

# TERMS OF REFERENCE (TORs) OF THE BOARD COMMITTEES

## AUDIT COMMITTEE (AC)

The terms of reference of the Audit Committee are:

- a) determination of appropriate measures to safeguard the Company's assets.
- b) review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - (i) major judgmental areas.
  - (ii) significant adjustments resulting from the audit.
  - (iii) going concern assumption.
  - (iv) any changes in accounting policies and practices.
  - (v) compliance with applicable accounting standards.
  - (vi) compliance with statutory and regulatory requirements; and
  - (vii) all related party transactions.
- c) review of preliminary announcements of results prior to external communication and publication.
- d) 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).
- e) review of management letter issued by external auditors and management's response thereto.
- f) ensuring coordination between the internal and external auditors of the Company.
- g) 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;
- h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.
- i) 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.
- j) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports.
- k) 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 remittance of any matter to the external auditors or to any other external body.
- l) determination of compliance with relevant statutory requirements.
- m) monitoring compliance with the regulations and identification of significant violations thereof.
- n) 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;
- o) recommend to the Board of Directors 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. 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.
- p) consideration of any other issue or matter as may be assigned by the Board of Directors.

## **HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE**

The Terms of reference of Human Resource & Remuneration Committee are;

- i. recommends to the Board for consideration and approval a policy framework for determining remuneration of Directors (both executive and non-executive directors and members of senior management).
- ii. 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.
- iii. recommending human resource management policies to the Board;
- iv. 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;
- v. consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer; and
- vi. where human resource and remuneration consultants are appointed, their credentials shall be known by the Committee and a statement shall be made by them as to whether they have any other connection with the Company.

## **SUSTAINABILITY COMMITTEE**

### **Governance Oversight**

- a) Undertake the responsibilities for the oversight of sustainability and climate-related risks and opportunities that could reasonably be expected to affect the Company's cash flows, access to finance, or cost of capital over the short, medium, and long term.
- b) Ensure that the Highnoon's sustainability governance structure, processes, and controls are adequate to identify, monitor, manage, and report the sustainability and climate-related risks and opportunities, material to Highnoon and pharmaceutical Industry.

- c) Provide the Board with half-yearly updates on how the Committee's oversight is exercised, including how relevant sustainability and climate-related risks and opportunities are factored in decision making, the respective implementation, and tracking.

### **Materiality, Financial Effects, and Risk Concentration**

- a) Review the sustainability and climate-related risks and opportunities that are material to Highnoon's Business Prospects.
- b) Ascertain the concentration of sustainability and climate-related risks within the Company's business model, operations, and value chain.
- c) Present half-yearly findings and interim updates about material changes to the Board.

### **Time Horizons and Strategic Integration**

- a) Define and annually reassess the relevant time horizons – short, medium, and long term – over which material risks and opportunities are expected to manifest, consistent with the Highnoon's strategy and financial planning cycle.
- b) Ensure that time horizons used in sustainability risk assessments are aligned with those used in strategic decision-making.

### **Strategy and Resource Allocation**

- a) Oversee integration of sustainability and climate-related risks and opportunities into corporate strategy, business planning, and capital allocation.
- b) Present strategic actions to the Board, to address and manage the material risks and opportunities.
- c) Ensure major strategic decisions are reviewed for sustainability-related implications.

### **Target Setting and Performance Tracking**

- a) Oversee the development of measurable targets for sustainability and climate-related performance (e.g., emissions reduction, energy transition, water intensity, biodiversity, etc.).

- b) Ensure that these targets are:
  - time-bound, with baseline and progress indicators
  - aligned with broader sustainability goals and strategy
- c) Present half-yearly target progress reports to the Board, including an explanation for any underperformance or deviations.

#### Remuneration and Incentivization

- a) Recommend the integration of sustainability and climate-related performance indicators into the remuneration structures for Senior Leadership and Executive Management.
- b) Coordinate with the Human Resource and Remuneration Committee to ensure alignment with corporate remuneration policy.

