



RAISING THE BAR

Annual Report 2014



Pakistan State Oil

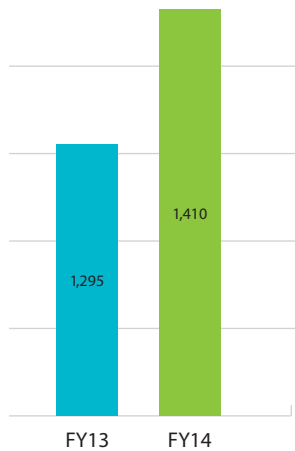


RAISING THE BAR

PSO set new performance benchmarks by achieving all time high sales revenue and profitability in FY 2014.

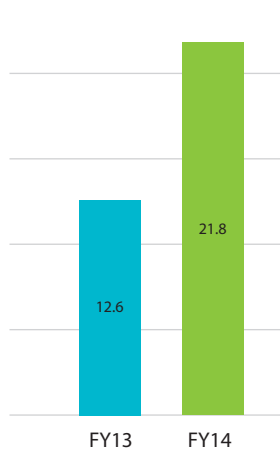
Sales Revenue

Rs. in billion



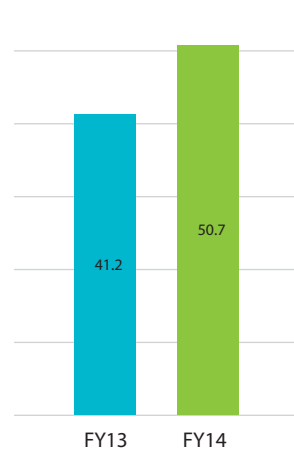
Profit After Tax

Rs. in billion



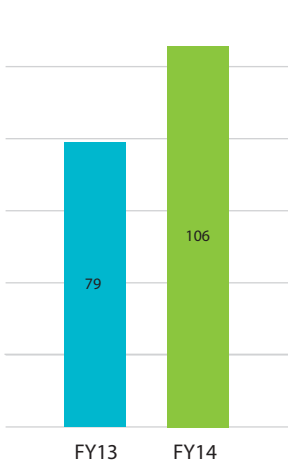
Return on Capital Employed

Percentage



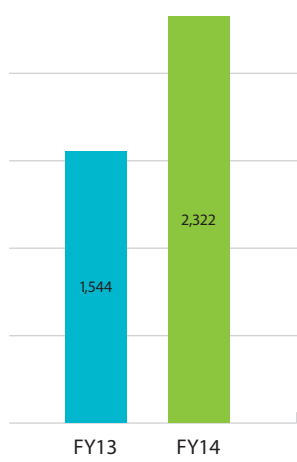
Market Capitalization

Rs. in billion



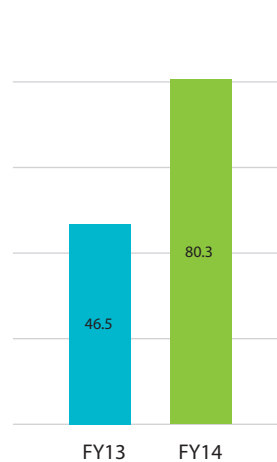
Dividends

Rs. in million



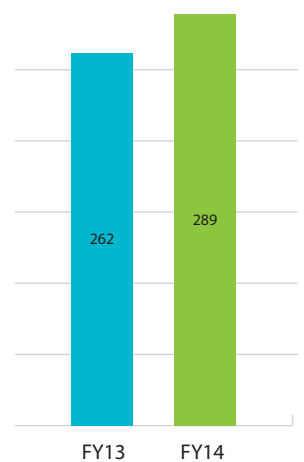
Earning Per Share

Rupees



Contribution to Government Exchequer

Rs. in billion



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Foreword by Amjad Parvez Janjua Managing Director & CEO



PSO closed FY2013-2014 with flying colors. It was a momentous year in PSO's operating history when the Company recorded all time high sales revenue, operating profit, after tax earnings and market capitalization. Consequently, the Company made its highest ever contribution to the Government exchequer in the form of duties and taxes.

During the year, the Company earned a Profit after Tax (PAT) of Rs 21.8 billion against 12.6 billion in the last year. The Company crossed Rs 100 billion mark of market capitalization to be one of the few Rs 100 billion plus 'large cap' companies on the Stock Exchanges of Pakistan, and its Outlook was upgraded by PACRA from 'Stable' to 'Positive' with AA+ and A1+ long-term and short-term credit ratings. PSO is now on Forbes 2000 list of world's biggest publically traded companies.

These all time high performance benchmarks were achieved without any increase in margins during the year and despite higher finance cost borne by the Company owing to higher power sector receivables during the year. To manage this situation, the Company optimized the sales of its products to strike an effective balance between growth and profitability while realizing substantial cost efficiencies in administration, distribution, and marketing; limiting increase in expenses in this regards to 3% as compared with 14% average increase in expenses over the last three years and against an inflation of 8.5% during FY 2014.

During FY 2014, the Company successfully met the challenge of timely and continuous supply of fuel oil for

electricity generation despite the circular debt issue vis-à-vis huge receivables from the power sector by efficiently managing the supply chain, inventory and finances.

The Company improved its refining base by increasing equity stake in Pakistan Refinery Limited from 18% to 22.5% and completed the ground work for diversifying into LNG import business by developing the structure for the LNG project in consultation with all stakeholders.

Various system based controls were introduced and a number of business functions were automated during the year. SAP system was upgraded, enabling the Company to utilize new features available in Enterprise Core Component Version 6 leading to improved ERP utilization, cost efficiency, reporting integration and information reconciliation.

An Online Order Management System (OOMS) was implemented, enabling PSO's customers to login to their e-portals and place orders for products, make payments and view accounts status. This system helped PSO to reduce operational cost, enhance controls, eliminate potential irregularities due to human intervention, and improve payment collection by establishing online connectivity with the banking network across the country.

During the year, a human resource development initiative for capacity building and leadership development was launched by signing an MoU with Suleman Dawood School of Business (SDSB) of the Lahore University of Management Sciences (LUMS). An internship program for the students of universities across Balochistan was also launched.

As a responsible corporate citizen, PSO is committed to fulfillment of its responsibility towards the society, with a particular focus on supporting the distressed and deprived segments of society.

PSO realizes that in addition to being directly accountable to its shareholders, it is responsible to a wide group of stakeholders for supporting sustainable development and expanding economic opportunity.

The Company accordingly made all time high contribution towards CSR and supported promotion initiatives during FY 2014. PSO contributed Rs 40 million to the Prime Minister's Relief Fund for the Internally Displaced Persons from North Waziristan in addition to donating a portion of its employees' salaries for this noble cause. PSO also extended support to fellow citizens affected and displaced by floods by providing relief items to meet their nutritional and shelter needs in the month of October 2013. Besides, the Company extended active support and donations to a wide range of more than thirty organizations engaged in development and humanitarian support efforts in the fields of health, education and community building.

While we rejoice at success in achieving our business goals, we realize that this should not be a cause of complacency but a source of encouragement and motivation for PSO team to play a more active role in growth and development of the Company in the interest of all stakeholders.

I take this opportunity to express gratitude for the guidance of our Board of Management, support of the Government of Pakistan, dedicated hard work of our staff, and continued trust of our shareholders, customers and business partners which enabled us to successfully achieve our business goals.

Amjad Parvez Janjua
Managing Director & CEO

ALL TIME HIGHS!

Sales Revenue
Rs 1,410 Billion

↑ 9%

Gross Profit
Rs 36.8 Billion

↑ 8%

Operating Profit
Rs 42.0 Billion

↑ 60%

Profit After Tax
Rs 21.8 Billion

↑ 73%

Earning Per Share
Rs 80.31

↑ 73%

Contribution to Government
Exchequer Rs 289 Billion

↑ 10%

OUR VISION

To excel in delivering value to customers as an innovative and dynamic energy company that gets to the future first.

OUR MISSION

We are committed to leadership in the energy market through competitive advantage in providing the highest quality petroleum products and services to our customers, based on:

- Professionally trained, high-quality, motivated workforce that works as a team in an environment which recognizes and rewards performance, innovation and creativity and provides for personal growth and development.
- Lowest-cost operations and assured access to long-term and cost-effective supply sources.
- Sustained growth in earnings in real terms.
- Highly ethical, safe, environment-friendly and socially responsible business practices.

