Minutes of 110th Annual General Meeting (AGM) of K-Electric Limited (KE)
held on Thursday, 26 November 2020 at 10:30 a.m. (PST)
at KE House, Karachi, through video conferencing facility (Zoom)

Present

Shan A. Ashary	…	Chairman
Syed Moonis Abdullah Alvi	…	Chief Executive Officer (in person) (Representative of Messrs KES Power Limited)
Adeeb Ahmad	…	Director
Ch. Khaqan Saadullah Khan	…	Director
Dr. Ahmed Mujtaba Memon	…	Director
Jamil Akbar	…	Director
Khalid Rafi	…	Director (in person)
Mubasher H. Sheikh	…	Director
Ruhail Muhammad	…	Director
Shan A. Ashary	…	Director
Syed Asad Ali Shah Jilani	…	Director
Waseem Mukhtar	…	Director and Representative of Government of Pakistan

KE Management Team

Muhammad Rizwan Dalia	…	Chief People Officer & Company Secretary (in person)
Muhammad Aamir Ghaziani	…	Chief Financial Officer
Dale Sinkler	…	Chief Generation & Transmission Officer
Amer Zia	…	Chief Distribution Officer (in person)
Naz Khan	…	Chief Strategy Officer
Asif Raza	…	Chief Internal Auditor
Abbas Husssain	…	Dy. Chief Transmission Officer
Rizwan Pesnani	…	Head of Treasury & Corporate Finance
Ayas Jaffar Ahmed	…	Director Regulatory Affairs
Muhammad Ali	…	Director Business Finance G&E and Financial Reporting
Syed Irfan Ali Shah	…	Head of Legal Affairs
Arshad Iftikhar	…	Head of Distribution Project & Coordination
Noor Afshan	…	Dy. Director Corporate Communication
Abdul Basit Ghauri	…	GM Financial Reporting
Aadil Riaz	…	Lead HRBP – Distribution
Arshad Sabri	…	Head of Planning & Engineering
Muhammad Rafiq	…	Adviser, Corporate Affairs
Junaid Talaat	…	General Manager Corporate Affairs (in person)
Najia Ansari	…	Manager Corporate Affairs (in person)

Representatives of the External Auditors

M/s. A.F. Ferguson & Co.
Waqas Aftab Sheikh
Osama Moon
Junaid Mesia
Bilal Irfan
Abdul Rafey

Representatives of Central Depository Company (CDC)

Farhan Afridi
Murtaza Zuberi

Shareholders

Syed Muhammad Hanif	3277-67231
Ahsan Soorani	6122-78972
Muhammad Arif Bilvani	5189
Muhammad Farooq	8327
Nazim F. Haji	03277-90373
Azhar Sami Khan	3277-21157
Usman Ali	03277-84477
Arif Mehmood	8837
Hanif Khatri	8840
Fahad Baig	00695-14884
CDC – Trustee Meezan Tahaffuz Pension Fund	10397-29 (Proxy: Muhammad Hayat)
Salman Saeed	10629-166275
Aftab Ahmad Khan	9999

(complete list of shareholders who attended the AGM is available at the registered office of the Company)

As per schedule of the meeting, the Board members, K-Electric Management Team and the shareholders of the Company joined the meeting through video conferencing from their respective locations at 10:30 a.m. (PST).

Company Secretary welcomed the shareholders at the 110th Annual General Meeting and informed that due to CoVID-19 pandemic situation, and in compliance with the direction and instructions notified by Securities & Exchange Commission of Pakistan (SECP), this AGM was being held through video conferencing facility for the health and safety of all shareholders.

The Company Secretary informed that KE Board of Directors and senior management were present through video conferencing facility from various locations, including the Chairman, Shan A. Ashary who had joined online via Zoom.