#### Delegation to Management and Oversight

- a) Delegate implementation of sustainability and climate strategies to senior management, clearly defining roles, accountability, and expected deliverables.
- b) Approve operational KPIs for sustainability, and require half-yearly reports from management summarizing:
  - Progress against targets
  - New or emerging risks
  - Performance shortfalls
  - Resource needs

#### Climate Resilience and Transition Plan

- a) Present to the Board a climate transition plan, if applicable, outlining how Highnoon intends to respond to climate-related risks and opportunities, including emission reduction targets, timelines, milestones, and capital investments.
- b) Ascertain the resilience of Highnoon' sustainability strategy and business model to climate change and other evolving sustainability-related risks.

#### Adaptation and Mitigation Measures

- a) Present to the Board, Highnoon's plans and capacity to adapt or adjust its business model and operations in response to identified climate and sustainability risks.
- b) Ensure that mitigation strategies are realistic, financially viable, and integrated into strategic business plans and disclosed over the applicable time horizons.

#### Major Transactions and Strategic Decisions

- a) Review all major strategic decisions, including mergers, acquisitions, capital expenditures, and divestments, to ensure sustainability and climate-related risks and opportunities have been appropriately considered.
- b) Advise the Board on the trade-offs involved in such decisions, particularly where sustainability-related risks or opportunities may affect long-term value creation.

#### Reporting and Compliances

- a) Oversee the preparation, accuracy, and completeness of sustainability-related disclosures included in Highnoon's general purpose financial reports, ensuring compliance with IFRS reporting standards (global framework) and with Local jurisdictions as required by SECP.
- b) Monitor compliance with IFRS Sustainability Disclosure Standards.

#### Continuous Monitoring and Capacity Building

- a) Monitor evolving regulatory requirements and global sustainability disclosure standards and advise the Board on their implications for Highnoon.
- b) Promote capacity building within the Committee and across the organization to effectively manage sustainability and climate-related responsibilities.

#### NOMINATION COMMITTEE

The terms of reference of the Nomination Committee.

- a) keep under review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes that are deemed necessary;

- b) give full consideration to succession planning of the Board, including the development of a diverse pipeline for directors and other senior executives in the course of its work;
  - c) consider and make recommendations to the Board in respect of the Board's committees and the chairmanship of the Board's committees;
  - d) be responsible for identifying and recommending the candidates for the approval of the Board after evaluating their suitability i.e., balance of skills, knowledge, experience and diversity, to fill Board vacancies as and when they arise;
  - e) determine the annual assessment criteria and process to assess the effectiveness of the Board, its committees and each individual director;
  - f) review the results of the Board evaluation process that relate to the composition of the Board;
  - g) develop criteria to assess independence and to assess on an annual basis, the independence of the Independent Directors;
  - h) review the training need for Directors and ensure Board members receive appropriate training programs;
  - i) review and approve a statement in the Company's Annual Report about its activities during the year; and
  - j) perform such other duties and responsibilities as may be assigned time to time by the Board of Directors.
- including how risks arising from the Company businesses are controlled, monitored, and managed by management;
  - c) To focus on current and forward-looking risks to assess the Company's vulnerability and resilience to potential risks;
  - d) To advise the Board on risk appetite and risk tolerance related matters and to ensure that risk appetite is integrated across strategic planning, capital allocation, and financial planning;
  - e) To review and recommend the Risk Appetite Statement, on an annual basis, to the Board for approval;
  - f) To review the Enterprise Risk Management (ERM) Framework annually and consider a report from Internal Audit function that it is operating effectively across the Company;
  - g) To oversee how effectively management is embedding and maintaining an effective risk management and control system and culture to foster compliance with policies and regulatory requirements;
  - h) To review and endorse the content of company's risk management framework and internal control system in the annual report aligned with local and all applicable international reporting frameworks;
  - i) To monitor and review of all material controls (financial, operational, compliance and sustainability etc):
  - j) To ensure that risk mitigation measures are robust and integrity of financial information is ensured;
  - k) Work and liaise as necessary with all other Board Committees (including to determine where there are an overlap or any gaps in responsibilities).

### **RISK MANAGEMENT COMMITTEE**

The terms of reference of the Risk Management Committee are:

- a) To oversee and advise the Board on risk-related matters, comprising both financial risks and non-financial risks (e.g., strategic, operational, compliance, resilience, sustainability, reputational, fraud, human capital, digital transformation risks etc.);
- b) To assess the Company's risk profile,