

TERMS OF REFERENCE OF AUDIT COMMITTEE

A. PURPOSE

The Audit Committee of Suraj Cotton Mills Limited is established to assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of financial reporting, internal controls, audit processes, and compliance with legal and regulatory requirements. The committee aims to enhance the company's governance framework and ensure accountability and transparency in financial matters.

B. COMPOSITION

The composition of the Audit Committee shall be in accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by the Securities and Exchange Commission of Pakistan (SECP), which states that:

“(1) It is mandatory that the audit committee shall be constituted by the Board keeping in view the following requirements:

- i. the Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director;*
- ii. chairman of the committee shall be an independent director, who shall not be the chairman of the Board;*
- iii. the Board shall satisfy itself that at least one member of the audit committee shall be “financially literate”;*

For the purposes of this clause the expression, “financial literate” means a person who;

- a. is a member of a recognized body of professional accountants; or*
- b. 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; or*
- c. has at least ten (10) years of experience as audit committee member; or*
- d. at least twenty (20) years of senior management experience in overseeing of financial, audit related matters.*
- iv. the Audit Committee of a company shall appoint a secretary of the committee who shall either be the company secretary or head of internal audit.”*

C. MEETINGS

“(2) It is mandatory that meetings of the audit committee shall be held as per the following requirements;

- i. the audit committee of a company 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 company by its Board and after completion of external audit;*
- ii. a meeting of the audit committee shall also be held, if requested by the external auditors, head of internal audit or by chairman of the audit committee;*

- iii. *the head of internal audit 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, if any, relating to accounts and audit are discussed:*

Provided that chief executive officer and the chief financial officer shall not be members of the audit committee but should be available to attend its meetings at the invitation of the chairman of audit committee:

Provided further that at least once a year, the audit committee shall meet the external auditors without the chief financial officer and the head of internal audit being present:

Provided also that at least once a year, the audit 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.”

D. RESPONSIBILITIES

The Committee shall have the following responsibilities, aligned with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019:

1. FINANCIAL REPORTING

- 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
 - g) All related party transactions
- Review of preliminary announcements of results prior to external communication and publication

2. INTERNAL CONTROL SYSTEMS

- Determination of appropriate measures to safeguard the company's assets.
- 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
- Review of the company's statement on internal control systems prior to endorsement by the Board and internal audit reports

3. INTERNAL AUDIT

- 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;
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

4. EXTERNAL AUDIT

- 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);
- Review of management letter issued by external auditors and management's response thereto;
- Ensuring coordination between the internal and external auditors of the company;
- 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;
- 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)
- Review of management letter issued by external auditors and management's response thereto

5. RISK MANAGEMENT AND COMPLIANCE

- Determination of compliance with relevant statutory requirements;
- Monitoring compliance with these Regulations and identification of significant

6. FRAUD AND WHISTLEBLOWING

- Review of arrangement for staff and management to report to the Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- Oversee the company's systems for detecting fraud and the prevention of bribery and corruption.

7. SPECIAL ASSIGNMENTS

- 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;
- Consideration of any other issue or matter as may be assigned by the Board.

E. AUTHORITY

1. The committee is authorized to access any information, records, or personnel it deems necessary to fulfill its duties.
2. It may obtain external legal, accounting, or other professional advice at the company's expense.
3. The committee has the authority to meet with external and internal auditors independently of management, if required.

F. REPORTING

1. The Committee shall provide regular reports to the Board of Directors on the committee's activities, including any material financial issues, risks, or concerns.
2. Ensure clear communication between the Audit Committee, Board of Directors, internal and external auditors, and management.
3. The Committee shall prepare a report to be included in the company's annual report, describing the Committee's activities and how it has discharged its responsibilities.
4. The Committee shall ensure disclosure in the annual report regarding the composition of the Committee, the number of meetings held, and attendance of each member, as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

G. REVIEW

1. The committee shall review its own performance annually and report to the Board of Directors with any recommendations for improvement.
2. The Committee shall review its terms of reference annually and recommend any necessary amendments to the Board for approval.
3. Ensure the terms of reference comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019, and update them as required.

These amended Terms of Reference ensure that the Audit Committee of Suraj Cotton Mills Limited adheres to the regulatory requirements set forth by the SECP, while effectively managing and overseeing the company's risk management practices.

**TERMS OF REFERENCE
OF
HUMAN RESOURCE, NOMINATION
AND REMUNERATION
COMMITTEE**

A. PURPOSE

The Human Resource, Nomination and Remuneration Committee of Suraj Cotton Mills Limited is established to assist the Board of Directors in fulfilling its oversight responsibilities relating to human resources management, remuneration policies, and employee welfare. The committee aims to ensure alignment with the company's strategic objectives and promote best practices in HR, Nomination and Remuneration management.

