

# **LALPIR POWER LIMITED**

## **Vision & Mission Statement**

## **CORPORATE VISION:**

***ENLIGHTEN THE FUTURE THROUGH EXCELLENCE,  
COMMITMENT, INTEGRITY AND HONESTY***

## **MISSION STATEMENT**

***TO BECOME LEADING POWER PRODUCER WITH  
SYNERGY OF CORPORATE CULTURE AND VALUES  
THAT RESPECTS THE COMMUNITY AND ALL  
OTHER STAKE HOLDERS.***

# **LALPIR POWER LIMITED**

## **General Code of Ethics and Standard of Professional Conduct**

## **DEFINITION OF TERMS**

**Agent or supplier:** A person, entity or organization is an agent or supplier of the Company if it has done business with the Company during the past 12 months or if there has been any contact in the past 12 months regarding potential business, whether or not directly related to the business unit in which you work.

**The Company's assets:** All securities, rights, entitlements, contingent rights, physical goods and any other items possessing value, whether physical or not, and whether the value is defined or not over which the Company holds title or in which the Company obtains a beneficial interest.

**Company's interests:** Resources and assets, tangible and intangible (including reputation and proprietary knowledge) for utilization by the Company. In addition, all activities and operations of the Company, which utilize the aforementioned resources, are deemed to be in furtherance of this objective and therefore the activities and operations are also in support of the Company interests.

**Dependents:** Your spouse, partner, children under 18 years of age and those dependent on you or your spouse (or your partner) for financial support, or over whose financial affairs you exercise direct or indirect control.

**Diligence and thoroughness:** In the context of making recommendations. The evaluation of more than one point of view and the considered judgment of available facts, to arrive at an independent professional business opinion, giving due consideration to both the level of risk as well as the potential advantage prior to making a recommendation.

**Disclaimer:** The disclaimer should discharge the Company of responsibility and make clear that any opinions expressed are those of the individual and not necessarily those of the Company.

**Employees and Company staff:** Salaried employees, interns and on-site contractors bound by confidentiality agreements.

**Fiduciary:** The Company fiduciaries are all parties (individuals, firms etc.) in a position of trust appointed by the Company and who are contractually or otherwise bound to act in the Company interests. All parties entrusted with information pertaining to the Company are considered fiduciaries.

**Financial institutions:** Banks, thrifts, consumer finance companies, approved brokerages or other institutions that regularly lend money or extend consumer credit in the ordinary course of their business.

**Financial obligations with the Company Agents, Suppliers or Financial institutions:** Financial obligations incurred or outstanding by you or your dependents to any person, entity or organization who is, or was when the obligation was incurred, an agent, supplier or Financial institution of the Company. Examples are: loans; store cards; credit cards; overdrafts; outstanding invoices. Included are loans or extensions of credit made to others for your benefit or the benefit of your dependents.

**Information belonging to the Company:** All information generated or directly available, through the use of the Company's resources or on the Company's premises, whether due to subscription to an information-service or created as part of any employee's direct or indirect responsibilities to the organization.

**Information pertaining to the Company:** Any descriptive or quantitative information concerning the Company's assets, transactions, liabilities, contingencies or employees.

**Inside information:** Material Non-Public Information, which if it were to be made public, would be likely to have a significant effect on the price or value of those securities. Information is considered Non-Public if it has not been disseminated over any public medium, if it has been provided in breach of duty or if it has been misappropriated.

**Reasonable care & judgment:** The exercise of reasonable care and judgment is required to a professional level of competence. This can be defined as 'the degree of care that a reasonably prudent person would use in like circumstance'.

# Section I CODE OF CONDUCT FOR DIRECTORS

## INTRODUCTION

1. Lalpir Power Limited {"the Company"} is committed to maintain highest level of ethical conduct. The Company has adopted the following code of conduct {"Code"} for directors, which includes the business practices and principles of behavior to meet this commitment. We expect every director to read, understand and apply this Code to the performance of his or her responsibilities. However, we can not anticipate every situation that may arise or replace the thoughtful behavior of an ethical director.

1.1 Directors are encouraged to bring questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chairman of the Board of Directors {"the Board"}.

1.2 Directors who also serve as executives of the Company should read this Code in conjunction with our "Code of Conduct for Employees".

## CORPORATE VALUES

2. The Company has adopted the following corporate values:

- To fulfill customer needs by producing quality products;
- To act with good governance;
- To achieve sustainable and equitable growth;
- To promote diversity and ethical behavior;
- To develop a dynamic team of professionals to achieve excellence and innovation.

## COMPLIANCE OFFICER

3. The Company has designated Company Secretary, as its Compliance Officer to administer this Code. Directors, at their discretion may make any report or complaint provided for in this Code to the Chairman of the Board or to the Compliance Officer. The Compliance Officer will refer complaints submitted to the Chairman of the Board.

## COMPLIANCE WITH LAWS

4. Directors must comply with all of the laws, rules, and regulations of Pakistan and other countries applicable to either Company or its business. The Company will provide to the directors information about specific laws, rules, and regulations from time to time. Directors are expected to consult with the Chairman of the Board or the Compliance Officer if they have questions about laws that they think may be applicable to either Company or its business.

## CONFLICT OF INTEREST

5. A "conflict of interest" may exist whenever the interests of a director conflict in any way (or even appear to conflict) with the interests of the Company. A conflict of interest may arise where a director derives personal benefit by making or influencing decisions relating to a business transaction. A conflict of interest also may arise when a director, or a member of his or her family, receives improper personal benefits as a result of his or her position with a Company, whether received from that Company or a third party. Gifts above a "deminimis" value to, loans

to, or guarantees of obligations of, directors, or their respective family members may create conflicts of interest.

5.1 Although it is not always possible to avoid conflicts of interest, it is each Company's policy to prohibit such conflicts when possible. Conflicts of interest may not always be clear-cut, so if directors have a question, they are expected to consult with the Chairman of the Board or the Compliance Officer. Any director who becomes aware of a conflict or potential conflict of interest is expected to bring it to the attention of the Chairman of the Board or the Compliance Officer.

## **CORPORATE OPPORTUNITY**

6. Directors shall not:

- use corporate property, information or position for personal gain; or
- compete with the Company; or
- take for themselves personally any business opportunities that belong to the Company or are discovered through the use of corporate property, information or position.

## **CONFIDENTIALITY**

7. All directors must maintain the confidentiality of confidential information entrusted to them by either Company, except when the applicable Company authorizes disclosure or disclosure is required by laws, regulations, or legal proceedings. The term "confidential information" includes, but is not limited to, non-public information that might be of use to competitors of the Company, or harmful to the Company or its customers if disclosed.

7.1 Directors are expected to consult the Chairman of the Board or the Compliance Officer if they believe they have a legal obligation to disclose confidential information.

## **FAIR DEALING**

8. Each director is expected to deal fairly with the respective customer of the Company, suppliers, competitors, officers, and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice and will not accept or receive gifts from any of the customers, stakeholders, suppliers, bankers etc. Inappropriate use of proprietary information, misusing trade secret information or inducing such disclosures by past or present employees of other companies is prohibited.

## **PROTECTION AND PROPER USE OF COMPANY ASSETS**

9. All directors are expected to exercise their business judgment in a manner that protects the assets of the Company and promotes their efficient use. All assets of the Company are to be used for legitimate business purposes.

## **REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOUR**

10. Every director of the Company is encouraged to promptly contact the Chairman of the Board or the Compliance Officer if he or she has observed a violation of this Code, illegal or unethical behavior by any employee, officer or director, or by any one purporting to be acting on behalf of the Company or any violation or possible violation of this Code and the reporting director has any doubt as to the best course of action in a particular situation. Confidentiality will be maintained, to the extent permitted by law.

## **PUBLIC COMPANY REPORTING**

11. As a public company, it is of critical importance that the Company's filings with the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan and the concerned Stock Exchange(s) on which the shares of the Company are or may be listed be full, fair, accurate, timely and understandable. Directors may be requested to provide information necessary to ensure that the Company's published reports meet these requirements. The Company expects directors to provide prompt and accurate answers to enquiries relating to its public disclosure requirements.

## **DISCLOSURE OF INTEREST**

12. Directors are also required to disclose, at the time of appointment and on an annual basis the directorships and/or memberships they hold in other companies.

12.1 Where any director of the Company or his/her spouse sell, buy or transact, whether directly or indirectly, in shares of the Company, he/she shall immediately notify in writing to the Company Secretary of such transaction. Such director shall also deliver a written record of the price, number of shares, form of share certificate (physical or electronic), and nature of transaction to the Company Secretary within four days of effecting the transaction. The notice of the director shall be presented by the Company Secretary at the meeting of the Board immediately subsequent to such transaction.

## **INSIDER TRADING**

13. No director shall, directly or indirectly, deal in the shares of the Company in any manner during the Closed Period prior to the announcement of financial results. All directors shall be advised about the closed period at the time of circulating the agenda and working papers for the Board meetings. The Closed Period shall start from the day when any document/statement, which form the basis of price sensitive information, is sent to the Board and terminate after the information is made public.

## **AMENDMENT, MODIFICATION AND WAIVER**

14. This Code may be amended, modified or waived only by the Company's Board of Directors and must be publicly disclosed if required by any applicable law or regulation. As a general Policy, the Board will not grant waivers to the Code.

## **Section II      CODE OF CONDUCT FOR EMPLOYEES**

### **INTRODUCTION**

1. The Company's Code of Ethics and Standards of Professional Conduct ('the Code') sets out the Company's policies on the conduct expected of all the Company employees. The Code is designed to preserve the integrity and good reputation of the Company and its employees. This code is the source of guidance for conduct and applies to all employees (senior manager, staff and workers) of Lalpir Power Limited ("the Company"). Employees are required to follow the code of conduct. Therefore, it is the personal responsibility of an employee to read, understand and apply this code in their day to day affairs.

1.1 The Code of Conduct will actively be made available to all employees and can be accessed at any time on the Company's website.

1.2 If an employee has supervisory or leadership role, than they have additional responsibility to:

- Educate its employees on this Code of Conduct and the requirements applicable to its employees' work activities;
- Promote compliance with this Code of Conduct and other relevant policies, standards, and procedures; and
- Report suspicions or allegations of employee misconduct in accordance with company's procedures.

### **OBJECTIVES OF THE CODE**

2. The main objectives of the Code are to:

1. Set standards of behaviour expected of all Company employees; and
2. Provide a framework for disclosure of relevant private interests and affiliations.

### **COMPLIANCE OFFICE**

3. The Human Resources department will act as Compliance Office for the code. If an employee has any queries, problems or issues relating to the Code he or she should contact with Human Resources department. The Compliance Office is responsible to educate, train and develop understanding of the code among employees.

### **COMPLIANCE OBLIGATIONS**

4. The Company expects this Code of Conduct to be followed and will not tolerate any breaches. Therefore, it is an employee responsibility to read, understand and apply this code in its day to day affairs. An employee may contact its Human Resources department in case of any question about the Code.

4.1 Failure to comply with this Code or company policies may result in disciplinary action or termination. Discipline decisions can vary depending on the severity of the misconduct and the employee's disciplinary record, years of service and job duties. An employee must contact its

Compliance Office / Human Resources representative for assistance in determining appropriate discipline.

## **MAIN REQUIREMENTS OF THE CODE**

5. As an employee of the Company you will:
  - Keep the Company's interests paramount at all times;
  - Act with integrity, objectivity and exercise discretion and honesty in all your dealings with the public, and business associates, prospects, employers and employees;
  - Show respect and responsibility in all your dealings with colleagues irrespective of your or their level of hierarchy
  - Avoid conflicts of interest in discharging your professional responsibilities and not carry out any activities which might harm the reputation of the Company or yourself;
  - Employ diligence, judgment and care in your work and strive to improve your competence and the competence of others around you; and
  - Complete an annual statement confirming that you have read understood and will comply with the Code.
  - Exercise your supervisory duties according to the established "Leadership Principles" of the Company

## **Section III      STANDARDS AND RULES OF BUSINESS CONDUCT**

Following is the code of conduct for employees:

### **SAFETY**

1. Lalpir Power Limited tries to arrange a safe work environment on its premises. The safety of employees, customers and public is the most important issue on the company's production facilities, offices, outlets and any other place where the work of the company is in process. An employee must strictly follow the safety policies and procedures and immediately report to their supervisor in case of any occupational injuries and illness, injuries to non- employees, damage to property resulting from any business activities.

### **FITNESS FOR DUTY**

2. An employee must be mentally and physically fit and should remain fit for the work. An employee must not be under the influence of a drug or un-prescribed medicine which impairs his/her ability to work efficiently and safely. An employee must report to his/her supervisor if he/she is taking some prescribed or over-the-counter medicines which might affect his/her ability to work efficiently and safely.

### **ATTENDANCE REPORT**

3. An employee must inform to his/her senior or supervisor if he/she is unable to come at the place of his/her duty. For this an employee should always have the contact information of his/her supervisor.

### **WORK PLACE HARASSMENT AND DISCRIMINATION**

4. All staff will maintain an environment that is free from harassment and in which all employees are equally respected. Workplace harassment is defined as any action that creates an intimidating, hostile or offensive work environment. Such actions include, but are not limited to, sexual harassment, disparaging comments based on gender, religion, race or ethnicity.

4.1 The company will take appropriate measures to ensure a discrimination-free workplace. Every employee has the right to be protected from harassment. The principles of equal treatment apply in employees' daily dealings with each other and to all processes relating to the working relationship, including the hiring and promotion of personnel. Accordingly, there will be no potentially discriminatory questions posed in job advertisements, at job interviews or when making decisions on new appointments. The same applies to career prospects, promotions, vocational training, remuneration and dismissal.

### **ENVIRONMENT**

5. To preserve and protect the environment, all staff members should:
- Design and operate the Company's facilities and processes so as to ensure the trust of adjoining communities.
  - Promote resource conservations, waste minimization and the minimization of the release of chemicals / gas into the environment.
  - Provide employees customers, suppliers, public authorities and communities with appropriate information for informed decision making; and

- Strive continuously to improve environmental awareness and protection.

### **WORKPLACE VIOLENCE**

6. An employee must not engage in acts or threats of violence. It is the duty of an employee to maintain a safe and secure workplace and avoid acts or threats of physical violence, intimidation, harassment or coercion, stalking, sabotage, and similar activities. Employees who are engaged in such activities will be terminated.

### **WEAPONS IN THE WORKPLACE**

7. An employee must not bring, carry, store, or use any type of weapon on the Company owned, leased, or rented property; in the company owned, leased, or rented vehicle; in a personal vehicle while on the Company's business; or at a job site, whether on or off duty, unless an employee is explicitly authorized and have a legitimate business reason to do so.

### **PROTECTION AND PROPER USE OF COMPANY ASSETS**

8. An employee is expected to exercise their business judgment in a manner that protects the Company's assets and promotes their efficient use. An employee must follow the acquisition, use, maintenance and disposal policies for the acquisition, use, maintenance and disposal of the Company's assets. All Company assets are to be used for legitimate business purposes. An employee may use the company assets on limited basis with the permission of his/her senior or supervisor.

### **COMPUTER AND SYSTEM SECURITY**

9. An employee is responsible for ensuring the security of the Company's computers and information system by complying with the company's information technology policy. It is the responsibility of an employee that he/she:

- Doesn't share passwords or other access credentials with any other person or group and don't use another person's password.
- Use only approved, authorized, and properly licensed software on the Company's computer systems.
- Connect only the Company's owned computers and equipment to the Company networks.
- Doesn't attempt to circumvent or attack security controls on a computer system or network.
- Doesn't access or download pornographic, gaming, file sharing, or other inappropriate files or websites.
- Doesn't store inappropriate or pirated content on his/her company equipment.

9.1 Immediately report any suspected or actual breach of the Company's computer system or network security to Information Security's.

### **SOCIAL MEDIA**

10. Social networking sites like Facebook and Twitter are used by many to share insights, opinions, and information. Unless an employee is an officially designated company spokesperson, he/she is not authorized to speak on behalf of Lalpir Power Limited through social media channels, regardless of whether he/she is using a company device or personal device.

