

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

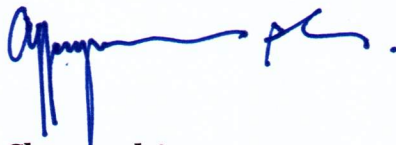
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Sindh Engro Coal Mining Company Limited (the Company) for the year ended December 31, 2014.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended December 31, 2014.



**Chartered Accountants
Karachi**

Date: October 6, 2016

Engagement Partner: Waqas A. Sheikh

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company: Sindh Engro Coal Mining Company Limited (the Company)

Name of Line Ministry: Energy Department, Government of Sindh

For the year ended: December 31, 2014

This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules 2013 (hereinafter "the Rules") issued for the purpose of establishing a framework of good governance, whereby a Public Sector Company is managed in compliance with the best practices of public sector governance.

The Company has complied with the provisions of the Rules, during the year ended December 31, 2014 as follows:

S No.	Provisions of the Rules	Rule No.	Yes/No/N/A												
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	N/A. An exemption has been granted by the Securities and Exchange Commission (the Commission) to the Company from the requirement of having independent directors on the Board of Directors.												
2.	<div>The Board has the requisite percentage of independent directors. At present the Board includes:</div> <table><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr><tr><td>Independent Directors</td><td>N/A</td><td>N/A</td></tr><tr><td>Executive Directors</td><td>Shamsuddin A. Shaikh</td><td>March 19, 2013</td></tr><tr><td>Non-Executive Directors</td><td>Khurshid A. Jamali M. Aliuddin Ansari Agha Wasif Abbas M. Sohail Rajput Muhammed Waseem Mahesh K. Malani Mir Hayat K. Talpur Firdous S. Naqvi Khalid Mansoor</td><td>November 26, 2013 November 5, 2009 November 26, 2013 March 19, 2013 November 21, 2014 January 28, 2014 January 28, 2014 February 1, 2015 February 1, 2015</td></tr></table>	Category	Names	Date of appointment	Independent Directors	N/A	N/A	Executive Directors	Shamsuddin A. Shaikh	March 19, 2013	Non-Executive Directors	Khurshid A. Jamali M. Aliuddin Ansari Agha Wasif Abbas M. Sohail Rajput Muhammed Waseem Mahesh K. Malani Mir Hayat K. Talpur Firdous S. Naqvi Khalid Mansoor	November 26, 2013 November 5, 2009 November 26, 2013 March 19, 2013 November 21, 2014 January 28, 2014 January 28, 2014 February 1, 2015 February 1, 2015	3(2)	N/A. An exemption has been granted by the Commission to the Company from the requirement of having independent directors on the Board of Directors.
Category	Names	Date of appointment													
Independent Directors	N/A	N/A													
Executive Directors	Shamsuddin A. Shaikh	March 19, 2013													
Non-Executive Directors	Khurshid A. Jamali M. Aliuddin Ansari Agha Wasif Abbas M. Sohail Rajput Muhammed Waseem Mahesh K. Malani Mir Hayat K. Talpur Firdous S. Naqvi Khalid Mansoor	November 26, 2013 November 5, 2009 November 26, 2013 March 19, 2013 November 21, 2014 January 28, 2014 January 28, 2014 February 1, 2015 February 1, 2015													
3.	A casual vacancy occurring on the Board was filled up by the directors within ninety days.	3(4)	Yes												
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	No. For details of non-compliance, please refer: Annexure “A”												



S No.	Provisions of the Rules	Rule No.	Yes/No/N/A
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Ordinance.	3(7)	Yes
6.	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	Yes
7.	The Chairman has been elected amongst the independent directors.	4(4)	N/A. An exemption has been granted by the Commission to the Company from the requirement of having independent directors on the Board of Directors.
8.	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	N/A. An exemption has been granted by the Commission to the Company from the requirement of appointing the Chief Executive in line with Rule 5(2).
9.	(a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	Yes
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with stakeholders, in the manner prescribed in the Rules.	5(5)	Yes
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down the circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	Yes.
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	No. For details of non-compliance, please refer: Annexure "A"
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigate deviations from the Company's code of conduct.	5(5)(c)(ii)	Yes Yes.

