

# Engro Corporation Limited

## Policy to Ensure Optimal Capital Structure

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### **Purpose**

The Policy is designed to support its long-term business strategy through selection of an optimal Capital structure. Under the Code of Corporate Governance requirements, the said policy has been named as Debt Coverage Policy.

### **Policy**

Management will endeavor to achieve an Optimal Capital structure, which will strike a balance between risks and returns, seeking to maximize shareholder value while minimizing the cost of capital.

The assessment of an Optimal Capital structure for a specific project or a Company will depend on several variables including, inter alia:

- Financial ratios including impact on Debt Service Coverage Ratio
- Existing debt covenants
- Company Stakeholder and Cashflow requirements
- Currency & Interest rate risk
- Regulatory limits & requirements
- Available collaterals
- Tax efficiencies

The management must take into account, the above variables while making financing proposals for the approval of the Board.

### **Board approvals**

As per requirement of Companies Act and rules/regulations made thereunder, all alterations to capital structure including obtaining of fresh financing, shall be executed after due approval from the Board of Directors