10.1 In the course of an employee's own personal use of these sites, if he/she chooses to post information related to the Company than an employee is personally accountable for what he/she posts online. Remember, once information is posted to the Internet, it is there for good. An employee must:

- Be open and honest about who he/she is and its role with the company.
- Always include a disclaimer stating that the views an employee publishes are his/her own and don't necessarily reflect those of Lalpir Power Limited (unless an employee is authorized to speak on behalf of the company).
- Be truthful and accurate.
- Be respectful.
- Disagree agreeably and be professional.
- Protect confidential information and respect copyright and fair use laws.

### **FAIR DEALING**

11. Each employee is expected to deal fairly with the respective customer of the Company, suppliers, competitors, officers, and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice and will not accept or receive gifts from any of the customers, stakeholders, suppliers, bankers etc. Inappropriate use of proprietary information, misusing trade secret information or inducing such disclosures by past or present employees of other companies is prohibited.

### **BRIBERY**

12. The payment of bribes kickbacks or other payments in cash or kind to obtain business or otherwise gain advantage is strictly prohibited, irrespective of whether payments or offers are made directly or (knowingly) via an intermediary.

12.1 Such payments are fundamentally inconsistent with the desire to maintain high standards of integrity in its business and relationships.

### **CONFIDENTIAL INFORMATION**

13. Staff members should not keep or make copies of correspondence, documents, papers and records, list of suppliers or consumers without the consent of the Company. Company's information and records should be kept on Company premises only and unpublished information may be disclosed to external organizations / individuals only on "need to know" basis. In case of doubt in this regard, the Management's advice should be sought.

### **REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE**

14. Lalpir Power Limited co-operates with all governmental and regulatory bodies and is committed to high standards of corporate governance. Lalpir Power Limited is fully compliant to its obligations under the Listing Rules of three Stock Exchanges, of whom it is a listed member. All the employees of the Company are required to abide by the country's laws, rules and regulations.

### **FINANCIAL INTEGRITY**

15. Compliance with accepted accounting rules and procedure is required at all times. In addition to being duly authorized, all transactions must be properly and fully recorded. No record entry of document may be false or misleading and no undisclosed and unrecorded account, fund or asset may be established or maintained. No corporate payment may be requested, approved or made with the intention that any part of such payment is to be used for any purpose other than as described in the document supporting it. All information supplied to the auditors must be complete and not misleading.

15.1 An employee must not knowingly assist in fraudulent activities {e.g. tax evasion} by others. If an employee have any reason to believe that fraudulent activities are taking place (whether within or by others with whom we do business), he/she must report it to his/her manager immediately.

### **ALCOHOL, DRUG AND GAMBLING**

16. An employee must not use alcohol in any form within the company premises. Similarly, the use of drugs, except under medical advice, is prohibited on all company locations / premises. All forms of gambling / betting on the Company's premises are forbidden.

### **INSIDER TRADING**

17. The company has a stringent policy on insider trading and securities transactions. Certain senior executives and finance staff can deal in the company's shares any time outside the closed period announced by the company on the eve of quarterly Board meetings. The employee must adhere to the company policy on insider trading. An employee must follow the principle of confidentiality and must not disclose any information in the public unless the financial results are declared.

### **REPORTS, RECOMMENDATIONS AND ACTIONS**

18. You will exercise skill, diligence and thoroughness in making recommendations (investment or otherwise). In this respect, you will have a reasonable and adequate basis for such recommendations or actions.

18.1 You are required to maintain a written record of your business meetings (including in-house meetings), comprising; date, time, venue, parties present, their job title, employer(s) and meeting purpose/outcome.

18.2 You will make all efforts to avoid misrepresentation and will maintain relevant records to support the reasonableness of your recommendations and actions.

18.3 You will not use substantially in the same form, material prepared by other persons or entities without acknowledging its use and identifying the author or publisher of such material.

### **CONFLICTS OF INTEREST**

19. You will not undertake any actions, which may put your personal interests in conflict with those of the Company, in either a direct or an indirect manner. Any such conflicts arising from situations prevailing prior to the issue of these rules or arising due to reasons beyond your control should be brought to the attention of your Team Leader.

19.1 Decisions relating to an area where your personal interest would conflict with the Company's interests should be clearly disclosed to your Department Head, or Compliance Officer. The Conflict of Interest Policy should also be referred to.

19.2 You will not borrow or allow your dependents to borrow money from any institution the Company deals with or may deal with, except a bank or licensed lending institution on commercial terms set on an "arm's length" basis.

19.3 You will not manage money/investments on behalf of other parties (individuals, institutions, trusts etc.), other than the Company's, in return for any sort of compensation.

### **GIFTS AND BENEFITS (INCLUDING CORPORATE HOSPITALITY)**

20. You should not engage in exchange of gifts or benefits with current or potential commercial counterparties of the Company, which may be interpreted as solicitation or provision of incentives to trade or gain favour. You and your dependents should abstain from exchange of gifts, hospitality or benefits with any third party with whom you have or may have a working relationship through Company employment. Such a relationship should be maintained on a courteous, "arm's length" basis.

## **DISCIPLINARY ACTION**

21. If, after independent investigation and full submission of all relevant facts, an employee is found to be in deliberate contravention of this Code, the Company may take disciplinary action against the employee, including summary termination of contract.

## SECTION IV FIDUCIARIES

1. The standard of rules and business conduct set out in this Code, should also be considered to apply equally to the Company's fiduciaries, such as banks, brokers, custodians etc. Compliance with the law, professionalism and diligence, avoiding conflicts of Interest, dealing responsibly with information pertaining to the Company and safeguarding of the the Company's assets are all as relevant, where appropriate, to the Company's fiduciaries, as they are to the Company's employees.

2. It is the responsibility of relevant Team Leader and Departmental Heads to ensure that issues covered in this Code, are equally applicable to the Company's fiduciaries, are reflected in official documents and agreements, such as confidentiality agreements. This will serve to ensure that the Company's best interests are protected.

### Declaration

Name:  
Department:  
Employee  
Number:

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I confirm that I have read, understood and agree to abide by the following Company policies:

- Code of Ethics and Standards of Professional Conduct

And by doing so I confirm that,

- ☐ I will notify Compliance where I become aware of any non-compliance with the Rules.
- ☐ I undertake to maintain adequate records of all my personal transactions and those of my financial dependants. Such documents will be made available to the Company, as and when required. I understand that the Company may require the unwinding of any position in violation of these Rules whether established by my financial dependents or me.

I also confirm the following:

Agree /  
Disagree? (please  
circle)

I have nothing to disclose within the “Financial Obligations with Company Agents, Suppliers and Financial Institutions” form.

Agree / Disagree

Please note, that if you have selected “Disagree” above, that you must complete the “Financial Obligations with Company Agents, Suppliers, and Financial Institutions” form and submit these to HR, as applicable.

Signature \_\_\_\_\_ Date \_\_\_\_\_

**When completed, return this form to Human Resources**

### Financial Obligations with Company Agents, Suppliers and Financial Institutions

Name:

Department:

Employee

Number:

Date:

Period of report:

Telephone

extension:

\*Any updates to the information disclosed in this form should be done through Employee Declarations Forms.\*

**Please note:** This form is to be completed for Financial obligations with Company agents, suppliers and Financial Institutions (defined in the Code of Ethics) provided that the loan or other arrangement is/was:

- (i) Not made in the ordinary course of the supplier, lender's business or
- (ii) Not made on normal commercial terms.
- (iii) Where preferential rates have been granted, disclosure is required unless such preferential rates are made available to all Company employees and that this has been communicated to all employees by the Company.

Name of agent, supplier, financial institution	Relationship of the entity with the the Company	Date on which incurred	Amount of initial obligation	Nature/ description of terms and date of repayment

**Remarks:** (mention here any details that might be pertinent to this form)

Signature \_\_\_\_\_

Date \_\_\_\_\_

**Comments:**

Signature \_\_\_\_\_

Date \_\_\_\_\_

**This information will be treated as strictly confidential**

# **LALPIR POWER LIMITED**

## **Policy On Human Resource Management Including Preparation Of A Succession Plan**

## PURPOSE OF THE POLICY

1. The purpose of this policy is to ensure that:
  - Lalpir Power Limited (hereinafter referred to as 'Lalpir') recruits the highest quality staff who can efficiently achieve Lalpir's goals and objectives
  - Everyone in Lalpir is treated fairly and consistently
  - Employees' contributions to the success of Lalpir are appropriately recognized and rewarded.
- 1.1 All employees shall be fully aware of what Lalpir expects of them and what they, in return, should expect from Lalpir. HR Policies summarise Lalpir's responsibility to individuals and their responsibility to Lalpir.

## SCOPE

2. This policy is applicable on all the executive and non-executive employees of Lalpir whether full-time/permanent or part-time/contractual.

## OWNERSHIP

3. The Human Resource Department shall be responsible for implementation of the guidelines provided in the policy. Matter not covered in this policy shall be referred to Chairman or the Board of Directors (hereinafter referred to as the 'Board') of Lalpir depending upon the nature of the matter.

## POLICY

4. Lalpir is an *Equal Opportunity Employer*. Lalpir takes responsibility for making their HR policies/procedures readily accessible to all their employees and for facilitating understanding through training where appropriate. Consideration of their contents is encouraged by all employees of Lalpir.

## SUMMARY OF KEY ELEMENTS OF POLICIES

### RECRUITMENT AND SELECTION

5. It is Lalpir's policy to recruit on merit, regardless of sex, trade union membership, sexual orientation, race, disability, age or religion. Wherever possible, existing employees will have an opportunity to apply for vacancy/promotion opportunities. Each Unit is responsible for developing recruitment and selection procedures/techniques which support this policy, and for training recruiters. All newly appointed employees should be integrated into their new role through a supervised induction program and, therefore, be given appropriate support and guidance until they are fully competent to do the job.
- 5.1 The following general guidelines shall be available to whenever there is a vacancy:

- Present employees with appropriate knowledge and experience of the proposed job shall be given preference for promotion. This reflects the Lalpir's commitment to retain and regard the human resource as human capital
- If internal staff is not suitable for the position available, an advertisement shall be given in the newspaper about the availability of the position describing the general conditions of employment.
- Applications received in response of the advertisement in newspaper shall be analyzed on merit so that the candidates with best capabilities and competencies could be shortlisted for interview(s). The HR Department shall be responsible for analyzing the applications and short listing the suitable candidates in consultation with Team Leader where the position is available.
- After careful analysis of the applications received in response to the advertisement, the shortlisted candidate shall be called for initial assessment which shall be carried out by the concerned Team Leader.
- After initial assessment, candidates shall be shortlisted for final selection.
- Interview for the final selection shall be conducted by the Head of HR Department and the concerned Team Leader.
- The candidate shortlisted for final interview shall be given proper information about Lalpir and its operations. It is recommended for the interviewer(s) to give the candidates liberty for describing himself/herself.
- After final interview, successful candidate shall be informed about his/her selection and the remuneration and conditions of the employment.

## **DEVELOPMENT AND TRAINING**

6. LALPIR recognizes that its people are the key to future success. Through performance management processes LALPIR aims to ensure that all employees know what is expected of them and possess the necessary skills, knowledge, values and experience to achieve the highest level of performance of which they are capable. Wherever possible, LALPIR undertakes to provide development opportunities, such as study for qualifications, secondments, project work and undertaking other challenging roles.

6.1 LALPIR has devised a complete mechanism of training and development. This involves the periodic training sessions for employees performing in different functions. This may take the form of:

- In-house training sessions
- Seminars
- Lectures
- Working under the supervision of senior personnel
- On the job training sessions

## **REWARD AND MOTIVATION**

7. It is the policy of Lalpir to reward with fair and competitive salary and benefit packages and an opportunity to share in the success of the business. All elements of reward are designed to support the achievement of desired behavior, values and standards as well as high performance and continuous improvement/development. Within Lalpir reward procedures and mechanisms shall be accessible and transparent, and applied consistently. Lalpir also recognizes that pay/benefits are only one element of reward, and that personal development, recognition and celebration of achievement are also equally significant.

- Employees shall be motivated through participation and competitive salary and benefit packages.
- A fair system of promotion is established which is based on performance of the employees.
- Bonus shall be paid on achievement of targets.

## **EQUALITY, DIVERSITY AND DIGNITY AT WORK**

8. Lalpir's employment policies are based on the principles of equality and diversity, this being in the belief that the elimination of unfair discrimination in the workplace contributes to productivity and performance as it allows people's talents to be most effectively idealized. The Head of HR Department is accountable for ensuring that these principles are followed and for establishing appropriate action plans for their business.

8.1 Lalpir is committed to the dignity at work and fair treatment of all colleagues. The Head of HR Department is accountable for ensuring that procedures are in place for resolving any grievance or harassment issue which colleagues may have in connection with their employment.

## **CONDUCT AND CAPABILITY**

9. It is the policy of Lalpir to ensure that there is a strong management framework and key principles to support people at work. The purpose of the policy is to allow managers to deal effectively with colleagues when their conduct, performance or attendance falls below acceptable standards. The Head of HR Department is accountable for ensuring that guidance and rules under which people can operate effectively, and through which Lalpir can ensure compliance with the relevant employment law, is in place.

## **JOB SECURITY**

10. Lalpir is strongly committed to the long-term sustainability of its business and also the long-term security of its employees. Where individuals are affected by changes to their role or their personal/health circumstances, all reasonable steps are taken to enable them to stay with the organization. This may be through discussing possible solutions to enable them to continue in their role, adjusting working hours/patterns, or helping find a new role within LALPIR.

## **WELL-BEING AND SAFETY**

11. Lalpir values its reputation as an "Employer of Choice" for all sectors of the working community. It also recognizes that as a responsible employer, there is a need to have in place policies which support a reasonable work-life balance. The Health and Safety Policy sets out Lalpir's

approach to managing Occupational Health and Safety of all its employees. In addition at department levels there are numerous policies, systems and guidelines to support well-being and a healthy work-life balance, including many family-friendly arrangements.

## **COMMUNICATION, INFORMATION AND CONSULTATION**

12. Lalpir aims to have an open and honest culture, and to ensure that all employees are regularly updated with what is happening in all areas of the group, and that consultation takes place as appropriate. Two way and face-to-face communication is essential, giving everyone the opportunity to ask questions and have a voice in decision making. Lalpir encourages a 'no-blame' culture, so that all can have their say without fear of reprisal or discrimination. Each Department has responsibility for putting in place channels of communication (direct and indirect) and feedback, as well as making sure that communication is timely and inclusive.

12.1 At Lalpir, steps shall be taken to develop an environment of open communication and participation. Subordinates shall be encouraged to consult their supervisors about the matters job related matters and supervisors shall act as coaches.

# SUCCESSION PLAN

## PURPOSE

13. A change in executive leadership is inevitable for all organizations and can be a very challenging time. Therefore, it is the policy of Lalpir Power Limited (hereinafter referred to as 'LALPIR') to be prepared for an eventual permanent change in leadership, either planned or unplanned, to ensure the stability and accountability of the organization until such time as new permanent leadership is identified.

## OWNERSHIP

14. The Human Resource and Remuneration (HR&R) Committee shall be responsible for implementation of this policy and its related procedures. It shall also be the responsibility of the HR&R Committee to assess the permanent leadership needs of the organization to help ensure the selection of qualified and capable leadership/executive management who is representative of the community; a good fit for the organization's mission, vision, values, goals, and objectives; and who has the necessary skills for the organization.

14.1 The HR&R Committee shall comprise of the following:

1. Independent Director
2. Executive Director
3. Executive Director

14.2 The HR&R Committee shall primarily be responsible for:

- Recommending human resource management policies to the Board of Directors (hereinafter referred to as the 'Board');
- Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of Chief Operating Officer (COO), Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit; and
- Consideration and approval on recommendation of CEO on such matters for key management positions who report directly to CEO or COO

## POLICY

15. To ensure that Lalpir's operations are not interrupted while the HR&R Committee assesses the leadership needs and recruits permanent executive management, the HR&R Committee may appoint interim executive leadership as described below. The interim executive management shall ensure that Lalpir continues to operate without disruption and that all commitments previously made are adequately executed, including but not limited to, loans approved, reports due, contracts, licenses, certifications, memberships, obligations to lenders and investors of Lalpir. Lalpir shall

implement a transparent recruitment and selection process, while at the same time encouraging the professional development and advancement of current employees.

