



BOARD AUDIT COMMITTEE – TERMS OF REFERENCES

1) INTRODUCTION:

The Audit Committee of Altern Energy Limited (the “Company”) supports the Board by providing independent oversight and assurance across key governance areas. Its responsibilities include safeguarding the integrity of financial reporting, monitoring the effectiveness of internal and external audits, strengthening internal controls, and ensuring compliance with applicable laws and regulations. The Board shall constitute and empower the Board Audit Committee (AC/ Committee) to, inter alia, recommend appointment of external auditors, determine appropriate measures to safeguard Company’s assets, review quarterly, half-yearly and yearly financial statements and to carry out other functions and powers as may be delegated by the Board.

2) COMPOSITION:

- a. Number of Members:** The Board shall select at least three of its members to serve on the Committee, ensuring a balance of skills and experience.
- b. Non-Executive and Independent Directors:** The AC shall comprise primarily non-executive directors, with at least one independent director.
- c. Independent Chair:** An independent director, who is not the Chair of the Board, shall lead the Committee.
- d. Financial Literacy:** At least one member should be “financially literate”.

3) TENURE:

The Board shall nominate members of the Committee to serve for a term aligned with the Board’s term, which is three years. Any casual vacancy shall be filled by the Board.

4) MEETINGS AND PROCEDURES:

a. Meeting Schedule:

- i. Meetings shall be held at least quarterly.
- ii. Additional meetings can be called by the Chair of the Committee, External Auditors, or Head of Internal Audit with the permission of the Chair of the Committee.
- iii. External Auditors shall be invited to meet with AC at least once a year. Additionally, the AC may invite them for a quarterly Committee meeting.

b. Attendance:

- i. In addition to the AC Members, the Chairperson can call any concerned manager or responsible person from any department as and when required by the Committee for explanation or clarification.
- ii. The CEO and CFO shall not be Committee members but can attend meetings at the



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Chair's invitation.

- 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 Committee at which issues, if any, relating to accounts and audit are discussed.
- iv. Meetings shall be presided by the Chairperson of the Committee. In the absence of Chairperson, the members present shall choose a member amongst themselves to preside over the meeting.
- v. The Committee shall meet with the following separately, at least annually, without management present:
 - External Auditors
 - Head of Internal Audit

c. Quorum:

- i. The quorum for Committee meetings shall be at least two (2) members of the Committee (which must include the Chair), either present in person, by teleconference or video conference.
- ii. Decisions shall be made by consensus of the majority of attending members, with a quorum present.

d. Committee Chair Responsibilities:

- i. Oversee the Committee's smooth operation.
- ii. Ensure recommendations and resolutions are documented, communicated, and followed up on.
- iii. Present Committee recommendations to the Board.

e. Minutes:

- i. The Committee Secretary shall circulate the minutes of the Committee meetings to all Committee members, Directors, the Head of Internal Audit, and, where required, the Chief Financial Officer, prior to the next meeting of the Board.
- ii. Where it is impractical to circulate the minutes prior to the next Board meeting, the Chairperson of the Committee shall communicate a synopsis of the proceedings to the Board, and the minutes shall be circulated along with the minutes of the meeting of the Board.
- iii. Minutes of the meeting shall be signed by the Chair of the Committee in the subsequent meeting after Committee's confirmation.
- iv. Minutes of the meeting shall be kept in the minutes book form or as an electronic record¹.
- v. Resolutions in writing shall be made and circulated, and every member of the Committee shall sign his name on a book or electronic record to be kept for that purpose.



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5) KEY FUNCTIONS AND RESPONSIBILITIES:

The Board shall determine and establish the Terms of Reference (TORs) of the Committee and provide adequate authority to enable the Committee to carry out its responsibilities effectively. The responsibilities of the Committee include the following:

I. Financial Statements:

- a. Review of annual and interim financial statements of the company, prior to their approval by the Board, focusing on:
 - i. Major judgmental areas;
 - ii. Significant adjustments resulting from audit;
 - iii. Going concern assumptions;
 - iv. Any changes in accounting policies and practices;
 - v. Compliance with applicable accounting standards and applicable laws and regulations; and
 - vi. all related party transactions.
- b. Review of financial, operational, or legal matters impacting the financial statements.
- c. Review periodic financial statements for:
 - i. Deviations from budgeted/ projected results;
 - ii. Significant changes in financial ratios; and
 - iii. Accounting/reporting practice changes.
- d. Review significant/ unusual transactions affecting the financial statements.
- e. Review preliminary announcements of results prior to external communication and publication.
- f. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the company from its employees regarding financial statement disclosures, accounting, internal accounting controls, fraud and audit related matters and for confidential and anonymous submission of complaints by employees of the company, attached as Annexure A to this TORs.