OUR VALUES

Excellence
Cohesiveness
Respect
Integrity
Innovation
Corporate Responsibility

NOTICE OF THE MEETING

Notice is hereby given that the Thirty Eighth Annual General Meeting of the Company will be held at Pearl Continental Hotel, "Ball Room", Club Road, Karachi on Tuesday October 14, 2014 at 11:30 a.m. to transact the following business:

I. Ordinary Business

1. To confirm the minutes of the Thirty Seventh Annual General Meeting held on October 09, 2013.
2. To receive and adopt the audited accounts for the year ended June 30, 2014 together with the report to the Shareholders and Auditors Report thereon.
3. To lay information before the members of the Company of the appointment of Messrs M. Yousuf Adil Saleem & Co. and Messrs A.F. Ferguson & Co., Chartered Accountants, as auditors of the Company for the year ending June 30, 2015.
4. To declare and approve final cash dividend of 40%, in addition to the interim cash dividend of 40% already paid, thereby making a total cash dividend of 80% alongwith 10% bonus shares for the year ended June 30, 2014.

II. Special Business

5. To consider and, if thought fit, pass with or without modification(s) the following resolution for the capitalization of profits amounting to Rs. 246,987,210/- by way of one Bonus share for every ten (10) existing Ordinary shares held by the shareholders @ 10% as recommended by the Board of Management:

- i) A sum of Rs. 246,987,210/- from the Company's profit for the year ended June 30 2014, be capitalized for issuing 24,698,721 fully paid-up Ordinary Shares of Rs.10/- each as bonus shares that were allotted to those members whose names appear in the Register of Members on April 04, 2014, in the proportion of one share for every ten shares held and that the bonus shares when issued shall rank pari passu in all respects with the existing Ordinary Shares of the Company except that the said bonus shares shall not be eligible for the dividend declared for the year ended June 30, 2014.
- ii) The members entitled to fraction of shares as a result of their holdings either being less or in excess of an exact multiple of proportion, referred in 5(i) above, shall be given the sale proceed of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange;
- iii) For the purpose of giving effect to the above, the Chief Executive be and is hereby authorized to take all necessary actions and to settle any question or difficulty that may arise regarding the distribution of the said bonus shares or in the payment of the sale proceeds of the fractional entitlements (referred above), as he deems fit.

III. Other Business

6. To transact any other Ordinary Business of the Company with the permission of the Chairman.

Karachi: September 03, 2014

By Order of the Board
AYESHA AFZAL
Company Secretary

Notes:

- a. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. A proxy form is enclosed.
 - b. The Share Transfer books of the company will remain closed from October 08, 2014 to October 14, 2014 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, M/s THK Associates (Pvt) Limited, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi up to the close of business on October 07, 2014 will be considered in time to be eligible and entitled to final dividend.
 - c. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of power of attorney must be deposited at the registered office of the company at least 48 hours before the time of the meeting.
 - d. Members are requested to notify changes immediately, if any, in their registered addresses to our Share Registrar, M/s THK Associates (Pvt) Limited.
 - e. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1, dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
- A. For attending the meeting:**
- i) In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport alongwith Participants ID number and their account number at the time of attending the meeting.
 - ii) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature of nominee shall be produced (unless it has provided earlier) at the time of the meeting.

NOTICE OF THE MEETING

B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- iv) The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS.

This statement sets out the material facts concerning the Special Business, given in agenda item no. 5 of the Notice to be transacted at the Thirty Eighth Annual General Meeting of the Company.

- 1) The Board of Management (BoM) is of the view that the Company's financial position and its reserves as on June 30, 2014 justify the capitalization of free reserves by way of issue of bonus shares to the members in the ratio of one(1) bonus shares for every ten(10) ordinary shares held. The BoM Members of the Company, directly or indirectly, are not personally interested in this business. The paid up capital of the Company after issuance of bonus shares @10% shall stand increased to Rs 2,716,859,380/-.

RESOLUTION OF CONCERN RAISED AT LAST AGM

Safeguarding and maximizing the shareholders value is an important goal of the company. Our Annual General Meeting (AGM) is one of the most effective ways to engage our shareholders, wherein all queries and concerns of our shareholders are addressed on priority. In the last AGM meeting the concerns and queries of the shareholders were duly addressed and their advice for future relevant actions was received.

INVESTOR GRIEVANCE POLICY

PSO continuously engages with its investors through Company's secretariat and responds to their queries and request for information and their concerns / grievances. PSO's registrar i.e. M/s THK Associates (Pvt) Limited also addresses the investors grievances received from time to time.





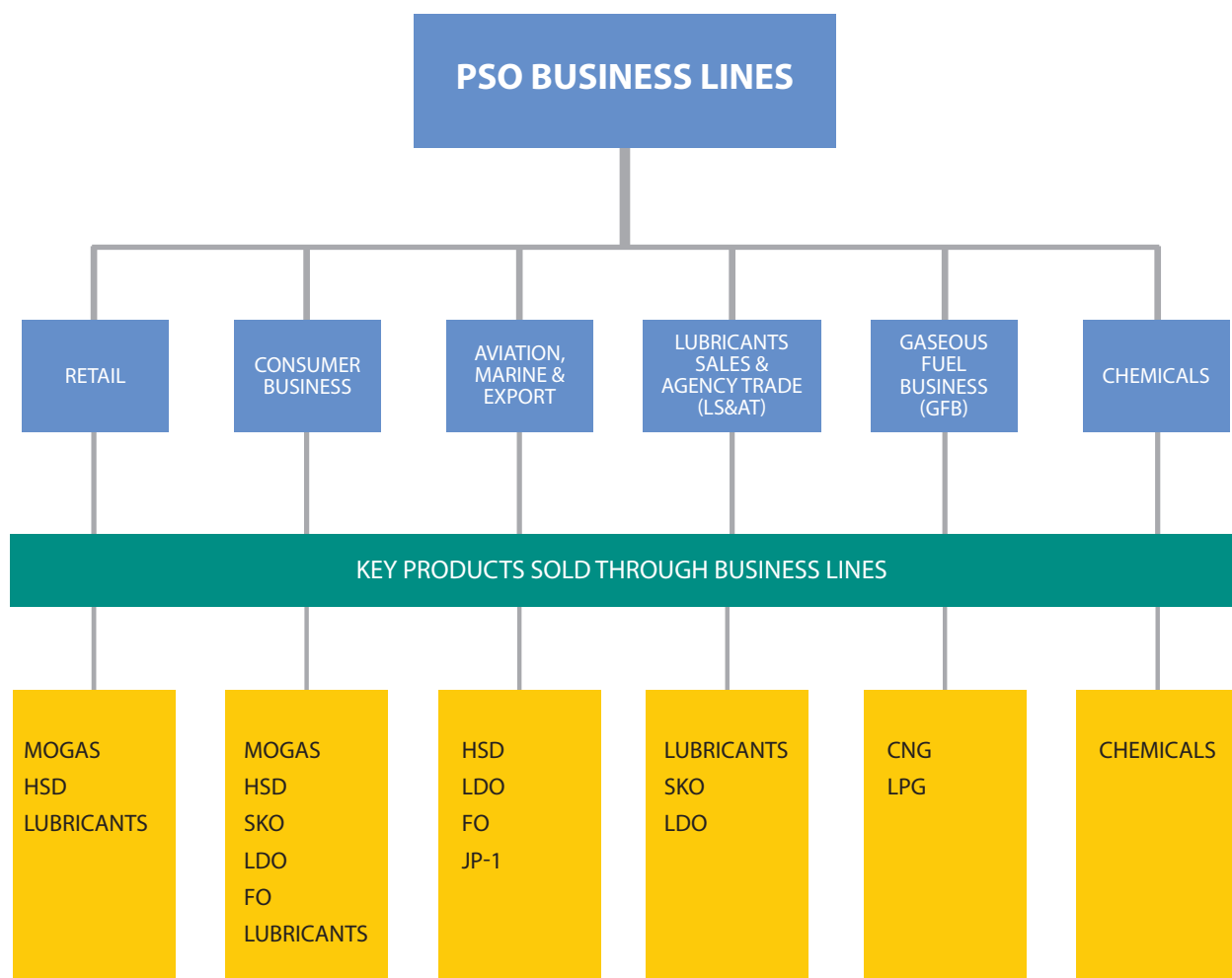
COMPANY PROFILE

Pakistan State Oil (PSO) is one of the important strategic assets of the Pakistani economy. As the country's largest Company in terms of turnover, PSO leads the oil marketing sector, both in Black oil and White oil. It serves around 3 million customers every day across the entire economic value chain with over 3500 retail outlets and controls 74% of the country's oil storage capacity. It is involved in import, storage, distribution and marketing of a range petroleum products including gasoline, diesel, fuel oil, jet fuel, LPG, CNG and petrochemicals.

