

XI. CODE OF CORPORATE GOVERNANCE

35. All listed companies shall ensure compliance of the following Code of Corporate Governance. All provisions pertaining to independent directors are strongly recommended but are not mandatory. All other provisions except where explicitly stated otherwise are mandatory and required.

- (i) The Board of Directors are encouraged to have a balance of executive and non-executive directors, including independent directors and those representing minority interests with the requisite range of skills, competence, knowledge, experience and approach so that the Board as a group includes core competencies and diversity considered relevant in the context of the company's operations.

For this purpose listed companies shall take the following steps such that:

- (a) minority shareholders as a class are facilitated to contest election of directors by proxy solicitation, for which purpose the listed companies may:
- annex with the notice issued under section 178(4) of the Ordinance, a statement by a candidate(s) from among the minority shareholders who seeks to contest election to the Board of Directors, which statement may include a profile of the candidate(s);
 - provide information regarding members and shareholding structure to the candidate(s) representing minority shareholders; and
 - on a request by the candidate(s) representing minority shareholders and at the cost of the company, annex to the notice issued under section 178 (4) of the Ordinance an additional copy of proxy form duly filled in by such candidate(s);
- (b) the Board of Directors of each listed company may not have less than 1/4th or 2, whichever is higher, of the total members of the board as independent directors. Preferably, at least one independent director should have relevant industry experience. The Board shall identify in the annual report each non-executive independent director. In case board does not comprise of any independent director then the reasons thereof shall be disclosed in the annual report.

[Explanation: For the purpose of this clause, the expression "independent director" means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the listed company, its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest.

Provided that without prejudice to the generality of this explanation no director shall be considered independent if one or more of the following circumstances exist:

- he has been an employee of the company, any of its subsidiaries, associated company, associated undertaking or holding company within the last three years;
- he has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director of a body that has such a relationship with the company;
- he has received remuneration in the three years preceding his appointment as a director or receives additional remuneration excluding retirement benefits from the company apart from a director's fee or has participated in the company's share option or a performance-related pay scheme;
- he is a close relative of the company's promoters, directors or major shareholders;
- he holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- he has served on the board for more than two consecutive terms from the date of his first appointment provided that such person shall be deemed "independent director" after a lapse of one term.
- He has been affiliated with the company in any capacity within the last 3 years.
- He is a major supplier, customer, service provider, lessor or lessee of the company

Any person nominated as a director under sections 182 and 183 of the Ordinance, shall not be taken to be an "independent director" for the above-said purposes.

The director representing an institutional investor shall be selected by such investor through a resolution of its Board of Directors, either specifically or generally, and the policy with regard to selection of such person for election on the Board of Directors of the investee company shall be annexed to the Directors' Report of the investor company.

- (bb) professional indemnity insurance cover in respect of independent directors shall be encouraged.
- (c) It is encouraged that executive directors, i.e., paid executives are not more than 1/3rd of the elected directors, including the Chief Executive. Where executive directors are more than the encouraged threshold, then the company shall give reasons of the same in annual report.

Provided further that nothing contained in this clause shall supersede any law for the time being in force or regulation made by any regulator regarding the composition of the Board.

MAXIMUM NUMBER OF DIRECTORSHIPS TO BE HELD BY A DIRECTOR

- ii. No person shall be elected or nominated as a director / Chairperson of more than five listed companies simultaneously.

FILLING OF CASUAL VACANCY

- iii. Any casual vacancy in the Board of Directors of a listed company shall be filled up by the directors at the earliest but not later than 90 days thereof.

RESPONSIBILITIES, POWERS AND FUNCTIONS OF BOARD OF DIRECTORS

- iv. The board of directors of a listed company shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of the listed company.
- v. Board of directors of a listed company shall ensure that:
 - (a) Professional standards and corporate values are set in place that promote integrity for the board, senior management and other employees in the form of a “Code of Conduct”. The code of conduct shall articulate acceptable and unacceptable behaviors. The board shall ensure that appropriate steps are taken to communicate throughout the company the code of conduct it sets together with supporting policies and procedures, including posting the same on the company’s website;
 - (b) adequate systems and controls are in place for the identification and redressal of grievances arising from unethical practices.
 - (c) a vision and/or mission statement and overall corporate strategy for the listed company is prepared and adopted. It will further ensure that significant policies have been formulated;

Explanation:

Significant policies for this purpose may include:

- governance risk management and compliance issues;
- human resource management including preparation of a succession plan;
- procurement of goods and services;
- investors’ relations including but not limited to general investor awareness, complaints and communication, etc.
- marketing;
- determination of terms of credit and discount to customers;
- write-off of bad/ doubtful debts, advances and receivables;
- capital expenditure, planning and control;
- investments and disinvestment of funds;
- borrowing of moneys
- Corporate Social Responsibility (CSR) initiatives and other philanthropic activities including donations, charities, contributions

- and other payments of a similar nature;
- determination and delegation of financial powers;
- transactions or contracts with associated companies and related parties; and
- health, safety and environment

A complete record of particulars of the significant policies along with the dates on which they were approved or amended by the Board of Directors shall be maintained.

- (d) a system of sound internal control is established, which is effectively implemented and maintained at all levels within the company;
 - (e) not later than two years from the coming into force of this provision, a mechanism is put in place for undertaking annually an evaluation of the Board's own performance.
 - (f) The decisions on the following material transactions or significant matters are documented by a resolution passed at a meeting of the Board:
 - investment and disinvestment of funds where the maturity period of such investments is six months or more, except in the case of banking companies, non-banking finance companies, trusts, mutual funds and insurance companies;
 - determination of the nature of loans and advances made by the listed company and fixing a monetary limit thereof;
 - (g) The Board of Directors shall define the level of materiality, keeping in view the specific circumstances of the company and the recommendations of any technical or executive sub-committee of the Board that may be set up for the purpose;
- vi. The Chairman and the Chief Executive Officer (CEO), by whatever name called, shall not be the same person except where provided for under any other Law. The Chairman shall be elected from amongst the non executive directors of the listed company. The Chairman is responsible for leadership of the board and to ensure that the Board plays an effective role in fulfilling all its responsibilities. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and CEO.

Provided that the provisions of the clauses (i)(b), (i)(c) and (ii) shall be applicable and become effective when the Board of directors is next reconstituted on the expiry of its current statutory term:

MEETINGS OF THE BOARD

- vii. Written notices (including agenda) of meetings shall be circulated not less than seven days before the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived.
- viii. The Chairman of a listed company shall ensure that minutes of meetings of the Board of Directors are appropriately recorded.

In the event that a director of a listed company is of the view that his dissenting note has not been satisfactorily recorded in the minutes of a meeting of the Board of Directors, he may refer the matter to the Company Secretary. The director may require the note to be appended to the minutes, failing which he may file an objection with the Securities and Exchange Commission of Pakistan in the form of a statement to that effect. The objection may be filed with SECP not later than 30 days from the date of confirmation of the minutes of the meeting.

SIGNIFICANT ISSUES TO BE PLACED FOR DECISION BY BOARD OF DIRECTORS

- ix. In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the board of directors of listed companies and / or its committees

Significant issues for this purpose may include:

- the CEO shall immediately bring before the board, as soon as it is foreseen that the company will not be in a position of meeting its obligations on any loans (including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit), TFCs, Sukuks or any other loan instrument. Full details of the company's failure to meet obligations shall be provided in the company's quarterly and annual financial statements.
- annual business plans, cash flow projections, forecasts and strategic plans;
- budgets including capital, manpower and overhead budgets, along with variance analyses;
- matters recommended and/or reported by the Committees of the board;
- quarterly operating results of the listed company as a whole and in terms of its operating divisions or business segments;
- internal audit reports, including cases of fraud, bribery, corruption, or irregularities of a material nature;
- management letter issued by the external auditors;
- details of joint venture or collaboration agreements or agreements with distributors, agents, etc;
- promulgation or amendment of a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the listed company;
- status and implications of any law suit or proceedings of material nature, filed by or against the listed company;
- any show cause, demand or prosecution notice received from revenue or regulatory authorities;

- failure to recover material amounts of loans, advances, and deposits made by the listed company, including trade debts and inter-corporate finances;
- any significant accidents, dangerous occurrences and instances of pollution and environmental problems involving the listed company;
- significant public or product liability claims likely to be made against the listed company, including any adverse judgment or order made on the conduct of the listed company or of another company that may bear negatively on the listed company;
- report on governance, risk management and compliance issues
- disputes with labour and their proposed solutions, any agreement with the labour union or Collective Bargaining Agent and any charter of demands on the listed company;
- whistle-blower protection mechanism
- report on CSR activities;
- payment for goodwill, brand equity or intellectual property.