II. External Audit:

- a. Recommend to the Board the appointment of external auditors and its remuneration, their removal/ resignation, measures for redressal and rectification of non-compliances with the Regulations. The Board shall consider these recommendations unless strong justification exists otherwise with reason to be recorded thereof.
- b. Ensure that:
 - i. external auditors, a firm of auditors, holds a satisfactory QCR rating from ICAP and is registered with the Audit Oversight Board (AOB).



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- ii. all audit firm partners are in compliance with the International Federation of Accountants guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- iii. partners of the audit firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
- iv. engagement partner of the audit firm is, at a minimum, rotated after every five years.
- c. Consider the objectives and scope of any non-financial audit or consultancy work proposed to be undertaken by the external auditors and review the remuneration for this work, ensuring that they do not perform any management functions.
- d. Discuss with the external auditors before the audit commences the scope of the audit and the extent of reliance on internal audit and other review agencies.
- e. Discuss with the external auditors any significant issues from the review of the financial statements by the management, and any other work undertaken or overseen by the Committee.
- f. Facilitating 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).
- g. Review major findings from Internal Audit reports and report significant issues to the Board.
- h. Review and consider management letter issued by external auditors and management's response thereto.
- i. Ensure coordination between the internal and external auditors of the company.

III. Internal audit:

- a. Recommend the hiring, removal, rotation, appraisal, and succession planning of the Head of Internal Audit and internal audit staff, ensuring they are “fit and proper” for their roles, and review and recommend their resource planning, training, and development needs.
- b. In case the internal audit function is outsourced (wholly or partly) to a professional services firm, the Company shall appoint a full-time employee, other than the CFO, with the required qualifications to serve as Head of Internal Audit and act as the coordinator between the internal audit service provider and the Board.
- c. The Head of Internal Audit shall report to AC with respect to all functional and professional duties and responsibilities. The day-to-day matters shall be looked after by the Chief Executive Officer.
- d. The Committee shall review:
 - i. Internal audit charter/ scope, plan, reporting framework, and procedures.
 - ii. Adequacy of resources and placement within the company.
 - iii. Major findings from internal investigations characterized by fraud, corruption and abuse of power and management's response.
- e. Ensure that the Head of Internal Audit has unrestricted access to the Committee and reports independently to the Committee.



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- f. Reports of the internal audit shall be provided for review to the external auditors and matters of significance shall be reported by the Committee to the Board.

IV. Compliance:

- a. Monitor adherence to corporate governance best practices and identify significant violations.
- b. Oversee the compliance program to prevent/ detect violations related to the following and recommend revisions, if any, to the Board:
 - i. Laws (e.g., Company Law)
 - ii. Company policies
 - iii. Code of Conduct
 - iv. Licensing authority conditions, if any.
- c. Review reports on business ethics violations, conflict of interest issues and irregularities, management's compliance with company's relevant policies, quarterly internal audit progress reports and management's response thereon and report significant issues to the Board.
- d. Review significant legal, regulatory and tax matters having a material impact on the company.
- e. Review of preliminary announcements of results prior to external communication and publication.
- f. Perform other activities consistent with the company's governing documents.

V. Other Responsibilities:

- a. Review arrangements 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.
- b. Determine the quality, adequacy and effectiveness of the internal control environment (financial and operational), accounting systems, and reporting structures.
- c. Review the Company's statement on internal control before Board endorsement.
- d. Ascertain that the internal control system including financial and operational controls, accounting system for timely and appropriate recording of purchases and sales, receipts and payments, assets and the reporting structure are adequate, and effective and the information is available for management decisions.
- e. Determination of appropriate measures to safeguard the Company's assets.
- f. Oversee the whistle-blowing policy and protection mechanism. The Committee should:
 - i. Review arrangements for reporting concerns.
 - ii. Receive reports on relevant conduct, misconduct, and other issues.
 - iii. Recommend remedial and mitigating measures.
- g. Conduct special projects, special management audit, value-for-money studies, or investigations as directed by the Board (in consultation with the CEO). Consider referring matters to external auditors or other bodies, if needed.
- h. Annually review and evaluate the Committee's performance and compliance with the provisions of these TORs.