- Oil market leader in Pakistan
 - Overall share 62%
 - Black Oil 73%
 - White Oil 53%
- Over 1 million tons of oil storage capacity (74% of total OMC storage)
- Largest Fuel Oil Supplier to the Energy Sector across Pakistan including IPPs and Gencos
- Retail network of 3,557 outlets
- 1,776 New Vision Retail Outlets (NVROs)
- 150 convenience stores – Shop Stops
- 251 CNG facilities in more than 34 cities
- PSO Smart Cards (for fuels and fleet operations)
- 24 Mobile Quality Testing Units
- Refueling facilities at 9 airports & 2 sea ports

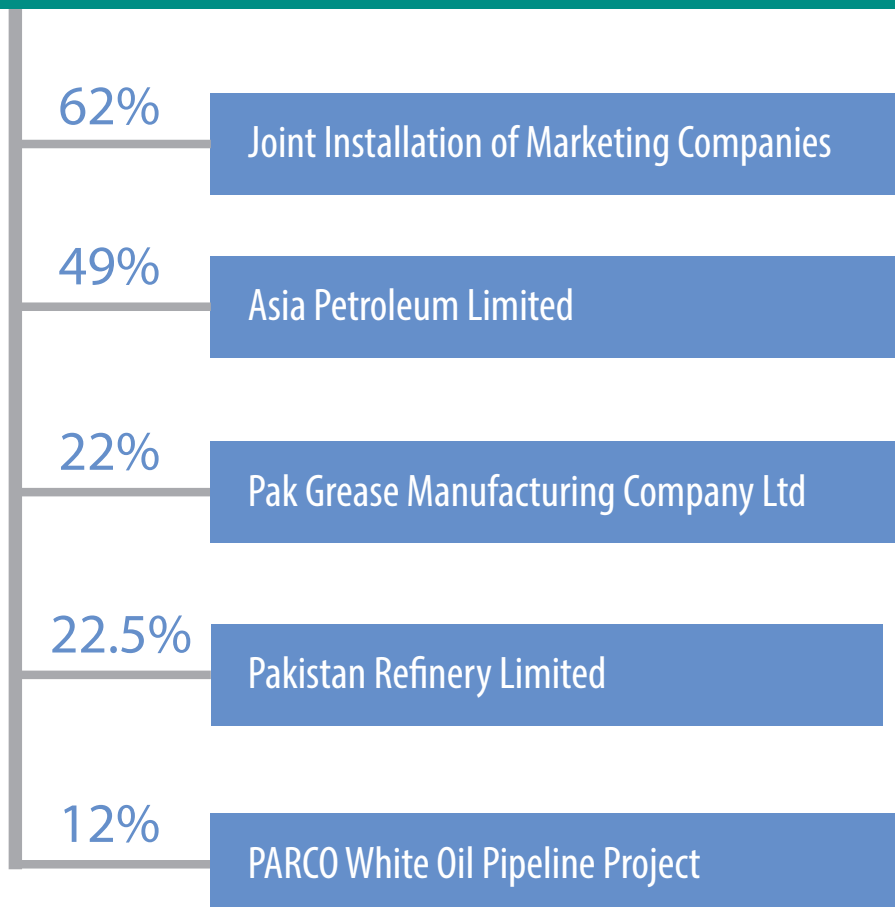
PSO INFRASTRUCTURE





PSO's broad product portfolio and nationwide network give the company a large and diverse customer base

PSO STRATEGIC INVESTMENTS



MEETINGS AND EVENTS

Visit of Federal Minister
for Petroleum and Natural Resources



Meeting with State Minister for
Petroleum and Natural Resources

Annual General Meeting



PSO receives Award for Best
Annual Report in Fuel and Energy



PSO Celebrates 37th Anniversery



PSO & LUMS sign MoU for
Learning Program



MD PSO receives Large Tax Payer Unit (LTU) Award



Management Hajj Balloting

Customer Care Day



Non-Management Hajj Balloting

Strategic Partnership with Daewoo Pakistan



Annual PSO Cricket Tournament



AWARD & RECOGNITION

Received

Large Taxpayer Award

for contribution to national exchequer

Recognized for

Excellent Performance in the Oil and Gas sector

at the Corporate Excellence Awards organized by the Management Association (MAP) Pakistan

Won first prize for the

Best Annual Report in Fuel and Energy

at the Best Corporate Report Award ceremony 2013

Received the

Best Consumer Choice Award

for PSO Fleet and Corporate Cards

Recipient of the

CSR National Excellence Award

Listed among

Forbes Global 2000

as one of the world's largest publically traded companies



MANAGEMENT OBJECTIVES & STRATEGIES

The overarching objective of PSO's management is to retain leadership position in the oil market and establish PSO as a brand of choice for customers. Ensuring compliance with legal and regulatory framework and HSE codes and standards in all spheres of operations and playing an effective role in society as a responsible corporate citizen form major objectives.

The strategies to achieve these objectives are diversified in accordance with PSO's wide range of products and services portfolio. These strategies include modernization and augmentation of customer outlets network and related facilities, undertaking of PSO's customer services initiatives and brand promotion campaigns, reinforcement of operational infrastructure including storage and pipelines and developing and implementing technological development programs, and ensuring highly ethical environment friendly and safe business practices.

CRITICAL PERFORMANCE INDICATORS

PSO has a performance monitoring and review mechanism which is integrated with the Company's objectives and strategies. This mechanism serves as a watchdog to ensure that implementation of the corporate plan viz-a- viz the objectives is on track and on time. The broader thrust of the performance objectives is to excel in delivering value to customers in terms of quality and timeliness of products and services.

The critical performance benchmarks include responsible and safe operations, meeting highest professional standards, and commitment to Company's values. Innovation and creativity is highly valued and so are operational and cost efficiencies. Highly ethical, safe, environment friendly and socially responsible business practices are highly valued and receive due weightage in annual performance appraisal of the employees, which form the basis for their professional advancement and reward.

SIGNIFICANT CHANGES OVER PREVIOUS PERIOD

PSO strives to maintain continuity in its strategic objectives while making requisite adjustments in view of the existing and evolving business and competitive realities. A significant development in terms of objectives and strategies has been PSO's diversification initiative into LNG import business whereby the Company will act as an LNG importer with responsibility to make arrangements with international suppliers and transporters. The imported LNG will then be delivered to Sui Southern Gas Company (SSGC) - the state-owned gas distribution company - at the LNG terminal where it will be re-gasified and put into the gas companies system. Essential preparatory work has been initiated to develop the structure for import and implementation of the LNG project.

RELATIONSHIP BETWEEN RESULTS & OBJECTIVES

FY 2014 has been a very successful year for PSO in terms of meeting or exceeding the business objectives. The progress in this regard has been outlined in Foreword by the Managing Director & CEO. The Company met or surpassed its targets of sales revenue, operating profit, after tax earnings and market capitalization. The all time high achievements have been highlighted in the earlier part of the report which have been successfully achieved without any increase in margin during the year and despite high finance cost borne by the company due to high power sector receivables during the year. In addition to achieving the operational and cost efficiencies, the company played an important role in supporting the society and community at large as a responsible corporate citizen and made highest ever contribution to the national exchequer in the form of duties and taxes. In addition to the objectives set for the year, a major diversification initiative was successfully launched in a highly professional manner with respect to PSO's LNG import project.

