

FAISALABAD ELECTRIC SUPPLY COMPAN

SUBJECT: FUNCTION OF THE BOARD OF DIRECTORS

I Objective: To describe the major functions of the Board of Directors of the Faisalabad Electric Supply Company and to develop an increased understanding of their responsibilities and authorities and to define the Board's accountability.

II Policy:

A. It shall be the responsibility of the Board of Directors to establish and maintain a legal entity with respect to:

1. Ensuring that the legal requirements, as set forth in the Memorandum and Articles of Association, The Companies Ordinance, 1984 and other regulations applying to Faisalabad Electric Supply Company are complied with, including, but not limited to:
 - a. All Federal, Provincial and local statutes and ordinances.
 - b. The Ministry of Water & Power and other lending agencies.
 - c. Federal and Provincial tax and regulatory agencies and commissions.
2. Selecting and appointing the General Counsel, in consultation with the CEO.
3. Reviewing and recommending revisions and changes to the Memorandum and Articles of Association, as necessary and required.
4. Reviewing and approving major contracts such as loan agreements, wholesale power contracts and major construction contracts.
5. Ensuring that complete and accurate minutes of the meetings of the Board of Directors, Committees of the Board, and the Annual General Meeting of the shareholders as prepared, approved and maintained. Minutes of these meetings will be prepared by a company Secretary, who will prepare an initial draft for the CEO to review before distribution to the members of the Board.
6. Authorize eminent domain proceedings as required by the Faisalabad Electric Supply Company.

B. It shall be the responsibility of the Board of Directors to protect the shareholder's interest with respect to:

1. Plan and conduct shareholder meetings so as to:

- a. Inform the shareholders about Faisalabad Electric Supply Company and its operations.
 - b. Solicit the shareholder' ideas and suggestions.
 - c. Promote understanding of Faisalabad Electric Supply Company's objectives, goals, policies, plans and programs.
2. Complying with Board policies and the Memorandum and Articles of Association.
 3. Growing in own skills through systematic programs of trainings and information.
 4. Protecting the assets of the Faisalabad Electric Supply Company by making sure that Board polices, regulations, mortgage covenants of lending institutions and others are complied with. Providing adequate and appropriate amounts of insurance in various forms for the protection of the Faisalabad Electric Supply Company's assets.
 5. Selecting and engaging independent financial auditors per The Companies Ordinance, 1984, Section 253.
 6. Ensuring that the officers, CEO and other appropriate employees are bonded in amounts deemed adequate by the Board.
 7. Approving depositories for funds of the Faisalabad Electric Supply Company and designating those authorized to sign cheques, drafts, notes, contracts, deeds, mortgages, and other instruments on behalf of Faisalabad Electric Supply Company.
 8. Holding effective monthly Board Meetings, or more often if required. The agenda for such meetings shall be drawn by the CEO in consultation with the Chairman. A preliminary agenda shall be mailed in advance of the Board meeting with appropriate support information.
 9. Approving the engagement of the Faisalabad Electric Supply Company's principal consultants.
 10. Approving the purchase, transfer, lease and/or sale of all real estate, per the consent of the shareholder.
 11. Filling the vacancies of the Board for any unexpired term of office in accordance with the Memorandum and Articles of Association and Ministry of Water & Power approval.
 12. Listening to the comments of their customers and the general public about the Company and its operation.
- C. It shall be the responsibility of the Board of Directors to engage the consumer with respect to:

