



# GLAXOSMITHKLINE CONSUMER HEALTHCARE PAKISTAN LIMITED

## Board Audit Committee Charter

Effective Date: 20 August 2018



## COMPOSITION OF THE COMMITTEE

The Board Audit Committee (the “Committee”) shall be constituted by the Board of Directors (the “Board”) of GlaxoSmithKline Consumer Healthcare Pakistan Limited (the “Company”), through its resolutions, to ensure compliance with the ‘*Listed Companies Code of Corporate Governance Regulations 2017*’ (the “Code”) and keeping in view the following requirements of the Code:

- **Members** – The Board of Directors of the Company shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director.

Explanation: The Board may, through its resolutions, from time to time, appoint non-executive directors as members of the Committee, as it may deem fit, in compliance with the requirement of the Code.

- **Financially Literate** – The board shall satisfy itself such that at least one member of the audit committee qualifies as “financially literate”.

Explanation: Expression “financially literate” shall mean a person who is a member of recognized body of professional accountant or 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.

The Names of Members of the Audit Committee shall be disclosed in each Annual Report of GlaxoSmithKline Consumer Healthcare Limited.

## CHAIRMAN OF THE COMMITTEE

The Board, to confirm compliance with the Code, shall appoint an independent Director as the Chairman of the Committee, who shall not be the Chairman of the Board of Directors. In absence of the Chairman of the Committee, the remaining members present in the meeting shall elect one of themselves to chair the meeting.

## **SECRETARY OF THE COMMITTEE**

The Committee shall appoint the secretary of the Committee who shall either be the Company Secretary or Head of Internal Audit. However, CFO shall not be appointed as the Secretary to the Audit Committee.

## **MEETING OF THE COMMITTEE**

The Audit Committee of the 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 of Directors and after completion of external audit.

## **NOTICE OF THE MEETING**

Meetings of the Committee shall be convened by the secretary of the Committee and with the consent of the chairman of the Committee, or at the request of any of its members or at the request of external auditors or head of internal audit, if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded by secretary of the Committee to each member of the Committee and any other person required to attend no later than [seven] days before the date of the meeting. However, as and when required and with prior approval of the chairman of the Committee, a meeting may be convened on shorter notice, provided the quorum of the Committee is met.

## **ATTENDEES OF THE MEETING**

- Only members of the Committee, head of internal audit and whomever the Committee deems appropriate to include by invitation of the Chairman, have the right to attend the Committee meetings.
- There is an open invitation for the Chairman of the Board and any Director to attend any Committee meeting with intimation to the Chairman the Committee.
- 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.
- Chief executive officer and the chief financial officer shall not attend any meeting of the Audit Committee except by invitation only.
- At least once a year, the Committee shall meet the external auditors without the chief financial officer and the head of internal audit being present.
- At least once a year, the 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.

## QUORUM

Two members of the Committee present throughout the meeting shall constitute a quorum. All resolution and proceeding of general meeting(s) and the meeting Committee of directors shall put his signature in a book to be kept for that purpose.

## PARTICIPATION IN THE MEETING ELECTRONICALLY

In the event any member of the Audit Committee is unable to attend any meeting of Audit Committee, such member may participate in the meeting electronically by means of video or audio conferencing, and any member so participating shall, for all intents and purposes, be deemed to be present at the meeting in person including, without limitation, for the purposes of constituting the quorum for such meeting.

## MINUTES OF THE MEETINGS

The secretary of the Committee shall circulate minutes of meetings of the Committee to all members, directors and where required to chief financial officer prior to next meeting of the board. Where this is no practicable, the chairman of the Committee shall communicate a synopsis of the proceedings to the Board of Directors and the minutes shall be circulated immediately after the meeting of the board. The minutes would thereafter be approved in the next meeting, and the final minutes would have the signatures of the chairman of the Committee.

## REPORTING LINE OF THE HEAD OF INTERNAL AUDIT

Under the Code of Corporate Governance, the Head of internal Audit shall functionally report to the Audit Committee and administratively to the CEO. In case the Internal Audit function is outsourced, the Head of the audit service provider shall report to Audit Committee.

## DELEGATION OF AUTHORITY

Under the Code of Corporate Governance, the Head of internal Audit shall functionally report to the Audit Committee and administratively to the CEO. In case the Internal Audit function is outsourced, the Head of the audit service provider shall report to Audit Committee.

## TERMS OF REFERENCE OF THE COMMITTEE

The terms of reference of the Committee includes the following:

- Determination of appropriate measures to safeguard the Company's assets;

### **TERMS OF REFERENCE OF THE COMMITTEE (cont'd)**

- Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - o Major judgemental areas;
  - o Significant adjustment resulting from the audit;
  - o Going concern assumption;
  - o Any changes in accounting policies and practices;
  - o Compliance with applicable accounting standards;
  - o Compliance with these regulations and other statutory and regulatory requirements; and
  - o All related party transactions.
- Review of preliminary announcements of results prior to external communication and publications;
- 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 the external auditors and management's response thereto;
- Ensure coordination between the internal and external auditors of the Company;
- 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;
- 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 of Directors and internal audit reports;

- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the chief executive officer and to consider remittances of any matter to the external auditors or to any external body;
- Determining of compliance with relevant statutory requirements;
- Monitoring compliance with these regulations and identification of significant violations thereof;
- 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;
- Recommend to the Board of Directors the appointment of external auditors, their removal, audit fee, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee and where it acts otherwise it shall record the reasons thereof; and
- Considering of any other issue or matter as may be assigned by the Board of Directors.

#### **AUTHORITY OF THE COMMITTEE**

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorized by the Board to obtain outside legal, or other independent professional, advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

It is recognized that the ultimate responsibility for approval of financial reports and for overseeing that the management staff discharge their responsibilities relating to the control over the financial and operational activities of the organization rests with the entire Board. The Committee shall however provide appropriate practical recommendations for addressing areas, which in the Committee's view, need to be addressed or require improvement.