

# HI-KLASS TRADING AND INVESTMENT LIMITED

Regd Off: 02, Shanti Kutir Building, Shivaji Road, Off M G Road, Kandivali West, Mumbai - 400067

CIN: L51900MH1992PLC066262, Website: [www.hiklass.co.in](http://www.hiklass.co.in)

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## **FRAMEWORK INCLUDING POLICY FOR EFFECTIVE COMMUNICATION FRAMEWORK BETWEEN THOSE CHARGED WITH GOVERNANCE (TCWG) AND STATUTORY AUDITORS**

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### **1. REGULATORY CONTEXT AND STATUTORY BASIS:**

This Framework (including the Policy required to be framed) is framed pursuant to:

- Section 134, 143 and 177 of the Companies Act, 2013;
- Standards on Auditing (SA) prescribed under the Companies Act, 2013, including SA 260 (Revised) and SA 265;
- National Financial Reporting Authority (NFRA) Circular No. NF-25013/3/2025 – NFRA dated 07 January 2026 pertaining to Effective Communication Between Statutory Auditors and Those Charged with Governance, Including Audit Committees (NFRA Circular); and
- Other relevant SAs referred to in Annexure I to the NFRA Circular.

NFRA has observed that ineffective communication between Auditors and TCWG has directly contributed to audit failures, weak governance, and erosion of investor confidence. This Policy is therefore intended to operationalise the requirements of law and standards in letter and in spirit.

### **2. OBJECTIVE AND PURPOSE OF THE TWO-WAY COMMUNICATION:**

The objective of this Framework is to:

1. Ensure regular, structured, documented and meaningful two-way communication between Statutory Auditors and TCWG throughout the audit cycle.
2. Enable TCWG to discharge its non-delegable oversight responsibilities relating To:
  - Integrity of financial reporting,
  - Audit quality,
  - Internal financial controls,
  - Risk management and compliance.
3. Provide TCWG with timely visibility into:
  - Audit planning,
  - Key risks and judgments,
  - Auditor independence,
  - Significant findings and deficiencies.
4. Prevent the audit from becoming a fait accompli at year-end by ensuring early and continuous engagement.
5. Address and remediate all categories of communication failures identified by NFRA in its inspection findings.

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### **3. DEFINITIONS**

“Act” means the Companies Act, 2013.

“NFRA” means National Financial Reporting Authority

“SA 260 (Revised)” means Standard on Auditing 260 (Revised) pertaining to Communication with Those Charged with Governance (TCWG).

“Those Charged with Governance (TCWG)” As per SA 260 (Revised) pertaining to Communication with Those Charged with Governance (TCWG), TCWG means the person(s) or organization(s) (e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process.

For some entities, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

All other words and expressions used in this Framework / Policy but not defined herein shall have the same meanings as respectively assigned to them under the applicable laws, rules, regulations, and guidelines, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

### **4. IDENTIFICATION OF TCWG AND GOVERNANCE STRUCTURE:**

Those Charged with Governance (TCWG) for the purposes of statutory audit communication shall be the Board of Directors and could also be a sub-group of Board, which could be the Audit Committee plus some of Board members, acting under the authority delegated to it by the Board in accordance with the Companies Act, 2013 and applicable regulations.

1. The delegation of TCWG responsibilities to the Audit Committee shall be:

- Clearly documented through the Audit Committee Charter and/or Board resolutions; and
- Supported by appropriate and timely reporting of significant audit matters by the Audit Committee to the Board of Directors.

2. The Statutory Auditors shall:

- Determine and document, at the commencement of each audit, that who shall be designated as TCWG; and
- Evaluate, on an ongoing basis, whether matters communicated to the Audit Committee require further communication or escalation to the full Board of Directors.
- Management shall not be regarded as TCWG under any circumstances, and communication with management, including executive directors or senior executives, shall not be construed as compliance with the communication requirements of SA 260 (Revised) or other applicable Standards on Auditing

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## **5. NODAL PERSONS FOR TWO-WAY COMMUNICATION:**

### **1. Nodal Persons – TCWG / Board Side**

The Nodal Officer shall be appointed in consultation by TCWG / Board in consultation with the auditors, any one of the following can be appointed as nodal persons:

- Director of the Company; or
- Chairperson of the Audit Committee.

### **2. Nodal Persons – Audit Engagement Team (AET)**

The Statutory Auditors shall designate and communicate:

- Engagement Partner.
- Audit Manager / Senior Manager.
- Specialists / experts involved (valuation, actuarial, IT, etc.), if required.