1. Solicit the consumer's ideas and suggestions.
 2. Keeping informed about the consumer's changing needs and how Faisalabad Electric Supply Company may assist in meeting those needs.
 3. Ensuring that the consumers are informed about Faisalabad Electric Supply Company and its operation using today's technology, periodic newsletters, annual reports, open meetings and other vehicles as appropriate.
 4. Inviting the participation of the Faisalabad Electric Supply Company's consumers in planning and carrying out programs which affect them.
 5. A proactive approach in energy efficiency, renewable energy programs, clean energy technologies that strengthen the economy, protect the environment, and reduce dependence on foreign oil.
- D. The Board will consider and adopt short and long term plans with respect to:
1. Ensuring that an adequate and reliable supply of power at the most reasonable cost for the consumers consistent with sound economic and business practices.
 2. Reviewing and approving ideals, objectives, and major goals for Faisalabad Electric Supply Company.
 3. Establishing various policies as required to direct the various operations of Faisalabad Electric Supply Company, the Board of Directors, the employees, shareholders and the consumer in general. These policies should be reviewed periodically by the Board and appropriate revision made as needed and resubmitted to the shareholder and Ministry of Water and Power.
 4. Reviewing and approving broad operating programs, services and activities as developed and recommended by the CEO.
 5. Reviewing and approving Annual Work Plans, Business Plans and budgets in terms of achieving the desired goals of Faisalabad Electric Supply Company and providing the best possible service to the consumers.
 6. Reviewing and approving broad personnel policies along with wage and salary policies which will provide opportunities for growth and development of Faisalabad Electric Supply Company's employees.
 7. Adopting financial plans and policies essential to maintaining a sound financial structure.

- E. The Board will establish operating requirements with respect to:
1. Authorizing the monies and expenditures necessary to carry out the objectives of Faisalabad Electric Supply Company through the adoption of revenue, expenses and capital budgets.
 2. Establishing committees of the Board when necessary.
 3. Selecting and employing a competent CEO, this may be assisted by professional consultants. The CEO is delegated the complete responsibility and authority to hire and terminate other employees within the limitation of budgets and Board policies. The CEO is also delegated to complete responsibility to direct such employees.
 4. Providing advice to the CEO in regard to specific managerial decisions as he shall request.
 5. Determining the Provincial, regional and/or national organizations in which Faisalabad Electric Supply Company shall become a member.
 6. Authorizing the construction of major facilities necessary for the efficient operation of the company.
- F. The Board shall ensure adequate controls and appraise the operations' effectiveness by:
1. Reviewing periodic reports from the CEO. These reports should be of sufficient scope to enable the Board to:
 - a. Prevent unauthorized actions.
 - b. Predict trends and forecast results.
 - c. Determine where corrective action is required.
 - d. Measure results against work plans.
 2. Reviewing, with the retained auditors, the annual financial audits and the management letter and ensuring that any necessary actions are taken.
 3. Conducting, annually, a performance appraisal of the CEO, with or without outside consultants.
 4. Conducting, periodically, an appraisal of the Board of Directors, with or without outside consulting assistance. These appraisals shall review the growth and development of the Board and how it can carry out its major functions.

III Responsibility:

A. The Board may delegate any or all of these responsibilities to a Committee of the Board or the CEO, as long as such action is consistent with the Articles of Association or other legal requirements.

B. It shall be the responsibility of the Chairman of the Board of Directors to see that the foregoing functions are carried out.

APPROVED BY THE BOARD OF DIRECTORS

Date: _____

Policy No. 102

Date of Origin: _____

Date Reviewed: _____

FAISALABAD ELECTRIC SUPPLY COMPANY

SUBJECT: ORDERLY CONDUCT OF MEETINGS OF THE BOARD OF DIRECTORS

I Objective:

To outline those procedures to be generally followed so as to operate meetings of the Board in a business-like and efficient manner.

II Policy:

The Board of Directors of the Faisalabad Electric Supply Company will meet monthly at such time and place as shall be designated by the Board of Directors and in accordance with the Companies' Memorandum and Articles of Association. Such monthly meeting should be conducted in a business-like manner, including a distributed agenda. The meeting shall generally follow such agenda.

Any Faisalabad Electric Supply Company consumer may attend a Board meeting. Due to the building security requirements and in order to facilitate attendance, consumers wishing to attend a Board Meeting should contact the Faisalabad Electric Supply Company in a timely manner for logistical information regarding the meeting. Any consumer who wished to address the Board may do so upon making a timely request and such request being affirmed by an officer of the Board. Guests may not remain during the time of an Executive Session of the Board, unless invited to stay by the Board.

