# J.K. SPINNING MILLS LIMITED

## TERMS OF REFERENCE OF BOARD COMMITTEES

**Approved by the Board of Directors on September 07,2025**

### 1. Purpose

The Board of Directors of J.K. Spinning Mills Limited (the **“Company”**) has constituted Board Committees to assist the Board in effectively discharging its responsibilities and to provide focused oversight of the Company's financial reporting, internal controls, human resources, remuneration, risk management, nomination and sustainability matters.

Each Committee shall operate within the authority delegated to it by the Board and shall report its proceedings, findings and recommendations to the Board.

The Committees shall comply with the Companies Act, 2017, the Listed Companies (Code of Corporate Governance) Regulations, 2019, as amended from time to time, applicable PSX requirements, and other applicable laws and regulations.

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# A. AUDIT COMMITTEE

### 1. Constitution and Composition

1. The Company shall maintain an Audit Committee in accordance with applicable regulatory requirements.
2. The Committee shall comprise members of the Board, with the composition meeting the requirements of the applicable Code of Corporate Governance.
3. The Chairman of the Audit Committee shall be an independent director.
4. The Committee shall have the necessary financial and accounting expertise to effectively discharge its responsibilities.
5. The Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and representatives of the external auditors may attend meetings by invitation, except where their presence is not considered appropriate.

### 2. Meetings

The Audit Committee shall meet **at least once every quarter**, and additionally whenever considered necessary.

The Committee shall meet before approval by the Board of quarterly, half-yearly and annual financial statements.

The Committee shall also meet the external auditors and internal audit function separately, without the presence of management, at least once a year where required.

## 3. Financial Reporting

The Committee shall:

- Review the quarterly, half-yearly and annual financial statements before submission to the Board.
- Review significant accounting policies and accounting estimates.
- Review significant judgments and assumptions used in preparation of financial statements.
- Review compliance with applicable accounting and financial reporting standards.
- Review major unusual or non-recurring transactions.
- Review significant adjustments arising from audit.
- Review the management letter issued by external auditors and management's response.
- Review related-party transactions and make appropriate recommendations to the Board.
- Review the adequacy and appropriateness of financial disclosures.
- Review any significant disagreement between management and external auditors regarding financial reporting.

## 4. Internal Audit

The Committee shall:

- Review and approve the annual internal audit plan.
- Review internal audit reports and recommendations.
- Monitor implementation of internal audit recommendations.
- Assess the effectiveness of the internal audit function.
- Review the performance and independence of the Head of Internal Audit.
- Ensure that the Head of Internal Audit has appropriate access to the Chairman of the Audit Committee.
- Ensure that internal audit has unrestricted access to relevant records, employees and information.

The Head of Internal Audit shall functionally report to the Audit Committee and administratively to the Chief Executive Officer, in accordance with the applicable regulations.

## 5. External Audit

The Committee shall:

- Recommend appointment, reappointment or removal of external auditors to the Board.
- Review the terms of engagement and audit fee.
- Review the independence and objectivity of external auditors.
- Review the external auditors' audit plan.
- Review the external auditors' findings and recommendations.
- Monitor non-audit services provided by external auditors.
- Ensure appropriate rotation of audit engagement personnel where applicable.
- Meet external auditors without management where considered necessary.

## 6. Internal Controls

The Committee shall review:

- adequacy of internal financial controls;
- operational controls;
- compliance controls;
- safeguarding of Company assets;
- effectiveness of accounting systems;
- controls over financial reporting; and
- corrective actions taken by management.

## 7. Risk and Compliance

The Committee shall review significant financial, operational and compliance risks insofar as they affect financial reporting and internal controls.

It shall also review the Company's compliance with applicable laws, regulations and regulatory requirements relevant to its responsibilities.

## 8. Whistleblowing

The Committee shall review the Company's whistleblowing arrangements and ensure that appropriate mechanisms exist for employees and other stakeholders to report suspected wrongdoing, fraud or irregularities without fear of retaliation.

## 9. Reporting to the Board

The Chairman of the Audit Committee shall report to the Board on material matters considered by the Committee and shall ensure that minutes of Committee meetings are circulated to the Board in accordance with applicable requirements.

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# B. HUMAN RESOURCE & REMUNERATION COMMITTEE

## 1. Constitution and Composition

1. The Committee shall consist of at least three directors.
2. A majority shall comprise non-executive directors.
3. At least one member shall be an independent director.
4. The Chairman shall be an independent director.
5. The Chief Executive Officer may be a member of the Committee.
6. A director shall not participate in discussion or decision-making relating to his or her own performance evaluation, remuneration or terms of service.

These requirements are specifically prescribed under Regulation 28 of the CCG Regulations.

## 2. Meetings

The Committee shall meet **at least once during each financial year** and more frequently whenever necessary.

## 3. Human Resource Policy

The Committee shall:

- Recommend HR policies to the Board.
- Review the Company's organizational structure.
- Review succession planning for senior management.
- Review management development and training programs.
- Review employee retention and talent management strategies.
- Review the Company's compensation structure.
- Review employee benefits and retirement benefits.
- Review policies relating to performance evaluation.

## 4. Senior Management

The Committee shall recommend to the Board the:

- selection;
- appointment;
- evaluation;
- development; and
- compensation

of the Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit, as applicable.

The Committee shall also consider and approve, where delegated by the Board, recommendations of the Chief Executive Officer concerning key management positions reporting directly to the CEO or COO.