## **PROCEDURES FOR SUCCESSION**

16. In the event an employee from executive management cadre is no longer able to serve in his position (i.e., leaves the position permanently) or a permanent change in leadership is required, it shall be the responsibility of the HR&R Committee to implement the following preliminary transition plan:

- Communicate with key stakeholders regarding actions taken by the Board in naming an interim successor and implementing the succession policy. Lalpir shall maintain a current list of key stakeholders who must be contacted.
- Consider the need for consulting assistance (i.e., transition management or executive search consultant) based on the circumstances of the transition.
- Review Lalpir's business plan and conduct a brief assessment of organizational strengths, weaknesses, opportunities and threats to identify priority issues that may need to be addressed during the transition process and to identify attributes and characteristics that are important to consider in the selection of the next permanent leader.
- Establish a time frame and plan for the recruitment and selection process.

# **LALPIR POWER LIMITED**

## **Recruitment Policy**

## INTRODUCTION

01. This section deals with payroll accounting forms and procedures designed as an integral part of effective system which will result in saving of both time and labour because the necessary information will be recorded, stored and retrieved through computer software of payroll. It will also facilitate the economic, efficient and quick preparation and distribution of information regarding payroll.

02. Administration Department is responsible for maintaining the personal files, relevant records of employment and leave records of employees. Personal files will contain all documents relating to an employee right from his resume, to interview call, appointment letter, annual periodical performance reports, letters regarding increment, promotions, appreciations, warnings etc. and all correspondence with him.

03. Finance Department is responsible for preparation of payroll and deduction of income tax, advances and other dues. Finance Department is also responsible for timely preparation and submission of various management information reports regarding payroll.

04. The groups and pay scales of employees will be determined by the competent authority as discussed later in this section in consultation with Chairman and Finance Director in view of the provisions of labour enactments and policies of the Company. The pay scales would be subject to amendments / changes from time to time.

05. Employee of exceptional merit and extra ordinary efficiency can be given the next higher pay scale as reward, while still retaining their designation.

06. Attendance records will be maintained at plant and all employees will mark their daily attendance. If a Head Office employee is deputed for a visit to Plant, the employee will fill outdoor duty form duly signed by the relevant head of department.

## APPOINTMENTS

07. At Plant, all team members upto salary of Rupees 100,000 will be appointed by team leader of the respective department. Plant manager is authorised to appoint team members above salary of Rupees 100,000. Appointment of team leader will be done by HR & RC with the approval of Chairman.

08. The employees will be classified in two categories i.e. Contracted / Permanent employees and Daily Wagers / Monthly Paid Workers. The appointment for each category will be made separately as described hereunder.

## PERMANENT AND CONTRACT EMPLOYEES

09. For the appointment of permanent and contract employees, a requisition for new employees will be initiated by respective team leader on Personnel Requisition (**Annex A**) stating the title of the position to be filled, a brief description of duties of the job, the salary range, the date when the employee is needed, a summary of any special qualifications and whether the position is permanent or temporary.

10. No person will be appointed against any post unless he possesses minimum prescribed qualifications for such post.

11. All appointments will be subjected to verification of personal data of the employee before or after the appointment and if at any time, it is revealed that the information furnished by the employee was incorrect; the Company will have the right to remove such person from service without notice and without any liability.

12. Advertisement will be made in the newspaper when the appointment of permanent or contract based employees would be required. The Company will use the services of Administration Department for advertising such posts in the newspaper. Selection of the newspaper for these advertisements will be in accordance with the prevailing practice or policy of the company. The advertisement given in the newspaper will require the candidates to submit their applications alongwith testimonial to the Administration Department of the company up to a given cut off date.

13. Administration Department will maintain a file of the applications received for the advertised posts and after the conclusion of the last date for submission of applications will send this file to the respective team leader with a summary of short-listing for interview and list of rejected applicants.

14. In case of appointment of employees upto salary of Rupees 100,000, team leader will interview the candidates and appoint the best suitable candidates.

15. In case of vacancies above the administrative level of team leader then plant manager will conduct interview of all the candidates appearing for the interview on the required date, time and venue. After the interviews, plant manager / team leader will select/shortlist the candidates for each advertised post and forward the applications and testimonial of selected/short-listed candidates to the Chairman for review, interview and approval for appointment and fixation of salary.

16. Plant manager / team leader will intimate the Administration Department of the Company, in writing, for the issuance of appointment letter to the successful candidates. Appointment letter will be issued after receipt of satisfactory reports from the two persons mentioned by the candidate in the application as references.

17. Appointment letter would be a document which explains the terms and conditions of appointment, salary package and date of joining.

18. After joining, employees will submit the joining report to the Administration Department so that their particulars may be put into payroll system by Finance Department for generating their salaries.

19. After the selected candidate has reported for joining, the Administration Department will inform the Finance Department of hiring the new employee, through New Employees hiring Advice (**Annex B**), so that the new employee can be added to the payroll. Three copies of this advice will be prepared for distribution as follows:

First copy	Finance Department
Second copy	Concerned Department
Third copy	Administration Department
	(For employee's personal file)

20. Administration Department will maintain the personal files of all permanent and contract employees either existing or newly recruited. Following documents will be filed in the personal files of the employees:

a). Documents submitted by the employees:

- Curriculum vitae (CV)
  - Attested academic certificates
  - Job application
  - Copy of national identity card
  - Recent photograph
  - Medical certificate from MBBS doctor
  - Any other document mentioned in Bio-data
- b). Reference letters and replies
- c). Appointment letter
- d). Personal data of applicant (Form-A), a document typically prepared by the Administration Department to summaries the information of an employee
- d). Joining report

21. After joining the Administration Department will allocate employee's code to every newly appointed employee and an Employee Identity Card will be issued for the identification purpose and posting of his payroll data in the computerised management information system. Each staff member will be required to bring his Identity Card alongwith him on duty.

22. Finance Department will enter all personal information and data of the employee into the computerized management information system for preparation of monthly salary, maintaining the leave record and fulfilling other requirements like tax deduction, provident fund deduction (in case of permanent employees), EOBI and social security payments etc.

### **DAILY WAGERS/MONTHLY PAID WORKERS**

23. According to the approved strength of each department, team leader will appoint the daily wagers/monthly paid workers, as and when required. For these jobs, normally the candidates are employed from the near vicinity of plant. Therefore, these appointments do not require advertisements in the newspapers and detailed formal interview sessions and selection procedures.

24. Team leader will conduct the brief interview of the candidates and appoint the employees. Personal files will not be maintained in detail containing each and every document. The documents placed in the files of such employees will be the application and copies of computerized national identity card and references etc. The application is approved by the team leader and will be kept in record at Administration office of plant.

25. Copies of these approved applications / letters will be sent to Finance Department and Administration Department for the record and preparation of salary.

26. For the appointment of security guards and other sensitive posts, reference/guarantee will be obtained from a reputed person of the area.

### **ATTENDANCE AND CALCULATION OF SALARIES AND WAGES**

#### **Permanent Employees**

27. Finance Department will record / post the names and particulars of all employees in the computerized system for payroll. Due to higher expected turnover in daily wagers and monthly paid employees, no record will be maintained in the (centralized) computerized management information system.

28. Attendance Machine will be maintained at site and head office and at the month-end the summary of the attendance will be sent to the respective team leaders.

29. Thereafter, the attendance summary will be sent to payroll section at Finance Department for calculation of salaries and preparation of salary sheets.

#### **Daily wagers/ Monthly paid workers:**

30. At the month-end, photocopy of attendance registers alongwith 'Monthly Attendance Report' will be sent to the team leaders for approval. The team leaders will inspect and approve the attendance on these registers/sheets.

31. After approval, one photocopy of the attendance registers will be forwarded to the Finance Department alongwith salary rate for payment of salaries.

#### **REVISION IN SANCTIONED STRENGTH**

32. In case a revision in sanctioned strength of each department staff/workers is required during a particular year then such revision will only be incorporated with the approval of the Chairman. Administration Department will prepare Revised Approved Strength Report (**Annex C**) stating the reasons for increase in the sanctioned strength and whether the increase is temporary or permanent and if temporary then the period for which the approved strength is sanctioned will be mentioned.

#### **CHANGES IN PAY**

33. Salary of an employee will keep on changing with the passage of time as a result of increments, promotions, rewards, demotion etc. Increments, promotions, rewards, demotion on any employee of the each department will be decided based on annual appraisal of performance of duties assigned to him. Performance Appraisal Form will be used to evaluate the employee's knowledge of his duties, the value and quality of work, effectiveness in working with others, relations and behaviour with co-workers, officers and sub-ordinates, attendance and punctuality, promotion potential and overall performance etc.

34. All changes in pay will be approved by the Chairman and informed to concerned employee through an office order or formal letter. A copy of such letter/office order will be filed in the personal file of the respective employee.

35. Finance Department of the Company will be informed of this change in payroll through Changes in Payroll Advice (**Annex D**) alongwith promotion/demotion letter. After necessary checking and verification, Manager Accounts and Finance Director will forward the changes in payroll advice to Finance Department to amend the relevant master file and incorporate the change in payroll.

## **PAYMENT OF SALARIES AND WAGES**

Permanent and Contracted employees:

36. In case of permanent / contracted employees, system generated salary sheets are printed out by the Finance Department. These salary sheets will be approved by the Director Finance. After the approval, the Finance Department will send these salary sheets under a cover note to the designated bank branch instructing it to credit the individual employees' bank accounts for the amounts mentioned in the salary sheets by debiting the bank account of the Company.

### **Daily wagers/ Monthly paid workers:**

37. In case of daily wagers / monthly paid workers, salary sheets prepared by the concerned department will be sent to the respective team leader for checking and approval. After approval, these sheets will be forwarded to the Finance Department for the approval of Finance Director in order to release the payment.

38. After the approval of Finance Director, salary sheets will be handed over to the accounts department for payment.

## **RESIGNATIONS**

39. On receipt of resignation letter from an employee, the Team Leader, after giving his remarks, will mark the resignation letter to plant manager for his approval. Plant manager will send the resignation letter to Administration Department, after acceptance or otherwise.

40. Admin Manager Administration, after approval from plant manager will send the acceptance letter to the Finance Department. Finance Department will exclude the name of resigned person from the payroll. The resigning employee will be required to get a clearance certificate from concerned departments including store, club, etc. At the same time, Finance Department will prepare the final settlement for the employee. Finance Department while preparing final settlement amount will ensure that all advances, assets, claims and other dues have been recovered or deducted from the finally settled amount of the employee.

## **DISQUALIFICATION**

41. Any person who was dismissed from any corporation / company's service or any Government Department whether central or provincial, or by any Semi Government or Autonomous Body or from any previous employment for reasons of misconduct etc., or conviction for a criminal offence involving moral turpitude, will not be considered for employment in the Company. If after appointment has been made it is revealed that information of previous dismissal has been concealed from the Company, the Company shall have the right to terminate the services of such person.

42. Relatives of existing employees will neither be hired in the Company on permanent basis nor on temporary/contract basis. "Relatives" means and includes father, mother, sons, daughters, brothers, sisters, brothers in law, sisters in law and cousins. All applicants will be required to submit a certificate to this effect. The Chairman has, however, the privilege to relax the policy.

43. Application of a candidate who knowingly furnishes any particular which is false or suppresses material information, or attempts to influence the members of the selection committee to obtain support of his/her appointment by improper means or deliberately submits forged certificates, or tampers with the entries in his/her age and educational certificates shall be outrightly rejected. In case any of the above facts are known subsequent to his/her appointment, his/her services shall stand terminated.

## **INTERNAL CONTROL**

44. The purpose of internal control and checks on payroll accounting and disbursements thereof is:

- to determine the correct amount of pay for each member of the staff;
- to determine the correct amount of overtime for each worker;
- to ensure that correct amount is paid to the right person;
- to prevent the inclusion of fictitious persons on the payroll and to prevent payments to such persons;
- to prevent the payment of excessive and incorrect amount;
- to avoid misappropriation of unpaid salaries and wages; and
- to ensure proper accounting of unpaid salaries and wages.

45. With the above objectives in mind, there should be the following internal controls and checks:

- The function of the staff responsible to maintain the attendance records be segregated from the staff engaged in preparation and communication of information relating to salaries and allowances to the Finance Department;
- Salary Transfer Advice will be sent to bank only after the payroll is checked by the Manager Accounts and approved by the Director Finance;
- New names will be added to the payroll only on receipt of duly approved New Employee Hiring Advice.
- To avoid the erroneous payment, all increments and other changes in payroll must be approved by authorized persons and intimated to Finance Department through duly approved "Changes in Payroll Advice";
- Cheque signatories will sign the cheques only when cheques are presented for signatures alongwith payroll summary, payroll reconciliation statement, payroll sheets, journal voucher and bank payment voucher. Cheque signatory will, prior to signing of cheque, verify the amount of cheque with payroll summary, payroll sheets, payroll reconciliation statement, journal voucher and bank payment voucher;

- Personal files with informative details will be maintained by the Administration Department and should be kept highly confidential under lock and key; and
- Permanent staff record is most important aid to internal checks. These records will give the full history of salaries and wages of an individual, his performance and leave history. The Finance Department will make periodical checks to ensure that this record is being maintained satisfactorily.

## LALPIR POWER LIMITED

## PERSONNEL REQUISITION

NO.

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DATE

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Department: _____ Job title: _____ Required on (Date): _____ Permanent/ temporary: (If temporary for how long) _____  Minimum qualification:  Academic: _____ Professional: _____ Others: _____ Minimum experience: _____	Name of Person Being Replaced _____ Designation _____ Pay Scale _____  Joining Date _____ Leaving Date _____  Remarks _____ _____ _____ _____ _____
_____ REQUISITIONED BY      RECOMMENDED BY      MANAGER ADMIN.      Team Leader      Plant Manager	

FOR USE OF ADMINISTRATION SECTION	
Approved strength: _____ Presently engaged: _____ Name of person appointed: _____ Reference No: _____ Starting date: _____ Starting pay: _____	Remarks _____ _____ _____ _____ _____ Manager Admin. _____

LALPIR POWER LIMITED  
NEW EMPLOYEE HIRING ADVICE

S. NO.   
DATE

EMPLOYEE NAME	<input type="text"/>	EMPLOYEE CODE	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
DESIGNATION	<input type="text"/>	ACCOUNT CODE	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
DEPARTMENT	<input type="text"/>	COST CENTRE CODE	<input type="text"/> <input type="text"/>
DATE OF JOINING	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	EMPLOYEE STATUS	<input type="checkbox"/>

BASIC PAY RATE (Rupees)  PER MONTH

ALLOWANCES AND RATES	DEDUCTION AND RATES	RUPEES
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

LEAVE ENTITLEMENTS:

	NOS
SICK	<input type="text"/>
CASUAL	<input type="text"/>
ANNUAL	<input type="text"/>

PREPARED BY  CHECKED BY  APPROVED BY  ENTERED BY

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[illegible]

**LALPIR POWER LIMITED**  
**CHANGE IN PAYROLL ADVICE**

DEPARTMENT CODE   
 S.NO.   
 DATE

EMPLOYEE NAME _____ OFFICE ORDER REFERENCE _____	EMPLOYEE NO. <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> EFFECTIVE DATE <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>																																																			
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**PREPARED BY**

**CHECKED BY**

**APPROVED BY**

**ENTERED BY**

# **LALPIR POWER LIMITED**

## **POLICY FOR PROCUREMENT OF GOODS AND SERVICES**

## **PURPOSE**

01. The overall purpose of procurement is to procure quality products and services in the most cost-effective manner and satisfy Lalpir's requirements on a timely basis, consistent with Lalpir's objectives while maintaining the highest ethical standards. Procurement Department shall aim to acquire these quality products and services for the lowest long-term cost. Factors considered in determination of the "lowest long-term cost" will be identified and documented for significant purchasing decisions.

## **SCOPE**

02. This Policy applies to all the staff members who are involved in the procurement of goods and services.

## **OWNERSHIP**

03. The Head of Procurement Department is responsible for ensuring this Policy is adhered to in respect to all procurement of goods and services made by Lalpir.

