Engro Corporation Limited

Policy for Write off of Doubtful Debt, Advances and Receivables

PURPOSE / SCOPE

The Companies Act, 2017 specifies certain powers which will be exercised only by the Board of Directors with regards to the management of the business of a Company. These powers include write off of doubtful debt, advances and receivables.

A write off is an accounting action that reduces the value of an asset while simultaneously recognizing an expense in the income statement unless a provision against the same was recognized in an earlier accounting period. However, write off does not affect in any way the legal right of the Company to recover the written-off balances.

The purpose of this policy is to

(i) set up a process which would be followed to trigger the write-offs; and
(ii) ensure that such write offs are made with proper authority, internal controls and oversight.

GENERAL PRINCIPLES

- The management of the Company must evaluate all receivables which are overdue as per the terms & conditions or business norms for that particular transaction
- Such evaluation must be shared with the Board Audit Committee (BAC) each quarter, showing the amount of provision and write-off against those amounts. In case a provision or write-off has not been made the same shall be supported with an appropriate justification
- Receivables from Government including income tax & sales tax refunds, amounts paid under protest, subsidies and similar items are generally not provided for or written off as long as valid documentation to the claim is available with the Company
- Before writing off, all liquid assets including securities and guarantees should be realized and sale proceeds thereof appropriated towards the reduction of outstanding receivable balance

APPROVALS

All write offs in line with above policy shall be made after being endorsed by the appropriate authority and shall be submitted to the Board of Directors for approval.