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- i. Consider any other matters as may be assigned by the Board or as required under applicable laws and regulations.

6) AUTHORITY:

The Audit Committee shall be empowered by the Board to:

- a. have unrestricted access to all information, documents and resources required to fulfill the duties and responsibilities.
- b. investigate any activity within its TORs. Employees shall be directed to extend full co-operation and facilitate the Committee in accomplishing its task.
- c. be authorized to reprimand or suggest disciplinary action against any employee for irregularities causing inefficiency or loss to the Company.
- d. Subject to consultation with the Board, the Committee may engage independent professional or operational advisors to access external knowledge and expertise as required.

7) COMMITTEE SECRETARY:

a. Appointment:

- i. The Committee Secretary shall be appointed by the Audit Committee.
- ii. The Company Secretary or Head of Internal Audit can be appointed as the Committee Secretary.

b. Responsibilities: The Secretary of the Audit Committee shall be responsible for the following:

- i. **Agenda and meetings:** Drafting the agenda with the Chairperson's concurrence, distributing it to all members at least seven days before the meeting, and ensuring that agenda and working papers are available to members attending in person or electronically.
- ii. **Minutes and follow-up:** Preparing and circulating the minutes prior to the next meeting and following up on outstanding matters and implementation of decisions.
- iii. **Records management:** Maintaining all records, including agendas, minutes, meeting recordings, committee reports, electronic documents, and other relevant documents at the Company's head office/registered office.
- iv. **Document retention:** Ensuring all records and documents are kept for a period of not less than ten years.

8) REPORTING:

The Committee shall regularly report its activities and recommendations to the Board. The report should outline key initiatives, challenges encountered, and proposed solutions.



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9) PERFORMANCE EVALUATION:

The Committee shall annually review its performance and effectiveness and develop a criterion for such evaluation.

10) DISCLOSURE OF TERMS OF REFERENCE ON WEBSITE:

The Company may post brief synopsis of TORs of the Committee on its website.

11) REVIEW AND REVISIONS:

- a. The Committee shall review and recommend the adequacy of its TORs once in three years.
- b. Any proposed revisions to the TORs shall be submitted to the Board for approval.



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Annexure A

Procedures for Anonymous Submission of Complaints or Concerns regarding Financial Statement Disclosures, Accounting, Internal Accounting Controls, Fraud and Audit-related matters

The following is the procedure for the confidential, anonymous submission by employees of Altern Energy Limited (the "Company") of concerns regarding questionable accounting, internal control, auditing, fraud and other related matters ("Concerns"):

1. The Company shall forward to the Audit Committee of the Board of Directors (the "Audit Committee") any complaints that it has received regarding financial statement disclosures, accounting, internal accounting controls, fraud and auditing matters.
2. Any employee of the Company may submit, on a confidential, anonymous basis if the employee so desires, any Concerns by setting forth such Concerns in writing and forwarding them in a sealed envelope to the Chair of the Audit Committee, in care of the Company Secretary (the "Secretary"), such envelope to be labeled with a legend such as: "Anonymous Submission of Complaint or Concern." If an employee would like to discuss any matter with the Audit Committee, the employee should indicate this in the submission and include a telephone number at which he or she might be contacted if the Audit Committee deems it appropriate. Any such envelopes received by the Secretary shall be forwarded promptly to the Chair of the Audit Committee. In addition, the employees can also report their complaints or concerns by sending email on the specified email address notified in this regard.
3. The Secretary shall maintain a comprehensive record of all the concerns received by him under the procedure specified in this Annexure.
4. At each of its meetings, including any special meeting called by the Chair of the Audit Committee following the receipt of any information pursuant to this Annexure A, the Audit Committee shall review and consider any such complaints or concerns that it has received and take any action that it deems appropriate to respond thereto. Urgent matters shall be immediately brought to the notice of the Chairperson, and he/ she may decide to call an urgent and ad hoc meeting of its members or to initiate an investigation to deal with the matter.
5. On an annual basis, the Audit Committee shall prepare a report on all major concerns reported during the year including the ones raised by the Compliance Committee in their reports, recommendations made by the Audit Committee and the actions taken thereon. This report shall be presented to the Board for their review and ratification of the steps taken by the Audit Committee. However, if any reported violation is considered significant by the Audit Committee then an ad hoc report should be forwarded to the Board.

The Audit Committee shall retain any such complaints or concerns including details of investigation and remedial actions taken, in accordance with the prevalent legal requirements in this regard.