



AKD Securities Limited

TERM OF REFERENCE OF AUDIT COMMITTEE

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1. INTRODUCTION AND OBJECTIVE

- 1.1. AKD Securities Limited (“AKDS”) is committed to good corporate governance. Board of Directors (“Board”) of AKDS has established the Audit Committee (“Committee”) to assist the Board to oversight the financial reporting process, the audit process, the company’s system of internal controls and compliance with laws and regulations, independence of its External & Internal Auditors, the Chief Compliance Officer (“CCO”) and their ability to act in an advisory capacity in respect of the matters described hereunder.
- 1.2. The Audit Committee is a standing committee of the Board.

2. COMPOSITION

- 2.1. The Audit Committee shall consist of Three (3) members. All members of the Audit Committee must also be members of the Board comprising of non-executive directors and at least one independent director
- 2.2. Chairman of the committee shall be an independent director, who shall not be the chairman of the board.
- 2.3. CEO and CFO of the company shall not be appointed as member of audit committee.
- 2.4. The members of the Audit Committee shall be nominated, appointed and may be replaced at any time by the Board. The Board shall appoint one of the members of the Audit Committee as Chairman of the Audit Committee.
- 2.5. The Audit committee shall not be chaired by the Chairman of the Board.
- 2.6. The Head of Internal Audit shall act as Secretary to the Audit Committee.
- 2.7. The Head of Internal Audit may delegate his duties, or parts thereof, under these Terms of Reference, to a deputy appointed by him in consultation with the Chairman of the Audit Committee.

3. MEETINGS & AUTHORITIES

- 3.1. The Audit Committee shall meet as often as required for proper functioning of the Audit Committee.

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- 3.2. The Audit committee meeting shall be presided by the chairman of the committee and minimum Two (2) members present in the meeting form a quorum including the Chairman.
- 3.3. The Audit Committee shall meet at least four times a year. The Audit Committee shall meet at least once a year with the External Auditor in the absence of Management.
- 3.4. The meetings shall be scheduled annually in advance and held as far as possible shortly before the meetings of the Board. The Audit Committee shall meet earlier if this is deemed necessary by the Chairman of the Audit Committee or by other members of the Audit Committee.
- 3.5. The Audit Committee shall decide if and when the CEO's and/or the External Auditor should attend these` meetings. Director or employee may attend the AC on invitation from the secretary as advised from the chairman of the committee.
- 3.6. The committee is authorized by the board to:
 - 3.6.1. investigate any activity within its terms of reference;
 - 3.6.2. seek any information that it requires from any employee of the company and all employees are directed to co-operate with any request made by the committee; and
 - 3.6.3. Obtain outside legal or independent professional advice, at the company's expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
 - 3.6.4. The Secretary of the Audit Committee or any other person designated for such purpose by the chairman of the meeting shall draw up minutes of the meeting of the Audit Committee and shall circulate minutes of meetings of the audit committee to all members, directors, head of internal audit and where required to chief financial officer prior to the next meeting of the Board.

4. REPORTING TO THE BOARD

- 4.1. The Audit Committee must inform the Board in a clear and timely manner about the way it has used delegated powers and of major developments in the area of its responsibilities.

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- 4.2. The Audit Committee shall report annually, and earlier if required, to the Board on its dealings with the External & Internal Auditor, in particular on the Audit Committee's views of the External & Internal Auditor's independence (including the desirability of rotation of the responsible partners of the External Auditor)
- 4.3. The Audit Committee shall provide the Board with a report of its deliberations, findings and recommendations.
- 4.4. The reports of meetings of the Audit Committee are distributed among all members of the Board as soon as possible after the meeting concerned.
- 4.5. The Chairman of the Audit Committee shall at meetings of the Board provide the Board with information on the outcome of the discussions of the Audit Committee.
- 4.6. Every Board member has unrestricted access to all records of the Audit Committee. A member of the Board shall exercise this right in consultation with the Chairman of the Audit Committee and the Secretary.