The Chairman inquired from the Company Secretary whether the quorum was complete. The Company Secretary stated that the quorum i.e. a minimum of ten (10) members with not less than 25% voting power, was present and proxies as detailed below had been deposited with the Company:

	In favor of	By	No. of Shares	%age
1.	Moonis Alvi, CEO, KE	KES Power	18,335,542,678	66.40
2.	Waseem Mukhtar	Govt. of Pakistan	6,726,912,278	24.36
		Grand Total	25,062,454,956	90.76

The Chairman welcomed the shareholders at the 110th AGM of the Company and announced to commence the meeting. The meeting commenced with recitation from the Holy Quran by Muhammad Rizwan Dalia, Company Secretary.

Agenda Item # 1

Confirmation of Minutes of 109th AGM held on 03 June 2020

The Company Secretary stated that the Minutes of **109th** AGM held on 03 June 2020 had been provided to the members and would have been read by them.

Salman Saeed (10629-166275) proposed, Arif Mehmood (8837) seconded and the following resolution was passed:

> **RESOLVED THAT** the Minutes of 109th AGM of the Company held on 03 June 2020 be and are hereby confirmed.

Agenda Item # 2

KE Annual (Audited) Financial Statements for the year ended 30 June 2020

Company Secretary stated that soft as well as hard copies of Annual Report 2020 had been provided to the Members. He said that since the members would have gone through the Annual Report 2020, then, with the permission of the Chair, the Company Secretary invited CEO and CFO to make a comprehensive Presentation on the performance of the Company during FY 2020 as compared to FY 2019.

CEO informed that KE's financial statements had been finalized within the stipulated time and all out efforts would be undertaken to comply with the regulatory framework in this regard. He explained that year ended June 2020 was a difficult year due to COVID-19 and lockdowns in March-May 2020. He stated that a second wave of the COVID-19 pandemic was likely and despite the same the Company was operating on its projects as per set timelines.

CEO and CFO made a comprehensive Presentation which explained company's financial and operational performance during FY 2020.

CFO reiterated that 2020 remained an unusual year due to COVID-19. The operational performance by the company was impacted by lockdowns in the last quarter of FY-20, particularly on profitability. The sent-out-growth of the Company improved by 0.5% as compared to last year. T&D loss went up from 19.1% in FY-19 to 19.7% in FY-20. Recovery ratio, which was 92.6% in FY-19 dropped to 92.1% in

FY-20. The negative variances were primarily due to the COVID-19 impact in the last quarter of FY-20 on commercial and residential customers. The recovery has already improved in the first quarter of FY-21 and would be reflecting in the financials of the same once released. Generation efficiency improved in comparison to FY-19 by 0.9% on account of better efficiency at the plants. Whilst comparing the 9-month performance and last quarter performance of the company CFO highlighted the impact of COVID-19 on the company operations: closure of businesses had an impact on the sent-out growth; T&D losses increased as inspection, theft reduction and collection activities were restricted and compliance with Government directives to offer relief to domestic consumers from paying a single bill to paying the same in three installments and waiver of late payment surcharge on the same. The total impact of the pandemic has been approximately PKR 8 billion. The Company has written to NEPRA and the Government of Pakistan regarding the unusual business circumstances so that the benefit to consumer may be adjusted against the tariff or stimulus packages. Should such relief be granted it would subsequently have a positive impact of PKR 8 billion in the books of the company.

CFO presented the Financial Performance of the Company during the review year and comparison thereof with last year. There was a 5.5% decline in contribution margin, however EBITDA improved by 3.7% in FY-20 over FY-19, primarily on account of the stability of the Rupee against foreign currency resulting in recovery from the exchange losses of FY-19. The net profit remained negative and a loss of PKR 3 billion was suffered, primarily on account of finance costs which are being incurred on account of substantial outstanding receivable balances from government institutions. Due to the corporate loss, the Earnings Per Share, Return on Property Plant and Equipment and Return on Equity are also negative.