(x) Related Party Transactions

- a) The details of all related party transactions shall be placed before the Audit Committee of the company and upon recommendations of the Audit Committee the same shall be placed before the board for review and approval.
- b) The related party transactions which are not executed at arm's length price will also be placed separately at each Board meeting along with necessary justification for consideration and approval of the Board on recommendation of the Audit Committee of the listed company.
- c) The Board of Directors of a company shall approve the pricing methods for related party transactions that were made on the terms equivalent to those that prevail in arm's length transaction only if such terms can be substantiated.
- d) Every company shall maintain a party wise record of transactions, in each financial year, entered into with related parties in that year along with all such documents and explanations. The record of related party transaction shall include the following particulars in respect of each transaction:
 - i) Name of related party;
 - ii) Nature of relationship with related party;
 - iii) Nature of transaction;
 - iv) Amount of transaction;
 - v) Terms and conditions of transaction, including the amount of consideration received or given.

DIRECTORS' TRAINING PROGRAM

- (xi) All listed companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with their duties and responsibilities and enable them to effectively manage the affairs of the listed companies on behalf of shareholders.

It will be mandatory for all the directors of the listed companies to have certification under any director training/education program offered by any institution (local or foreign), which meets the criteria or benchmark specified by the Securities and Exchange Commission of Pakistan.

Provided that from June 30, 2012 to June 30, 2016 every year minimum one director on the Board shall acquire the said certification under this program and thereafter all directors shall be certified.

Provided further that individuals with a minimum of 16 years of education and 15 years of experience on the board of a listed company will be exempted from the above.

CHIEF FINANCIAL OFFICER (CFO), COMPANY SECRETARY AND HEAD OF INTERNAL AUDIT

APPOINTMENT AND APPROVAL

- (xii) The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit of listed companies shall be determined by the Board.

The removal of the CFO and Company Secretary of listed companies shall be made with the approval of the Board of Directors.

The removal of Head of internal audit shall be made with the approval of the board only upon recommendation of the Chairman of the Audit Committee.

For this purpose the term removal shall include non renewal of contracts of the CFO, Company Secretary and Head of Internal Audit.

QUALIFICATION OF CFO AND HEAD OF INTERNAL AUDIT

- (xiii) No person shall be appointed as the CFO of a listed company unless he has at least five years experience in handling financial or corporate affairs of a listed public company, or a bank or a financial institution, and:
- (a) he is a member of a recognized body of professional accountants; or
 - (b) he is a postgraduate in finance from a recognized university or equivalent.

Provided that individuals serving as CFO for the last five years at the time of promulgation of the revised Code will be exempted from the above criteria.

(xiv) No person shall be appointed as the Head of Internal Audit of a listed company unless he has 5 years of relevant experience in Internal Audit and is:

- (a) a member of a recognized body of professional accountants; or
- (b) a Certified Internal Auditor
- (c) a Certified Fraud Examiner
- (d) a Certified Internal Control Auditor
- (e) a CA Inter/ Module D of ICAP qualified with minimum 5 years of experience, including articleship.

Provided that individuals serving as Head of Internal Audit for the last five years at the time of promulgation of the revised Code will be exempted from the above criteria.

REQUIREMENT TO ATTEND BOARD MEETINGS

(xv) The Company Secretary of a listed company or in his absence, his nominee shall attend all meetings of the Board of Directors.

Provided that the Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to the Company Secretary.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

(xvi) The directors of listed companies shall annex statements of the following effect to the Directors' Report, prepared under section 236 of the Ordinance:

- (a) The financial statements, prepared by the management of the listed company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the listed company have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the listed company's ability to continue as a going concern.

Provided that where necessary the following information should also be annexed to the Directors' Reports of listed companies:

- a) If the listed company is not considered to be a going concern, the fact alongwith the reasons shall be disclosed.
- b) Significant deviations from last year in operating results of the listed company shall be highlighted and reasons thereof shall be explained.
- c) Key operating and financial data of last six years shall be summarised.
- d) If the listed company has neither declared dividend nor issued bonus shares for any year, the reasons thereof shall be given.
- e) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same shall be disclosed.
- f) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the listed company.
- g) A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included.
- h) The number of Board and Committees' meetings held during the year and attendance by each director shall be disclosed.
- i) The details of training programs attended by directors
- j) The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:
 - associated companies, undertakings and related parties (name wise details);
 - mutual funds (name wise details)
 - directors and their spouse and minor children (name wise details);
 - executives;
 - public sector companies and corporations;
 - banks, Development Finance Institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds; and
 - shareholders holding five percent or more voting rights in the *listed* company (name wise details).