B. COMPOSITION

1. The committee shall consist of at least three members, comprising a majority of non-executive directors of whom at least one member shall be an independent director.
2. The chairman of the committee shall be an independent director and the chief executive officer or Executive Director may be included as a member of the committee.
3. Members shall be appointed by the Board of Directors possessing relevant expertise in HR management, compensation, and related fields.

C. MEETINGS

1. The committee shall meet at least once in a financial year and may meet more often if requested by a member of the Board, or committee itself or the chief executive officer and the head of human resource or any other person appointed by the Board may act as the secretary of the committee.
2. A quorum for any meeting of the Committee shall be two members.
3. The chief executive officer (if not a member of the committee), head of human resource (if not the secretary to committee) or any other advisor or person may attend the meeting only by invitation.
4. A member of the committee shall not participate in the proceedings of the committee when an agenda item relating to his performance or review or renewal of the terms and conditions of his service comes up for consideration.
5. Minutes of each meeting shall be prepared and distributed to the Committee members and the Board of Directors.
6. The Committee may invite other individuals, such as members of management or external advisors, to attend meetings and provide pertinent information as necessary.

D. RESPONSIBILITIES

The Committee shall have the following responsibilities, aligned with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019:

1. REVIEWING HR POLICIES AND PRACTICES:

- Regularly reviewing and recommending to the Board updates on HR policies and practices to align with legal requirements and industry standards.

- Ensuring that HR policies support the company's strategic objectives and promote a positive workplace culture.

2. EXECUTIVE COMPENSATION OVERSIGHT:

- Reviewing and recommending the compensation framework for senior executives, including salaries, bonuses, benefits, and incentives.
- Ensuring that executive compensation is aligned with the company's performance and long-term shareholder value.
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;

3. PERFORMANCE MANAGEMENT:

- Overseeing the performance management system to ensure it effectively supports company goals and objectives.
- Reviewing the effectiveness of performance appraisal processes and making recommendations for improvement.
- Undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing therein name and qualifications of such consultant and major terms of his / its appointment.

4. TALENT MANAGEMENT AND SUCCESSION PLANNING:

- Reviewing talent management strategies and succession plans for key positions to ensure continuity and leadership development.
- Identifying high-potential employees and ensuring they have development plans in place.

5. EMPLOYEE WELFARE AND BENEFITS:

- Monitoring employee welfare programs, benefits packages, and workplace health and safety initiatives.
- Ensuring that employee benefits are competitive and aligned with industry standards to attract and retain talent.

6. COMPLIANCE AND LEGAL REQUIREMENTS:

- Ensuring compliance with all legal and regulatory requirements related to HR management and remuneration practices.
- Keeping abreast of changes in employment law and ensuring that the company's policies are updated accordingly.

7. ANNUAL REMUNERATION REPORT:

- Reviewing and approving the annual remuneration report to be presented to Board in accordance with company policy requirements.
- Ensuring that the remuneration report provides a clear and comprehensive overview of the company's remuneration policies and practices.

E. AUTHORITY

The HR, Nomination and Remuneration is authorized to:

- Engage external consultants as necessary to fulfill its duties. Where human resource and remuneration consultants are appointed, they shall disclose to the committee their credentials and as to whether they have any other connection with the company.
- Access relevant company records, information, and personnel to carry out its responsibilities effectively.
- Make recommendations to the Board of Directors based on its findings and reviews.

F. REPORTING

1. The Committee shall report regularly to the Board of Directors on its activities, decisions, and recommendations.
2. The Committee shall prepare a report to be included in the company's annual report, describing the Committee's activities and how it has discharged its responsibilities.
3. The Committee shall ensure disclosure in the annual report regarding the composition of the Committee, the number of meetings held, and attendance of each member, as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

G. REVIEW

1. The Committee shall review its terms of reference annually and recommend any necessary changes to the Board for approval.
2. Ensure the terms of reference comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019, and update them as required.

These TORs are designed to ensure that the Human Resource, Nomination and Remuneration Committee effectively carries out its oversight responsibilities in managing human capital and remuneration matters in Suraj Cotton Mills Limited, in accordance with the regulatory framework set forth by SECP in Pakistan.