RISK & MITIGATION PLANS

Business inherently involves opportunities and risks. Effective management of opportunities and risks is therefore a key factor in sustainably safeguarding a company's value. Business success depends on the principle that the risks taken are managed and that they are outweighed by the opportunities offered.

At PSO, effective risk management forms an integral part of the governance system for timely identification, evaluation and handling of risks through planning, recording and audit systems. Risks by nature contain a certain level of uncertainty which require us to be vigilant in identification of these risks for timely formulation of mitigating strategies. Major risks and their mitigating plans for PSO are categorized below:

Risk	Mitigation Plan
Strategic International oil price volatility Unexpected legal or regulatory changes Lack of long term supply sources Product mix vulnerability Reputation management	Maximize reliance on local resources Regularly assess key risk scenarios and adopt a proactive approach towards optimizing the risk-return Strive to gain access to assured long term and cost effective supply sources by effectuating a refining back up Increase focus on more profitable products and ensure their long term availability and access Undertake diversification in related businesses and provide other value added services Protect PSO's brand assets and ensure the provision of high quality products and services. Contribute to the nation's development through CSR initiatives Establish strong internal controls and reinforce the code of conduct amongst the management and staff
Operational Capacity constraints Occupational and environmental challenges Possible shift in marketing hubs and supply envelopes Liquidity constraints	Enhance operational efficiencies through resource optimization and cost containment Ensure strict compliance with the HSE standards and codes. Adopt world-wide best practices Enable proper resource allocation and optimization as per changing business needs Ensure timely recovery of payments from credit customers and business partners
Financial Currency devaluation Interest rate fluctuation Change in equity price Credit risk	Close monitoring of currency markets Efficient treasury management Close monitoring of market prices Monitoring credit exposures and continuous assessment of customer's credit worthiness

APPROACH TO MATERIALITY

In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. The company has an approved Limits of Authority Manual (LAM) based on which approvals are obtained from the Management team / Board of Management for every transaction to be processed.

COMMITMENT TO HSE

As Pakistan's leading Oil Marketing Company, we are aware of our commitment to the broader stakeholder community. We, as a company ensure that our policies & procedures are eco-friendly and over the years we have demonstrated our focus on the environment by decreasing our environmental footprint year on year. Similarly we ensure that health and safety of all our people and stakeholders that interact with our businesses remains a paramount consideration.

HSE at PSO

Our HSE policy is an important ingredient of our overall code of business conduct. It states that PSO will ensure:

- The health of its employees, contractors, customers and public is protected.
- All activities are carried out safely.
- Environment is protected.

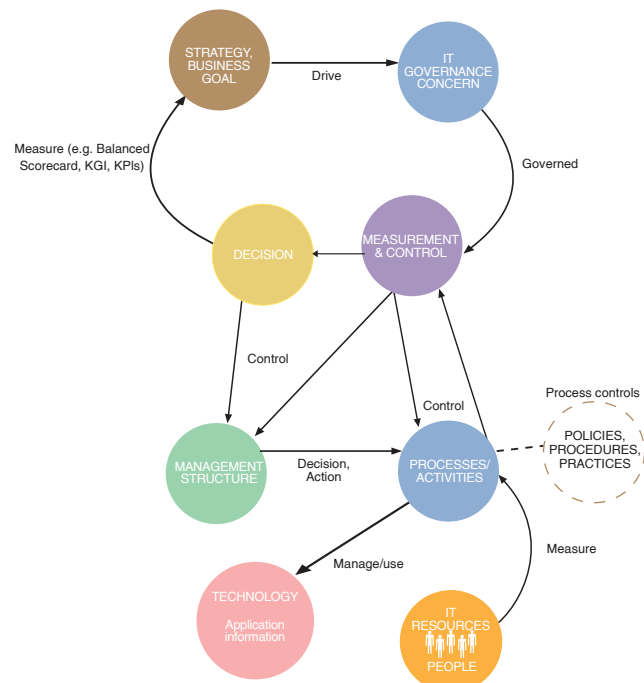
To implement HSE policy, Pakistan State Oil Company Limited will:

- Comply with Pakistan's relevant laws and regulations.
- Ensure that all its activities are carried out in accordance with the Company's Health, Safety and Environmental Standards and Procedures.
- Ensure that environmental performance meets legislative requirements.
- Require every employee to exercise personal responsibility in preventing harm to self or others and to the environment.
- Maintain public confidence in the integrity of its operations by openly reporting its performance to all stakeholders who work with the Company.
- Provide appropriate Health, Safety and Environment training/information to employees, contractors and other stakeholders who work with the Company.
- Integrate Risk Assessment with all business processes.
- Promote prevention of pollution and proper handling and disposal of solid, liquid wastes and gaseous emissions.
- Continuously improve our performance by improving the leadership, capability and capacity of our organization.

IT GOVERNANCE

In line with its objective of ensuring transparency and oversight across the organization, PSO has developed an IT Governance policy. This policy defines the scope of governance and outlines the chain of responsibility, authority and communication across the Company.

For this purpose, an Information System (IS) Steering Committee has been formed to ensure that all IS strategies are aligned with the company's vision, to review recommendations for improvements in business processes and to evaluate the impact of improvements on the company's business and control environment.



CORPORATE SOCIAL RESPONSIBILITY

Business enterprises are increasingly realizing the need for balancing the goal of ensuring sound business environment and community development with the traditional goal of maximizing the profitability of the shareholders. The reason of this lies primarily in growing awareness that corporate sector can play a vital role in striking an effective balance among the economic growth, social progress and ecological efficiency.

Despite general understanding of the synergy between business and societal development, the idea that companies should be accountable to a wider group of stakeholders has evolved differently in various business contexts. Hence, there is a need for building clarity and coherence and promoting best practices with respect to responsible role of business referred to as Corporate Responsibility, Corporate Citizenship or Corporate Social Responsibility (CSR).

PSO ascertains the effectiveness of the CSR initiatives in terms of their value addition to business and to societal development (value for employee and community at large), as below:

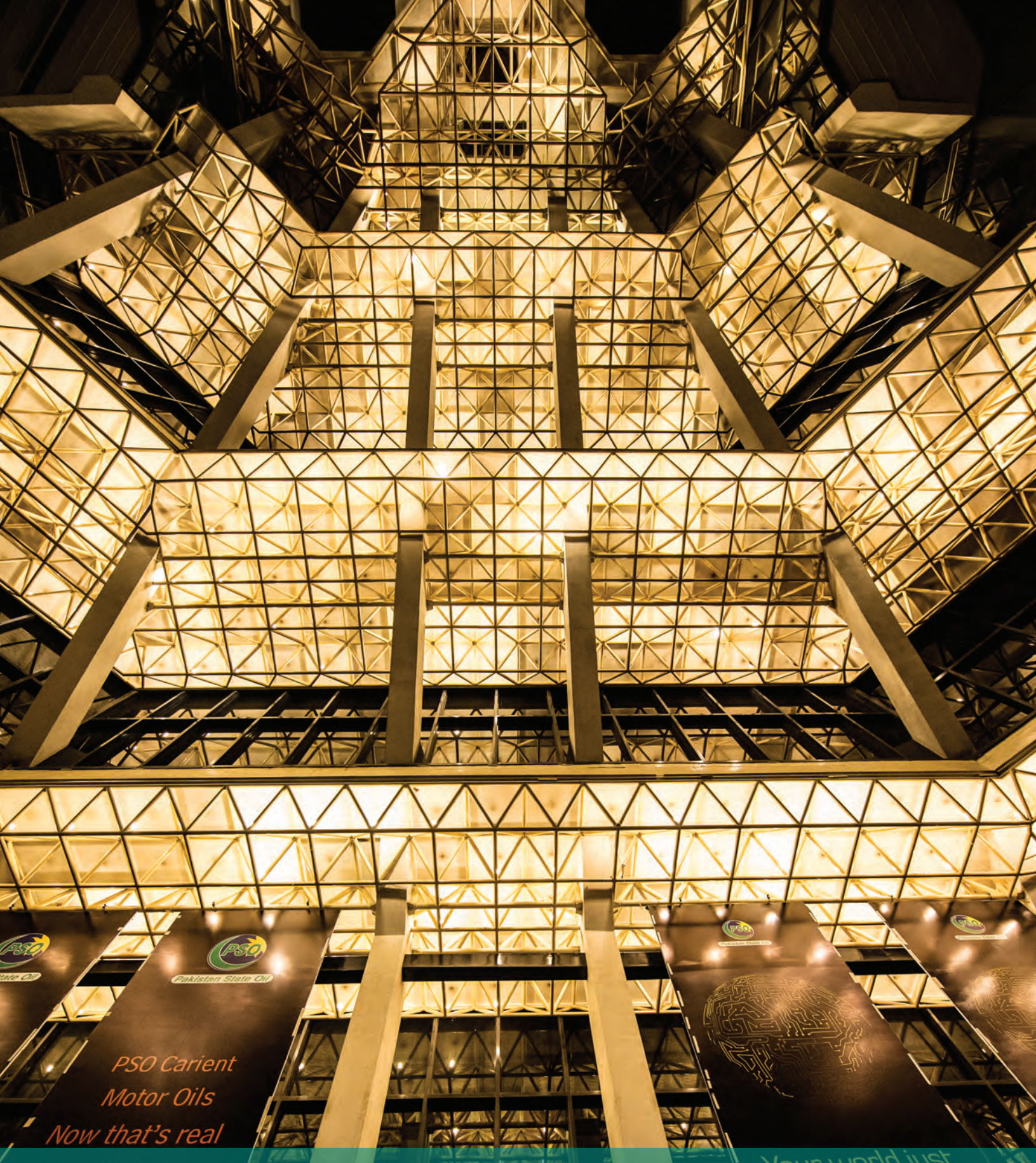
- Traditional charity / philanthropy also referred to as Donation, has significant social value addition but low shareholder value addition.

