



TRUSTED NOT TO COMPROMISE

Board Audit Committee Terms of Reference



Title:

BOARD AUDIT COMMITTEE TERMS OF REFERENCE

Constitution

The Board Audit Committee (the “**Committee**”) is a committee of the Board constituted by a resolution of the Board dated June 28, 2002. The Terms of Reference of the Committee are as under:

Membership

The Committee shall be appointed by the Board and shall comprise of not less than three members, majority of whom shall be non-executive Directors. Two members shall constitute a quorum. In the event of any member being out of the country, such member may appoint any other Director as a replacement for such period. However, such replacement shall at all times ensure that the majority of the members of the Committee shall be non-executive Directors. The period of appointment of the members shall be determined by the Board who shall have the power to remove or add members at any time.

The Board shall satisfy itself such that at least one member of the Committee qualifies as “financial literate”. Financial literate shall mean a person who is a member of a recognized body of professional accountants or has a post graduate degree in finance from a university or equivalent institution, either in Pakistan or abroad recognized by the Higher Education Commission of Pakistan.

The Chair of the Committee shall be an Independent Director, who shall not be the Chairman of the Board and shall be appointed by the Board.

The Committee shall appoint a secretary of the Committee who shall either be the company secretary or the Head of Internal Audit.

The Company recognizes its social responsibility and will contribute to community activities as a good corporate citizen.



Frequency of Meetings

Meetings of the Committee shall be held not less than four times a year. These meetings shall be held prior to the approval of interim results of the company by the Board.

A meeting of the Committee shall also be held, if requested by the external auditors or the Head of Internal Audit.

Attendance at Meetings

The Committee, at its discretion, may require the Chief Executive Officer, Chief Financial Officer and other senior management to attend meetings and provide information and explanations relevant to the Company and its operations. The Committee may, at its discretion, ask the Company's external auditors to attend meetings and answer questions relating to the Company's financial controls and audit procedures. The Committee may also invite other non-executive Directors to its meeting as appropriate.

At least once a year, the Committee shall meet the external auditors without the Chief Financial Officer and the Head of Internal Audit being present.

At least once a year, the Committee shall meet the Head of Internal Audit and other members of the Internal Audit function without the Chief Financial Officer and the external auditors being present.

Specific and general areas of activity which the Committee is required to monitor and oversee on behalf of the Board

The Committee shall:

- I.** be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of the external auditors, audit fees and provision by external auditors of any service to the listed Company in addition to audit of its financial statements;

- II.** determine appropriate measures to safeguard the Company's assets;
- III.** review preliminary announcements of results prior to publication;
- IV.** review quarterly, half-yearly and annual financial statements of the Company, prior to the approval by the Board, focusing on:
 - i. major judgmental areas;
 - ii. significant adjustment resulting from the audit;
 - iii. the going-concern assumption;
 - iv. any changes in accounting policies and practices;
 - v. compliance with applicable accounting standards;
 - vi. compliance with listing regulations and other statutory and regulatory requirements; and
 - vii. all related party transactions.
- V.** facilitate the external audit and conduct discussion with external auditors on major observations arising from interim and final audits and on any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- VI.** review of management letter issued by external auditors and the management's response thereto;
- VII.** ensure coordination between the internal and external auditors of the Company;
- VIII.** review the scope and extent of internal audit and ensure that the internal audit function has adequate resources and is appropriately placed within the Company;
- IX.** consider major findings of internal investigations and management's response thereto;
- X.** ascertain that the internal control system including financial and operational controls; accounting system and reporting structure are adequate and effective;
- XI.** review that Company's statement of internal control systems prior to endorsement by the Board;
- XII.** institute special reports, value for money studies or other investigations or any matter specified by the Board, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;
- XIII.** determine compliance with statutory requirements;
- XIV.** monitor compliance with the best practices of corporate governance and identify significant violations there of;
- XV.** review of arrangement for staff and management to report to the Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures; and
- XVI.** consider any other issue or matter as maybe assigned by the Board.



Reporting Procedures

The Committee shall report to the Board through its Chair, it may raise any matter within its terms of reference and may make comments and proposals.

The Chair of the Committee shall communicate a synopsis of the proceedings of the Committee meeting in the next Board meeting. The Committee Secretary shall circulate the minutes of meetings of the Committee after the approval by the Committee Chair to all members of the Board.

Prepared by:
Syed Muhammad Hasan
Secretary BAC (BAC)

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Reviewed by:
Kamal A. Chinoy
Chief Executive

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Recommended by:
Haroun Rashid
Chairperson-BAC

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Approved in the 445th Board Meeting held on April 19, 2018:
Mustapha A. Chinoy
Chairman - BoD

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