## **PROCUREMENT OBJECTIVES**

04. This section of the manual on "procurement" has been designed with the following major objectives:

- To provide guidelines to the staff on the following:
  - For the procurement of stores, spares and other consumable items.
  - Establishment of clear delineation of duties and responsibilities of the different levels of management in the procurement process; and
  - Recording of procurement transactions in the books of account.
- Establish an effective internal control system in the procurement process to make the process standardized, fair and true.
- To ensure that procurements are made at most economic rates for best of available qualities.
- To facilitate coordination and communication amongst various departments to make the purchasing process smooth, speedy and fair.

05. Procurement could be defined as□ the process to obtain materials, supplies and contracts at the best price reasonably available through open and fair competition. Procurement process involves the acquisition of goods and/or services at the best possible cost, in the right quantity and quality, at the right time, in the right place for the consumption.

06. The Company will have certain rights and obligations in the capacity of buyer towards the goods being procured including:

- To inspect goods before acceptance within a reasonable time period.
- To withhold payment and also the right to return goods. However if the goods are kept and it appears that these have been accepted, then acceptance will take place. If the goods fail in any way to conform to the purchase order, the Power Plant has the option to reject the whole lot/supply, accept the whole lot/supply, or accept only part of the lot/supply.
- If upon inspection, goods are found to be non-conforming, and the time allowed for supplier to lift the rejections or replace them has passed, the goods may be disposed of as considered appropriate.
- Power Plant will be responsible to notify the supplier about rejection of the non-conforming goods.

07. The Procurement Cycle includes the functions associated with initiating requests for materials, equipment, supplies, or services; monitoring approved suppliers; placing orders for goods; receiving, inspecting, or accepting the material or services; accounting for the proper amounts due to suppliers; and processing payments. The following policies regarding the documentation, authorization and accounting for such procurement functions will be followed.

## **GENERAL PROCUREMENT AUTHORITY**

08. The *Purchasing Officer/Team Leader* will be responsible for all functions related to the acquisition of supplies and services, including overall administration. In performing the functions, the *Purchasing Officer/Team Leader* will adhere to the following objectives:

- Make all purchases in the best interests of the Company
- Obtain quality supplies/services needed for delivery at the time and place required
- Buy from responsible sources of supply
- Obtain maximum value for all expenditures
- Develop a competitive procurement environment
- Deal fairly and impartially with all vendors
- Maintain dependable sources of supply
- Document each transaction as required by applicable laws and regulations
- Be above suspicion of unethical behavior at all times; avoid any conflict of interest or even the appearance of a conflict of interest in all supplier relationships
- Report any wrongdoing, questionable or unethical behavior, threats to the integrity of the procurement process of the Company regardless of the source, to

## **PURCHASE REQUISITION**

09. The purchase cycle begins with the initiation of 'Purchase Requisition' (PR). The PR will be raised by respective user for specific items and approved by the team leader. For general items, PR will be raised by the Store Officer to maintain the desired inventory levels and approved by team

leader, unless raised by others specifically. In such cases, PR will be raised only when the required items would not be available at the stores.

### ***PURCHASE REQUISITION LIMITS***

10. Where purchase requisitions are used to establish a new contract or non-contract purchase, the following positions will be authorized to review and approve purchase requisitions, including modifications (if any), at the amounts noted below:

<u>Position(s)</u>	<u>Amount</u>
<i>Team Leader</i>	<i>up to Rs,1000,000</i>
<i>Plant Manager</i>	<i>up to Rs 2,500,000</i>
<i>Chairman</i>	<i>above Re 2,500,000</i>

10.1 All purchase requisitions will be reviewed and approved in writing or on-line. A single person will not initiate and approve the same purchase requisition.

### ***PURCHASE REQUISITION DOCUMENTATION***

11. Where purchase requisitions are used, the purchase requisition will include information that: (i) describes the required supplies or services clearly and completely so that the reviewer may obtain acceptable offers to meet the needs; and (ii) supports any contractual recommendation, such as a proposal to limit sources.

Purchase requisitions will contain, at a minimum:

- A clear and precise specification or statement of work
- Cost estimate
- Required delivery or performance schedules that are realistic and specific
- A brief statement, in non-technical language, of the nature and purpose of the procurement
- Quality requirements and inspection methods

### ***PURCHASE REQUISITION REVIEW***

12. Where purchase requisitions are used, completed purchase requisitions will be submitted to a reviewer. Purchase requisitions will be reviewed for proper item description and technical references or specifications, clearances, and all other necessary data to include quality control and surveillance sufficient to initiate the required purchase. The reviewer will review purchase requisitions for:

- Validity of requirements
- Reasonableness of delivery date
- Obvious errors
- Specifications, purchase description
- Packing, transportation and quality requirements.

12.1 The reviewer will return purchase requisitions, which do not contain sufficient information or lack proper documentation to permit the initiation of a procurement action or which otherwise do not conform to regulatory requirements. Minor deficiencies will be corrected and annotated on the purchase requisition or supporting documents. Accepted purchase requisitions will be forwarded to the [Pertinent Buyer]<sup>a</sup> for processing. A procurement history file (including all relevant supporting documentation) will be created and maintained.

## MASTER SUPPLIER LIST

13. The *Purchasing Officer/Team Leader* will maintain a consolidated Supplier List that will include both active and inactive suppliers. The Supplier List will include information such as: company name, address, contract numbers, and tax information. On an *annual* basis, the Supplier List will be updated (e.g., new suppliers added, old suppliers who have gone out of business, changed commodities, or deemed not responsible deleted). Periodically, the Supplier List will be reviewed by the *Purchasing Officer's supervisor*. Access to the Supplier List master file will be restricted to authorized personnel.

## PURCHASE ORDER/CONTRACT AUTHORIZATION LEVELS

14. The following positions are authorized to approve new POs/contracts/other (non-contract purchases including contract modifications at the thresholds noted below:

<u>Position</u>	<u>Amount</u>
<i>Team Leader</i>	<i>up to Rs1000,000</i>
<i>Plant Manager</i>	<i>up to Rs 2500,000</i>
<i>Chairman</i>	<i>above Rs 2500,000</i>

14.1 All POs/contracts/other over Rs 1000,000 will require two signatures, one of which will be that of the chairman.

## PURCHASE ORDER/CONTRACT PREPARATION

15. PO/contract preparation responsibilities will be segregated from requisition, accounts payable, and disbursement duties. Access to the PO system and related documents will be restricted to those who can initiate, approve and process orders. A single person cannot initiate, approve and process the same order. A current list of those individuals with authorization to access the system will be maintained and reviewed by *Accounting Manager independent of the PO process* on a regular basis. If the purchase requisition process is followed, the *Pertinent Buyer* will receive the approved purchase requisition as notification to initiate a PO. In all cases, the PO/contract will be prepared to include the following information:

- A clear and precise specification or statement of work, if applicable
- A brief statement, in non-technical language, of the nature and purpose of the procurement
- Sequentially assigned PO number and date of order, if applicable
- Vendor's name, address, point of contact and phone number

- Ship to address/shipping terms
- Work order/job order/account number
- Payment terms
- Mode of shipment (ship via), if applicable
- Delivery/completion date, if applicable
- Item number, if applicable
- Complete description of items or services identifying all applicable technical requirements, if applicable
- Quantity, unit, unit price and total for each item
- Purchasing Officer's ID code and phone number, if applicable
- Authorized signature(s)

### ***MAINTENANCE AND DISTRIBUTION OF APPROVED PURCHASE ORDERS***

16. Where POs are used, a register will be maintained by the *purchasing officer (or the purchasing officer's assistant)* to reflect the following:

- Purchase requisition number, if applicable
- PO number
- PO date
- Date PO received
- Vendor name
- Goods/services ordered
- Requestor/buyer

16.1 This information may be maintained on-line and access will be restricted (via password control) to authorized employees.

### ***DOCUMENTATION OF PURCHASE ORDER/CONTRACT TRANSACTIONS***

17. The following list includes materials that will be found in purchase files. If automated systems are not used to maintain this information, hard copy files will be maintained in a secure location with access restricted to authorized personnel. The purchase files will contain at a minimum:

- Approved PO/Contract
- Approved PO/Contract modifications
- Request for quotation (RFQ), showing all bidders solicited.
- Copies of the vendor quotations/proposals
- Vendor selection criteria and explanation
- Copies of technical data, such as engineer's technical evaluations, drawings, specifications, inspection requirements, and lists of special equipment required
- Related correspondence

### ***PURCHASE ORDER/CONTRACT CHANGES OR CANCELLATIONS***

18. All changes to, or cancellations of, POs/contracts will be documented and approved by the individual making the change and will include the information required by para 15 above. All changes and cancellations made to POs/contracts will be reviewed and approved by authorized personnel consistent with para 13 above.

### ***RECEIVING***

19. All items will be received in secure locations by the store department. Access to the receiving area will be restricted to authorized personnel. All parts, components, goods and materials will be timely received in an organized manner and inspected for quality and conformance with requirements or specifications. Any rejected items will be segregated from other inventory. Accepted items will be immediately stocked in inventory or delivered to appropriate personnel.

19.1 Receiving reports will be completed for all items received. The receiving report will identify the quantity and description of products accepted. Receiving reports will be matched to approved POs/contracts and packing slip (if available). Changes to the receiving report will only be made by the receiver and a detailed explanation as to the reasons for the change will be documented on the receiving report.

### ***RETURNS & ALLOWANCES***

20. Damaged items will immediately be documented by the store department and returned to the vendor. Notification of damaged items will be made to the *Pertinent Buyer* for follow up with the vendor and communicated to the accounts department.

### ***BOOK KEEPING AND PAYMENT TO SUPPLIERS***

21. The Goods receipts and inspection (GRIN) notes will be posted into the inventory ledger maintained the Store Officer. He will retain one copy of approved GRIN in his file and send the remaining two copies to the accounting officials at Head Office, Lahore for onward submission to Purchase and Finance Departments.

21.1 The suppliers after supplying the goods, will send their invoice to the Purchase Department at Muzaffargarh. The Purchase Department will hand over the invoice to the accounts department for payment.

21.2 The accountants will vouch for the purchase transaction and prepare the Store Purchase Journal Voucher supported by the approved GRIN. This voucher will be recorded in general ledger system maintained at Head Office, Muzaffargarh. Journal Voucher will be filed for record.

21.3 The finance accountants will prepare the bank payment voucher against the outstanding payable balance against any supplies for which he has received the invoice from Purchase

Department and have the relevant Journal Voucher. The payment voucher will be approved by the Chief Financial Officer.

- 21.4 As a policy matter the purchase department should ensure that all payments will be made through crossed banking instruments. Cash payments should only be allowed in case of emergency.

The Purchase Department will procure all required goods and material on credit basis. Cash purchases would be allowed only in extreme emergency or where goods will not be available on credit. Any cash purchase would be made after discussing with team leader and getting his approval in writing.

# **LALPIR POWER LIMITED**

## **Policy on Capital Assets Planning and Control**

## **PURPOSE**

1. The purpose of this document is to deal with the systems and procedures for accounting treatment relating to capital expenditures, planning and control. Based upon the concepts of prudence, substance over form and materiality, property, plant and equipment as defined in International Accounting Standard (IAS) 16 “Property, Plant and Equipment” refer to tangible items that:

- a. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- b. are expected to be used during more than one period.

1.1 The policies for acquisition and valuation, transfers, retirement, disposals, useful life, revaluation, depreciation and amortization of fixed assets are set out in the succeeding paragraphs:

## **ACQUISITION AND VALUATION POLICY**

2. Acquisition of all fixed assets shall be initiated by written documentation justifying the need for such acquisition by the appropriate administrative, operational and financial officials in accordance with budgetary limits and schedule of powers.

2.1 The amount or cost will be valued by appropriate authorities unless, in the judgment of management, outside valuation/appraisal specialists are necessary to determine the fair value of the assets;

2.2 The item of fixed asset shall be recognized as an asset when:

- A) It is probable that future economic benefits associated with the asset will flow to the company; and
- B) the cost of the asset to the company can be measured reliably.

2.3 The cost of an item of fixed asset comprises its purchase price, net of trade discounts and rebates, including import incidentals, if any, any directly attributable costs of bringing the asset into working condition for intended use and the estimated cost of dismantling and removing the asset and restoring the site, to the extent it is recognized as a provision. The cost also includes applicable exchange differences and the borrowing costs pertaining to the erection/ construction period.

2.4 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the profit and loss account during the period in which they are incurred.

2.5 Subsequent to its initial recognition, fixed assets shall be carried at its cost less any accumulated depreciation and any impairment losses.

2.6 All the direct construction/installation costs that relate directly to the specific asset and indirect costs that are attributable to construction/installation activity in general and can be allocated to that specific asset. A "capital work-in-progress" account will be used to record/accumulate such costs. This capital work-in-progress account will be closed to the related asset account on the completion of construction/installation when the asset is ready for intended use.

2.7 The total cost of civil works shall be segregated into cost of land and building before recording in Fixed Assets Register and General Ledger. Only building cost will be depreciated /amortized over its expected useful life. Equipments will be analyzed into cost of land, building, installations and equipments before entry to the Fixed Assets Register and all such assets except land will be depreciated /amortized in accordance with depreciation / amortization policy.

### **TRANSFER POLICY**

3. All group-inter-company transfers of fixed assets shall be initiated by the CEO in need of an asset from another company. All such transfers shall be made on written down value after the approval of CEO.

### **RETIREMENT POLICY**

4. An asset after the productive service for which it was intended will be retired.

4.1 The request for retirement of assets, duly approved by the head of concerned department will indicate the need and impact of assets' disposal.

4.2 This will be authorized in writing by the appropriate authority in line with schedule of powers.

4.3 The retirement will be recorded in the company's books of account by transferring such asset from fixed asset account to store account maintained for this purpose.

4.4 The retirement shall be initiated in the form of report signed by concerned officials till its disposal. Any subsequent recovery of funds, e.g. insurance proceeds, scrap proceeds etc; will be adjusted to the loss incurred.

4.5 Assets retired but not disposed off at the balance sheet date are carried at lower of carrying value and recoverable amount, which in this case shall be the net realizable value.

### **DISPOSAL OF OLD MACHINERY**

5. The request for disposal of assets, duly approved by the head of concerned department will indicate the need and impact of assets' disposal.

5.1 This will be authorized in writing by the appropriate authority in line with schedule of powers.

5.2 The disposal will be recorded in the company's books of account by transferring such asset from fixed asset account to store account maintained for this purpose.

5.3 The gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### **USEFUL LIVES**

6. Useful life of an asset is assessed after considering different factors like expected usage, physical wear and tear, technical obsolescence etc. The useful life of an item of fixed assets is a matter of judgment based on the experience of the company with similar assets.

6.1 The decision to change the life of an asset will be subject to the approval of the Director Finance after receiving a request in writing from the concerned departmental head.

### **REVALUATION POLICY**

7. Management can decide to carry certain class of assets at revalued amount rather than cost less accumulated depreciation and any accumulated impairment losses.

7.1 In this case a class of assets shall be revalued by a professional valuer. The revalued amount shall signify the fair value of the asset at the date of revaluation.

7.2 The frequency of revaluation of assets shall be such that at any balance sheet date the carrying value shall not differ materially from its fair value as at that date.

7.3 The surplus, if any, arising from such revaluation shall be transferred to an account to be called "Surplus on Revaluation of Fixed Assets Account". It may be applied by the company in setting off or in diminution of any deficit arising from the revaluation of any other fixed asset of the company. Incremental depreciation arising out of revaluation of fixed assets may be charged to surplus on revaluation of fixed assets account.

### **DEPRECIATION/AMORTIZATION POLICY**

8. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciation method used shall reflect the pattern in which the asset's economic benefits are consumed by the company. The depreciation charge for each period shall be recognized as an expense unless it is included in the carrying amount of another asset.

8.1 Operating fixed assets except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Depreciation on operating fixed assets used for the acquisition/construction of an asset is included in the cost of the asset while depreciation on other operating fixed assets is charged to profit and loss account, on the straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates after taking into account their residual values.