- Compliance with regulation has low social value addition and low shareholder value addition.
- Risk management (controlling cost and liabilities) has low social value addition and high shareholder value addition.
- Socially responsible innovation has high social value addition and high shareholder value addition. (an innovation has a marketing value, so every novelty is not an innovation).

As a responsible corporate citizen, PSO is committed to fulfillment of its responsibility towards the society, with a particular focus on supporting the distressed and depriving segments of society.

During FY 2014, the Company made highest ever contribution towards CSR and supported promotion initiatives.





COMPANY INFORMATION



BOARD OF MANAGEMENT

Mr. Mujahid Eshai
Chairman

Mr. Amjad Parvez Janjua
Managing Director & CEO

Mr. Muhammad Naeem Malik
Member

Mr. Umar Azim Daudpota
Member

Mr. Bilal Ejaz
Member

Mr. Adeel Rauf
Member

Mr. Shahzad Saleem
Member

Mr. Salman Ansari
Member

Mr. Shahid Islam
Member

Mr. Hussain Islam
Member

COMPANY SECRETARY

Ms. Ayesha Afzal

AUDITORS

M/s. KPMG Taseer Hadi & Co.
M/s. M. Yousuf Adil Saleem & Co.

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Citibank N.A
Deutsche Bank AG
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
The HSBC Bank Middle East Limited
United Bank Limited

REGISTRAR OFFICE

THK Associates (Pvt.) Ltd.
Ground Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road, Karachi.
Phone: 021-35689021
Fax: 021-35655595

REGISTERED OFFICE

Pakistan State Oil Company Limited
PSO House
Khayaban-e-Iqbal, Clifton,
Karachi - 75600, Pakistan.
UAN: (92-21) 111-111-PSO (776)
Fax: (92-21) 9920-3721
Website: www.psopk.com

PROFILES OF BOARD OF MANAGEMENT



Mr. Mujahid Eshai

Other Engagements

Visiting Lecturer-FC College,
National Defence College,
Virtual University, Beaconhouse
University

Mr. Mujahid Eshai qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales in 1973 and was admitted to the Institute of Chartered Accountants of Pakistan in 1975. He brings with him vast experience spreading over forty years in industry (Engineering and Construction), consultancy, audit and academics. He was an elected council member of the Institute of Chartered Accountants of Pakistan from 1997 to 2005 during the course of which he held the position of the President of the Institute in 2003-2004. He has also served on the Board of Directors of the South Asian Federation of Accountants for over four years (2006-2010) and in the Information Technology (1998 to 2001) Committee and the Developing Nations Task Force and Committee of the International Federation of Accountants (2004 to 2006). Mr. Eshai was member of the Federal Public Accounts Committee from 2000 to 2002.

Mr. Eshai was a nominated member of the Board of Directors of Tariq Glass Industry Limited, the only public listed company in the glass (tableware) sector in Pakistan, for a period of twenty years from March 1992 to April 2013. He was a director of a listed Non-Banking-Financial-Institution for a period of over four years till 2013. He has also served for over four years as an independent member of the Central Board Audit Committee of State Bank of Pakistan (2003 to 2007). He was also a member of the Earthquake Livelihood Relief Committee (2006 to 2010). He is currently on the Board of few private companies and also heading a financial, management consultancy and software designing company.

Mr. Eshai has teaching experience of over 25 years of Financial, Management Accounting and Corporate Governance. He is an International Finance Corporation approved trainer in Corporate Governance and has lectured on the subject at PICG as well as the Institute of Chartered Accountants' Board of Directors Training Programs. He is a visiting faculty member of F.C. College (Finance and Corporate Governance), lectured at National Defence College, Islamabad, on Budgeting, Accounting and Auditing, lecturer for the bachelors and Masters Program of the Virtual University and Masters Program at Beacon house National University.

Mr. Eshai has penned over fifty publications of professional interest that have appeared in various professional magazines of the South Asian region in addition to op-eds written for some daily newspapers.

Mr. Muhammad Naeem Malik is a Chemical Engineer by profession with 34 years experience in the petroleum sector. He started his career with petro-chemical industry in the private sector and then joined Ministry of Petroleum & Natural Resources in 1981 where he has worked on various important assignments in the Government of Pakistan. He remained Director General (Gas), Director General (Oil), Director General (Special Projects), Director General (Petroleum Concessions), Managing Director/CE of Oil & Gas Development Company Limited (OGDCL) and Pakistan Mineral Development Corporation (PMDC). Mr. Malik is presently working as an Additional Secretary in Ministry of Petroleum & Natural Resources. He brings with him diversified experience of upstream, midstream and down-stream oil and gas sector.

Mr. Malik remained director on Boards of almost all the public sector petroleum companies including SNGPL, SSGCL, Pirkoh Gas Company, PPL, OGDCL and MGCL. Presently he is Director on the Board of Mari Gas Company Limited and Chairman Board of Directors of Pakistan Mineral Development Corporation.

He was appointed as Member, PSO Board of Management on March 16, 2013.



Mr. M. Naeem Malik

Other Engagements

Additional Secretary Ministry of
Petroleum & Natural Resources



Mr. Amjad Parvez Janjua

Other Engagements

Managing Director & CEO-PSO

Mr. Amjad Parvez Janjua is the Managing Director and CEO of Pakistan State Oil Company Limited (PSO). Formerly, he was the Managing Director & CEO of Asia Petroleum Limited (APL) where he led successful transformation of the Company, which is widely regarded as a model of corporate development and change management. Premier education institutions in Pakistan taught the case on APL's turnaround to students of business administration. Based on his accomplishments at APL, he received the "Best CEO of the Year 2010" award.

He has been Executive Director, Senior General Manager and General Manager of PSO. He established PSO's corporate strategy function and developed a robust, forward-looking and cohesive strategic framework, which became a popular topic of case studies in Pakistan and abroad. Based on his outstanding performance at PSO, he was honoured with the "Professional Excellence Award" by AIOU-Commonwealth of Learning (Canada). His diversified work experience other than Pakistan includes World Bank, USA; Scottish Enterprise, UK; and international advisory and consulting assignments.

His first-class academic record includes an MBA from University of Glasgow (U.K.), M.S. Energy Management & Policy from University of Pennsylvania (U.S.A.), and B.Sc. Engineering from University of Engineering & Technology, Lahore (Pakistan). He has received advanced training in strategic leadership and corporate governance from University of Oxford, University of Cambridge and Harvard University.

Mr. Janjua is on the Board of PSO, Pakistan Refinery Limited, Asia Petroleum Limited, Pak Arab Pipeline Company, Petroleum Institute of Pakistan, Pak Grease Manufacturing Company (Pvt) Limited, and Lahore University of Management Sciences – National Management Foundation .