Explanation: For the purpose of this clause, the expression “executive” ” includes the CEO, COO, CFO by whatever name called, and any person working at the senior management level and/or heading or supervising a functional area.

- k) The directors' report shall cover, loans, TFCs, SUKUKs or any other debt instruments in which the company is in default or likely to shortly go in to default. There shall be a clear presentation with details as to the aggregate amount of the debt overdue or likely to become overdue and the reasons for the default/emerging default situation and what measures are taken by the company to address and settle the default situation.
- l) All trades in the shares of the listed company, carried out by its directors, CFO, Company Secretary and their spouses and minor children shall also be disclosed

Directors Remuneration Matters:

(xvii) There shall be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director shall be involved in deciding his own remuneration.

- (a) Directors' remuneration packages shall encourage value creation within the company, and shall align their interests with those of the company. These shall be subject to prior approval of shareholders / board as required by company's Articles of Association. Levels of remuneration shall be sufficient to attract and retain the directors needed to run the company successfully. The remuneration package shall be structured so as to link rewards to corporate and individual performance, in the case of executive directors.

Subject to the provisions of the Ordinance and the company's Articles of Association, the shareholders / board shall determine the scale of remuneration for non-executive directors. However, it shall not be at a level that could be perceived to compromise their independence.

- (b) The Company's Annual Report shall contain criteria and details of the Remuneration of each director, including salary, benefits and performance linked incentives.

FREQUENCY OF FINANCIAL REPORTING

- (xviii) The quarterly unaudited financial statements of listed companies shall be published and circulated along with directors' review on the affairs of the listed company.
- (xix) All listed companies shall ensure that second quarterly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Securities and Exchange Commission of Pakistan.
- (xx) Every listed company shall immediately disseminate to the Securities and Exchange Commission of Pakistan and the stock exchange on which its shares are listed all material information relating to the business and other affairs of the

listed company that will affect the market price of its shares. Mode of dissemination of information shall be prescribed by the stock exchange on which shares of the company are listed.

This information may include but shall not be restricted to any material change in the nature of business of the company, information regarding a joint venture, merger or acquisition or any material contract entered into or lost; purchase or sale of significant assets; franchise, brand name, goodwill, royalty, financial plan etc. any unforeseen or undisclosed impairment of assets due to technological obsolescence, etc.; delay or loss of production due to strike, fire, natural calamities, major breakdown, etc.; issue or redemption of any securities; a major change in borrowings including projected gains to accrue to the company, any default in repayment or rescheduling of loans; and change in directors, Chairman or CEO of the listed company.

Explanation:

Such information shall be disseminated to the abovementioned entities as soon as any decision about above referred matters or any other significant issue is taken by the board or a significant matter requiring disclosure has come in to the knowledge of company's management.

RESPONSIBILITY FOR FINANCIAL REPORTING AND CORPORATE COMPLIANCE

- (xxi) No listed company shall circulate its financial statements unless the CEO and the CFO present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors.

It shall be mandatory for the CEO and CFO to have the second quarterly and annual accounts (both separate and consolidated where applicable) initialed by the external auditors before presenting it to the audit committee and the Board of Directors for approval.

- (xxii) The Company Secretary of a listed company shall furnish a Secretarial Compliance Certificate, in the prescribed form (Appendix "A"), along with annual return filed with the registrar concerned to certify that the secretarial and corporate requirements of the Ordinance have been duly complied with.

DISCLOSURE OF INTEREST BY A DIRECTOR HOLDING COMPANY'S SHARES

- (xxiii) Where any director, CEO or executive of a listed company or their spouses sell, buy or transact, whether directly or indirectly, in shares of the listed company of which he is a director, CEO or executive, as the case may be, he shall immediately notify in writing the Company Secretary of such transaction. Such director, CEO or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates (i.e. whether physical or electronic within the Central Depository System) and nature of transaction to the

Company Secretary within four days of effecting the transaction. The notice of the director, CEO or executive, as the case may be, shall be presented by the Company Secretary at the meeting of the Board of Directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the Board of Directors in its immediate next meeting.

