Engro Fertilizers Limited

Statement of Internal Control System

The management of Engro Corporation Limited is responsible for the establishment and maintenance of the Company's system of internal control in order to reduce and manage, rather than eliminate the risk. This System provides reasonable, though not absolute, assurance that assets are safeguarded against unauthorized use or disposition, that proper and reliable accounting records are available for use within the business and that adequate control mechanisms have been established within the businesses.

The key features of the Company's system of internal control are as follows:

Control Environment and Procedures

The Company is committed to maintaining a strong internal control environment that promotes integrity and competence throughout the organization. The Company's organizational structure embodies clearly defined levels of responsibility and delegation of authorities. Each division operates within a framework of policies / procedures, and personnel are required to comply with these policies / procedures. Policies and procedures are developed keeping in mind the Company's commitment to highest levels of integrity and ethics. These cover key issues such as safeguarding of assets, ensuring validity of financial records and reports, compliance with laws and regulations etc. as well as effectiveness and efficiency of operations.

Risk Management

The risks are managed through Enterprise Risk Management in accordance with the Risk Management Policy.

Financial Reporting Systems

The Company has an established system of financial reporting and budgetary controls covering periodic performance reviews for each major business area / division which monitors actual performance against budget and forecast.

Internal Control Procedures

The Company implements specific control procedures to address identified risks in accordance with the risk management policy. Review and endorsement of long term strategic plans, development of capital and expense budgets, stewardship of business plans and ensuring compliance with internal control processes lies with the Management Committee.

Monitoring system

The Corporate Audit Department, through Corporate Audit Manager, reports administratively to the Chief Executive Officer and functionally to the Board Audit Committee. It carries out programmed reviews covering major operations and internal control systems operating in the Company and its subsidiaries. This program of reviews (Audit Plan) is approved by the Board Audit Committee prior to execution. Emphasis continues to be on internal compliance measured against set standards and best practices. Divisional Management and subsidiary Chief Executive Officer are required to comply with defined policies and procedures. The Board Audit Committee is responsible for ascertaining the adequacy and effectiveness of internal controls including financial and operational controls, accounting systems and reporting structure.