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S No.	Provisions of the Rules	Rule No.	Yes/No/N/A
14.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(d) (iii)	N/A. The Company has been exempted from the Sindh Public Procurement Act, 2009 through notification dated May 29, 2014. However, the Company has standard operating procedures for public procurement, tender regulations and purchasing and technical standards which are followed stringently.
15.	The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	Yes
16.	The Board has quantified the outlay of any action with respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A
17.	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	Yes. Yes Yes
18.	The Board has carried out performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of a process, based on specified criteria, developed by it. The Board has also monitored and assessed the performance of senior management on an annual basis.	8	Yes
19.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	Yes
20.	The Board has approved the profit and loss account (statement of comprehensive income) for, and balance sheet as at the end of, the first, second, third quarter of the year as well as financial year end, and has placed the annual financial statements on the Company's website. Monthly accounts were also prepared and circulated amongst the Board members.	10	Yes
21.	All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information specified in the Rules.	11	No. For details of non-compliance, please refer: Annexure "A"

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S No.	Provisions of the Rules	Rule No.	Yes/No/N/A																		
22.	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table border="1"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>Mr. Sohail Rajput, Mr. Agha Wasif, Mr. Firdous S. Naqvi, Mr. Khalid Mansoor</td> <td>Mr. Sohail Rajput</td> </tr> <tr> <td>Risk Management Committee</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Human Resource Committee</td> <td colspan="2">(Note 1)</td> </tr> <tr> <td>Procurement Committee</td> <td>-</td> <td>-</td> </tr> <tr> <td>Nomination Committee</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>Note 1: Up till December 31, 2014, Engro Powergen Limited (the Parent Company) had a Human Resource (HR) committee that governed the matters of Sindh Engro Coal Mining Company Limited (SECMC). This committee had representation in form of directors of SECMC. A separate HR committee will be formed in the future.</p>	Committee	Number of members	Name of Chair	Audit Committee	Mr. Sohail Rajput, Mr. Agha Wasif, Mr. Firdous S. Naqvi, Mr. Khalid Mansoor	Mr. Sohail Rajput	Risk Management Committee	N/A	N/A	Human Resource Committee	(Note 1)		Procurement Committee	-	-	Nomination Committee	N/A	N/A	12	<p>Yes. All required committees have been formed except for the Procurement Committee. For details of non-compliance, please refer: Annexure "A".</p> <p>Requirement of Risk Management Committee is on companies that are either in the financial sector or those having assets of five billion rupees or more. Neither of these apply to the Company.</p> <p>Requirement for Nomination Committee doesn't apply as the Company only has sponsor nominated directors.</p>
Committee	Number of members	Name of Chair																			
Audit Committee	Mr. Sohail Rajput, Mr. Agha Wasif, Mr. Firdous S. Naqvi, Mr. Khalid Mansoor	Mr. Sohail Rajput																			
Risk Management Committee	N/A	N/A																			
Human Resource Committee	(Note 1)																				
Procurement Committee	-	-																			
Nomination Committee	N/A	N/A																			
23.	The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	Yes																		
24.	The Company has adopted International Finance Reporting Standards notified by the Commission under clause (i) of sub-section (3) of the section 234 of the Ordinance.	16	Yes																		
25.	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	Yes																		