8.2 Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under

capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

8.3 The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

8.4 Depreciation on additions to operating fixed assets is charged from the month in which the asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

8.5 The book value of fully depreciated asset will be taken token value i.e. Rupees 1 until such items are sold or scrapped.

8.6 The depreciation rates to be used for charging the cost of asset over its useful life will be as follows;

#### **CLASS OF ASSET**

#### **USE FULL LIFE**

Buildings on free hold land

10-40 years use full life straight line

Airstrip

20 years use full life straight line

Plant and machinery

4-40 years use full life straight line

Electric equipment and appliances

3-16 years use full life straight line

Office equipment

3-15 years use full life straight line

Furniture and fixtures

10 years use full life straight line

# **LALPIR POWER LIMITED**

## **Capitalization Policy**

## **PURPOSE OF THE POLICY**

1. The purpose of this policy is to ensure that:
  - Capital nature expenditures can be recognized in the books of accounts correctly according to defined procedures
  - Procedure is to be defined for capitalization of assets which can be applied consistently

## **SCOPE**

2. This policy is applicable on all type of assets having useful life of more than one year.

## **OWNERSHIP**

3. The Finance and Accounts Department shall be responsible for implementation of the guidelines provided in the policy. Matter not covered in this policy shall be referred to Chairman or the Board of Directors (hereinafter referred to as the 'Board') of Lalpir depending upon the nature of the matter.

## **POLICY**

4. All tangible property with a useful life of more than one year and a unit acquisition cost of Rupees 10,000 or more will be capitalized. The full acquisition cost of tangible property below these thresholds will be expensed in the period of purchase.
5. The basis of accounting for fixed assets is acquisition cost, plus all normal expenditures, including installation costs, architect/engineer fees and other costs of readying the asset for use.
6. Expenditures that do not add to the utility of the asset will be charged to expense in the period incurred.

# **LALPIR POWER LIMITED**

## **Policy on Level of Materiality**

## PURPOSE

1. The purpose of this policy is to define the level of materiality for transactions which are financially significant for the consideration of the Board of Directors (hereinafter referred to as the 'Board'). The Board recognizes that materiality in a particular circumstance is a matter of informed judgment; however this policy serves as guidance for materiality in financial and any other company matters.

## SCOPE

2. This policy shall be applicable to all transactions which are financially material and any other transaction(s) which the Board may consider to be material whether defined or not.

## POLICY

3. Following transactions shall be considered material and shall be referred to the Board for its consideration and approval by means of a resolution passed at their meeting, namely:

- (a) to incur capital expenditure on any single item or dispose of a fixed asset in accordance with the following limits:

- (i) in case of capital expenditure to be incurred on any single item, an amount exceeding one million rupees; and

- (ii) in case of disposal of fixed assets, an amount of book value exceeding one hundred thousand rupees;

- (b) to undertake obligations under leasing contracts exceeding one million rupees;

- (c) to approve bonus to employees;

- (d) having regard to such amount as may be determined to be material by the Board:

- (i) to write off bad debts, advances and receivables;

- (ii) to write off inventories and other assets of Lalpir; and

- (iii) to determine the terms of and the circumstances in which a law suit may be compromised and a claim or right in favour of Lalpir may be released, extinguished or relinquished

- (e) to make calls on shareholders in respect of moneys unpaid on their shares;

- (f) to issue shares;

- (g) to issue debentures, participation term certificate or any instrument in the nature of redeemable capital;
- (h) to borrow moneys otherwise than on debentures;
- (i) to invest the funds of Lalpir;
- (j) to make loans;
- (k) to authorize a director or the firm of which he is a partner or any partner of such firm or a private company of which he is a member or director to enter into any contract with Lalpir for making sale, purchase or supply of goods or rendering services with Lalpir;
- (l) to approve annual or half-yearly or other periodical accounts as are required to be circulated to the members;
- (m) to declare interim dividend;
- (n) all transactions or contract of sale and purchase with associated company/companies and related party/parties; and
- (o) any other transaction which, in the opinion of the Board, is material and needs consideration and approval of the Board.

# **LALPIR POWER LIMITED**

## **Policy on Health, Safety and Environment**

## **PURPOSE**

22. The overall purpose of health, safety and environment policy is to ensure that overall corporate objectives of Lalpir Power Limited (hereinafter referred to as the 'Lalpir') can be achieved efficiently and effectively without compromising on health, safety and environment and everyone at Lalpir shall work on the principle "Put Safety First".

## **SCOPE**

23. This Policy applies to all the staff members, suppliers, contractors and other stakeholders connected with Lalpir.

## **OWNERSHIP**

24. The Head of Emergency Response Team is responsible for ensuring this Policy is adhered to all employees and other stakeholders of Lalpir in respect to all health safety and environment management procedures made by Lalpir.

## **POLICY**

25. It is the policy of Lalpir always to place achievement of high standards of health and safety before commercial gain. The objective of our policy is to promote Good Health and a high level of Safety. We believe that excellence in the management of health and safety is an essential element within our overall business plan. Environment is a decisive factor to the success of Lalpir and is managed accordingly.

04.1 The Environment Management System creates a framework for assuring the security and safety of both people and the environment in all Lalpir activities. Lalpir has developed and implemented an Environmental Management System which includes the Environmental Policy Statement, Planning & Implementation, Checking, Corrective Actions, and Management review of the environmental performance of the organization and maintaining the standard as per ISO 14001. In addition to this Lalpir is committed to fulfill the requirements of NEQS and World Bank for effluents and industrial gases emissions. Priority parameters are reported to National EPA as per SMART II (Self Monitoring and Reporting Tool) program on a regular basis.

04.2 The identification, assessment and control of health and safety risks are of equal importance to production and quality. In respect of its activities, Lalpir will:

- I. Promote high standards of health and safety throughout the organization, placing special emphasis/ on the primacy of power safety through maintaining the integrity of the core business goals and objectives. In pursuing this aim, any departure from the designed safety margins of the overall plant will be treated with appropriate seriousness and urgency.

- II. Strive for continuous improvement in health and safety to a world class performance, using external bench marking and reviews to test its progress
- III. Work together with employees and their representatives to improve health and safety, including consultation on health and safety matters.
- IV. Promote a culture of co-operation and open communication, in which every opportunity is taken to learn from actual and potential failures of the Health and Safety arrangements and no unfair blame, is placed on individuals.
- V. Provide effective training and development, to support staff in meeting legal requirements, recognizing that individuals have responsibilities for ensuring the safety of themselves and others. This contributes to the delivery of high standards and continuous improvement in health and safety.
- VI. Ensure line responsibility for safety is both clear and unambiguous and that, separate from this line, there is a function whose role is to provide independent assurance on health and safety and which has right of access to the Plant Manager through the Safety and Health Committee.
- VII. Maintain a clearly documented health and safety management system to deliver the Company Policy and carry out regular reviews to test the system's effectiveness and enable performance to be benchmarked and improved from experience.
- VIII. Maintain control of contractors' work by appropriate specification, supervision and monitoring.
- IX. Ensure its policy arrangements are maintained and are regularly exercised to demonstrate their effectiveness.
- X. Regularly review and, where necessary, revise this Policy and the resultant arrangements.

# **LALPIR POWER LIMITED**

## **POLICY ON GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE ISSUES**

## MANAGEMENT OF FINANCIAL RISK

Financial Risk Management at Lalpir Power Limited broadly encompasses the following activities:

- Identifying all the possible risks
- Identifying risks that need to be hedged
- Hedging them in the most efficient manner

## POLICY OBJECTIVE

Financial risks facing Lalpir Power Limited are not "Pure Risks" i.e. risks that only offer potential of loss, thus the cornerstone of our risk management policy is to "manage" the exposure in the best possible manner instead of always going for hedging against the risk. We believe that in some circumstances hedging would only be limiting our profitable potentials. One way in which we can add value to the organization is by reading the market well.

The policy objective of our risk management policy thus can be summed up as: "Identifying and managing the risks facing the company in the most efficient manner with the goal of maximizing the value of the company"

In order to achieve this objective, a two-pronged strategy of availing any opportunities to enhance company's value and hedging suitably to minimize risks is employed.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

Financial Risks facing Lalpir Power Limited can be classified in three broad categories:

### 1. Market Risk

#### (i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

#### (ii) Interest Rate Risk

The Company's interest rate risk arises from bank balances in saving and deposit accounts, trade debts and short-term borrowings. Financial instruments obtained at variable rates expose the Company to cash flow interest rate risk. Financial instruments obtained, if any, at fixed rate expose the Company to fair value interest rate risk.

### **(iii) Other Price Risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

## **2. Credit Risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure.

## **3. Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

## **RISK MANAGEMENT STRATEGY**

- Identifying and managing the risks facing the company in the most efficient manner with the goal to secure company's interest ;
- Under Interest rate management policy keep the financial costs of doing business at the minimum level through effective interest rate management by exploiting the opportunities arising from market developments.
- Recommend yearly budget for Board approval and prudently manage organization's resources within those budget guidelines according to current laws and regulations
- Oversee fundraising planning and implementation, including identifying resources requirements, researching funding sources, establishing strategies to approach Financial Institutions.

# **LALPIR POWER LIMITED**

## **Borrowing Policy**

## **PURPOSE**

1. The purpose of this borrowing policy is to provide guidelines and procedures for ensuring smooth availability of the funds, monitoring of the various borrowings and accounting treatment of the borrowing related transactions in accordance with the applicable International Accounting Standards and laws of the Country. In order to meet its funding needs, Lalpir Power Limited ("the Company") borrows funds from the various commercial banks and other financial institutions. The borrowings portfolio of the Company is managed by the finance department at the head office. The main objective of borrowings portfolio management is to ensure that funds are available to the Company at all times to meet its operational targets at the best possible cost and to ensure that overall gearing is maintained at acceptable levels.

This policy covers the following aspects:-

1. Authorization and approvals
2. Initial compliance with the terms and conditions laid out in borrowing agreement
3. Recording of proceeds received
4. Re-payment and maintenance of repayment schedule
5. Accounting policy of borrowings and finance charges in the financial statements of the Company
6. Finance charges on borrowings
7. Reporting

## **AUTHORIZATION AND APPROVALS**

2. All the borrowing agreements are signed by the signatories authorized to do so by the Board of the Directors of the Company. The Director Finance is authorized to negotiate all the borrowing arrangements with the banks. All the borrowing arrangements are approved by the Board of the Directors of the Company. The approval can either be done in a meeting of the BOD or by circulation of resolution. Before signing of any long term borrowing agreement, all draft agreements are vetted by the legal advisor of the Company to ensure that the Company is not exposing itself to any undue risk.

02.1 Original signed borrowing agreements are kept in the custody of the finance department of the Company. The copies of the signed borrowing agreement are forwarded to the accounts department and the corporate secretary.

## **INITIAL COMPLIANCE WITH TERMS AND CONDITIONS LAID OUT IN BORROWING AGREEMENT**

3. On receipt of the signed borrowing agreement, it is the responsibility of the finance department to ensure that all terms and conditions laid out in the agreement, which are required to be complied with before first draw down, are taken care of immediately.

Typically this would involve:

- Opening of separate bank account to receive proceeds of the borrowings, if required;
- Filing of certain documents with the lending institution (e.g. audited accounts, memorandum and articles of association, board resolution, charge documents, no objection certificates from other lenders etc.);
- Arrangements for registration of collateral. This involves registration of charge on assets of the Company with the Securities and Exchange Commission of Pakistan (SECP);
- Approvals of SECP and State Bank of Pakistan, as applicable;
- Registration of foreign currency loans with the State Bank of Pakistan; and
- Obtaining agreed and final repayment schedule.

## RECORDING OF PROCEEDS RECEIVED

4. Whenever the Company enters into an agreement to borrow funds, the finance department informs the accounts department who then opens a new account code in the chart of accounts. All borrowings and loans of the Company of the same nature and from the same bank are required to be recorded in a separate/single account head in the general ledger. For example if there are two financing agreements of same nature but with the different banks, each agreement is recorded in a separate account head in the general ledger. Similarly, if there are two financing agreements of different nature (e.g. short term loan and long term loan) from the same bank, each agreement is recorded in a separate account head in the general ledger. The following new account codes, based on the nature of the loan and the bank, are added in the chart of accounts by the assistant/deputy manager accounts each time a new borrowing agreement is signed:-

- Borrowing account (principal)
- Bank account (only if required by the bank in the loan agreement)
- Financial charges expense account

**Note:** Same general ledger account is used for recording all the finance charges payable. On receipt of intimation to finance department from the relevant bank that the borrowing proceeds have been credited in the relevant bank account, information is sent to the assistant manager/ deputy manager accounts by the finance officer. An accounts officer prepares a bank receipt voucher. This voucher is checked by assistant/ deputy manager accounts and approved by the manager accounts for posting in the relevant account head. The required entry is made in the ledger.

## REPAYMENT OF BORROWINGS AND MAINTENANCE OF REPAYMENT SCHEDULE

5. A finance officer is responsible for maintaining updated repayment schedules for each loan agreement. He is also responsible for ensuring timely payment of loan installments so that no loss in the form of penalties and late payment charges accrues to the Company. A typical loan repayment schedule shall show the following:-

- Date of disbursement of funds
- Amount
- Repayment dates
- Installment amount (total)
- Break up of installment in principal and mark up portion
- Rate of interest

05.1 Before the due date, the finance officer shall prepare a list of installments due and send it to the relevant accounts officer who will then make arrangements for either preparing cheques for payment of installment or transferring of funds to relevant bank accounts for direct debit. At the time of repayment of borrowings, the accounts officer prepares a bank payment voucher to record the payment in the general ledger. This voucher is checked by assistant/deputy manager accounts and approved by the manager accounts for posting in the relevant account head. The required entry is made in the ledger.

## **ACCOUNTING POLICY OF BORROWINGS AND FINANCE CHARGES**

6. The overall policy for borrowings and related financial charges as laid down in the externally reported financial statements of the Company is as follows: Borrowings are recognized initially at fair value (proceeds received) and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized over the period of the borrowings using the effective interest rate method as a finance charge expense in the profit and loss account or capitalized as part of the cost of a qualifying asset, as appropriate, in accordance with International Accounting Standard 23:— Borrowing Costs.

06.1 Borrowing costs such as interest, mark-up and other charges on borrowings that are directly attributable to the acquisition, construction or production of a qualifying asset (as defined below) are capitalized (normally up to the date of commissioning of the qualifying assets).

06.2 All other interest, mark-up and other charges are recognized in profit and loss account in the period in which they incur.

## **QUALIFYING ASSET**

7. A qualifying asset is an asset that necessary takes substantial period of time to get ready for its intended use or sale. Depending on the circumstances, any of the following may be qualifying assets:-

- manufacturing plants

- power generation facilities
- intangible assets
- investment properties

07.1 Financial assets and inventories that are manufactured or otherwise produced, over a short period of time, are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

## **BORROWING COSTS ELIGIBLE FOR CAPITALIZATION**

8. The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. When funds are borrowed specifically for the purpose of obtaining a particular qualifying asset, the borrowing costs that directly relate to that qualifying asset can be readily identified.

08.1 However, difficulties arise when the financing activity is co-ordinated centrally or the Company uses a range of debt instruments to borrow funds at varying rates of interest, and lends those funds on various bases to other entities in the group. As a result, the determination of the amount of borrowing costs that are directly attributable to the acquisition of a qualifying asset is difficult and the exercise of judgement is required.

08.2 To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the actual amount of borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings shall be capitalised in the cost of that asset.

08.03 To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

08.4 Borrowing costs shall be capitalised from the date of commencement of work on a qualifying asset and the capitalization shall be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

## **FINANCE CHARGES ON BORROWINGS**

9. At each month end, before preparation of monthly management accounts, the accounts officer is responsible for calculating mark up / interest accrued on all amounts borrowed by the Company at applicable interest rates. The accounts officer prepares a calculation of mark up to be accrued taking into account the following:

- Outstanding principal amount
- Date since last repayment
- Cut off date (e.g. month end June 30 etc.)