### 5. Remuneration

The Committee shall:

- Recommend the Company's remuneration framework for senior management.
- Review compensation packages of senior management.
- Ensure that remuneration policies are consistent with the Company's objectives and performance.
- Review performance-linked remuneration.
- Review benefits and incentives.
- Ensure that remuneration decisions are transparent and properly documented.

### 6. Performance Evaluation

The Committee shall oversee the annual performance evaluation process for:

- the Board as a whole;
- Board Committees;
- individual directors, where applicable; and
- senior management.

The Committee may engage an independent consultant where considered appropriate.

### 7. Conflict of Interest

Any Committee member having a direct or indirect interest in a matter under consideration shall disclose such interest and abstain from participating in the relevant discussion or decision.

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# C. NOMINATION COMMITTEE

**Recommendation:** For JKSML, this Committee may be constituted as a separate committee or its functions may be appropriately assigned by the Board, depending upon the Company's governance structure.

### 1. Purpose

The Committee shall assist the Board in maintaining an appropriate structure, size, composition and balance of skills and experience.

### 2. Responsibilities

The Committee shall:

- Review the size and composition of the Board.
- Review the balance between executive, non-executive and independent directors.
- Identify skills and experience required on the Board.
- Make recommendations regarding appointment of directors to Board Committees.
- Recommend Chairmen of Board Committees.
- Review succession planning for the Board.
- Recommend changes to Board composition where necessary.
- Consider the Company's diversity requirements and governance objectives.

Regulation 29 specifically provides that a Nomination Committee may be constituted and assigns it responsibility for recommendations concerning Board Committees and review of the Board's structure, size and composition.

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# D. RISK MANAGEMENT COMMITTEE

### 1. Responsibilities

The Committee shall:

- Review the Company's risk management framework.
- Identify major financial, operational, strategic and compliance risks.
- Review measures adopted to mitigate material risks.
- Monitor significant business risks.
- Review financial risks, including:
    - interest rate risk;
    - foreign exchange risk;
    - liquidity risk;
    - credit risk;
    - commodity price risk.
- Review operational risks relating to manufacturing facilities.
- Review insurance arrangements.
- Review business continuity and disaster recovery arrangements.

- Review cybersecurity and information-security risks.
- Review regulatory and legal risks.
- Review adequacy of internal controls relating to material risks.
- Monitor emerging risks and recommend appropriate mitigation measures.
- Review disclosures regarding the Company's risk framework and internal control system.

The regulations specifically identify monitoring material financial, operational and compliance controls, risk mitigation and disclosure of the Company's risk framework as potential responsibilities.

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# E. SUSTAINABILITY / ESG COMMITTEE

### Responsibilities

The Committee shall:

- Review the Company's sustainability strategy.
- Monitor environmental, social and governance matters.
- Review energy-efficiency initiatives.
- Monitor renewable-energy and solar projects.
- Review environmental compliance.
- Review occupational health and safety matters.
- Review labor and employee welfare matters.
- Review community and social-development initiatives.
- Monitor ESG-related risks.
- Review sustainability reporting and disclosures.
- Monitor implementation of ESG policies approved by the Board.
- Review progress against sustainability objectives and targets.

The CCG framework expressly recognizes corporate social responsibility, sustainability and ESG-related policies as significant governance policies.

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# F. COMMON PROVISIONS APPLICABLE TO ALL BOARD COMMITTEES

### 1. Authority

Each Committee shall have authority delegated by the Board to:

- seek information from management;
- obtain professional advice where necessary;
- invite officers and employees to attend meetings;
- seek independent professional advice, subject to the Company's applicable policies and approval requirements.

## 2. Access to Information

Management shall provide the Committees with complete, accurate and timely information necessary for the discharge of their responsibilities.

## 3. Secretary

The Company Secretary or another officer designated by the Board/Committee shall act as Secretary to the Committee, except where the applicable regulations provide otherwise.

## 4. Minutes

Minutes of each Committee meeting shall be prepared and circulated to Committee members and, where applicable, the Board within the prescribed/appropriate timeframe.

## 5. Quorum

The quorum shall be as prescribed by applicable law, the Company's Articles of Association and these TORs. Where the applicable law does not prescribe a specific quorum, the quorum shall be **a majority of the members of the Committee**, subject to at least two members being present.

## 6. Conflict of Interest

Committee members shall disclose any actual or potential conflict of interest and shall not participate in the relevant discussion or decision where required.

## 7. Confidentiality

All Committee members shall maintain confidentiality regarding information received in connection with Committee proceedings, except where disclosure is required by law or authorized by the Board.

## 8. Annual Review of TORs

Each Committee shall review the adequacy of its TORs at least annually and recommend any amendments to the Board for approval.

### 9. Performance Evaluation

The performance of each Committee shall be evaluated periodically in accordance with the Company's Board evaluation framework.

### 10. Reporting

Each Committee shall submit a report of its proceedings, recommendations and significant matters to the Board.

### 11. Amendment

These TORs may be amended, supplemented or revised by the Board from time to time to reflect changes in applicable laws, regulations, business requirements or corporate governance practices.

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## BOARD APPROVAL

**Resolved that** the Terms of Reference of the Board Committees as presented to the Board be and are hereby **approved and adopted**, with effect from September 08, 2026 and the respective Committees are directed to comply with the same.

**Chairman of the Board:** Mrs. Farhat Jehan

**Chief Executive Officer:** Mr. Faiq Jawed

**Company Secretary:** Ghulam Muhammad

**Date:** September 07, 2026

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