
ENGRO POWERGEN QADIRPUR LIMITED
BOARD AUDIT & RISK COMMITTEE MANDATE

PREAMBLE

The Board Audit & Risk Committee ('BARC') of Engro Powergen Qadirpur Limited (the Company), in addition to its normal responsibilities, will also have the objective of assisting the Company's Board with general oversight over all the subsidiary companies to protect the interests of the Company. BARC will seek to achieve this objective by working closely with the respective Internal Auditor. It is important that a shared understanding of risk leads to well-informed decision making, and proactive risk management.

PURPOSE

To assist the Board of Directors in fulfilling its oversight responsibilities in the following areas:

1. Review the adequacy and effectiveness of the system for the assessment and effective management of risk in the Company.
2. Review the financial reporting process, the system of internal control, the audit process, and the process for monitoring compliance with policies of Corporate Governance and other applicable laws and regulations.
3. Effectiveness of internal control measures, compliance with policies on Corporate Governance and Business Conduct and applicable laws and regulations by the Company.

AUTHORITY

The BARC has the authority to conduct or authorize investigations into any matters within its scope of functional responsibilities. It is empowered to:

- Decide, through the Board of Directors, on matters regarding the selection, compensation and appointment of external auditors by the Company's shareholders.
- Consider any questions of external auditors' resignation or removal and review any provision by them of any service in addition to audit of the Company's financial statements.
- Review and assist in resolving any disagreements between management and the external auditors regarding financial reporting.
- Employ independent counsel, accountants, or others to advise the Committee on taxation matters and/or assist in the conduct of an investigation.
- Seek any information it requires from employees, auditors, or external parties in the fulfillment of its functional responsibilities.

COMPOSITION

- The Board Audit & Risk Committee ('BARC') of Engro Powergen Qadirpur Limited (the Company) will be constituted by the Company's Board of Directors. It will consist of at least three members including the Chairperson who will be nominated by the Board. The Chairperson of the BARC shall be an Independent Director who shall not be the Chairperson of the Board. The Committee will be appointed for a period of three years.
- Each Committee member will be a Non-Executive Director of the Board, with at least one Independent Director. At least one member of the Committee will have relevant financial skills / expertise and experience such that he / she qualifies as "financially literate" (as defined in the regulations).

- The Head of Internal Audit & Risk of the Company will be the Secretary of the BARC and shall report to the Committee on all functional matters.

MEETINGS

- The Committee will meet at least once every quarter prior to the approval of interim results of the Company as well as after completion of external audit. Special meetings may be held at the request of any member of the Committee, management, external auditors or Head of Internal Audit & Risk.
- The quorum for a Committee meeting shall be two members if the Chairperson is present. In case of the Chairperson not being able to attend, he / she shall delegate responsibility to another BARC Member.
- For the quarterly review of financial statements, the Chief Financial Officer shall attend the meeting only by invitation. The presence of the Head of Internal Audit & Risk shall be required where issues relating to internal audit are discussed. Additionally, the presence of the external auditors, represented by the engagement partner or in his absence any other partner designated by the audit firm, is necessary at Committee meetings where issues relating to annual accounts and / or external audit are being discussed.
- At least once a year the Committee shall meet the external auditors without the Chief Financial Officer and Head of Internal Audit & Risk being present and meet the Head of Internal Audit & Risk and other members of the Internal Audit & Risk function in the absence of the Chief Financial Officer and the external auditors.
- Meeting agendas will be prepared by the Secretary and provided to Committee members at least one week in advance along with appropriate briefing materials. The Secretary shall circulate minutes of meetings of the BARC to all members, directors, and the Chief Financial Officer (where required) prior to the next meeting of the board. Where this is not practicable, the chairperson of the BARC shall communicate a synopsis of the proceedings to the board and the minutes shall be circulated immediately after the meeting of the board, preferably within a fortnight of the meeting.