- Rate of interest as specified in the agreement

Mark up is calculated using the following formula: -

**Outstanding principal amount \* Number of days outstanding/365\* Annual Rate of interest**

09.1 The borrowings of the Company may be at a fixed or floating rate. In case of floating rate e.g. KIBOR linked borrowings, the terms of the agreement normally specify the date on which the prevailing KIBOR rate is to be used (rate prevailing on first of each month etc.).

09.2 Number of days outstanding is calculated from last due date until one day before the date of repayment. The calculations are forwarded to the assistant/deputy manager accounts who checks the calculation and ensures that markup expense has been calculated on all outstanding borrowings (completeness checks). The accounts officer prepares a journal voucher (bank wise) to record mark up expense payable. The voucher and calculations are checked by the assistant/deputy manager accounts and approved by the manager accounts for accuracy and completeness.

09.3 Financial charges are paid at the time of repayment of borrowing as per agreed repayment schedule. At the month end, the assistant /deputy manager accounts will also check with the fixed assets department if any finance charges are to be capitalized in accordance with International Accounting Standard 23.

## REPORTING

10. A monthly report of the borrowings availed by the Company shall be prepared by the assistant/deputy manager accounts by 7<sup>th</sup> of the following month. The report contains, with respect to each outstanding loan facility availed by the Company, the following information related to the previous month:

- Amount of loan outstanding;
- Amount of interest accrued on the loan;
- Rate of interest; and
- Loan wise allocation of finance charge expenses to various units/departments.

The report is checked by the manager accounts before forwarding it to the CFO for review.

# **LALPIR POWER LIMITED**

## **Policy on Determination and Delegation of Financial Powers**

## POWERS OF THE SHAREHOLDERS

1. As per the provisions of the Companies Ordinance, 1984 (hereinafter referred to as the Ordinance), following are the financial powers of the shareholders of Lalpir Power Limited (hereinafter referred to as the 'Company')

- Power to approve the terms of a contract [*section 58 of the Ordinance*]
- Power to
  - pass a resolution to issue shares at discount [*Section 84 of the Ordinance*]
  - subdivide share in shares of smaller amount [*Section 84 of the Ordinance*]
  - Consolidate and divide the share capital in shares of large amount [*Section 84 of the Ordinance*]
  - Cancel the shares and diminish the amount of share capital by the amount of shares so cancelled. [*Section 84 of the Ordinance*]
- Power to pass a special resolution to purchase own shares of the Company [*section 95(A) of the Ordinance*]
- Right to consider the accounts, balance sheet, reports of directors and auditors, declaration of dividend, appointment and fixation of remuneration of auditors and election or appointment of directors. [*Section 160 of the Ordinance*]
- The Company may with the approval of SECP give loan to a director who is a full time employee of the Company for following purposes:
  - Purchase of land (to build house)
  - Construct a house
  - Buy a conveyance for personal or domestic use
  - Medical treatment of that director or his/her relative (spouse or minor child) [*section 195 of the Ordinance*]
- Right to inspect books or papers of the Company [*Section 230 of the Ordinance*]
- Company may declare dividend in general meeting [*Section 248 of the Ordinance*]
- The Company may fix the remuneration of directors in general meeting [*Section 252 of the Ordinance*]
- The Company may pass a resolution in general meeting to declare that affairs of the Company should be investigated by an inspector appointed by SECP [*section 265 of the Ordinance*]
- If the Court's order has removed from office all the directors including the chief executive, a general meeting of the Company shall be called forthwith for electing new directors [*section 272 of the Ordinance*]
- If a compromise is proposed between the Company and its member, it shall be binding on the

Company if

- the court orders a meeting of members and
- three fourth of the member present at the meeting vote for such compromise or arrangement;
- and such compromise or arrangement is sanctioned by the court [*section 284 of the Ordinance*]
- The Company may be wound up voluntarily-
  - when the period (if any) fixed for the duration of the Company by the articles expires, or the event (if any) occurs, on the occurrence of which the articles provide that the Company is to be dissolved and the Company in general meeting has passed a resolution requiring the Company to be wound up voluntarily;
  - if the Company resolves by special resolution that the company be wound up voluntarily [*section 358 of the Ordinance*]

## POWERS OF THE DIRECTORS

### 2. Powers of Directors as per the Companies Ordinance, 1984

As per the provisions of the Ordinance, following shall be the financial powers of the Directors of the Company:

- The business of the Company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are not by the Ordinance, or by the articles, or by a special resolution, required to be exercised by the Company in general meeting.
- The directors of the Company shall exercise the following powers on behalf of the Company, and shall do so by means of a resolution passed at their meeting, namely:
  - (a). to make calls on shareholders in respect of moneys unpaid on their shares;
  - (b). to issue shares;
  - (c). to issue debentures, participation term certificate or any instrument in the nature of redeemable capital;
  - (d). to borrow moneys otherwise than on debentures;
  - (e). to invest the funds of the Company;
  - (f). to make loans;
  - (g). to authorize a director or the firm of which he is a partner or any partner of such firm or a private company of which he is a member or director to enter into any contract with the Company for making sale, purchase or supply of goods or rendering services with the Company;

- (h). to approve annual or half-yearly or other periodical accounts as are required to be circulated to the members;
  - (i). to approve bonus to employees;
  - (j). to incur capital expenditure on any single item or dispose of a fixed asset in accordance with the limits as prescribed by the Securities & Exchange Commission of Pakistan (SECP) from time to time;
  - (k). to undertake obligations under leasing contracts exceeding one million rupees;
  - (l). to declare interim dividend; and
  - (m). having regard to such amount as may be determined to be material by the Board of Directors (hereinafter referred to as the 'Board') of the Company:
    - (i) to write off bad debts, advances and receivables;
    - (ii) to write off inventories and other assets of the Company; and
    - (iii) to determine the terms of and the circumstances in which a law suit may be compromised and a claim or right in favour of the Company may be released, extinguished or relinquished
- The directors of the Company may, with the consent of the general meeting either specifically or by way of an authorization, do any of the following things, namely.-
    - (a). sell, lease or otherwise dispose of the undertaking or a sizable part thereof; and
    - (b). remit, give any relief or give extension of time for the repayment of any debt outstanding against any person namely:
      - (i) any director of the Company;
      - (ii) any partner or relative (spouse or minor children) of any such director;
      - (iii) any firm in which any such director or relative (spouse or minor children) is a partner;
      - (iv) any private company of which any such director is a director or member;
      - (v) any body corporate of which twenty five per cent or more of the total voting power may be exercised or controlled by any such director or his relative (spouse or minor children), or by two or more such directors together or by their relatives (spouse or minor children); or
      - (vi) any body corporate whose directors or chief executive are accustomed to act in accordance with the directions or instructions of the chief executive or any director(s) the Company

### 3. Specific Financial Powers of Directors

#### (a) Fixed Assets

Description	Approval Authority
Direct acquisitions of assets including land, building and plant & machinery – Local	Initial approval by Chairman/Subsequent approval by the Board
Direct acquisitions of assets - Plant & machinery –	Initial approval by Chairman/Subsequent approval by

Imported	the Board
Construction and repair contracts	Initial approval by Chairman/Subsequent approval by the Board
Purchase from /sale to related parties	Initial approval by Chairman/Subsequent approval by the Board

**(b) Lease**

Description	Approval Authority
Authorization of finance leasing arrangement (including all terms of lease)	Final approval by the Board

**(c) Donations & Subscriptions**

Description	Approval Authority
Donations and subscriptions	Final approval by the Board

**(d) Specific authority for Payments, Transactions and Expenditures Related**

Description	Approval Authority
Payments related to imports and local purchase	Plant Manager
DA of staff relating to international travelling	Plant Manager
Expenditure of staff on international travelling (if as per company policy)	Plant Manager
Travel bills of staff on international travelling (if as per company policy)	Plant Manager
Travel and hotel bills of staff on local travelling (if as per company policy)	Plant Manager
Visa approvals for official foreign trips	Plant Manager
Entertainment bills of customer	Plant Manager
Testing charges	Plant Manager

Repair and maintenance	Plant Manager
Car repair bills	Plant Manager

## POWERS OF CHAIRMAN

### 4. Powers of Chairman as per General Power of Attorney

- The Board of the Company acting under the powers vested in them by the Ordinance and the Articles of Association of the Company have appointed the CHAIRMAN of the Company by their General Attorney (hereinafter referred to as the "Attorney") to exercise all such powers, authorities and discretions vested in the directors as are not by any statutory enactment or by the Articles of Association of the Company are required to be exercised by the Company in General Meeting or exclusively by the Board in their meetings and do all such acts, deeds, and things as in the opinion of the said Attorney may reasonably be necessary for the purpose of carrying on the Company's business.
- Without prejudice to the generality of the powers conferred, as above, the said Attorney shall have powers to do all or any of the things following, that is to say:
  - To manage, control and superintend the business, property and accounts of the Company and generally to do all such acts and things in and about such management, control and superintendence as the said Attorney may think fit.
  - To purchase or otherwise acquire for the Company any property, rights or privileges, which the Company is authorized to acquire and to sell, let, exchange or otherwise dispose of absolutely or conditionally any part of the property, privileges and undertaking of the Company upon such price, terms and conditions and for such consideration as he may think fit subject to the provisions of section 196 of the Ordinance.
  - To recover and take possession of goods, chattels and property or estate, movable and immovable of every kind and description whatsoever of or to which the Company is now or may hereafter become possessed or entitled or which are or may become deliverable or transferable to the Company from any person or persons whomsoever and on any account whatsoever.
  - To apply for and obtain all such approvals, concessions, sanctions, powers & authorities from any government, municipal or local authority in or outside Pakistan as may be desirable for carrying on or enlarging or extending the operations of the Company.

- To appoint, employ and instruct solicitors, counsels, advisors, arrangers, consultants, share registrars / shares transfer agents, bankers, legal counsels for all or any of the purposes of the Company, and for such other purposes as the said Attorney may think expedient in the interest of the Company.
- To open for the Company, current, fixed, overdraft, loan and cash credit account with any bank as may be necessary and to pay into and to draw out money from such accounts and to operate the same and to open and operate the accounts with Central Depository Company of Pakistan, brokers and any other body in respect of the investments of the Company and to operate and nominate authorized signatories for operations of the said accounts.
- Subject to the restriction laid down in the Ordinance and any statutory modification thereof for the time being in force or by the Regulations required to be exercised by the Company in General Meeting to invest and deal with the funds and moneys of the Company or any part thereof upon such securities at such interest and in such manner and upon such terms and conditions for the use and benefit of the Company as the said Attorney in his absolute discretion may think proper and from time to time with the like authority as aforesaid to vary such securities and investments.
- To sign and execute and present for registration any sale or transfer deeds, lease deed, mortgage deed, deed of assignment or any other deed in respect of the Company.
- To execute any guarantee or surety or security bond and to obtain Guarantee(s) from Bank(s) or any other financial institution to accommodate the Company by guaranteeing its obligations from time to time in connection with the business of the Company on such terms and conditions as the said Attorney may think fit.
- To make, draw, endorse, sign, accept, negotiate and give all cheques, bills of lading, drafts, orders, bills of exchange Government of Pakistan and other promissory notes and other negotiable instruments required in the business of the Company.
- To insure all or any part of the property of the Company which may be of an insurable nature against such risks as the said Attorney may think fit to insure against and to pay the premiums on such insurances.
- To demand, recover, receive from all and every person, corporation, firm, company, institution, undertaking and to give good receipts and discharge for all sums of moneys, debts, dues, goods, documents, effects and things now or hereafter due, owing or payable to or recoverable by the Company.
- To commence, prosecute, defend, compound, and abandon all actions, suits, claims,

demands and proceedings, and to appear and plead in any court, in any civil, criminal or commercial proceedings whatsoever, or before any arbitrator or persons having, by law or consent or parties, authority to hear evidence and to appoint lawyers to defend any case before any authority, agency or court of law and to remunerate them.

- To adjust, settle, compromise and submit to arbitration, all actions, suits, claims disputes and matters which may arise at any time in connection with the Company.
- To enter into and make, execute, and do all such contracts, agreements, receipts, payments instruments and things whatsoever, and also all such assurances, transfers, and conveyances to the Company, and to do such other acts, deeds and things as may, in the opinion of the said Attorney be necessary or convenient for any of the purposes of this power or in relation to the property and affairs of the Company.
- To act on behalf of the Company in relation to all matters in which the Company is now and at any time hereafter be interested or concerned and on behalf of the Company to execute and do all instruments, acts, matters and things as fully and effectually as the directors of the Company could do.
- To pay and allow all fees, commissions, brokerage, costs and expenses necessary to be paid or allowed.
- To appoint, and at his discretion, remove or suspend senior executives, managers, secretaries, officers, clerks, agents, servants, workmen, trustees of provident fund and workers participation fund or other persons, for such purposes in connection with the business of the Company as the said Attorney may, from time to time, think necessary and at such remuneration as he shall think fit and to revoke or vary any such appointments.
- To acquire equipment or vehicles, appliances on lease and to undertake obligations under leasing contracts subject to the restrictions under the Ordinance.
- To represent or nominate representatives of the Company in various foundations, organizations, trusts and companies, corporations, bodies of which the Company is a member or is for any other reason entitled to nominate a representative.
- To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company.
- From time to time to make, vary and repeal by-laws, rules and regulations for the business of the Company, its officers and servants.

- For all or any of the purposes of these present to use the name of the Company and to affix to any deed or instrument the common seal of the Company.
- To vote at the meetings of any company or companies and otherwise to act as the proxy or attorney of the Company in respect of share now held or which hereafter may be held by the Company therein, and also to represent the Company at any meetings of any association of which it may be a member and for that purpose to sign and execute any proxies or other instruments in the name of the Company and on behalf of the Company.
- To make, sign, execute, present and file all applications, petitions, complaints, written statements, warrants of attorney, Vakalat-Namas or any other documents expedient or necessary in the opinion of the said Attorney to be made, signed, executed, presented or filed in relation to any of the purposes aforesaid and to receive back such document.
- To do all such acts, deeds and things as in the opinion of the said Attorney may be necessary or convenient for protecting and furthering the interests of the Company.
- To sub-delegate to any person or persons all or any of the powers hereby conferred upon the said Attorney upon such terms and conditions as may seem expedient and at any time to revoke any such sub-delegation.