Mr. Janjua has held most coveted advisory positions at international business coalitions. He has been Senior Advisor to the World Business Council for Sustainable Development (WBCSD) in Geneva and President of Pakistan Chapter of WBCSD. He has also been a Member of the Advisory Committee of the Global Corporate Citizenship Initiative of the World Economic Forum (Switzerland).

Mr. Umar Azim Daudpota is a leading banker with over 29 years of experience in the field of banking having served in both local and international banks. As part of his extensive experience, Mr. Umar was instrumental in establishing and developing various businesses in Retail, NRP, Priority and Consumer banking.

Umar Azim Daudpota holds both an MBA degree as well as Bsc. In Aero-sciences and has successfully completed the International Capital Market Qualification from the Securities Institute, London, UK. He was actively involved in various mergers and acquisitions of both local and foreign banks. As part of his work experience he has helped grow the businesses/banks with which he was associated by creating capacity to endure, delivering better products and services that meet the needs of the customers, develop a sustainable environment and retain the trust and support of all stakeholders to develop those institutions into the best banks in Asia. He has also been a certified trainer from Cohen Brown for imparting training to senior managers in the field of wealth management, marketing/sales and leadership skills.

Mr. Umar has a keen interest in microfinance banking and entrepreneurial enterprises. He is also an avid golfer and a frequent traveler.

Mr. Umar was appointed as Member-BoM on July 8, 2014.



Mr. Umar Azim Daudpota

Other Engagements

Banker

PROFILES OF BOARD OF MANAGEMENT



Mr. Bilal Ejaz

Other Engagements

Chief Executive - Diamond
Group of Industries

Mr. Bilal Ejaz is by profession a business man and industrialist. Combining a strong entrepreneurial streak with a focused work ethic, Mr. Bilal is renowned across the corporate world for his business acumen and entrepreneurial abilities.

Mr. Bilal serves is the Chief Executive and majority shareholder of various companies of Diamond Group of Industries including Diamond Foam, Diamond Rubber Mills, Diamond Tyres, Diamond Motors, Diamond Industries, Symbol industries etc.

Combining an in-depth knowledge of commercial activities with innovative business ideas, Mr. Bilal has helped build establish the companies of Diamond Group as a household name in the market. As part of these efforts, Mr. Bilal has ensured an enduring commitment to the group's twenty-five year old hallmark of quality and reliability towards its customers. A well-travelled individual, Mr. Bilal has travelled extensively world-wide with the aim of exploring and entering new markets for imports and exports.

Mr. Bilal was appointed as Member-BoM on July 8, 2014.

Mr Adeel Rauf has completed his B.SC degree in Electrical Engineering from University of Engineering and Technology Peshawar KPK Pakistan.

Professionally he is an industrialist with 24 years of experience in different sectors. He is currently the Managing Director of AYS Group of Companies, which includes AYS Commercial Corporation, AYS Electronics, AYS Homes and Khyber Match Factory (Pvt.) Ltd; the largest Safety Match manufacturing unit of Pakistan. The Khyber Match Factory has had the honor of winning the FPCCI Export Trophy Award for 10 years in a row. Other than this, Mr. Adeel also serves as the Director of multiple other ventures including Ciel Wood Works Pvt. Ltd. (An MDF and HDF Company) and Ocean Food Pvt. Ltd.

Mr. Rauf is the Former President Khyber Pakhtunkhwa Chamber of Commerce and Industry (KPCCI) and Industrialist Association Peshawar (IAP). He currently serves as a Board Member of Small Medium Enterprise Development Authority (SMEDA) and the Technical Educational and Vocational Training Agency (TEVTA) KPK. He is also the Vice Chairman of All Pakistan Match Manufacturer Association, a life member of the Federation of Pakistan Chamber of Commerce and Industry (FPCCI) and Chairman of Alternate Dispute Resolution Committee (Customs).

Mr. Adeel was appointed as Member-BoM on July 8, 2014.



Mr. Adeel Rauf

Other Engagements

Managing Director - AYS
Group of Companies



Mr. Shahzad Saleem

Other Engagements

Chairman - Nishat Chunian Group (NCG) Director - Muslim Commercial Bank (MCB)
Member Board of Trustees and Head of Audit Committee- Lahore University of Management Sciences (LUMS)

Mr. Shahzad Saleem is the Chairman of Nishat Chunian Group (NCG) and holds a business degree from the Lahore University of Management Sciences (LUMS). With over 25 years of professional experience in the corporate world, Shahzad Saleem is one of the leading, dynamic CEOs in Pakistan. The Nishat Chunian Group (NCG) comprises of Nishat Chunian Limited, one of the largest textile mills in Pakistan as well as Nishat Chunian Power Limited; both are listed on the Lahore and Karachi Stock Exchanges.

Shahzad Saleem served on the board of Adamjee Insurance Company Ltd. from 2004-2009. He is on the board of Muslim Commercial Bank (MCB) since 1995 and has played a key role in the successful ventures undertaken by MCB including listing on the London Stock Exchange and sale of 20% of MCB to Maybank, Malaysia. In 1992, he also served as part of the team of consultants that arranged the financing and purchase of DG Khan Cement Company Ltd. under the government's privatization policy.

Mr. Shahzad is a member of the Board of Trustees of LUMS and heads the LUMS Audit committee. He also founded the LUMS Alumni Association and has served as its President; he is currently serving as the President of the SDSB Alumni Association.

Together with his family, Mr. Shahzad has also set up a Trust in memory of his father. The Trust runs an English medium school for underprivileged students and funds a 30 bed hospital for needy individuals.

Mr. Shahzad was appointed as Member-BoM on July 8, 2014.

Mr. Salman Ansari has over 45 years of professional experience in a wide variety of IT and Telecommunication, Technology, Policy and Software.

Over the course of his career, Mr. Salman headed the policy formulation team for Information Technology and Telecom Deregulation and ICT development in Pakistan during 2000-2003. This included work on major policy initiatives in e-Business and e-Commerce. He has worked on the design and implementation of Tier 3 Data Centers for major companies including the Sindh Revenue Board. He has worked on the design and implementation (ICT, Access Controls and Security) for Smart Buildings in Pakistan. He provided consulting services to various companies such as China Mobile (PTCL Privatisation, Strategy), PTA (Technology and Regulatory issues), Mobilink (Convergence and new IP based services), Multinet (Optical Fibre project, Strategy), STM Wireless (LDI) etc. He has developed reports and policy documents for the World Bank and the UNDP for projects worldwide. He was also instrumental in designing, setting up (including Technology Transfer) and heading Electronic and Telecom equipment manufacturing in Pakistan and R&D (Siemens/CTI).

He has worked as the Advisor to the Minister for Information Technology & Telecommunications (2000-2003) and have pioneered various initiatives such as telecom deregulation, major IT initiatives of the government, Cyber laws, etc). Mr. Salman has worked in senior positions (CEO, Director) with some major Telecom operators in the private sector including Mobilink, Internet (Supernet), Card Payphones (Telecard), Data Networks, VSAT, Wireless Local Loop (Paktel, GoCDMA, Supernet, etc) and Submarine Optical Fibre (FLAG/TWA1).

Mr. Salman headed the team which shaped the Telecom De-regulation Policy of Pakistan 2000-2003 and did extensive work with the Government in Policy, Regulatory issues and planning. He was a Member Electronics Commission, Member IT Commission, Five Year Plan Committees, Economic Advisory Board (EAB), etc. and was the author of Pakistan's first Electronics Policy in 2006 and National IT Policy in 2000.

Mr. Salman was appointed as Member-BoM on July 8, 2014.



Mr. Salman Ansari

Other Engagements
Consultant

PROFILES OF BOARD OF MANAGEMENT



Mr. Shahid Islam

Other Engagements
Consultant

Mr. Shahid Islam is a UK qualified chartered accountant and a management professional with over 40 years of diverse experience in senior executive / management roles, management consulting and external / internal audit. He is a Fellow Member of the Institute of Chartered Accountants in England & Wales and also a Fellow Member of the Institute of Chartered Accountants of Pakistan.

