ENGRO FERTILIZER LIMITED
BOARD AUDIT & RISK COMMITTEE MANDATE

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 and its subsidiary under its management control.

2. Financial reporting process, the system of internal control, the audit process, and the process for monitoring compliance with SECP's Code of Corporate Governance, and other applicable laws and regulations by the Company and its subsidiary under its management control.

3. Effectiveness of internal control measures, compliance with policies on Corporate Governance and Business Conduct and applicable laws and regulations by the Company and its subsidiary under its management control.

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 Corporate Centre and Business Unit management, employees, auditors or external parties in the fulfillment of its functional responsibilities.

COMPOSITION

- The BARC 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 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.

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MEETINGS

- The Committee will meet at least once every quarter prior to the approval of interim results of the Company as well as before and after completion of the external audit. Special meetings may be held at the request of any member of the Committee, external auditors or Head of Internal Audit & Risk.
- The quorum for a Committee meeting shall be any two members.
- For the quarterly review of financial statements, the Chief Financial Officer shall attend the meeting only by invitation. Additionally, the presence of 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.
- The CEO of the Company, and its subsidiary under its management control as well as the Chairpersons of their respective Audit Committees may be consulted by the BARC when important matters concerning their organizations are to be discussed. The CEO and CFO of the Company shall attend the BARC meetings only by invitation.
- 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 also 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 and preferably within a fortnight of the Committee meetings. 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.

FUNCTIONAL RESPONSIBILITIES

The Committee shall have the following responsibilities:

Financial Statements

- Review of preliminary announcements of results prior to external communication and publication;
- Review of annual and interim financial statements of the company, prior to their approval by the Board, focusing on:
    - Major judgmental areas
    - Significant adjustments resulting from the audit
    - Going concern assumption
    - Any changes in accounting policies and practices
    - Compliance with applicable accounting standards
    - Compliance with these Regulations and other statutory and regulatory requirements and
    - All related party transactions
- Review with management and the external auditors the results of the audit, including any difficulties encountered;

- 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 the Corporate Centre's financial position or operating results.

Compliance, Risk Management & Internal Controls

- Monitoring compliance with these Regulations and identification of significant violations thereof.
- Review reports on violations of business ethics and conflict of interest issues at the Company and its subsidiary under its management control and monitor compliance with the Company's relevant policies.
- 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).
- 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 .
- 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.
- Review the annual risk assessment of the Company and its subsidiary under its management control tailored to their respective operations 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.
- Review of 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.
- Review and handle complaints according to the Company's Whistleblower Policy.
- Determination of compliance with relevant statutory requirements.
- Determination of appropriate measures to safeguard Company's assets.
- Review and steward Business Contingency Plans for managing high risk areas pertaining to the Company and its portfolio businesses in the form of subsidiary at least on an annual basis during a financial year (or more frequently as deemed fit by the BARC Chairperson).
- Review of the Company's statement on internal control systems prior to endorsement by the Board and internal audit reports.
- Oversee periodic HSE compliance review through HSE dashboards and review of HSE incidents / investigations along with an update of corrective and preventive actions.
- Review and recommend to the Board for approval of Sustainability report on an annual basis. The committee shall monitor and review sustainability related risks and opportunities of the Company and oversee compliance of relevant laws pertaining to relevant sustainability related considerations and its appropriate disclosures. The BARC shall submit to the board a report, at least once a year, on embedding sustainability principles into the organization's strategy and operations to increase corporate value. (including sustainability report)

- Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body.
- Consideration of any other issue or matter as may be assigned by the Board.

Internal Audit

- Review the organizational structure, qualifications, skillset and experience of the Internal Audit & Risk function and ensure that 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.
- 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.
- Review and concur in the appointment, remuneration and performance of Head of Internal Audit & Risk.
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto .

External Audit

- 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).
- Ensuring coordination between the internal and external auditors of the company
- Recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by external auditors in addition to audit of its 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.
- Review and confirm the independence of the external auditors by obtaining written statements from them regarding any interests, other than auditing fees, that they may have in the Company and nature of their relationship with the Company, including non-audit services or employment of former employees of the external auditors.
- Review of management letter issued by external auditors and management's response thereto .

REPORTING RESPONSIBILITIES

Annually report to the Board of Directors about Committee activities, issues, and related recommendations.

PERFORMANCE EVALUATION

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

APPOINTMENT AND REMOVAL OF HEAD OF INTERNAL AUDIT

1. No person shall be appointed as the Head of Internal Audit of the Company unless:
   a) he/she has three years of relevant experience in audit or finance or compliance function and is a member of the Institute of Chartered Accountants of Pakistan or Institute of Cost and Management

Accountants of Pakistan; or

b) he/she has five years of relevant experience in audit or finance or compliance function and (a) is a Certified Internal Auditor; or (b) is a Certified Fraud Examiner; or (c) is a Certified Internal Control Auditor; or (d) has a post graduate degree in business, finance from a university or equivalent recognized and approved by the Higher Education Commission of Pakistan (HEC) and is a member of a professional body relevant to such qualification, if applicable; or

c) he/she has at least seven years of managerial experience in fields of audit or accounting or in managing financial or corporate affairs functions of a company and has a suitable degree from a university in Pakistan or abroad equivalent to graduate degree, recognized and approved by the Higher Education Commission of Pakistan (HEC). The Securities and Exchange Commission of Pakistan (SECP), on application from the company, shall determine the suitability of such candidate.

2. Removal of Head of Internal Audit be made with approval of board only upon recommendation of the chairman of audit committee.

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