Any person who is not a consumer of the Faisalabad Electric Supply Company may attend a Board Meeting at the Board's pleasure. Such non-consumer of the Faisalabad Electric Supply Company, showing reasonable cause, may attend a Board Meeting upon making a timely request and such request being affirmed by an officer of the Board.

III Responsibility:

It shall be the responsibility of the Chairman, or other officer in the Chairman's absence, to conduct all meetings of the Board and to approve proper items for the agenda of such meetings. The CEO and his staff will assist in such matters.

APPROVED BY THE BOARD OF DIRECTORS

Date: _____

FAISALABAD ELECTRIC SUPPLY COMPANY

SUBJECT: SEARCH AND SELECTION PROCEDURE TO FILL UNEXPIRED TERMS OF BOARD OF DIRECTOR VACANIES

I Objective:

To outline an efficient procedure consistent with the Articles of Association and other legal requirements, to insure that the most qualified people are appointed to fill vacancies which may occur on the Board due to resignation, death, etc.

II Policy:

- A. Appoint a Director Recommendation Committee of four (4) or more of which makes up the following:

Two (2) directors of the existing board

One (1) consumer representative

One (1) appointee from the Ministry of Water & Power, currently not a board director.

This Director Recommendation Committee shall:

1. Meet at a convenient time and location.
 2. Select a Chairman for the Committee.
 3. Review a list of proposed candidates submitted for consideration as a possible Director.
 4. Recommend to the Board at least two (2) or more qualified members in an order of preference as a possible Director. This recommendation shall be made to the Board within 30 days from the notification of their appointment to the Director Recommendation Committee.
- B. Direct the CEO to contact the recommended Board candidate to determine their qualifications, availability of time and interest in serving the Company as a Director.
- C. Review the recommendation of the committee at a regular or special Board meeting. In this review the Board shall give consideration to the order of preference outlined by the committee. The Board may direct that a convenient meeting be arranged between the Board and any or all of the recommended candidates.
- D. After a thorough review of all of the candidates, the Board may select one of the recommended candidates to serve the remaining time of the unexpired term. If for whatever

reason, the Board should reject all of the recommended candidates; it shall direct the Company Secretary to reconvene the committee to make additional recommendations for the Board's further review and selection.

III Responsibility:

It shall be the responsibility of the Chairman of the Board of Directors to see that this policy is carried out.

APPROVED BY THE BOARD OF DIRECTORS

Date: _____

FAISALABAD ELECTRIC SUPPLY COMPANY

SUBJECT: STATEMENT OF QUALIFICATIONS FOR A DIRECTOR OF FAISALABAD ELECTRIC SUPPLY COMPANY

I A dynamic and progressive Board of Directors is needed to accommodate the needs of a growing consumer base and their company. The Board of Directors needs to be the best-qualified available to do this work. Listed below is a statement of qualifications and characteristics that each of the Board of Director should possess and believe in.

II Those who serve on the Board of Directors of Faisalabad Electric Supply Company shall possess as a minimum the following qualifications and viewpoints.

A. As outlined in the Company's Memorandum & Articles of Association Article V Section 50, "Save as provided in Section 187, no person shall be appointed as a Director unless he/she is a consumer of a distribution company:

1. Not be employed by or have a material financial interest in a competing enterprise that sells electrical energy or a supplier, contractor, consultant or any other entity with which the Company does a substantial amount of business.
2. Not have a Close Relative employed by the Company. (The word 'Close Relative' shall be a defined word and shall mean: children or their spouses, grandchildren or their spouses, husband, wife, sister, brother, parent, step-parents, grandparents, aunts, uncles, and their children, mother-in-law or father-in-law, sisters-in-law or brothers-in-law.)
3. Not be employed by the Company and must not have been employed by the Company for a period of two years before becoming a Director. No Director may become an employee of the Company for a minimum of two (2) years after leaving the Board of Directors.
4. Attend at least three-fourths of the regular monthly Board meeting during any twelve-month period beginning with the first month the Director takes office unless the failure to attend a meeting is excused by Board action.