Provided that each listed company shall determine a closed period prior to the announcement of interim/ final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or indirectly, deal in the shares of the listed company in any manner during the closed period.

The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the Board of Directors and terminate after the information is made public.

Every listed company shall advise its directors about the closed period at the time of circulating agenda and working papers for the Board meetings, alongwith sending intimation of the same to the stock exchanges.

COMMITTEES OF THE BOARD

COMPOSITION

(xxiv) The Board of Directors of every listed company shall establish an Audit Committee, of not less than three members including the chairman of the committee, who shall preferably be an independent director. The committee shall comprise of non-executive directors, the majority of whom shall preferably be independent directors. The board shall satisfy itself such that at least one member of the Audit committee has relevant financial skills/expertise and experience.

(xxv) There shall also be a Human Resources and Remuneration Committee of not less than three members comprising of non-executive directors and preferably including at least one independent director. The board may, in addition, include CEO as a member of the committee. The chairman of the committee shall preferably be an independent director. The committee shall be responsible for recommending human resource management policies to the board including executive compensation and succession planning. The committee shall specifically be responsible for recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO and consideration of his recommendations on such matters for key management positions who report directly to him. The CEO shall not participate in the proceedings of the committee on matters that directly relate to his performance and compensation.

(xxvi) The names of members of the committees of the board shall be disclosed in each

Annual Report of the listed company.

AUDIT COMMITTEE

FREQUENCY OF MEETINGS, ATTENDANCE, TERMS OF REFERENCE AND REPORTING PROCEDURES

(xxvii) The Audit Committee of a listed company shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the listed company by its Board of Directors and before and after completion of external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the head of internal audit.

ATTENDANCE AT MEETINGS

(xxviii) The CFO, the head of internal audit and a representative of the external auditors shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed.

Provided that at least once a year, the Audit Committee shall meet the external auditors without the CFO and the head of internal audit being present.

Provided further that at least once a year, the Audit Committee shall meet the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present.

Provided further that the chairman of the Audit Committee shall be present at the AGM for necessary feedback to the shareholders.

TERMS OF REFERENCE

(xxix) The Board of Directors of every listed company shall determine the terms of reference of the Audit Committee. The Board shall provide adequate resources and authority to enable the Audit Committee carry out its responsibilities effectively. The Audit Committee shall, *inter-alia*, recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the listed company in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise, it shall record the reasons thereof.

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

- (a) determination of appropriate measures to safeguard the listed company's assets;
- (b) review of quarterly, half-yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors, 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
 - compliance with listing regulations and other statutory and regulatory requirements; and
 - significant related party transactions
- (c) review of preliminary announcements of results prior to publication;
- (d) facilitating the external audit and discussion with external auditors of 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);
- (e) review of management letter issued by external auditors and management's response thereto;
- (f) ensuring coordination between the internal and external auditors of the listed company;
- (g) 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 listed company;
- (h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- (i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- (j) review of the listed company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- (k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- (l) determination of compliance with relevant statutory requirements;
- (m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- (n) consideration of any other issue or matter as may be assigned by the Board of Directors.

REPORTING PROCEDURE

(xxx) The Audit Committee of a listed company shall appoint a secretary of the Committee who shall not be the CFO or head of internal audit of the company. The secretary shall circulate minutes of meetings of the Audit Committee to all members, directors, head of internal audit and the CFO prior to the next meeting of the board and where this is not practicable, the Chairman of the Audit Committee shall communicate a synopsis of the proceedings to the board and the

minutes shall be circulated immediately after the meeting of the board.

INTERNAL AUDIT

(xxxix) There shall be an internal audit function in every listed company. The head of internal audit shall functionally report to the Audit Committee and administratively to the CEO.

A director cannot be appointed, in any capacity, in the internal audit function, to ensure independence of the internal audit function.

The internal audit function may be outsourced by a listed company to a reputable professional services firm or be performed by the internal audit staff of major shareholder, parent company or controlling company. However, due care shall be observed to ensure that suitably qualified and experienced persons, who are conversant with the company's policies and procedures, are engaged in the internal audit. In addition, these persons must be involved in the internal audit function on a full time basis so as to achieve the objectives of the said audit.

Provided that while outsourcing the function, the company must not appoint its existing external auditors as internal auditors.