## 5. Specific Financial Powers of Chairman

### (a) Fixed Assets

Description	Approval Authority
Direct acquisitions of assets including land, building and plant & machinery – Local	CHAIRMAN (subject to the approval of BOD)
Direct acquisitions of assets - Plant & machinery – Imported	CHAIRMAN (subject to the approval of BOD)
Construction and repair contracts	CHAIRMAN (subject to the approval of BOD)
Purchase from /sale to related parties	CHAIRMAN (subject to the approval of BOD)
Disposal of fixed assets	CHAIRMAN(subject to the approval of BOD)

**(b) Lease**

Description	Approval Authority
Authorization of finance leasing arrangement (including all terms of lease)	CHAIRMAN (subject to the approval of BOD)
Authorization of operating lease arrangement	CHAIRMAN (subject to the approval of BOD)

**(c) Investments**

Description	Approval Authority
Long term/short term investments and disposition	CHAIRMAN

**(d) Store Purchase**

Description	Approval Authority
Authorization of demand	CHAIRMAN (in case the demand exceeds Rs. 100,000)

**(e) Loans, Redeemable Capital & Other Debt Instruments**

Description	Approval Authority
Authorization of financing arrangement	CHAIRMAN

**(f) Increments & Promotions**

Description	Approval Authority
Increments & promotions	CHAIRMAN

**(g) Insurance**

Description	Approval Authority
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Award of insurance contract	CHAIRMAN
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**(h) Freight**

Description	Approval Authority
Outward freight and distribution	<ul style="list-style-type: none"> <li>Transaction to be approved by General Manager Planning</li> <li>Rates to be approved by CHAIRMAN</li> </ul>

**(i) Advertisement & Marketing Expenses**

Description	Approval Authority
Advertisement and marketing expenses	CHAIRMAN

**(j) Donations & Subscriptions**

Description	Approval Authority
Donations and subscriptions	CHAIRMAN (subject to the approval of BOD)

## 6. POWERS OF HEADS OF DEPARTMENTS (HODs)

**(a) Lease**

Description	Approval Authority
Signing of finance lease agreements	Director Finance (subject to approval of CHAIRMAN)
Approval for payments for liabilities against assets subject to finance lease	Director Finance
Signing of operating lease agreements	Director Finance (subject to approval of CHAIRMAN)

**(b) Store Purchase**

Description	Approval Authority
Authorization of demand	Team Leader
Calling of quotations from suppliers	Purchase Department
Preparation of comparative statement	Purchase Department
Authorization of comparative statement	<ul style="list-style-type: none"> <li>Team Leader (upto Rs.1,000,000/-)</li> <li>Plant Manager (upto Rs. 2,500,000/-)</li> </ul>
Approval of advance to supplier	<ul style="list-style-type: none"> <li>Team Leader (upto Rs. 1,000,000/-Head Plant</li> <li>Manager (upto Rs. 2,500,000/-)</li> <li>Chairman (above Rs. 2,500,000/-)</li> </ul>
Approval for advance to purchasers (per purchaser)	<ul style="list-style-type: none"> <li>Manager Procurement (upto Rs. 25,000/-)</li> <li>Team leader Procurement (above Rs. 25,000/-)</li> </ul>
Approval of purchase order	Team Leader
Approval of GRN	Store in charge
Payment approval against approved GRNs	Team leader
Approval of supplier invoice	Team Leader
Approval of Store Purchase JV (SPJV)	Manager Accounts/Dy. Manager Accounts
Approval of store payments	Manager Accounts
Approval of store issue requisition	Team Leader
Approval for store consumption JV	Manager Accounts

**(c) Sale of Waste, Scrap, Empties and Inventories**

Description	Approval Authority
Calling of quotations	Commercial Department
Preparation of comparative statement	Commercial Department
Approval of comparative statement	Tender committee
Approval of sales order	Team Leader Commercial
Gate outward pass	Store In charge

**(d) Loans, Redeemable Capital & Other Debt Instruments**

Description	Approval Authority
Repayment of interest and mark-up	Director Finance
Payment of mark-up and recording in accounts	Manager Accounts

**(e) Taxation**

Description	Approval Authority
Approval for providing taxation in accounts	Director Finance

**(f) Payroll**

Description	Approval Authority
Appointment/removal of an employee from payroll including finalization of remuneration and emoluments	Director Finance and Manager Admin and Human Resource
Approval of final settlement	Director Finance
Monthly journal voucher	Manager Accounts
Monthly payment of salaries	Manager Accounts
Approval of daily wages	Team Leader
Payment of daily wages	Team Leader

**(g) General Repair & Maintenance**

Description	Approval Authority
General repair and maintenance	Respective Team Leader subject to approval of Plant Manager

**(h) Insurance**

Description	Approval Authority
Payment of premium	Director Finance

Monthly Journal vouchers	Manager Accounts
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**(i) Freight**

Description	Approval Authority
Outward freight and distribution	<ul style="list-style-type: none"> <li>Transaction to be approved by General Manager Planning</li> </ul>

**(n) Legal & Professional Charges**

Description	Approval Authority
Rent rates and taxes	Director Finance
Legal and professional charges	Director Finance

**(o) Entertainment**

Description	Approval Authority
Entertainment	Team Leader

# **LALPIR POWER LIMITED**

## **Information Technology Policy**

## **INTRODUCTION**

The scope of information security policy covers the timely availability, integrity and confidentiality of the data/information. The framework for managing information technology security in this policy applies to the IT systems, IT department and the users of the IT in Lalpir Power Limited ("the Company") under the following:

- Access controls
- Backup policy
- Disaster recovery plan

## **ACCESS CONTROLS**

As part of access control procedures Network Administrator ensures and monitors physical security of the information systems, network and data access controls as described below:

## **PHYSICAL ACCESS**

Access to areas in which information processing is carried out is restricted to only appropriately authorized individuals. For this purpose the following physical controls are in place:

- a. Servers are installed in an area physically locked for unauthorized access.
- b. File servers containing Protected Health Information (PHI), confidential and internal information are installed in a secure area to prevent theft, destruction, or access by unauthorized individuals.
- c. Workstations or personal computers (PC) are secured against unauthorized access as no unauthorized person can enter the premises of the Company.
- d. Internal procedures and standards shall be developed on appropriate workstation use besides physical safeguards which include the following:
  - 1) Position workstations to minimize unauthorized viewing of protected health information;
  - 2) Grant workstation access only to those who need it in order to perform their job function;
  - 3) Establish workstation location criteria to eliminate or minimize the possibility of unauthorized access to protected health information; and
  - 4) Use automatic screen savers with passwords to protect unattended machines.

Facility access controls are implemented to limit physical access to electronic information systems and the facilities in which they are housed, while ensuring that properly authorized access is allowed.

The security of network is secured by using anti-virus software, passwords for access control and firewall. Furthermore, the office buildings in general are protected against the fire, water damage and other environmental hazards such as power outages and extreme temperature situations.

## **USE OF ANTI VIRUS**

For the protection of the Company data from viruses and other malware, anti-virus procedures are defined for every computer of the Company covering how often a virus scan is to be done, how often updates are to be done, what programs will be used to detect, prevent and remove malware programs. These define what types of files attachments are blocked at the mail server and what anti-virus program will be run on the mail server. These specify whether an anti-spam firewall will be used to provide additional protection to the mail server, how files can enter the trusted network and how these files will be checked for hostile or unwanted content. For example files sent to the Company from outside the trusted network shall be scanned for viruses by a specific program. The procedures are explained below:

### **Procedures**

The Company uses a single anti-virus program namely Symantec Anti-virus. In regards to an anti-virus the following are the minimum requirements in place:

- The anti-virus program is operated in real time on all servers and user computers;
- The anti-virus library definitions are updated at least once per day; and
- Anti-virus scans are done a minimum of once per week on all the user workstations as well as the servers.

The regular automatic anti-virus definition updates and anti-virus scans can only be stopped/altered by Domain Administrator.

### **Email Server Security Procedures**

The email server is protected against malware to prevent it from entering the network. The email server or proxy server uses Symantec Anti-virus to scan all emails for viruses and/or malware. This scanner scans every email as it enters the server and scans every email before it leaves the server. Moreover, the same scanner also scans all stored emails once per week for viruses or malware. When a virus or malware is found, the procedure is to delete the email and not to notify either the sender or recipient.

### **Blocked Attachment Types**

The email server or proxy server blocks all emails with certain unacceptable types of attachments. These are the attachment types which contain active content used to infect a computer with hostile software and/or attachments that are commonly used by virus programs or malware to spread. When an email breaks the rules and contains an unacceptable file attachment the procedure is to delete the email and not to notify either the sender or recipient.

### **File Exchange Policy**

This section specifies methods that are allowed to be used when files are sent into the network from an external source or by the users of the Company. It specifies all allowable methods which include:

- FTP transfer to a FTP server.

- File transfer to a Web server with a legitimate file upload program.
- The method and type of software to be used to scan the files for hostile content before they are completely transferred into the network. It also specify the update frequency for the scanning software as recommended by the IT department.
- The point in time when the files will be scanned as recommended by the IT department.

### **Password Policy**

The Company's Information Security Policy defines the use of strictly controlled passwords for accessing PHI, confidential and internal information. Listed below are the minimum standards which shall be implemented in order to ensure the effectiveness of password controls:

#### **Standards for passwords:**

Users are responsible for complying with the following password standards:

- Passwords must never be shared with another person except for designated security manager;
- Every password must be changed regularly i.e. between 45 and 90 days depending on the sensitivity of the information being accessed;
- Passwords must have a minimum length of six characters;
- Passwords must never be saved when prompted by any application;
- Passwords must not be programmed into a PC or recorded anywhere that someone may find and use them; and
- When creating a password, it is important not to use words that can be found in dictionaries or words that are easily guessed due to their association with the user (i.e. children's names, pets' names, birthdays, etc...}. A combination of alpha and numeric characters is more difficult to guess.

System software enforces the following password standards:-

- Passwords routed over a network must be encrypted;
- Passwords must be entered in a non-display field;
- System software must enforce the changing of passwords and the minimum length; and
- System software must disable the user identification code when more than three consecutive invalid passwords are given within a 15 minute time frame. Lockout time must be set at a minimum of 30 minutes.

### **Internet Usage Policy**

This policy is designed to protect the Company information resources and to ensure data integrity and system security against intrusion by malware that may be brought into the network by users as they use the internet. This internet connection policy requires users to use the internet for business purpose only and requires them to avoid going to malicious web sites which could compromise security. It informs the users that their internet usage is monitored and logged including all sites visited, the duration of the visits, volume and types of the data downloaded and time of the activity.

The IT department specifies what system will be used to prevent unauthorized viewing of sites, what system will log internet usage, whether a proxy server will be used for user internet access and also defines how the network will be protected to prevent users from going to malicious web sites. Employees are encouraged to use caution while visiting unknown internet sites and keeps their browser configured to IT approved standards.

### **Physical Internet Connection**

All physical internet connections or connections to other private networks are authorized and approved by the IT department. Most users have the access of internet through the connection provided for office by the IT department. Any additional connection is approved by the IT department. The additional connections include but are not limited to:

- 1) Modem connection from a computer or communication device which may allow a connection to the network;
- 2) Any multipurpose printing and FAX machines which have both a phone and network connection must be examined and approved for use by the IT department; and
- 3) Wireless access points or devices with wireless capability are not allowed unless approved by the IT department. If any computers or other devices have wireless capability, the wireless capability must be turned off before connecting to the network unless it is approved for wireless operation by the IT department when connected to the network.

Any additional internet connections not usually provided by the IT department are reviewed and approved by the IT department.

**Internet Control and Logging System:** System is required to operate on the network with the capabilities of logging and blocking the internet usage as described in Internet Usage Policy above.

### **Back Up Policy**

This policy is designed to ensure the availability, recovery and re-storage of data of the Company in case of any loss in the event of a disaster such as an equipment failure, intentional destruction of data, or any such event. This policy defines the data backup policy of the Company including the systems which are expected to have their data backedup. These systems are typically servers but are not necessarily limited to servers. Servers expected to be backed up include the file server, the mail server, and the web server.

### **Definitions**

- 1. Backup** - The saving of files onto magnetic tape or other offline mass storage media for the purpose of preventing loss of data in the event of equipment failure or destruction.
- 2. Archive** - The saving of old or unused files onto magnetic tape or other offline mass storage media for the purpose of releasing on-line storage room..
- 3. Restore** - The process of bringing off line storage data back from the offline media and putting it on an online storage system such as a file server.

### **Timing**

Full backups on magnetic tapes are performed nightly on Monday, Tuesday, Wednesday, Thursday, and Friday. If for maintenance reasons, backups are not performed on Friday, they are done on Saturday or Sunday. Furthermore, every month a monthly backup tape is made using the oldest backup tape or tape set from the tape sets.

### **Responsibility**

The IT General Manager delegates a member of the IT department to perform regular backups. The delegated person develops a procedure for testing backups and test the ability to restore data from backups on a monthly basis.

### **Restoration**

Users that need files to be restored will submit a request to the IT help desk. The request includes information about the file creation date, the name of the file, date and time it was deleted or destroyed.

### **Tape Storage Locations**

Offline tapes used for nightly backups are stored in an adjacent building in a fireproof safe on a weekly basis. Monthly tapes are stored across town in our other facility in a fireproof safe.

## **DISASTER RECOVERY POLICY**

A disaster is any event that has a significant impact on an enterprise's ability to conduct normal business. A disaster recovery plan is a document that defines the policies and procedures for dealing with various types of disasters that can affect an organization, especially the organization's IT infrastructure. This plan includes the information and procedures needed to resume the Company's operation after a disaster happens. The Company has defined the following procedures as part of its disaster recovery policy:

- Continuously perform data backups, store at least weekly backup's offsite, and test those backups regularly for data integrity and reliability;
- Test plans at least annually, document and review the results, and update the plans as needed;
- Analyze plans on an ongoing basis to ensure alignment with current business objectives and requirements;
- Provide security awareness and disaster recovery education to all team members involved; and
- Secure critical applications and data by patching known vulnerabilities with the latest fixes or software updates.

# **LALPIR POWER LIMITED**

## **Policy on Whistleblower**

## PURPOSE

1. Lalpir Power Limited (hereinafter referred to as 'Lalpir') is committed to high standards of ethical, moral and legal business conduct and open communication. In line with these commitments, this policy aims to provide an avenue for employees to raise their concerns and get assurance that they will be protected from reprisals or victimization for whistleblowing. This policy is also intended to address the protections available for employees if they raise concerns such as:
  - unlawful activity;
  - activities that are not in line with Lalpir's policy, including the Code of Conduct;
  - activities, which otherwise amount to serious improper conduct; or
  - incorrect financial reporting.

## OWNERSHIP

- 2) Head of Human Resource (HR) Department shall be the owner of the policy and shall be responsible for its maintenance, update and communication of this Policy to all relevant stakeholders.

## SAFEGUARDS

- 3) **Confidentiality** - Every effort will be made to treat the complainant's identity as strictly confidential.
- 4) **Anonymous Allegations** - This policy encourages employees to identify their names while raising allegations because appropriate follow-up questions and investigation may not be possible unless the source of the information is identified. Concerns expressed anonymously will be explored appropriately, but consideration will be given to:
  - The seriousness of the issue raised;
  - The credibility of the concern; and
  - The likelihood of confirming the allegation from attributable sources.
- 5) **Bad Faith Allegations** - Allegations in bad faith may result in serious disciplinary action.
- 6) **Harassment or Victimization** - Harassment or victimization for reporting concerns under this policy will not be tolerated.

## 7) PROCEDURE: 1. PROCESS FOR RAISING A CONCERN

- The whistleblowing procedure is intended to be used for raising serious and sensitive issues. Such concerns, including those relating to unethical or illegal conduct may be reported directly to Head of HR Department.
- Reports shall be factual rather than speculative, and contain as much specific information as

possible to allow for proper investigation. The motivation of a whistleblower in making a report is irrelevant to the consideration of the validity of the allegations. However, the intentional filing of a false report is itself considered an improper activity that Lalpir has the right to act upon.

- To the extent possible within the limitations of law and policy and the need to conduct a competent investigation, confidentiality of whistleblowers shall be maintained. Whistleblowers that chose to identify themselves are cautioned that their identity may become known for reasons outside of the control of the investigators. Similarly, the identity of the subject(s) of the investigation shall be maintained in confidence with the same limitations.
- Employment-related concerns should continue to be reported through normal channels (such as Team coordinator, Team Leader, Manager HR or to the CEO).
- The earlier a concern is expressed, the easier it is to take action.
- Although the employee is not expected to prove the truth of an allegation, the employee should be able to demonstrate to the person contacted so that the report is being made in good faith.

## **8) PROCEDURE: 2. HOW THE REPORT OF CONCERN WILL BE HANDLED**

- Upon receipt of a concern or complaint, Head of HR Department shall:
  - determine the nature of the concern or complaint
  - acknowledge receipt of the concern or complaint to the submitter within ten (10) working days, when such complaint has been lodged on a confidential basis and
  - act accordingly, that is,
    - (a) if the concern or complaint pertains to accounting matters, shall refer the matter to Audit Committee;
    - (b) and all other concerns or complaints shall be referred to the Disciplinary Committee comprising of the following:
      1. Chief Financial Officer
      2. Head of HR Department
      3. Company Secretary
- Initial inquiries shall be made to determine whether an investigation is appropriate. Some concerns may be resolved by agreed action without the need for investigation.
- If the complaint relates to the accounting matters, the Audit Committee may delegate its power to investigate the matter to any employee(s) of Lalpir having the requisite knowledge and experience of accounting and financial matters.

- The amount of contact between the complainant and the team conducting the investigation shall depend on the nature of the issue and the clarity of information provided. Further information may be sought from the complainant.
- In conducting any investigation, the Audit Committee/Disciplinary Committee shall use reasonable efforts to protect the confidentiality or anonymity of the complainant, consistent with the need to conduct an adequate review.
- Prompt and appropriate corrective action shall be taken as warranted in the judgment of the Audit Committee/ Disciplinary Committee.
- Where it is possible and determined appropriate by the Audit Committee/ Disciplinary Committee, notice of any corrective action taken will be reported back to the person who submitted the concern or complaint, if return email or other address is provided by the complainant.
- Subject to legal constraints, the complainant may also receive information regarding the outcome of the investigation.