B. Believes in the Company principles and way of doing business including:

1. The right of this Company to provide an essential service to its customers.
2. Providing service to the greatest area economically feasible.

C. Possess the following personal characteristics:

1. A community leader with Board interest.

2. The highest integrity and the respect of the community in which he lives.
 3. The ability to exercise sound judgement.
- D. Willing to make a meaningful contribution to the work of the Board of Directors of the Company by:
1. Attending Board meetings, both regular and special, Trade Association meetings and training programs.
 2. Being available to his/her customers if they have some comment to make concerning the Company.
 3. Being willing to study data and information presented to the Board and to keep fully informed of issues affecting the Company.
 4. Being willing to support the decision of the majority of the Board.
 5. Seeking to obtain increasing public understanding and support for the Company and the electrification program.
 6. Suppressing personal interest and ambitions while impartially representing the interest of all of the Company consumers and shareholders.
 7. Keeping abreast of developments in his/her Company Service Area, the Company movement of the electrical industry which might have meaningful effect on this Company.

APPROVED BY THE BOARD OF DIRECTORS

Date: _____

Policy No. 105

Date of Origin: _____

Date Reviewed: _____

FAISALABAD ELECTRIC SUPPLY COMPANY

SUBJECT: BOARD MEMBERS' ATTENDANCE AT MONTHLY AND SPECIAL MEETINGS OF THE BOARD OF DIRECTORS

I Objective

The Company's business and problems are constantly changing. The rate of these changes accelerates as the Company grows larger. For a Board Member to function effectively, he/she must take every opportunity to keep up with these changes. This includes studying mailed materials, being in regular attendance at monthly and special Board meetings and systematically attending some outside educational and/or other Company meetings.

II Policy

It shall be the policy of the Board of Directors of Faisalabad Electric Supply Company to monitor attendance at Board meetings and encourage attendance at other outside meetings. As states in the Memorandum & Articles of Association, Article V, and The Companies Ordinance, 1984 "... Attend at least three fourths of the regular monthly Board meeting during any twelve-month period beginning with the first month the Director takes office unless the failure to attend a meeting is excused by Board action."

Therefore, a Board member should not miss more than three meetings in any given year. The Board has the privilege of reviewing attendance records at any time. If the above guidelines are exceeded and are without reasonable explanation, the Board may seek the offending Board Member's resignation after counseling with the person about the problem. After counseling, the Board may decide that justifiable reasons exist to waive any particular occurrence.

III Responsibility

The Chairman of the Board will see that the Board is made aware of any situation falling beyond the intent of this policy and seek the Board's assistance on how to proceed.

The CEO will provide the Chairman, in June of each year, with a record of Board Members' attendance at Board meetings and other outside events for the past twelve month period. The Chairman may request the CEO provide any further information that the Chairman feels is necessary and appropriate.

APPROVED BY THE BOARD OF DIRECTORS

Date: _____

FAISALABAD ELECTRIC SUPPLY COMPANY

SUBJECT: STANDARDS OF CONDUCT

I Objective

The Board of Directors of the Company has the responsibility to direct the affairs of the Company. While serving on the Board, the Board members have specific fiduciary duties, including the duty of Loyalty and Care.

II Policy

The business affairs of the Company shall be managed by the Board of Directors which shall exercise all of the power of the Company except such as are by law, the Companies Ordinance, 1984, or the Company Memorandum & Articles of Association conferred upon or reserved to the consumers. This policy will be guided by the following provisions:

A. General Conduct of the Board Members:

Board members shall conduct themselves in accordance with high moral and ethical standards and in a manner which will always reflect favorably on the Company.