Mr. Shahid Islam brings to the table a well rounded set of strategic and tactical top management skill sets and has a track record of corporate turnaround, developing innovative solutions to management issues, corporate management skills (such as administrative, fiscal discipline, banking, loan and treasury operations, procurement & logistics), negotiation skills and managing disparate resources.

Mr. Shahid Islam has served in various positions with Pakistan International Airlines Corporation (PIAC) and its subsidiaries including terms as Managing Director PIAC, Director Finance and Information Systems PIAC, Managing Director PIA Holding (Private) Limited, Chairman / Chief Executive Officer of PIAC subsidiaries, Chief Internal Auditor PIAC as well as other senior positions in the PIAC Finance department. Prior to this after qualifying as a chartered accountant in early 1977, Mr. Shahid Islam provided freelance management consulting services in the UK and worked as an audit senior with M/s Deloitte & Co. office in the United Kingdom. Earlier in the past he has served as a Member on the Board of Directors of several companies.

Mr. Shahid Islam has also provided consulting services for a number of different businesses including in the aviation, manufacturing and services sectors. In this process he has mentored several business owners and managers for successful business turnaround and performance improvement in the areas of governance, management, operational activities, stakeholder interactions etc.

Mr. Shahid Islam was appointed as Member BoM, PSO on July 8, 2014.

Mr. Hussain Islam holds a B.Sc. in Finance and a Master's Degree in law from Tulane University, U.S.A.

He is currently the CEO of Al-Hamd International Container Terminal which has a multi-million dollar foreign direct investment in Pakistan.

He is currently the Vice Chairman Karachi Port Trust (KPT) and Advisor to Governor Sindh. He is also the member of Provincial Advisory Board of the Home Department, Government of Sindh.

Furthermore, he has served as Advisor to National Accountability Bureau (NAB) from 2011 to 2013.

He is a member of Young President Organization (YPO), which has strength of 21,000 business leaders in more than 125 countries with a shared mission of better leaders through education and idea's exchange.

Mr. Hussain was appointed as Member-BoM on July 8, 2014.



Mr. Hussain Islam

Other Engagements
CEO - Al-Hamd International
Container Terminal Vice Chairman
- Karachi Port Trust (KPT)
Advisor to Governor Sindh

BOARD AUDIT & COMPLIANCE COMMITTEE

CHAIRMAN

Mr. Shahid Islam

MEMBERS

Mr. Umar Azim Daudpota

Mr. Hussain Islam

SECRETARY

Ms. Ayesha Afzal

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

The Committee shall, among other things, be responsible for recommending to the Board of Management the appointment of external auditors by the company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Management shall act in accordance with the recommendations of the Board Audit & Compliance Committee in all these matters.

The committee will also assist the Board in overseeing the Company's compliance program with respect to: (i) compliance with the laws; and (ii) compliance with the Company's Code of Conduct and related policies by employees, officers, directors and other agents and associates of the Company.

The terms of reference of the Audit & Compliance Committee shall also include the following:

AUDIT

1. Determination of appropriate measures to safeguard the company's assets;
2. Review of preliminary announcements of results prior to publication;
3. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Management, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going-concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards; and
 - Compliance with listing regulations and other statutory and regulatory requirements.
4. Facilitating the external audit and discussion with external auditors on major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)
5. Review of management letter issued by external auditors and management's response thereto;
6. Ensuring coordination between the internal and external auditors of the company;
7. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
8. Consideration of major findings of internal investigations and management's response thereto;
9. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

10. Review of the company's statement on internal control systems prior to endorsement by the Board of Management;
11. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Management, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
12. Determination of compliance with relevant statutory requirements;
13. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
14. Recommending or approving the hiring or removal of the chief internal auditor;
15. Overseeing whistle-blowing policy and protection mechanism and
16. Consideration of any other issue or matter as may be assigned by the Board of Management.

COMPLIANCE

1. Review Code of Conduct and related policies applicable to employees, officers, and directors and other agents and associates of the Company at least annually and make recommendations to the Board as appropriate.
2. Provide oversight as needed to ensure that the Compliance program effectively prevents and/or detects violations by Company employees, officers, directors and other agents and associates of the Company law, regulation, Company policy, special conditions imposed on the Company by any licensing authorities, and the Code of Conduct.
3. The Whistle blowing unit will report to the Audit & Compliance Committee.
4. Review and evaluate, at least annually, the performance of the Committee, including compliance by the Committee with this Charter.
5. Review and assess, at least annually, the adequacy of this Charter and submit any proposed changes to the Board for approval.
6. Review resources assigned to the Compliance program to assess their adequacy relative to the program's effectiveness.
7. Receive such reports of relevant conduct, misconduct, and other issues as appropriate to the Committee.
8. Perform any other activities consistent with this Charter, and the Company's Bylaws and Certified of Incorporation, as the Committee may deem necessary or appropriate for the fulfillment of its responsibilities under this Charter or as required by applicable law or regulation, or as may be determined by the Board.
9. Do every other act incidental to, arising out of or in connection with, or otherwise related to the authority granted to the Committee hereby or the carrying out of the Committee's duties and responsibilities hereunder.
10. Notwithstanding any of the foregoing, the legal liability of any of the Committee members shall not be greater than that of other members of the Board.

BOARD FINANCE AND RISK MANAGEMENT COMMITTEE

CHAIRMAN

Mr. Bilal Ejaz

MEMBERS

Mr. Umar Azim Daudpota

Mr. Shahid Islam

SECRETARY

Ms. Ayesha Afzal

TERMS OF REFERENCE OF BOARD FINANCE & RISK MANAGEMENT COMMITTEE

The Board Finance and Risk Management Committee primarily reviews the financial and operating plans of the Company and is responsible for overseeing the risk management activities, approving appropriate risk management procedures and measurement methodologies across the Company.

The Finance and Risk Management Committee's scope of work entails carrying out following activities and duties and recommending their findings to the Board of Management for approval:

1. Reviewing Corporate Strategy, Operational Plans and Long term Projections of the Company.
2. Reviewing Proposals / Feasibility Studies prepared by the management of all major projects.
3. Review the proposed annual Business Plan and Budget and endorsing the same for approval of Board of Management.
4. Identification and management of strategic business risks of the Company considering the general economic conditions of the country, competitive realities and scenarios and ensuring that risk management processes and cultures are embedded throughout the Company.
5. Providing regular update to the Board of Management on key risk management issues and its proposed mitigating factors.
6. Considering investments and disinvestments of funds outside normal conduct of business and reviewing cash and fund management policies and procedures.
7. Consideration of any other issue or matter as may be assigned by the Board of Management.

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

CHAIRMAN

Mr. Umar Azim Daudpota

MEMBERS

Mr. Adeel Rauf

Mr. Hussain Islam

Mr. Salman Ansari

SECRETARY

Ms. Ayesha Afzal

TERMS OF REFERENCE OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

The committee will be responsible for making recommendations to the Board for maintaining:

- A sound plan of organization for the company.
- An effective employees' development programme.
- Sound compensation and benefits plans, policies and practices designed to attract and retain the calibre of personnel needed to manage the business effectively.

The terms of reference of the Committee shall also include the following:

1. Review organization structure periodically to:
 - a. Evaluate and recommend for approval of changes in the organization, functions and relationships affecting management positions equivalent in importance to those on the management position schedule.
 - b. Establish plans and procedures that provide an effective basis for management control over company manpower.
 - c. Determine appropriate limits of authority and approval procedures for personnel matters requiring decisions at different levels of management.
2. Review the employees' development system to ensure that it:
 - a. Foresees the company's senior management requirements.
 - b. Provides for early identification and development of key personnel.
 - c. Brings forward specific succession plans for senior management positions.
 - d. Training and development plans.
3. Compensation and Benefits:
 - a. Review data of competitive compensation practices and review and evaluate policies and programmes through which the company compensates its employees.
 - b. Approve salary ranges, salaries and other compensation for the CEO and Senior Management/Senior General Managers reporting to the CEO.

ROLE OF CHAIRMAN AND MANAGING DIRECTOR

Chairman of the Board is responsible to ensure that the Board is properly working and all matters relevant to the governance of the Company are placed on the agenda of Board Meetings. The Chairman conducts the Board meeting including fixing the agenda. The Chairman has the responsibility to lead the Board and ensure its effective functioning and continuous development. The Chairman has no involvement in day-to-day operations of the company.