When discussing the statement of profit and loss, CFO mentioned that the Contribution Margin reduced by 5.5%. O&M increased by 2.4% and Provision for Doubtful Debts reduced by PKR 4.7 billion due to reconciliations in Public Sector receivables. Depreciation increased due to revaluation of assets and capital expenditure which had been incurred. The finance costs were significantly higher in FY-20 in comparison to FY-19 as receivables from the government were rising and the Company had to borrow to maintain its working capital. Hence there was a net loss of PKR 3 billion in FY-20.

The main business indicators during the year were improved, fleet efficiency (improvement of 0.9%). On the 900 MW BQPS III project, Notice to Proceed (NTP) was issued to the project contractor in 2019 – the first unit would be expected to be commissioned by summer 2021 and the project would be expected to reach completion by year end 2021. Gharo Solar and Lotte Chemical started commercial operations and were added to the Company's system which enhanced its ability to serve. Solar projects had started and were expected to start 150MW of supply in the licensed territories. During the year, KE was awarded ISO 50001 Excellence in Asset Management Systems standards internationally for generation excellence. The Company was also awarded the topmost, most reliable GE Power Plant in Pakistan, Middle East and African regions for BQPS II with GTs average reliability of 99.84%.

On the transmission front, the Company had maintained focus on capacity enhancement and network reliability. There were ongoing discussions with the Government of Pakistan to purchase power from the National Grid under an interim and long-term arrangement. The interim arrangements were for 450 MW which were expected to be in operation by 2021, subject to rehabilitation work being undertaken by National Transmission and Dispatch Company Limited (NTDC). The Company was assisting NTDC in the same, particularly in terms of procurement so that the project would be complete by Summer 2021 and meet demand accordingly. The long-term arrangements were expected to be complete by 2023 would assist with transmission of up to 1400 MW and grids and interconnection works were under approval from National Electric Power Regulatory Authority (NEPRA). The work for the new grids for the long-term arrangement had commenced and the Company was engaged with NEPRA to expedite the approval process. A power supply of 500 kV from KANUPP-2 and KANUPP-3 and 220 kV from Dhabeji network were in process, which would add the expected 1400 MW in the KE system. The grid station and transmission line at Dhabeji were expected to be completed by Q3 in 2022 and would target assisting with growth in demand in the area. The tendering process was expected to commence within a month, and the contract was expected to be awarded by Q3 2021.

CFO continued to discuss the importance and focus of the Distribution segment of the Company; and informed the members that PKR 7.2 billion were invested in distribution related projects during the year. Heavy investments were made into Aerial Bundled Cables (ABC) to curb electricity theft and increase safety. Work on the same was underway and was planned to continue in the same manner to promote a safer environment. Two campaigns – Project Surbulandi and Qadam Barhao – were in process and aimed to convert defaulters into regular payers as well as eradicate load shedding. An earthing/grounding project had been completed to ground 100% of the poles maintained by KE. This project was also witnessed by NEPRA.

In terms of CSR, the Company was contributing to underprivileged hospitals and educational institutes in the form of subsidized or free electricity. The Company was also focused on planting trees with over 200,000 trees having been planted. The Company was focused on community improvements by conducting free health camps in areas where they were required; and installed four water filtration plants in underprivileged areas of the city. The Company also supplied a bulk supply connection of 4.5 MW to Jinnah Post graduate Medical Centre and Patient Aid Foundation.

Regarding the acquisition of equity stake in KE by Shanghai Electric Power (SEP), CFO briefed the members that SEP had issued a public announcement of intention (PAI) in the stock exchange on June 29, 2020. The approvals for the same were under discussion with the Government of Pakistan and the shareholders and investors would be informed of any developments in the same.

The next discussion was on receivables from Government entities. The net receivables as of September 2020 were PKR 80 billion. The Company had been successful during the year in obtaining releases from the Government of Pakistan. The amount received during the year was a record high for the Company, which had proven to be highly supportive in the difficult COVID related times. Discussions has been made with the Government to make payments on a timely basis as well.