B. Duty of Care

1. Exercise that degree of care and diligence that an ordinary prudent person would exercise under similar circumstances.
2. Make every effort to attend and participate in all meetings of the Board of Directors, to study materials sent prior to each Board meeting, and to follow Board policies or Memorandum & Articles of Association regarding necessary absences from Board meetings.
3. Have, or acquire, the minimum knowledge and skills required to direct the affairs of a competitive electric utility.
4. Participate constructively during Board meetings to ensure that issues are effectively discussed and resolved within a group decision making process.
5. Study, understand and adhere to all obligations imposed by the Companies Ordinance, 1984, Memorandum & Articles of Association, contractual agreements, and Board Policies.

C. Duty of Loyalty

1. Act only in ways that are in the best interests of the Company and its shareholders and consumers.

2. Place the interests of Faisalabad Electric Supply Company over any personal interests of the interests of any other entity.
3. Not have any financial interest in any competing business.
4. Maintain as confidential and not disclose to any unauthorized persons any information judged to be confidential by the Board of Directors, or information discussed by the Board of Directors during Executive Sessions.
5. Avoid conflicts of interest, and when any conflict of interest arises, to disclose it fully to the Board of Directors, answer questions from Board Members or legal counsel.
6. Avoid any potential conflict of interest by refusing to receive any remuneration, financial or otherwise, from any entity engaging in business activities with the Company.
7. Never act in a way that may be reasonably perceived as harming the image of the Company or that hinder its ability to achieve its mission.
8. Publicly support all decisions of the Board of Directors except in extraordinary circumstances where the Board Member believes doing so would breach a fiduciary duty to the Company and its Shareholders-owners.
9. Voluntarily resign from the Board of Directors if he/she ceases to be eligible to serve as a Board Member.

III Responsibility

1. All candidates, nominees or appointees to the Board of Directors shall receive a copy of this policy and attest by their signatures to having received the policy.
2. The Company's legal counsel shall inform all candidates, nominees or appointees to the Board of Directors regarding the terms and conditions of this policy and the personal violations.
3. The Company's legal counsel shall review this policy with the Board of Directors on an annual basis and discuss any personal liability implications resulting from violations.
4. The Chairman of the Board of Directors shall ensure that this policy is followed.

It shall be the responsibility of the Chairman of the Board of Directors, except as otherwise provided for herein by the CEO or General Counsel, to ensure that this policy is followed.

APPROVED BY THE BOARD OF DIRECTORS

Date: _____

FAISALABAD ELECTRIC SUPPLY COMPANY

SUBJECT: CODE OF ETHICS

I Objective

To set forth the Company's policy regarding development and enforcement of its Code of Ethics as stated to guide the ethical behavior of members of the Board of Directors, management and staff.

II Policy

It is the policy of the Board of Directors to expect the highest level of ethical behavior of its Directors and others associated with the company and to periodically update and restate its standards in a published Code of Ethics.

The company's standards of ethical behavior will be defined and communicated to deter wrongdoing and to promote:

1. Honest conduct, including the ethical handling of actual or apparent conflicts of interest between personal and company business relationships.
2. Full, fair, accurate, timely and understandable disclosure of the company's periodic external reports.
3. Compliance with applicable governmental rules and regulations.
4. Prompt internal reporting of code violations to persons identified in the code.
5. Accountability for adherence to the code.

The company's Code of Ethics will address the following matters:

1. A general statement of the company's business philosophy and position on respect, trust, integrity, honesty and other core ethical issues.
2. Legal requirements imposed by provincial government, regulatory agencies, Ministry of Water and Power and other agencies for the government of Pakistan.
3. Compliance with applicable law including whistleblower protection and records retention.
4. Conflicts of interest including contractual relations involving the company, gifts to board members or employees in consideration of business opportunities with the company,

outside activities, which might impair the company's business, use of company property for personal purposes or use of confidential company information.

5. Preparation of the company's annual report, press releases and other public disclosures to ensure they are accurate, complete and understandable.
6. Reporting of violations of the company's Code of Ethics will be facilitated by multiple alternative reporting procedures, timely and fair processes by which management will investigate reports and protection of those employees or others who report apparent violations in good faith.
7. The mechanisms for holding Board members and employees accountable for compliance with the Code of Ethics.