The Managing Director and Chief Executive of the Company is responsible for the management of the Company and for its financial and other matters, subject to the oversight and directions of the Board. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

MD's performance is monitored and evaluated by the Board against the objectives and performance targets set by the Board.

MANAGEMENT COMMITTEE (MAN-COM)

CHAIRMAN	MEMBERS	SECRETARY
MD	DMD(s), SGM(s), GM(CP)	DGM(CP)

Man-Com is a business strategy committee, which meets primarily to steer and review all key projects from conceptualization to implementation. Man-Com also reviews budgetary proposals and weeds out non-essential ones. Upon its approval, a _nal business plan is prepared and sent out for Board approval. It also reviews major business issues and takes decisions accordingly.

EXECUTIVE COMMITTEE (EX-COM)

CHAIRMAN	MEMBERS	SECRETARY
MD	DMD(s), SGMs, GMs, HODs	DGM (CP)

The Ex-Com is another high-level committee that meets to review the day-to-day company affairs. The Ex-Com members share the problems as well as key accomplishments at this forum.

COMPENSATION, ORGANIZATION & EMPLOYEE DEVELOPMENT COMMITTEE (COED):

CHAIRMAN	MEMBERS	SECRETARY
MD	DMD(s)	GM (HR)

The COED reviews matters pertaining to human resources such as recruitment, transfers, disciplinary actions, promotions and employee benefits

BUSINESS CONTINUITY PLANNING AND SAFETY PROCEDURES FOR DATA PROTECTION

Cognizant of its role as the nation's leading fuel supplier, PSO has developed rigorous crisis management plans to ensure continuity of its business operations in case of any unforeseen circumstances.

As part of its efforts to ensure business continuity, PSO has developed a thorough disaster recovery which entails backup facilities at Lube Manufacturing Terminal Karachi and Kotlakhpat (Lahore) which are managed by the dedicated teams of Information System department. This backup plan is tested periodically by conducting Disaster Recovery Drills, which simulate a disaster at the primary site and activation of backup sites for conducting business. Moreover, each department has identified areas of high risk that could hamper their departmental function in case of disaster in the form of detailed Standard Operating Procedures (SOPs) and ready reference checklists.

Accordingly departments have identified and prepared action plans to manage strategic business risks of the company considering the general economic conditions, competitive realities and possible scenarios and ensuring that risk management process and culture are embedded throughout the company.

By developing such plans, PSO has ensured that all critical data and information remains intact at all times to ensure operational continuity.

COMMITMENT TO ETHICAL BUSINESS CONDUCT

Committed to maintaining the highest standards of accountability, governance and service quality, PSO ensures adherence to the ethical guidelines laid out in the Company's code of conduct.

With a strong belief that it is fundamental to the Company's professional integrity to enable individuals to voice their concerns regarding any instance of malpractice or impropriety, PSO has implemented a Whistle Blowing Policy. Through this initiative a Whistle Blowing Unit reporting directly to Board Audit Committee has been established.

This policy lays out the procedures for lodging and handling of concerns, reporting requirements while also ensuring the identity protection of whistle blowers. A reporting mechanism has also been placed on company's website for easy accessibility to all parties. By implementing this policy, PSO has encouraged both internal and external parties to intimate the Company regarding any instance of improper conduct without fear. Monitoring of the effectiveness and compliance of the Whistle Blowing Program is carried out by the Board Audit Committee.

REPORT OF AUDIT COMMITTEE

The Audit Committee including its Chairman comprises of five non-executive members. The Chairman of the committee has relevant financial and accounting background.

The Committee met six times during the year ended June 30, 2014. The meetings of the committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code of Corporate Governance (CCG). Meetings were also held to review other matters as per the Terms of Reference (TOR) of the Committee.

Regular attendees at Committee meetings, on the invitation of the Committee, included the Head of Internal Audit / Chief Audit Executive (CAE) and Chief Financial Officer (CFO). The Committee also met the External Auditors separately in the absence of CAE and CFO to get their feedback on the overall control and governance structure within the Company.

The Head of Internal Audit has also direct access to the Committee. Audit observations along with the compliance status are regularly presented to the Committee.

The role of the Head of Internal Audit is to ensure compliance of the TOR of the Board Audit Committee as approved by the BOM. The functions performed by the Committee are given below:

FINANCIAL REPORTING:

The Committee reviewed and recommended for BOM approval, the draft annual and interim results of the Company. The Committee discussed with the CFO, CAE and the external auditors' the significant accounting policies, estimates and judgments applied in preparing the financial information.

ASSESSMENT OF INTERNAL AUDIT FUNCTION AND THE REVIEW OF MAJOR AUDIT OBSERVATIONS:

The Committee has an established process to review the effectiveness of the Internal Control system and the Internal Audit function. The Committee reviewed and approved the risk based internal audit plan covering all the business activities. Furthermore, the Committee also reviews, on a quarterly basis, the status of planned versus actual audit activities.

The Committee also reviewed the major internal audit observations and the status of decisions made in the previous Committee meetings. The Committee recommends improvements in internal controls and gives directives for corrective actions where required.

WHISTLE BLOWING:

As per the Whistle Blowing Policy approved by BOM, Committee is entrusted with the responsibility to monitor the effectiveness of the whistle blowing unit. Quarterly report on the Complaints received vis-a-vis the action taken was presented in the Committee meetings. For the year ended June 30, 2014, 45 complaints were reviewed by Whistle Blowing Unit and reported to Board Audit Committee.

REVIEW OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE:

The Committee places great importance on ensuring compliance with the best practices of the CCG. In this respect, the Committee annually reviews the Company's Compliance with the CCG. The Committee reviewed the Statement of Compliance with the Code of Corporate Governance to be published in the Annual Report.

APPOINTMENT OF EXTERNAL AUDITORS:

As per the requirements of the CCG and the TOR approved by the BOM, the Committee recommended, for BOM approval, the appointment of external auditors and their remuneration. The Committee also reviewed the work undertaken by the external auditors and assesses their independence, objectivity and performance.

REVIEW OF EXTERNAL AUDITORS' MANAGEMENT LETTER:

The Committee also reviews the Management Letter issued by the external auditors' wherein control weaknesses are highlighted. Compliance status of previously highlighted observations by the external auditors' is also reviewed and corrective measures are discussed to improve overall control environment.

STAKEHOLDER RELATIONS AND PROCEDURES ADOPTED FOR THEIR ENGAGEMENT

PSO recognizes the value of transparent and open communications with all its stakeholders in line with regulatory considerations and ensuring maintenance of corporate confidentiality. We acknowledge that consistent, coherent and clear communications help to establish sound reputation of the Company and its management. Accordingly, PSO aims to promote dialogue with investors, analysts and other stakeholders.

The wide stakeholder community includes but not limited to following:

a) Institutional Investors and other shareholders

The Company follows best practices and guidelines with respect to maintaining investor relations and conducts security analyst briefings on a quarterly basis. The purpose of the briefing is to share details pertaining to quarterly results announced and to respond any analyst queries relating to current results and future prospects. Furthermore, PSO engages with a wide group of shareholders through the Annual General Meeting and dispatch of Annual Reports, which include comprehensive update on financial and operational footprints of the Company.

b) Media

We engage with the print and visual media through regular press releases on its key achievements, periodical results and other corporate events.

c) Government and Regulating bodies

PSO continually engages with Government of Pakistan and regulatory bodies at local, provincial and federal levels. The PSO's senior management is in close liaison with government officials on various issues with respect to the Company and oil industry.

d) Other Stakeholders

Other stakeholders include bankers, suppliers, customers and employees. PSO engages with these stakeholders on a regular basis through effective use of internal and external communication.

WEBSITE

The Company's web site www.psopk.com offers a detailed overview and information of the following aspects of your company:

- Business lines, its operational aspects and current activities.
- Board of Management as well as the management team.
- Procurement activities
- Periodical financial results and other financial information
- Human Resource recruitment
- Media engagement

It is also highlighted here that the PSO's website fulfills the mandatory requirements as laid down by the SECP for all listed companies.