The Chairman invited shareholders for any questions on the financials. The queries raised by various shareholders were addressed /responded by the Chairman, CEO, CFO, CS, CGTO, CDO as follows:

Nazim Haji (03277-90373)

i) CEO updated the members regarding the NEPRA hearing at Hon’ble Supreme Court of Pakistan. He highlighted that KE’s license was issued until 2023. The discussion also covered the fact that if the exclusivity to supply power to Karachi was removed then the obligation to supply energy to loss-generating areas also be removed as in an open market, electricity suppliers would not provide power to such clientele.

ii) Chairman explained that KESP, holding company of KE, had 3 shareholders, Al Jomaih, the NIG Group and an IGC Fund.

Usman Ali (5264-58995)

i) CFO responded to the queries raised – finance costs were calculated over the entire year, not on the closing values – hence the net finance cost varies based on the amount borrowed throughout the year. The second reason was the increase in KIBOR policy rates. He explained that the State Bank of Pakistan had reduced the rates due to COVID which was expected to have a positive impact on the same in the next financial year.

ii) CFO clarified that the COVID-related shutdowns were business shutdowns, not electricity shut-downs. However, with businesses at a close, the consumption of industrial and commercial units was lower – having a negative impact on the sales mix and consumer mix. This led to the revenue stream shifting towards residential revenues, which contain lower margins for the company and subsequently had a negative impact on the T&D.

iii) CFO confirmed that the asset disposal process was a robust process which was implemented using public tenders. Disposals were made to the best bidders, and there was a net gain after sale proceeds (ref: note 5.3 of the financial statements).

iv) The CFO said that the Board would decide the way forward on dividends, whenever it would consider it appropriate.

Muhammad Arif Bilvani (5189)

i) CS confirmed that the Board of Directors had a casual vacancy which they intended to fill with a director as per regulatory requirements. The statutory time limit for filling such vacancies was 90 days.

ii) CS responded to queries regarding the changes in the Company's Chairmanship. He explained that Mr Riyadh S A A Edrees had resigned from the KE Board due to conflict of interest occurring due to his Board Membership at a bank in line with best corporate governance practices and legal requirements.

iii) CS said that the Company had separated Operational and Corporate HSEQ where the Heads reported directly to the CEO. The Company head count increased at less than 2% whereas the network and number of projects that were in place would be requiring more resources. Costs of salaries and wages were budgeted and reviewed / approved by the Board as well.

iv) Chairman commended Muhammad Arif Bilvani for the in-depth analysis of the KE financial statements and reiterated the importance of providing him with the details he had requested of the management team and that would be in the best interests of all investors.

v) CDO addressed the queries regarding distribution, mentioning that operations were as per business plan except for the recent unprecedented rains which Karachi had witnessed.

vi) CFO added that the PKR 9.5 billion being mentioned was a portion of the distribution CAPEX, whereas the CAPEX plan for Distribution was over PKR 75 billion in the next few years.

vii) He further addressed the remaining queries pertaining to the KE financials. The PKR 300 million mentioned in the CEO letter was pertaining to the relaxation provided to customers on government instructions due to the COVID period. Furthermore, some installments were also offered on government directives at the same time.

viii) CFO discussed the finance cost and its 9-month performance in comparison to the year prior – the major year-on-year variance was on account of the changes in the discount rate prevalent in the market. He confirmed that not all operations were on the basis of short term borrowing, but there were also long term borrowings made to fund the capital expenditures – and the impact of the interest was thus visible in the financials. He also agreed that due to KIBOR reduction the finance cost was thus expected to reduce during the next year.

ix) SME relief was provided to commercial and industrial consumers on the Government directives. The limit of the same was PKR 100,000 for commercial and PKR 450,000 for industrial consumers during the period May – October 2020. The value of this relief provided worked out to PKR 6.7 billion out of which the Government had released PKR 6 billion to the Company and PKR 700 million were outstanding receivables.

