



A.F. FERGUSON & CO.

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 National Power Parks Management Company (Private) Limited for the year ended June 30, 2017.

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, except for the instances mentioned in Schedule-II (Explanation for Non-Compliance), 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 June 30, 2017.

Chartered Accountants

Name of engagement partner: Hammad Ali Ahmad

Lahore, September 28, 2017

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk

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

Name of Company: **National Power Parks Management Company (Private) Limited**
Name of the Department: **Ministry of Water & Power, Government of Pakistan**
For the Year Ended: **June 30, 2017**

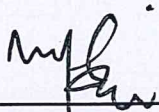
- i.) This statement is being presented to comply with the Public-Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a Public-Sector company is managed in compliance with the best practices of public sector governance.
- ii.) The company has complied with the provisions of the Rules in the following manner:

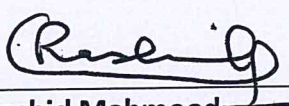
S. No	Provisions of the Rules	Rule No.	Y	N																					
			Tick the relevant Box																						
1.	The Independent Directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																						
2.	The Board has the requisite percentage of Independent Directors. At present the Board includes: <table><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr><tr><td rowspan="4">Independent Directors</td><td>1. Mr. Arif Saeed</td><td>30-04-2015</td></tr><tr><td>2. Mr. Asad Ali Khan</td><td>30-04-2015</td></tr><tr><td>3. Mr. Nauman Ahmed Khan</td><td>30-04-2015</td></tr><tr><td>4. Syed Maratib Ali</td><td>30-04-2015</td></tr><tr><td rowspan="4">Other Non-Executive Directors</td><td>1. Mr. Shah Jahan Mirza</td><td>30-04-2015</td></tr><tr><td>2. Mr. Zafar Abbas</td><td>02-03-2015</td></tr><tr><td>3. Mr. Aamer Mehmood Hussain</td><td>30-04-2015</td></tr><tr><td>4. Mr. Amjad Latif</td><td>07-03-2016</td></tr></table>	Category	Names	Date of Appointment	Independent Directors	1. Mr. Arif Saeed	30-04-2015	2. Mr. Asad Ali Khan	30-04-2015	3. Mr. Nauman Ahmed Khan	30-04-2015	4. Syed Maratib Ali	30-04-2015	Other Non-Executive Directors	1. Mr. Shah Jahan Mirza	30-04-2015	2. Mr. Zafar Abbas	02-03-2015	3. Mr. Aamer Mehmood Hussain	30-04-2015	4. Mr. Amjad Latif	07-03-2016	3(2)	✓	
Category	Names	Date of Appointment																							
Independent Directors	1. Mr. Arif Saeed	30-04-2015																							
	2. Mr. Asad Ali Khan	30-04-2015																							
	3. Mr. Nauman Ahmed Khan	30-04-2015																							
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	3. Mr. Aamer Mehmood Hussain	30-04-2015																							
	4. Mr. Amjad Latif	07-03-2016																							
3.	A casual vacancy occurring on the Board was filled up by the Directors within ninety days.	3(4)	NA																						
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)		✓																					
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)	✓																						
6.	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	✓																						
7.	The Chairman has been elected from amongst the Independent Directors.	4(4)	✓																						
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)	✓																						
9.	(a) The Company has prepared a "Code of Conduct" and has	5(4)	✓																						

	<p>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.</p> <p>(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</p>		✓	
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 the stakeholders, in the manner prescribed in the Rules..	5(5)	✓	
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down 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)	✓	
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)	✓	
13.	<p>(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.</p> <p>(b) A Committee has been formed to investigating deviations from the Company's Code of Conduct.</p>	5(5)(c) (ii)	✓ ✓	
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, in accordance with the PPRA Rules.	5(5)(c) (iii)	✓	
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)	✓	
16.	The Board has quantified the outlay of any action in 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.	<p>(a) The Board has met at least four times during the year.</p> <p>(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.</p> <p>(c) The Minutes of the meetings were appropriately recorded and circulated.</p>	6(1) 6(2) 6(3)	✓ ✓ ✓	
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 annual/half-yearly/quarterly basis.	8	✓	
19.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the	9	✓	

	Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.																					
20.	The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the 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	✓																			
21.	All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
22.	<p>(a) The Board has formed the requisite Committees, as specified in the Rules.</p> <p>(b) The Committees were provided with written Terms of Reference defining their duties, authority and composition.</p> <p>(c) The Minutes of the meetings of the Committees were circulated to all the 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>3</td> <td>Syed Maratib Ali</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Syed Maratib Ali</td> </tr> <tr> <td>Human Resource Committee</td> <td>4</td> <td>Mr. Arif Saeed</td> </tr> <tr> <td>Procurement Committee</td> <td>4</td> <td>Mr. Asad Ali Khan</td> </tr> <tr> <td>Nomination Committee</td> <td>3</td> <td>Mr. Arif Saeed</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	3	Syed Maratib Ali	Risk Management Committee	3	Syed Maratib Ali	Human Resource Committee	4	Mr. Arif Saeed	Procurement Committee	4	Mr. Asad Ali Khan	Nomination Committee	3	Mr. Arif Saeed	12	✓ ✓ ✓ ✓	
Committee	Number of Members	Name of Chair																				
Audit Committee	3	Syed Maratib Ali																				
Risk Management Committee	3	Syed Maratib Ali																				
Human Resource Committee	4	Mr. Arif Saeed																				
Procurement Committee	4	Mr. Asad Ali Khan																				
Nomination Committee	3	Mr. Arif Saeed																				
23.	The Board has approved appointment of 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	✓																			
24.	The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of Section 234 of the Ordinance.	16	✓																			
25.	The Director's 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	✓																			
26.	The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding.	18	✓																			
27.	<p>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.</p> <p>(Explanation of N/A: There is no executive director and in future in case any executive director is proposed the procedure will be</p>	19	N/A																			

	<i>developed accordingly).</i>															
28.	The Financial Statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.	20	✓													
29.	<div>The Board has formed an Audit Committee, with defined and written Terms of Reference, and having the following members:<table><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr><tr><td>Mr. Syed Maratib Ali</td><td>Independent Director</td><td>Chief Executive Officer, The Abepak (Pvt.) Limited</td></tr><tr><td>Mr. Aamer Mehmood Hussain, Joint Secretary, (Expenditure), Finance Division, Government of Pakistan</td><td>Non-Executive Director</td><td>Civil Servant</td></tr><tr><td>Mr. Nauman Ahmad Khan</td><td>Independent Director</td><td>Managing Director, Almoiz Industries Limited</td></tr></table><div>The Chief Executive and Chairman of the Board are not members of the Audit Committee.</div></div>	Name of Member	Category	Professional Background	Mr. Syed Maratib Ali	Independent Director	Chief Executive Officer, The Abepak (Pvt.) Limited	Mr. Aamer Mehmood Hussain, Joint Secretary, (Expenditure), Finance Division, Government of Pakistan	Non-Executive Director	Civil Servant	Mr. Nauman Ahmad Khan	Independent Director	Managing Director, Almoiz Industries Limited	21	✓	
Name of Member	Category	Professional Background														
Mr. Syed Maratib Ali	Independent Director	Chief Executive Officer, The Abepak (Pvt.) Limited														
Mr. Aamer Mehmood Hussain, Joint Secretary, (Expenditure), Finance Division, Government of Pakistan	Non-Executive Director	Civil Servant														
Mr. Nauman Ahmad Khan	Independent Director	Managing Director, Almoiz Industries Limited														
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	✓													
31.	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓													
32.	The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓													
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)	✓													
34.	The Company has complied with all the corporate and financial reporting requirements of the Rules.	-	✓													

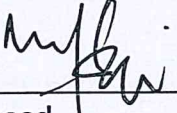

Arif Saeed
 Chairman Board of Directors


Rashid Mahmood
 Chief Executive Officer

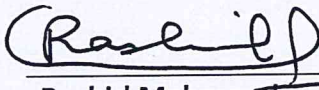
SCHEDULE-II
Explanation for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013

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]:

Sr. No.	Rule/ sub-rule no.	Reason for non-compliance	Future course of action
1.	3(5)	Being Government owned Company all directors were appointed by the Government, being the best options. Two Directors have confirmed that they are at the Boards of more than 5 Public Sector Companies.	The Company will ensure the compliance of the said provision.



Arif Saeed
Chairman Board of Directors



Rashid Mahmood
Chief Executive Officer