Management is responsible for the development of a Code of Ethics for approval by this Board and for its enforcement, as well as periodic reporting to this Board regarding ethics-related matters and opportunities to improve the code and this policy.

III Responsibility

The CEO and Board of Directors are responsible for the administration of this Policy.

APPROVED BY THE BOARD OF DIRECTORS

Date: _____

FAISALABAD ELECTRIC SUPPLY COMPANY

SUBJECT: RELATIONSHIP BETWEEN THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

I Objective

To outline the basic relationship between the Board of Directors and the Chief Executive Officer, including the principles involving the delegation of authority.

II Policy

The Board recognizes, establishes and maintains the following guidelines in their relationship with the Chief Executive Officer.

A. The most important factor in the success of the Company is good management which is shared by the Board, Chief Executive Officer and a group of dedicated and capable employees. In exercising its responsibilities, the Board reserves authority to establish policies, to approve plans and programs and to delegate authority to the Chief Executive Officer, except those that are by law, the Memorandum and Articles of Association and the Companies Ordinance reserved to the Board. *The CEO, as Chief Executive Officer, is authorized to act as an officer of the Board.*

B. The primary purpose of this policy is to define the relationship that shall exist between the Board, who are the elected representatives of the shareholders, and the Chief Executive Officer, who is employed by the Board. The Board recognizes that efficient management of the Company can exist only through mutual understanding and complete cooperation between the Board and the CEO. The CEO is expected to produce the results and give an account of his/her stewardship to the Board. The Board gives the CEO the latitude of judgment and discretion necessary to adequately execute the policies of the Board. The Board expects the CEO to faithfully carry out all of the Board's policies.

C. All policies of the Board shall be adopted at regular or special meetings acting collectively as a Board. The Chairman, the officers or the CEO, as appropriate, are delegated the responsibility of carrying out such policies and reporting back to the Board on the results achieved.

D. The Board recognizes that should any Director individually undertake to make commitments for the Board, unless directed officially by the Board, that Director becomes involved in a serious breach of policy. Such Board member may be subject to reprimand from his/her fellow Board members.

E. The Board shall refrain, as individuals, from discussing management and personnel problems with personnel of the Company. The Board, in consultation with the CEO, may confer with key personnel at regular or special meetings of the Board.

F. It is understood that the flow of authority for the management of the Company shall be from the Board through the CEO. The Board shall require full and complete information from the CEO concerning matters set forth in Board policies.

G. The Board recognizes responsibility for the employment of the CEO and for the systematic annual appraisal of the CEO's performance in order that growth, development and effective improvements are encouraged.

H. The CEO may not serve as a member on the Audit Committee.

III Responsibility

A. The Chairman shall be responsible for directing the attention of the Board members to violations of this policy.

B. The Chairman shall be responsible for seeing that the performance of the CEO is appraised each year by April 15, with a report being made to the entire Board at their April meeting. The results of the appraisal will be discussed with the CEO.

APPROVED BY THE BOARD OF DIRECTORS

Date: _____

FAISALABAD ELECTRIC SUPPLY COMPANY

SUBJECT: AUDIT COMMITTEE – BOARD OF DIRECTORS

I. OBJECTIVE

To set forth delegations of responsibility and functions of the Audit Committee of the Board of Directors (the "Committee"). This policy also serves as the Audit Committee Charter.