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S No.	Provisions of the Rules	Rule No.	Yes/No/N/A															
26.	The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.	18	Yes.															
27.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Company contains criteria and details of remuneration of each director.	19	N/A. No remuneration is paid except for a fixed fee to attend director's meetings.															
28.	The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer, before approval of the Board.	20	Yes															
29.	<div>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:</div> <table><tr><th>Name of member</th><th>Category</th><th>Professional background</th></tr><tr><td>Mr. Sohail Rajput (Chairman)</td><td>Non-Executive Director</td><td>Finance</td></tr><tr><td>Mr. Agha Wasif</td><td>Non-Executive Director</td><td>Business Management</td></tr><tr><td>Mr. Firdous Shamim Naqvi</td><td>Non-Executive Director</td><td>Engineering</td></tr><tr><td>Mr. Khalid Mansoor</td><td>Non-Executive Director</td><td>Engineering</td></tr></table> <div>The Chief Executive Officer and Chairman of the Board are not members of the audit committee.</div>	Name of member	Category	Professional background	Mr. Sohail Rajput (Chairman)	Non-Executive Director	Finance	Mr. Agha Wasif	Non-Executive Director	Business Management	Mr. Firdous Shamim Naqvi	Non-Executive Director	Engineering	Mr. Khalid Mansoor	Non-Executive Director	Engineering	21	Yes
Name of member	Category	Professional background																
Mr. Sohail Rajput (Chairman)	Non-Executive Director	Finance																
Mr. Agha Wasif	Non-Executive Director	Business Management																
Mr. Firdous Shamim Naqvi	Non-Executive Director	Engineering																
Mr. Khalid Mansoor	Non-Executive Director	Engineering																
30.	The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	Yes															
31.	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	Yes															
32.	The external auditors of the Company have been confirmed that the firm all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	Yes															
33.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	Yes															

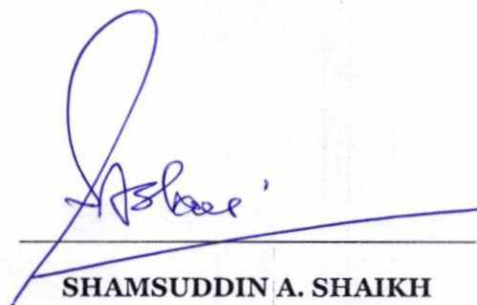
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S No.	Provisions of the Rules	Rule No.	Yes/No/N/A
34.	The Company has complied with all the corporate and financial reporting requirements of the Rules.		Yes

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KHURSHID A. JAMALI
Chairman



SHAMSUDDIN A. SHAIKH
Chief Executive Officer

Annexure "A"

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

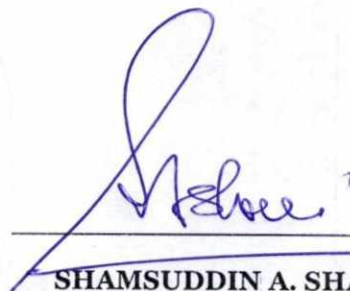
We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

S. No	Rule / Sub-Rule No.	Reasons for non-compliance	Future course of action
1	3(5)	The directors have confirmed that none of them are serving as a director on more than 7 listed Companies except their subsidiaries. Moreover from the list of directorships obtained by the Company from each of its directors, it appears that the directors are not serving on the Board of more than 5 Public Sector Companies.	The Company intends to obtain such declaration specifically regarding 5 Public Sector Companies in the future.
2	5(5)(b)(vi)	The Company has a whistle blower policy in place to encourage the employees and other stakeholders to report instances of corruption. However in order to fully comply with the requirement of having a policy on anti-corruption to minimize actual or perceived corruption in the Company, a separate policy is required which is not in place.	The relevant policy has been approved by the Board during year ended December 31, 2015
3	5(5)(b)(v)	A declaration by the directors and executives that they shall not offer or accept any payment, bribe, favor or inducement which might influence the decision or action has not been signed.	The Company will obtain such declaration in the future.
4	11	None of the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information specified in the Rules.	The Company intends to conduct such orientation for directors in the future.
5	12	No Procurement Committee is formed which is deemed necessary as per the relevant rules.	Procurement Committee will be formed in the future.

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KHURSHID A. JAMALI
Chairman



SHAMSUDDIN A. SHAIKH
Chief Executive Officer