x) CFO continued to explain that the COVID had a significant impact on the Company, which was also witnessed in the form of an increase in provision for doubtful debt, which was calculated in accordance with the "expected credit loss" method. COVID also had an impact on the provisioning made.

xi) With regard to the receivables from the public sector, CFO said that there were recoveries, however the same were not on a timely basis. Furthermore, some institutions were paying their bills but not completely hence the increase – though not significant – was present.

xii) CFO confirmed that the surplus on revaluation of fixed asset was disclosed in the books in accordance with the International Accounting Standards (IAS): the revaluation exercise was carried out – however the impact was not material hence the revaluation was not shown in the books.

xiii) CGTO addressed the query regarding the decommissioning of units 3 and 4 of the BQPS power plant – he mentioned that it was always the intent to replace the inefficient power plants as they were never able to fully operate on gas power. He mentioned that the 900 MW project was always on a fast track basis and could only be fully effective upon removal of the two units. The project planning /shutdowns was to be executed during the winter period as that was the time of low demand.

xiv) Regarding the gas pressure, he explained that a minimum of 3 bar were required and the same was increased to 28-30 bar depending on the plant. The gas compressor would not be able to boost the gas unless there was volume of gas available. In the absence of gas volumes, this may also result in a surge in the power plants. At the time of the AGM the gas was too low to operate power plants efficiently. This made them look for alternative sources such as LNG as gas supply in Pakistan was low.

xv) DCTO mentioned that NEPRA required generation to be on the basis of "Economic Merit Order" (EMO). For the solar IPP, the tariff was cost plus which was approved by NEPRA. This was the most economical and also covered under the tariffs.

xvi) DCTO then discussed the land for the 700 MW coal project and mentioned that the plans had to be changed for the same in accordance with Government directives. Alternative utilization of the property was thus being explored.

xvii) The query on the cyber-attack was addressed by CSO. She mentioned the efforts of the IT team to strengthen the company's systems. All critical services remained operational and customer data remained intact despite the attack. She also highlighted that the work from home had increased vulnerability and globally there was a rise in cyber-attacks as well.

xviii) The query regarding the CEO bonus was addressed by CS who mentioned that the payout made by the company would be reflected in the next financial year – hence the values shown in the books were pertaining to the financial year end June 2019.

Syed Muhammad Hanif (3277-67231)

i) Chairman explained the SSGC payable and the fact that SSGC dues were to be netted off against the receivables from KWSB – as the receivable was not received from KWSB, the amount was not paid further to SSGC. KE was not charging markup on the amounts from KWSB, however, was being charged a markup from SSGC on the dues.

ii) CFO addressed the next queries – he mentioned that the revenues were based on the price which passed through the tariff and the same thus had an impact on the company's profitability. Hence the cost of sales was also a major determinant of the bottom line.

iii) Referring to the consumption of furnace oil, CFO mentioned that the cost of natural gas and RLNG were cheaper than furnace oil and hence utilized in that preference due to EMO. Furthermore, furnace oil was more expensive per metric ton year on year.

Muhammad Hayat (10397-29)

i) CFO responded to the queries raised regarding the consumer mix – he mentioned that 30% of the consumer mix was from industrial customers, 55% from residential and the remaining were commercial and public sector consumers.

ii) 1400 MW was being planned to be delivered through Dhabeji, and KANUPP – the electricity was planned to be pooled in the national grid before being sourced. HUBCO and the KE management were engaged in discussions for energy generation solutions – independent of the 1400 MW project - and if any workable solutions using technical specifications and regulatory requirements would come forth, shareholders would be apprised via the stock exchange.

iii) CFO discussed that the Government was finalizing the electricity package and no notification had been received from the Ministry of Energy regarding the same. It was under evaluation by NEPRA and once finalized it would be applied to industrial consumers accordingly.

iv) NEPRA had a public hearing regarding the mid-term and Multi-Year Tariff (MYT). The decision would be applied retrospectively from 2016, thus any impact would be recognized in the next financial year, based on the NEPRA decision.

v) CFO discussed the T&D improvement as an improvement was targeted for the next year.

vi) CFO further discussed the taxation was being calculated at the rate of 1.5% as the company's past losses were being adjusted.

vii) CEO confirmed the amount of approximately PKR 7 billion owed to the Ministry of Energy against Duties which the Company had collected. Historically, this amount was adjusted against the dues receivable from the KWSB and since the same were not being received they had not been paid forward either.

