

**Terms of Reference of the Board Audit Committee of
Kohat Cement Company Limited (the Company)**

Terms of Reference of the Board Audit Committee of the Company are as under:

- (i) determination of appropriate measures to safeguard the company's assets;*
- (ii) review of annual and interim financial statements of the company, prior to their approval by the Board, focusing on,*
 - (a) major judgmental areas;*
 - (b) significant adjustments resulting from the audit;*
 - (c) going concern assumption;*
 - (d) any changes in accounting policies and practices;*
 - (e) compliance with applicable accounting standards;*
 - (f) compliance with these Regulations and other statutory and regulatory requirements;*
and
 - (g) all related party transactions;*
- (iii) review of preliminary announcements of results prior to external communication and publication;*
- (iv) facilitating the external audit and discussion 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);*
- (v) review of management letter issued by external auditors and management's response thereto;*
- (vi) ensuring coordination between the internal and external auditors of the company;*
- (vii) review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;*
- (viii) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;*
- (ix) ascertaining 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;*
- (x) review of the company's statement on internal control systems prior to endorsement by the Board and internal audit reports;*
- (xi) instituting special projects, value for money studies or other investigations on 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;*
- (xii) determination of compliance with relevant statutory requirements;*
- (xiii) monitoring compliance with Code of Corporate Governance and identification of significant violations thereof;*
- (xiv) review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;*

- (xv) *recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof; and*
- (xvi) *consideration of any other issue or matter as may be assigned by the Board.*
- (xvii) *Review of effectiveness of risk management procedures and to present a periodic report to the Board.*
- (xviii) *monitoring and review of all material controls (financial, operational, compliance);*
- (xix) *ensuring integrity of financial information and that the risk mitigation measures are robust;*
- (xx) *appropriate extent of disclosure of company's risk framework and internal control system in Directors report.*
- (xxi) *to develop and recommend to the Board strategies, priorities and targets to govern and monitor the sustainability risks and opportunities including the environmental, social and governance considerations, within the Company.*
- (xxii) *to understand the emerging sustainability risks and opportunities relevant to the Company and its business, including climate-related risks & opportunities and to implement strategies for management and mitigation thereof assessing their potential financial and operational impacts;*
- (xxiii) *to review and monitor (at least annually) the Company's sustainability and DE&I related strategies, priorities and targets and the performance against these targets.*
- (xxiv) *to ensure diversity, equity and inclusion (DE&I) practices are in effect to encourage gender mainstreaming, gender equality and the participation of women on the board, management and workforce of the Company.*
- (xxv) *to oversee compliance of relevant laws pertaining to relevant sustainability related considerations and its appropriate disclosures.*
- (xxvi) *to submit to the Board a report, at least once a year, on embedding sustainability principles into the Company's strategy and operations to increase corporate value.*
- (xxvii) *to provide support, input and guidance to management on sustainability matters as appropriate.*