

### A. Membership

1. The Audit Committee will be appointed by the Board of Directors (“the Board”) and will consist of at least three non-executive directors.
2. The Board shall appoint an independent director as the Chairman of the Audit Committee and determine the period for which he shall hold office. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Audit Committee.
3. The Audit Committee shall appoint a secretary of the committee who shall either be the Company Secretary or Chief Internal Auditor. However, CFO shall not be appointed as the secretary to the Audit Committee.

*"independent director" means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the Company, its associated companies, or directors; and able to exercise independent business judgment without being subservient to any form of conflict of interest.*

### B. Meetings

1. The Audit Committee shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the listed company by its Board of Directors and before and after completion of external audit.
2. A meeting of the Committee may be called by any member of the Committee or by the Secretary or, if they consider that one is necessary, the external auditors or the internal auditors.
3. The quorum for any meeting shall be two.
4. In the absence of the Chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting.
5. The members of the Audit Committee are entitled to attend and vote at the Audit Committee meeting. The CFO, the Chief Internal Auditor and external auditors represented by engagement partner or in his absence any other partner designated by the audit firm shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed. The CEO, the Finance Controller, or other people e.g. representatives of the finance function, may be invited to attend and speak at meetings at the request of the Chairman of the Committee.
6. At least once a year, the Audit Committee shall meet the external auditors without the CFO and the Chief Internal Auditor being present:
7. At least once a year, the Audit Committee shall meet the Chief Internal Auditor and other members of the internal audit function without the CFO and the external auditors being present.
8. The chairman of the Audit Committee and engagement partner of external auditor or in his absence any other partner designated by the audit firm shall be present at the AGM for necessary feedback to the shareholders.
9. The secretary shall circulate minutes of meetings of the Audit Committee to all members, directors, Chief Internal Auditor and the CFO prior to the next meeting of the board and where this is not practicable, the Chairman of the Audit Committee shall communicate a synopsis of the proceedings to the board and the minutes shall be circulated immediately after the meeting of the board.

10. The Committee Chairman shall report formally to the Board on the proceedings of the Committee after each meeting on all matters within its duties and responsibilities.
11. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

### C. Responsibilities

The Board of Directors shall provide adequate resources and authority to enable the Audit Committee carry out its responsibilities effectively. The Term of Audit Committee shall include the following:

- **Financial reporting** The Audit Committee shall review of quarterly, half-yearly and annual financial statements of the Company, preliminary results' announcements and any other formal announcement relating to its financial performance, prior to their approval by the Board of Directors, focusing on:
  - i. major judgmental areas;
  - ii. significant adjustments 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. significant related party transactions.
- **External Audit:** The Audit Committee shall:
  1. recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Company in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise, it shall record the reasons thereof.
  2. shall review of management letter issued by external auditors and management's response thereto.
  3. shall ensure coordination between the internal and external auditors of the Company.
  4. shall facilitate the external audit and discuss with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- **Internal controls and risk management systems:** The Audit Committee shall:
  1. ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective.
  2. review the Company's procedures and control for detecting and prevention of fraud
  3. review of the Company's statement on internal control systems prior to endorsement by the Board of Directors.
- **Internal audit Function** The Audit Committee shall:
  1. recommend the appointment and removal of the head of the internal audit function to the Board.

2. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
  3. review and approve the scope and extend of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
  4. review and approve the internal audit strategy and plans;
  5. review the major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
  6. review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- **Other matters** The Audit Committee shall:
    1. institute special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body.
    2. determine the compliance with relevant statutory requirements.
    3. Monitor compliance with the best practices of corporate governance and identification of significant violations thereof.
    4. consider any other issue or matter as may be assigned by the Board of Directors.

Adopted by the Board of Gharibwal Cement Limited on 25 February 2014