### **PROCEDURE: 3. REPORTING AND RETENTION OF COMPLAINTS AND INVESTIGATION**

- The Head of HR Department shall maintain a log of all reported concerns or complaints, tracking their receipt, their investigation and resolution and shall prepare a periodic summary report thereof for review of the Board of Directors, if required by them.
- The Head of HR Department shall retain, as part of its records, any such complaints or concerns in the Personal File of the employee raising the concern.

# **LALPIR POWER LIMITED**

**Investor Relations, awareness,  
complaints and communication policy**

## PURPOSE

1. The purpose of this document is to lay down a formal and transparent procedure for managing investor relations, awareness, complaints and communications in terms of the requirements of the Code of Corporate Governance issued by Security and Exchange Commission of Pakistan (SECP) and stock exchanges where the Lalpir Power Limited is listed.

## POLICY

- 2) It is the policy of Lalpir Power Limited (the ‘Company’) to provide all price sensitive information to shareholders and other parties in the stock markets within prescribed time as per the requirements of SECP and Stock exchange where the Company is listed.

a) The contacts between the Board of Directors on the one hand and investors and analysts on the other are carefully handled and structured, and the company will not engage in any acts that compromise the independence of analysts in relation to the company and vice versa.

b) The Company shall publish and dispatch, annual reports, quarterly accounts and half yearly accounts in compliance with the requirement of Companies Ordinance 1984 and relevant stock exchanges.

c) The Company shall hold meetings with all of its investors / shareholders as per requirements of Companies Ordinance, 1984 such as Annual General meeting or meetings where specific approval of shareholders / investors is required.

d) The Company shall maintain fully functional website ([www.Lalpirpower.com](http://www.Lalpirpower.com)) where annual reports, quarterly accounts and half yearly and other price sensitive information will be available for shareholders and prospective investors.

e) The Company has designated Company Secretary, as its Compliance Officer to investor relations, awareness, and complaints. The Compliance Officer will refer complaints submitted to the Chairman of the Board.

# **LALPIR POWER LIMITED**

## **Policy for Directors Remuneration**

## **PURPOSE**

1. The purpose of this document is to lay down a formal and transparent procedure for fixing the remuneration packages of individual directors in terms of the requirements of the Code of Corporate Governance.

## **FIXATION OF REMUNERATION**

2. Directors' remuneration package shall encourage value creation within the company. The level of remuneration shall be appropriate to attract and retain directors needed to govern the company successfully;

2.1 Human Resource & Remuneration Committee shall recommend the remuneration package including retirement benefits of the individual directors;

2.2 Non-executive directors may be paid remuneration for any work done that may be assigned by the Board, at such remuneration that shall be determined by Board.

2.3 The remuneration of the directors shall be subject to the approval of the board of directors or the general meeting in accordance with the provision in the Company's Articles of Association;

2.4 The Board may assign a role to the Chairman and determine his compensation package.

2.5 No director shall be involved in deciding his own remuneration and in this regard, the requirements of Section 214 and 216 of the Companies Ordinance, 1984 shall be followed.

## **DISCLOSURE**

The aggregate remuneration of executive and non-executive directors including salary/fee, benefits and performance-linked incentives etc shall be disclosed in the Annual Report of the Company.

# **LALPIR POWER LIMITED**

## **WRITE –OFF OF BAD/DOUBTFUL DEBTS, ADVANCES AND RECEIVABLE**

## **PURPOSE**

1. The purpose of this policy is to allow the management the authority to establish an allowance for bad debts to accurately reflect the estimated accounts receivables deemed to be collectible and to write off those debts that are deemed uncollectible.

## **SCOPE**

2. This policy covers the debts classified as 'doubtful' and 'bad' and writing off of 'bad debts' subsequently.

## **OWNERSHIP**

3. The Finance Department shall be responsible for ensuring that this policy is adhered to in respect of all Trade Debts overdue for more than three years

## **BAD DEBTS PROVISION**

Debtor's aging report shall be obtained from the system at the end of each financial year. Aging report shall show and classify the balance of each debtor in the following brackets:

- Within 60 days
- From 61 to 90 days
- From 91 to 180 days
- From 180 to 365 days
- 365 days and beyond

A provision for doubtful debts shall be created if a specific and identified debt is outstanding for more than 3 years.

## **FACTORS TO BE CONSIDERED FOR WRITE-OFF OF BAD DEBTS**

Bad debts shall be written off when:

- Debt has been overdue for 3 or more years and all avenues have been exhausted by management to collect the outstanding debt.
- Debtor has been declared insolvent/bankrupt and no further amount is expected to be recovered from it.
- Any other reason which, in the opinion of Lalpir's management, is just and fit to warrant a write-off.

## PROCEDURES FOR WRITE OFF OF BAD DEBT

- The relevant commercial department shall be responsible for ensuring timely receipt from debtors.
- In case any amount is overdue, the Finance Department shall intimate the amount of overdue balance to the commercial department and they will follow up with the customer for recovery.
- If needed, legal proceedings can be initiated against the customer for the recovery.
- Write off of bad debts shall be approved as follows:
  - If the amount is material, approval of Board is required for write off of bad debt.
  - In other cases, Chairman shall approve the write off of bad debt.

# **LALPIR POWER LIMITED**

## **Corporate Social Responsibility Initiative**

## INTRODUCTION

4. At Pak Gen, Corporate Social Responsibility is not a program; it is part of our core values. We want to be perceived as a good neighbor within the communities where we are present, and to contribute to worthy causes wherever and whenever we can. Pak Gen Power Plant, since its inception has considered it as a prime responsibility to facilitate a large population living below the poverty line around the plant. We believe that building these communities means strengthening our business.

1.1 Pak Gen CSR program is primarily focused on providing quality education, basic health facilities and to build necessary infrastructure for the surrounding communities. Numerous projects have been executed so far that played a pivotal role to uplift the living standard of the less privileged of the society.

1.2 The CSR Program of Pak Gen won “CSR National Excellence Award” in 2010. Following are some of the leading partners of Pak Gen CSR initiatives;

- Layton Rahmatullah Benevolent Trust (LRBT)
- The Citizens Foundation (TCF)
- CARE foundation
- Punjab Vocational Training Institute
- Lahore University of Management Sciences
- SOS Children’s Village

## PURPOSE

5. The purpose of this policy is to define approving authority for donations, charities contributions and other payments of the nature of Corporate Social Responsibility.

## POLICY

6. All donations, charities contributions and other payments of the nature of Corporate Social Responsibility shall require approval/ratification of the Board of Directors. The Board can authorize the Chairman of the company in this regard to approve such payments on its behalf.

# **LALPIR POWER LIMITED**

## **Policy on Transactions With Related Parties**

## PURPOSE

1. The purpose of this document is to define the guidelines for related party relationships and transactions, identifying outstanding balances, including commitments between entity and its related parties, and identification of circumstances in which disclosure as per International Reporting and Regulatory framework is required.

## SCOPE

2. This policy applies to all transactions of Lalpir Power Limited (hereinafter referred to as the 'Company') with associated and related parties.

## POLICY

3. This policy envisages;
  - Nature and type of transactions to be undertaken
  - Identification of Potential related party transactions
  - Review and approval mechanism of related party transactions
  - Record of related party transactions
  - Recognition methodology in the books of accounts
  - Exclusion from the related party transactions
  - Any other specific transaction to be dealt in separately.

## Definitions

4. **Related Party** - A related party is a person or entity that is related to the entity that is preparing its financial statements.
  - A person or a close member of that person's family is related to a reporting entity if that person:
    - has control or joint control over the reporting entity;
    - has significant influence over the reporting entity; or
    - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  - An entity is related to a reporting entity if any of the following conditions applies:
    - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    - Both entities are joint ventures of the same third party.
    - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself has such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4.1 **Related Party Transactions** - A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.2 **Close members of the Family of a person** - Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

4.3 **Control** - is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

4.4 **Joint Control** - is the contractually agreed sharing of control over an economic activity.

4.5 **Key Management Personnel** - are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (Whether executive or otherwise) of that entity.

4.6 **Significant Influence** - Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

4.7 **Associates** - An entity in which an investor has significant influence but not control or joint control.

4.8 **Arm's Length Transactions** - A transaction carried out by unrelated or unaffiliated parties, as by a willing buyer and a willing seller, each acting in his own self-interest.

## **Nature and Type of Transactions to be Undertaken**

5. Following are transactions that normally results in related party transactions:

- Purchases or sales of goods (finished or unfinished);
- Purchases or sales of property and other assets;
- Rendering or receiving of services;
- Leases;
- Transfers of research and development;
- Transfers under license agreements;
- Transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- Provision of guarantees or collateral;
- Commitments to do something if a particular event occurs or does not occur in future, including executory contracts (recognized and unrecognized); and
- Settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

## **Pricing of Related Party Transactions**

6. All related party transactions shall be executed at arm's length price.

## **Review and Approval Policy of Related Party Transactions**

7. All related party transactions shall be placed before the Audit Committee of the company and upon recommendations of the audit committee the same shall be placed before the Board for their review and approval.

7.1 The related party transactions which are not executed at arm's length price shall also be placed separately at each board meeting along with necessary justification for consideration and approval of the board on recommendation of the Audit Committee of the listed company.

7.2 The board of directors of a company shall approve the pricing methods for related party transactions that were made on the terms equivalent to those that prevail in arm's length transaction, only if such terms can be substantiated.

## **Record of Related Party Transaction**

8. The company shall maintain a party wise record of transactions, in each financial year, entered into with related parties in that year along with all such documents and explanations. The record of related party transaction shall include the following particulars in respect of each transaction:

- I. Name of related party;
- II. Nature of relationship with related party;
- III. Nature of transaction;
- IV. Amount of transaction;
- V. Terms and conditions of transaction, including the amount of consideration received or given

8.1 The company shall make disclosure of all Related Party Transactions in their quarterly and annual report as per the requirements of IFRS and Code of Corporate Governance, 2012.

# **LALPIR POWER LIMITED**

## **Identification of Grievances and Redressing**

## **Identification of Grievance and Redressing**

The management gives high importance to employees' grievances and tries to redress them. Following methods are adopted for redressing grievances:

### **Open-door Policy:**

Employees are encouraged to submit their grievances to their superiors and the problems are discussed and sorted out.

### **Opinion Surveys:**

In this method, the employees express their grievances to persons who are not their superiors. The identity of the employee is not disclosed.

### **Gripe Box System:**

The employees can drop their complaints in the complaint box. The employee need not disclose his identity if he so desires.

### **Exit Interview:**

Whenever, an employee resigns or shows indication to leave the organization, the higher management conducts an exit interview to know the grievances.

The information collected through aforementioned identification methods, is carefully analyzed by the higher management and helps in making strategic amendments in company policies, if required.

# **LALPIR POWER LIMITED**

## **Term of Reference of Human Resource and Remuneration Committee**

## **1. INTRODUCTION AND OBJECTIVE**

1.1 In terms of Clause (xxv) of the Code of Corporate Governance under Listing Regulations of the Stock Exchanges, every listed company is required to have a Human Resource and Remuneration (HR&R) Committee. HR&R Committee is, therefore, established as a committee of the Board of Directors on the terms set out in this document.

1.2 HR&R Committee will assist the Board of Directors in its obligations and oversight responsibilities regarding human resource strategies and management.

## **2. MEMBERSHIP**

2.1 Members of the HR&R Committee shall be appointed by the Board of Directors. The Committee shall be made up of at least three (3) members, majority of whom shall be non-executive directors, including preferably an independent director.

2.2 The Chief Executive Officer (CEO) may be included as a member of the Committee.

2.3 Any member of the Committee including CEO, if he is a member, shall not participate in the proceedings of the Committee on matters that directly relate to their performance and compensation.

2.4 Only members of the Committee are entitled to attend the Committee meetings. However, CEO, head of human resource or external advisers or any member of the management may be invited to attend all or any part of any meeting as and when deemed appropriate by the Committee.

2.5 The members of the Committee shall be appointed for the term of the Board. Any casual vacancy shall be filled up by the Board of Directors.

2.6 The names of the members of the Committee shall be disclosed in each Annual Report of the Company.

## **3. CHAIRMAN**

3.1 The Chairman of the HR&R Committee shall be appointed by the Board of Directors.

3.2 CEO shall not be appointed as the Chairman of the HR&R Committee.

## **4. SECRETARY**

4.1 The Company Secretary shall be the Secretary of the Committee.

4.2 In the absence of the Secretary at any meeting, any member of the management may be appointed to act as secretary for that particular meeting.

## **5. MEETINGS AND QUORUM**

5.1 The quorum necessary for the transaction of business of the Committee shall be at least two members present in person. The meetings may be held using electronic or other technology if consented by all members.

5.2 The Committee shall meet at least once a year.

5.3 The meetings of the may be called on need basis and at such time as the Chairman may decide. The Chairman shall also convene the meetings if requested by any member of the Committee.

5.4 Notice of meeting of the Committee shall be issued by the Secretary of the Committee. Seven days notice shall be given for every meeting except in the case of emergent meetings which may be called at short notice. Notice shall accompany agenda and the supporting papers.

5.5 The Secretary of the Committee shall prepare the minutes of the proceedings of the meetings which shall be sent to the members within fourteen days of the date of the meetings.

5.6 The minutes of HR& R Committee shall be presented to the Board of Directors in their immediately succeeding meeting for information.

5.7 The minutes of the Committee shall be kept in the custody of the Company Secretary.

5.8 The Chairman of the Committee shall preside over all the Committee meetings. In his absence, any member may be elected to chair the meeting.

5.9 A resolution in writing signed by all the Committee members shall be as valid and effectual as if it has been passed at a meeting of the Committee duly convened and held.

## **6. REPORTING**

6.1 HR&R Committee shall formally report to the Board of Directors. All its decisions shall be subject to the approval of the Board of Directors.

## **7. RESPONSIBILITIES**

7.1 In terms of Clause (xxv) of the Code of Corporate Governance, the Committee shall be responsible for:

- i) Recommending human resource management policies to the board;
- ii) Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- iii) Recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and

- iv) Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

7.2 Without limiting the generality of the above responsibilities set by the Code of Corporate Governance, the Committee shall have the following duties and responsibilities:

- i) Review and recommend a proper system of succession planning for key management positions within the Company including CEO;
- ii) Review and recommend human resource strategic plan with regard to the management development policies and practices and staffing plans;
- iii) Assist the Board of Directors in selection, evaluation and compensation of CEO and other key positions in the Company, their terms and conditions and employment contracts;
- iv) Review the current and future organizational structure and recommend changes, if any, to increase the effectiveness and efficiency of reporting lines and the division of authority and responsibility.
- v) Review the effectiveness of the recruitment policies and recommend changes;
- vi) Review and recommend appropriate structuring of the roles and responsibilities of the key management positions and other workforce;
- vii) Review and recommend human resource and compensation policies including retirement benefit plans to ensure that the same are market oriented, fair, equitable which serves as a motivational tool for the employees;
- viii) Review and recommend the process of annual performance review of the key management positions including CEO;
- ix) Review and recommend human resource initiative for approval of the Board of Directors;
- x) Review the Company's health, safety and workplace environmental policies
- xi) To continuously monitor the effectiveness of the policies relating to employment, terminal benefits and employee development.
- xii) Review that the human resource policies are legally compliant;
- xiii) Oversee the development of the employees with reference to organizational learning and development.

## **8. CONFIDENTIALITY**

8.1 All the proceedings including the working papers and other documents and presentations made to the Committee shall be kept confidential and will not be disclosed or released to any person other than committee members or the members of the Board of Directors except under the authority from the Committee or the Board of Directors.

## **9. POWER AND AUTHORITIES**

9.1 The Committee is authorized to seek any information it requires from any employee of the company in order to discharge its duties.

9.2 The Committee shall be fully authorized to obtain such legal and other professional advice as it shall deem appropriate for discharging its functions and responsibilities.

## **10. REVIEW**

10.1 The Committee shall review its own performance and terms of reference at least once a year and recommend any changes it considers necessary to the Board of Directors.