II. POLICY

- A. The Chairperson of the Committee shall be elected annually by the Board of Directors.
- B. The Committee shall be comprised of the Chairperson of the Committee and at least five other members of the Board of Directors all of whom shall be appointed annually by the Board-Chairman, subject to ratification by the Board of Directors. All members of the Committee shall have a working familiarity with basic finance and accounting practices and at least one member of the Committee shall have accounting or related financial management expertise. The Chief Executive Officer or any other employee of Faisalabad Electric Supply Company shall not be a member of the Audit Committee.
- C. The Committee membership shall be constituted at the first regular meeting of the Board following Faisalabad Electric Supply Company's annual general meeting for a term of one year.
- D. The Board-Chairman shall be an ex officio nonvoting member of this Committee.
- E. The Committee shall meet at each regularly scheduled meeting of the Board of Directors, but in no event less than three times a year. The Chairperson or the President has the authority to convene additional meetings, as circumstances require.
- F. Four members of the Committee shall constitute a quorum. The presence of a majority of the members in person or by teleconference shall be required for the transaction of Committee business.
- G. The Committee shall keep a record of its meetings. The Chairperson shall cause copies of the same to be distributed to all members of the Board of Directors.
- H. The Committee shall review this policy annually or more frequently as conditions dictate.

II. FUNCTIONS AND RESPONSIBILITIES

The Committee shall have and perform the following functions:

- A. The Audit Committee's role is one of oversight and it recognizes that Faisalabad Electric Supply Company's management is responsible for preparing Faisalabad Electric Supply Company's financial statements and that Faisalabad Electric Supply Company's Auditor (defined below) is responsible for auditing those financial statements. Additionally, the Audit Committee recognizes that Faisalabad Electric Supply Company's management, including the internal audit staff, as well as the Auditor, have more time, knowledge and detailed information with respect to Faisalabad Electric Supply Company than does the Audit Committee members; consequently, in carrying out its oversight responsibilities, the Audit Committee is not providing any expert or special assurance as to Faisalabad Electric Supply Company's financial statements or any professional certification as to the Auditor's work.
- B. Auditor – The Audit Committee shall nominate, approve, determine the compensation of, evaluate and discharge, when necessary, the independent chartered accounting firm (the "Auditor") that will conduct the audit of Faisalabad Electric Supply Company's books and records on an annual basis, per The Companies Ordinances, 1984, Section 252-260. The Audit Committee shall also be responsible for the resolution of disagreements between management and the Auditor regarding any financial reporting matters. The Auditor shall report directly to the Committee.
 1. The Committee will select, by no less than 60 days prior to the end of each fiscal year, the Auditor for approval at the annual general meeting. The Auditor selected shall be a top tier company that satisfies all applicable requirements of the Institute of Chartered Accountants of Pakistan or other applicable governmental agency.
 2. The Committee shall meet with the Auditor to discuss the planning and staffing of each annual audit and shall direct the Auditor to conduct an audit of the accounts, books and financial condition of Faisalabad Electric Supply Company, as of the end of each fiscal year.
 3. The Committee shall approve all audit, review or attest engagements required under applicable securities laws and all non-audit services that are not prohibited by applicable law ("permissible services"). An engagement may be entered into pursuant to pre-approval policies and procedures established by the Committee provided the policies and procedures are detailed as to the particular service, the Committee is informed of each service, and such policies and procedures do not include delegation of the Committee's responsibilities to management. The Committee will disclose its policies for pre-approvals of services in Faisalabad Electric Supply Company's periodic reports.
 4. The above notwithstanding, pre-approval for permissible non-audit services is not required if all such services (1) do not aggregate to more than five percent of total revenues paid to the Auditor in the fiscal year when services are provided, (2) were not

recognized as non-audit services at the time of the engagement, and (3) are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee.