(xxxix) All listed companies shall ensure that internal audit reports are provided for the review of external auditors. The auditors shall discuss any major findings in relation to the reports with the Audit Committee, which shall report matters of significance to the Board of Directors.

EXTERNAL AUDITORS

(xxxix) No listed company shall appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan.

(xxxix) No listed company shall appoint as external auditors a firm of auditors which firm or a partner of which firm is non-compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.

(xxxix) The Board of Directors of a listed company shall recommend appointment of external auditors for a year, as suggested by the Audit Committee. The recommendations of the Audit Committee for appointment of an auditor or otherwise shall be included in the Directors' Report. In case of a recommendation for appointment of an auditor other than the retiring auditor the reasons for the same shall be included in the Directors' Report.

(xxxix) No listed company shall appoint its auditors to provide services in addition to audit except in accordance with the Regulations and shall require the auditors to observe applicable IFAC guidelines in this regard and shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board of Directors and management of

the listed company.

(xxxvii) (a) All listed companies in the financial sector shall change their external auditors every five years. Financial sector, for this purpose, means Banks, Non-Banking Finance Companies (NBFC's), Modarabas and Insurance/takaful Companies; provided that all inter related companies/ institutions, engaged in business of providing financial services shall appoint the same firm of auditors to conduct the audit of their accounts¹ and

(b) All listed Companies other than those in the financial sector shall, at a minimum, rotate the engagement partner after every five years.

(xxxviii) No listed company shall appoint a person as an external auditor or a person involved in the audit of a listed company who is a close relative, i.e. spouse, parents, dependents and non-dependent children, of the CEO, the CFO, an internal auditor or a director of the listed company.

(xxxix) Every listed company shall require external auditors to furnish a Management Letter to its Board of Directors not later than 45 days from the date of audit report.

Provided that any matter deemed significant by the external auditor shall be communicated in writing to the Board prior to the approval of the audited accounts by the Board.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

(xl) All listed companies shall publish and circulate a statement (set out in the prescribed form vide Appendix "B") along with their annual reports to set out the status of their compliance with the regulations set out above. The statement shall be specific and deemed to be supported by the necessary evidence held by the company making the said statement.

(xli) All listed companies shall ensure that the statement of compliance with the best practices of corporate governance is reviewed and certified by statutory auditors, where such compliance can be objectively verified, before publication by listed companies.

(xlii) Where the Securities and Exchange Commission of Pakistan is satisfied that it is not practicable to comply with any of the best practices of corporate governance in a particular case, the Commission may, for reasons to be recorded, relax the same subject to such conditions as it may deem fit.

¹ Joint Notification by SBP & SECP dated February 25, 2004

SECRETARIAL COMPLIANCE CERTIFICATE

[See clause (xxii)]

Name of Company

To

Company Registration Office
Securities and Exchange Commission of Pakistan

I of being the Secretary of[1] certify, to the best of my knowledge and belief, that I am qualified to be appointed as the Company Secretary of a listed company and that the secretarial and corporate requirements of the Companies Ordinance, 1984, memorandum and articles of association of[2] and the listing regulations of[2] have been duly complied with for the year ended * and that nothing has been concealed or withheld in this regard.

Date:

Place:

Signature (s)
(Name (s) in block letters)
CNIC number

* State exceptions in case of non-compliance.

[1] Insert name of the company

[2] Insert names of the stock exchanges on which shares of the company are listed

Note:- The declaration need not be –

(c) signed before a Magistrate or an officer competent to administer oaths; or

(d) stamped as an affidavit

**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE**

[See clause (xl)]

Name of Company
Year Ended.....

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. of listing regulations of for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes independent non-executive directors and directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board on was filled up by the directors within days thereof.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to communicate the code of conduct throughout the company along with its supporting policies and procedures..
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every

quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged Training programs for its directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved[1] appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment..

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises members, of whom are non-executive directors and the chairman of the committee is a/andirector.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises.....members, of whom.....are non-executive and....independent

18. The Board has set-up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to

provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. the 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's share, was determined and intimated to directors, employees and stock exchange(s).

21. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange(s).

22. We confirm that all other material principles contained in the Code have been complied with^[1] except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

Signature (s)
(Name (s) in block letters)
Chairman / CEO

Note: Any exception to the above shall be adequately noted with reasons.

[1] in case of new appointments made after the application of the Code of Corporate Governance

[1] Delete if not applicable