auditor and TCWG, either in the form of minutes of the meeting or letters

- The written communication between Auditors and TCWG shall form part of the Audit Work Papers and part of the agenda and minutes of the Board or Audit Committee meeting held subsequently
- Corporate Secretarial team of the Company will make and circulate the minutes. They will be shared as per practice and within timelines as prescribed under applicable law.

This structured approach ensures that communication between TCWG and Auditors remains proactive, independent, and aligned with best corporate governance practices stating in written communications with those charged with governance.

Accordingly, the written communication clearly states:
- That it has been prepared for the sole use of those charged with governance and, where applicable, the group management and the group auditor, and should not be relied upon by third parties;
- That the auditor does not assume any responsibility to third parties; and
- Any applicable restrictions on disclosure or distribution of the communication to third parties

When a significant matter is discussed with an individual member of those charged with governance, for example, the chair of an audit committee, it may be appropriate for the auditor to summarize the matter in later communications so that all of those charged with governance have full and balanced information.

Communications regarding findings from the audit, including the auditor's views about the qualitative aspects of the entity's accounting practices, may also be made as part of the concluding discussion.

**Annual Review and Compliance**

- Effectiveness Review:

  Audit Committee assesses framework annually; reports to Board.

- Training:

  Annual orientation for new Board members/Audit Committee on SA 260/SA 265

  requirements.

- Implementation Timeline:

  Effective from FY 2026-27 audits; first Pre-Audit Meeting shall happen between Q2

  to Q3.

- Non-Compliance:

  Treated as a governance lapse; reported to NFRA if material.