5. GENERAL RESPONSIBILITIES

The responsibilities of the Committee are:

- 5.1. To review and monitor the integrity of statutory accounts, financial statements and circulars to shareholders of the Company and any formal announcements relating to the Companies' financial performance, including significant financial reporting judgments contained in them. In particular:
 - 5.1.1. to consider the quality, application and acceptability of the accounting policies and practices, the adequacy of accounting records and financial and governance reporting disclosures and changes thereto;
 - 5.1.2. to consider compliance with accounting standards and other legal and regulatory requirements in relation to financial reporting;
 - 5.1.3. to consider all going concern assumptions and any qualifications;
 - 5.1.4. to consider recommendations of management in respect of provisions for bad and doubtful debts and for any other provisions for losses and charges; and

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- 5.1.5. to consider recommendations of management in respect of significant financial reporting judgments for all material accounting issues, including significant accounting estimates and judgments made by management;
- 5.2. to keep under review the appropriateness of the accounting policies of the company and to consider changes to these;
- 5.3. to review the Company's internal financial systems, Risk management and controls;
- 5.4. in relation to the internal audit function:
 - 5.4.1. to consider and approve the internal audit annual audit plan, nature and scope of their audit field work and the effectiveness of the Internal audit process and ensure that the auditor is adequately experienced and resourced to handle the function;
 - 5.4.2. to meet with the Internal Auditor, from time to time but at least once in each quarter, as agreed, to discuss matters concerning the internal audit function; to review and monitor management's responsiveness to the internal auditor's findings and recommendations;
 - 5.4.3. to monitor, assess and discuss the role and effectiveness of the internal audit function and to receive reports from the Internal Auditors on these matters; and
- 5.5. in relation to the external auditors:
 - 5.5.1. to consider the appointment, reappointment, dismissal or resignation of the auditor and to directly oversee the process for selecting the external auditor and to make appropriate recommendations, through the Board, to shareholders to consider at the Annual General Meeting concerning the reappointment of the auditor;
 - 5.5.2. to approve the terms of engagement, nature and scope of their audit and the effectiveness and outcomes of the audit process;
 - 5.5.3. To review the findings of their audit including any major issues that arose during the course of the audit that have subsequently been resolved and any unresolved audit issues. To consider key accounting and audit judgments, the level of errors identified during the audit, obtain explanations from management and, where necessary, the external auditors as to why audit differences remain unadjusted;

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- 5.6. to consider the annual report and discuss any findings and other matters arising from the external auditors' interim and final audits;
- 5.7. to consider reports, review and approve impairment provisioning;
- 5.8. to have oversight of the Compliance function of the Company and to meet with the Head of Compliance, from time to time as agreed, to discuss matters concerning the Compliance function;
- 5.9. to review reports from the Head of Compliance on the arrangements established by management for ensuring adherence to internal compliance policies and procedures and compliance with specific laws and regulations, as requested by the Committee or required by laws and regulations;
- 5.10. to report to the Board on its consideration of the above matters, identifying those areas where action or improvement is needed, and making recommendations as appropriate;
- 5.11. generally to consider and examine such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and to make recommendations or reports to the Board as appropriate;
- 5.12. to give due consideration to laws, regulations and the requirements of the SECP, SBP, PSX and other applicable laws and Rules as appropriate;
- 5.13. to review the terms of reference of the Committee annually and propose any changes it considers necessary to the Board for approval.
- 5.14. In case if the Board or committee identify any matter or area of concern which require special review which is not covered in scope of work of internal or external auditor; A special investigation or review of specific area on the terms of engagement or objective defined by the Board. The Committee shall review and on advise of the Board on the scope of the Special Examination and shall:
 - 5.14.1. assess and approve the plan of the Special Examiners, the general criteria on which the Special Examination shall be conducted, the scope and approach, staffing and the reasonableness and recommend their fees to the Board;
 - 5.14.2. review the draft Special Examination report prepared by the Special Examiners and provide feedback to the Special Examiners before it is made final, approved by the Committee and submitted to the Board for information;

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- 5.14.3. review the adequacy of management's draft responses and action plans resulting from the Special Examination and provide feedback before the report is made final and submitted to the Board;
 - 5.14.4. meet privately with the Special Examiners whenever it deems necessary but at least once during the Special Examination period;
 - 5.14.5. follow-up on any unresolved issues between management and the Special Examiners that could affect the Special Examination Report or management's responses, which, if there are any, the Committee is directly responsible for resolving;
 - 5.14.6. Review with Internal Audit follow-up reports on the timing, execution and effectiveness of any agreed upon management actions resulting from the Special Examination.
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