## **6. EXPECTATIONS OF AUDITORS FROM TCWG:**

TCWG shall proactively communicate to the Auditors all matters relevant to audit, including:

1. Strategic decisions significantly affecting financial reporting, or audit scope.
2. Suspicion, identification, or awareness of fraud, unethical conduct, or irregularities.
3. Concerns regarding integrity, competence, or conduct of senior management.
4. Significant communications with regulators, including inspections, observations, directions or enforcement actions.
5. TCWG's:
  - Awareness of and actions on internal control weaknesses,
  - Oversight of the Internal Audit function,
  - Views on adequacy of risk management systems.
6. Awareness and actions relating to:
  - Changes in accounting standards,
  - Developments in corporate governance practices,
  - Other regulatory changes impacting financial reporting.

This obligation is without prejudice to the Auditor's professional scepticism.

## **7. SUMMARY OF KEY STANDARDS ON AUDITING REQUIRING COMMUNICATION:**

This Framework incorporates the communication requirements under, inter alia:

- Standard on Auditing (SA) 260 (Revised) – Audit strategy, scope, timing, materiality, significant findings, independence
- Standard on Auditing (SA) 265 – Significant deficiencies in internal control
- Standard on Auditing (SA) 240 – Fraud risks
- Standard on Auditing (SA) 250 – Non-compliance with laws and regulations

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- Standard on Auditing (SA) 570 (Revised) – Going concern
- Standard on Auditing (SA) 550 – Related parties
- Standard on Auditing (SA) 701 – Key Audit Matters
- Standard on Auditing (SA) 705 / 706 – Modified opinions, Emphasis of Matter

## **8. POLICY FOR UPDATING AND ESCALATION OF MATTERS:**

1. All discussions between:

- Auditors and nodal officers of TCWG, or
- Auditors and sub-groups of TCWG, shall be formally updated to the Audit Committee / Board, as appropriate.

2. Escalation to the full Board shall be mandatory where:

- Matters are significant or unresolved,
- Matters involve fraud, regulatory non-compliance, or material weaknesses,
- Matters exceed the authority of the sub-group.

3. Auditors shall request meetings in writing where:

- Audit evidence is difficult to obtain,
- Potential fraud is identified,
- Significant differences of view with management arise.

4. TCWG shall respond in writing, either acceding or recording reasons for nonacceptance.

## **9. POLICY FOR DOCUMENTING TCWG VIEWS, INSTRUCTIONS AND ACTIONS:**

1. TCWG's views, instructions and actions on matters communicated by Auditors shall be:

- Clearly articulated,
- Formally recorded, and
- Communicated back to the Auditors.

2. This shall specifically cover:

- Planned scope and timing of audit,
- Auditor's assessment of Risk of Material Misstatement (fraud or error),
- Auditor's evaluation of internal financial controls.

3. Documentation shall form part of:

- Board or Audit Committee minutes, and
- Audit working papers as required by TCWG.

## **10. FREQUENCY OF MEETINGS AND AGENDA MATTERS:**

### **1. Minimum Mandatory Meetings:**

- One meeting before commencement of audit, and
- One meeting well before approval of financial statements.

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## **2. Mandatory Agenda Matters:**

Each interaction shall cover, at a minimum:

- Audit strategy, materiality and risk assessment
- Internal control environment and fraud prevention
- Significant accounting estimates and judgments
- Significant transactions and unusual matters
- Status of audit and difficulties encountered
- Independence and non-audit services

## **11. FORM, DOCUMENTATION AND ACKNOWLEDGEMENT:**

1. All significant communications shall be in writing.
2. Oral communications shall be documented with:
  - Date, time, participants and subject matter.
3. Written communication shall be:
  - Clear, specific and unambiguous,
  - Not limited to bullet-point presentations,
  - Not based on implied acceptance.
4. All communications shall be formally acknowledged by both Auditors and TCWG, through:
  - Minutes of meetings, or
  - Written letters / confirmations.

## **12. REVIEW:**

This Policy shall be reviewed once in three years by the Audit Committee and approved by the Board.

## **13. VERSION HISTORY:**

<b>Version No.</b>	<b>Reviewed and recommended by</b>	<b>Approved by</b>	<b>Change(s)</b>
1.0	Audit Committee at its meeting held on 29.05.2026	Board of Directors at its meeting held on 29.05.2026	Initial Version