FUNCTIONAL RESPONSIBILITIES

The Committee shall have the following responsibilities:

Financial Statements

1. Review of preliminary announcements of the Company's results prior to publication and consider whether they are complete and consistent with the information known to Committee members.
2. Review of the quarterly, half-yearly and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on:-
 - I. Major judgmental areas
 - II. Complex or unusual transactions or significant adjustments resulting from the audit
 - III. Going concern assumption
 - IV. Changes in accounting policies and practices including material changes in these policies at the
 - V. Company's subsidiaries
 - VI. Compliance with applicable accounting / reporting standards
 - VII. Compliance with listing regulations and other statutory / regulatory requirements
 - VIII. All related party transactions
3. Review with Management and the external auditors the results of the audit, including any difficulties encountered.

4. If necessary and as determined by the Committee, review with Management, internal auditors and with Legal department any litigation, claims or other contingency, including tax assessments that could have a material effect on Company's financial position or operating results.

Compliance, Risk Management & Internal Controls

5. Monitor compliance with best practices of corporate governance and identification of significant violations thereof.
6. Review reports on business ethics violations, conflict of interest issues, irregularities and monitor management's compliance with Company's relevant policies.
7. Review the risk coverage and mitigation plans of the Company and assess adequacy of mitigants and measures being proposed to manage business and enterprise risk at least on a bi-annual basis during a financial year (or more frequently as deemed fit by the BARC Chairperson).
8. Review management's policies and practices and ascertain the adequacy and effectiveness of the Company's system / process of risk identification and management, internal controls including financial and operational controls, accounting system and reporting structure, and information technology security and control.
9. Steward the comprehensive adherence and implementation of all policies, frameworks and guidelines pertaining to effective risk management and internal controls through the Head of Internal Audit & Risk and actively seek updates and reports from him / her.
10. Review annual risk assessment which considers the risk driving attributes, such as inherent risk, root causes, likelihood, risk impact, control, effectiveness, and residual risks. The risk register serves as a record of risks identified through various risk management processes.
11. Review arrangement for staff and Management to report to BARC in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures.
12. Review and handle complaints according to the Company's Whistleblower policy.
13. Determination and monitoring of compliance with relevant statutory requirements.
14. Review the findings of any examinations by regulatory agencies.
15. Determination of appropriate measures to safeguard Company's assets.
16. Review and steward Business Contingency Plans for managing high risk areas pertaining to the Company at least on an annual basis during a financial year (or more frequently as deemed fit by the BARC Chairperson).
17. Review Company's statement on internal control systems prior to endorsement by Board of Directors, and deviations from this system which may cause material effects on its financial position and operating results.
18. Institute 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.

Internal Audit

19. Review the organizational structure, qualifications, skills set and experience of the Internal Audit & Risk function and ensure it has adequate resources to effectively carry out its role. The Internal Audit & Risk staff should be experts of relevant disciplines to cover all major heads of accounts maintained by the Company.
20. Annually review overall internal audit scope and extent as well as annual audit plans with the Head of Internal Audit & Risk and monitor implementation.
21. Review and concur in the appointment, remuneration and performance of Head of Internal Audit & Risk.

22. Review internal auditor's findings and recommendations including major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's responses / corrective actions.
23. Report on matters of audit significance to the Board of Directors.

External Audit

24. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter they may wish to highlight (in the absence of Management, where necessary).
25. Recommend to the Board, appointment of external auditors by the Company's shareholders, consider any questions of their resignation or removal, review their audit fee as well as provision by them of any service in addition to audit of the Company's financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
26. Examine external auditors' internal control memorandum/ management letters on internal accounting controls and other audit findings including any significant suggestions for improvement and Management's response to those suggestions.
27. Ensure coordination between the Company's internal and external auditors.
28. Perform other overseeing functions as requested by the Board of Directors.

REPORTING RESPONSIBILITIES

The BARC will report to the Board of Directors about Committee activities, issues and related recommendations.

PERFORMANCE EVALUATION

The annual evaluation of the Committee shall be performed according to the mechanism put in place by the Board of Directors of the Company.