TERMS OF REFERENCE OF RISK MANAGEMENT COMMITTEE

A. PURPOSE

The purpose of the Risk Management Committee at Suraj Cotton Mills Limited is to assist the Board of Directors in overseeing the company's risk management framework, policies, and practices, ensuring that all significant risks are identified, assessed, managed, and monitored effectively.

B. COMPOSITION

The composition of the Risk Management Committee shall be in accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by the Securities and Exchange Commission of Pakistan (SECP), which states that:

“The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board”.

In addition to the above, the following company policy guidelines shall apply:

1. The Risk Management Committee shall comprise a minimum of three members, all of whom shall be members of the Board of Directors.
2. The Chairman of the Committee shall be a Non-Executive or Independent Director, to ensure independent oversight of the Committee's functions.
3. The members of the Committee, including the Chair, shall be appointed by the Board.

C. MEETINGS

1. The Committee may meet at least once in a year, or more frequently as necessary to fulfil its obligations.
2. A quorum for any meeting of the Committee shall be two members.
3. The Committee may invite other individuals, such as members of management or external advisors, to attend meetings and provide pertinent information as necessary.
4. Minutes of each meeting shall be prepared and distributed to the Committee members and the Board of Directors.
5. The Committee shall ensure the attendance of the Chief Risk Officer (CRO) or Chief Financial Officer (CFO) or equivalent at all meetings. (Discretionary)

D. RESPONSIBILITIES

The Committee shall have the following responsibilities, aligned with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019:

1. RISK MANAGEMENT FRAMEWORK

- Review and recommend for Board approval the company's risk management framework, including risk appetite and risk tolerance levels.
- Ensure the risk management framework aligns with the company's strategy, objectives, and business plan.

2. RISK POLICIES AND PROCEDURES

- Oversee the development and implementation of risk management policies and procedures.
- Ensure policies are reviewed and updated regularly to reflect changes in the company's risk profile and external environment.

3. RISK IDENTIFICATION AND ASSESSMENT

- Ensure comprehensive identification and assessment of risks across all areas of the company's operations.
- Evaluate the effectiveness of risk identification and assessment processes.

4. RISK MONITORING AND REPORTING

- Monitoring and review of all material controls (financial, operational, compliance).
- Oversee the monitoring of key risk indicators and ensure timely reporting of risk exposures to the Board.
- Review and assess the adequacy of the company's risk reporting and ensure it provides a comprehensive view of significant risks.

5. RISK MITIGATION

- Risk mitigation measures are robust and integrity of financial information is ensured;
- Evaluate the effectiveness of risk mitigation strategies and controls.
- Ensure appropriate action is taken to mitigate significant risks.

5. REGULATORY COMPLIANCE

- Appropriate extent of disclosure of company's risk framework and internal control system in Director's report.
- Ensure the company's risk management practices comply with all applicable laws and regulations, including the SECP code of corporate governance.
- Monitor changes in the regulatory environment and ensure the company adapts its risk management practices accordingly.

7. CRISIS MANAGEMENT AND BUSINESS CONTINUITY

- Oversee the development and implementation of crisis management and business continuity plans.
- Ensure these plans are tested and reviewed regularly.

8. EXTERNAL AND INTERNAL AUDITS

- Review findings and recommendations from internal and external audits related to risk management.
- Ensure appropriate follow-up actions are taken on audit recommendations.

9. TRAINING AND AWARENESS

- Promote risk management awareness and ensure adequate training is provided to employees at all levels.
- Foster a culture of risk management throughout the company.

10. EVALUATION OF RISK COMMITTEE

- Conduct an annual self-evaluation of the Committee's performance, including its effectiveness and compliance with these terms of reference and regulatory requirements.

E. AUTHORITY

1. The Committee is authorized to seek any information it requires from any employee of the company in order to perform its duties.
2. The Committee may obtain external legal or other professional advice on any matter within its terms of reference at the company's expense.
3. The Committee shall have the authority to call any employee to be questioned at a meeting of the Committee as and when required.

F. REPORTING

1. The Committee shall report regularly to the Board of Directors on its activities, findings, and recommendations.
2. The Committee shall prepare a report to be included in the company's annual report, describing the Committee's activities and how it has discharged its responsibilities.
3. The Committee shall ensure disclosure in the annual report regarding the composition of the Committee, the number of meetings held, and attendance of each member, as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

G. REVIEW

1. The Committee shall review its terms of reference annually and recommend any necessary changes to the Board for approval.
2. Ensure the terms of reference comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019, and update them as required.

These amended Terms of Reference ensure that the Risk Committee of Suraj Cotton Mills Limited adheres to the regulatory requirements set forth by the SECP, while effectively managing and overseeing the company's risk management practices.