5. At least annually, the Committee shall obtain and review a report by the Auditor describing the firm's internal quality control procedures, any material adverse issues raised by the most recent internal quality control review or by any inquiry or investigation by governmental or professional authorities and any steps taken to deal with any such issues, and all relationships between the Auditor and Faisalabad Electric Supply Company.
 6. At the completion of the annual examination of Faisalabad Electric Supply Company by the Auditor, the Committee shall review with the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Controller and the Auditor:
 - (a) The company's annual financial statements and related footnotes.
 - (b) The Auditor's audit of the financial statements and report thereon.
 - (c) Any significant changes required in the Auditor's audit plan.
 - (d) Any significant difficulties or disputes with management encountered during the course of the audit.
 - (e) Other matters related to the conduct of the audit, which are to be communicated to the Committee as required by law, regulation or professional standards.
 - (f) Significant accounting and financial reporting issues, judgments or estimates.
 - (g) The effect of regulatory and accounting initiatives, as well as off-balance sheet structures reported in the financial statements and footnotes of Faisalabad Electric Supply Company.
 7. Audit reports for each fiscal year will be subject to review and acceptance by the Board of Directors and, pursuant to The Companies Ordinances, 1984, Section 252-260, a written report of the audit will be submitted to the Faisalabad Electric Supply Company shareholders.
 8. The CFO and Controller shall have responsibility for maintaining day-to-day relationships and coordinating accounting, financial, and auditing matters with the Auditor.
- C. Internal Audit Function – The Committee shall review and concur in the appointment, replacement or dismissal of the Director of Internal Audit. The Director of Internal Audit shall report directly to the Committee. The Committee shall:

1. Designate a member of management to act as overseer of the Internal Audit function.
2. Obtain a report from the Director of Internal Audit confirming the independence of the Internal Audit staff.
3. Consider and review with the CEO, management, and the Director of Internal Audit:
 - (a) Significant Internal Audit findings and management's responses thereto.
 - (b) Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
 - (c) The Internal Audit charter, plans, activities, staffing, budget, and organizational structure of the function.
 - (d) Annually, review the continuing professional education for the year of the Internal Audit staff.
 - (e) The Internal Auditor's compliance with the International Standards for Auditing, ISA; "*Handbook of International Auditing and Assurance Pronouncements and Code of Ethics for Chartered Accountants.*"
- D. Review with management, the Auditor and the Director of Internal Audit: (1) identified significant risks or exposures and assess the steps management has taken to minimize such risk to Faisalabad Electric Supply Company; (2) the adequacy of Faisalabad Electric Supply Company's internal controls; (3) any related significant findings and recommendations of the Auditor including, but not limited to, the Auditor's management letters, and any related significant findings of the Director of Internal Audit, together with management's responses thereto. Review with the CEO, CFO, the Internal Auditor, and the Auditor the coordination of audit effort and the effective use of audit resources.
- E. Review with management and the Auditor all documents, as considered necessary, prior to filing with the SECP. Review other published documents containing the company's financial statements, as considered necessary, and consider whether the information contained in these documents is consistent with the information contained in the financial statements and in compliance with applicable law.
- F. Review legal and regulatory matters that may have a material impact on the financial statements.

- G. Meet with the Director of Internal Audit, the Auditor, and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee:
- H. Report Committee actions to the Board or Directors with such recommendations as the Committee may deem appropriate.
- I. Have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation. Faisalabad Electric Supply Company shall make funds available to the Committee in an amount sufficient to carry out its responsibilities under this Charter.
- J. Perform a formal self-assessment annually to ensure that objectives of this policy and charter are being achieved.
- K. Review with the Director of Internal Audit and the Auditor the results of their review of the company's monitoring of compliance with the company's ethics policy.
- L. Provide sufficient opportunity for the Auditor to meet with members of the Committee without management present in order to discuss the Auditor's evaluation of the adequacy and competency of Faisalabad Electric Supply Company's financial, accounting and internal auditing personnel and the company that the Auditor received during the course of the audit.
- M. Review with the Auditor the procedures established by Faisalabad Electric Supply Company that monitor the compliance by Faisalabad Electric Supply Company with its credit agreements, and any indentures for borrowed money.
- N. Prepare a letter for inclusion in the annual report of Faisalabad Electric Supply Company that describes the Committee's composition and responsibilities and how they were discharged.
- O. The Committee will perform such other functions as required by law and Faisalabad Electric Supply Company's Memorandum and Articles of Association, or as otherwise directed by the Board of Directors.

APPROVED: _____
Chairman

DATE: _____