Accounts were proposed by Farooq (8327) and Seconded Syed Muhammad Hanif (3277-67231)

RESOLVED THAT, K-Electric's Annual Audited Financial Statements for the year ended 30 June 2020, along with the Chairman's Review and Director's Report and Auditor's Report thereon, be and are hereby approved and adopted.

Agenda Item #3
To appoint External Auditor for FY 2021 and confirm their remuneration.
The Company Secretary stated that M/S A.F. Ferguson & Co. have retired and being eligible, have offered themselves for reappointment. Pursuant to provisions of CCG, the Board Audit Committee has recommended reappointment of M/S A. F. Fergusons & Co. as statutory auditors of the Company for FY 2021 on a mutually agreed audit fee of PKR 7.5 million. The Board had endorsed the BAC's recommendations.

Proposed by Syed Muhammad Hanif (3277-67231), seconded by Arif Mehmood (8837), the following resolution was passed:

RESOLVED THAT M/S A.F. Fergusons and Co. be and are hereby reappointed as statutory auditors of the Company for FY 2021 at a fee of PKR 7.5 million.

Agenda Item #4 – Special Business

To consider and, if deemed fit, pass the following Special Resolutions, under Section 199 of the Companies Act 2017, with or without modifications:

The floor was opened to shareholders to discuss the special resolution.

Muhammad Arif Bilvani (5189)

CEO responded to queries with details of past joint ventures one of which was written off in 2016. CSO added that the projects would be ongoing under a 100% subsidiary of KE known as "KE Venture Company Limited" and had already been established. The solar projects would be undertaken with the company "K-Solar" particularly with improving solar solutions being available.

Proposed by Farooq (8327), seconded by Salman Saeed (10629-166275), the following resolutions were passed:

> **RESOLVED THAT,** subject to the passage of the special resolution of the members of the company, the Company be and is hereby authorized to make investments in KE Venture Company (Private) Limited ("KEVCL") up to an amount not exceeding PKR 275 million by way of a subscription in shares in one or more tranches at the rate of PKR 10 per share and for the purposes of onward investment by KEVCL and direct investment by KE, into other associated undertakings, including but not limited to K-Solar (Private) Limited (K-Solar). Such investment may be made by the Company in KEVCL by December 31, 2021.
>
> **RESOLVED FURTHER THAT,** subject to the passage of the special resolution by the members of the Company, the Company be and is hereby authorized to issue guarantees or other related commitments to guarantee the obligations of K-Solar with other counterparties. Such sponsor commitments or guarantee(s) to be issued by KE shall be issued for the purposes of or in connection with its business operations including performance guarantee(s), guarantees securing payment obligations and other guarantees and shall be in favor of various counterparties from time to time, not exceeding PKR 100 million having various validities based on mutual agreements between the parties.
>
> **RESOLVED FURTHER THAT,** the Company shall complete all legal requirements and procure all regulatory approvals prior to any issuance of shares in KEVCL; and prior to issuance of any guarantee on behalf of K-Solar.
>
> **RESOLVED FURTHER THAT,** the Chief Executive Officer (CEO), Company Secretary and Chief Financial Officer (CFO), acting jointly and/or severally are authorized to take all necessary actions to make the above investment, to subscribe the shares of KEVCL or to issue guarantees or provide sponsor commitments on behalf of the Company to guarantee any obligation(s) of K-Solar as an associated company of KE.

The Chairman thanked the shareholders for their participation in AGM and valuable suggestions. The meeting ended with a vote of thanks to chair.

Shan A. Ashary
Chairman