



CHASHMA SUGAR MILLS LIMITED
INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chashma Sugar Mills Limited

Review Report on the statement of compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Chashma Sugar Mills Limited for the year ended September 30, 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.


As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended September 30, 2023.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

<u>S.No</u>	<u>Paragraph reference</u>	<u>Description</u>
i-	2	Executive Directors exceed the maximum number allowed as per Regulation 8.
ii-	12	Executive Director is a member of the Audit Committee.


Chartered Accountants
Islamabad
Date: February 2, 2024
UDIN: CR2023100535swxAYH9a

CHASHMA SUGAR MILLS LIMITED
STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: Chashma Sugar Mills Limited.

Year ended: September 30, 2023

The Company has complied with the requirements of the Regulations in the following manner:

1. The total numbers of Directors are seven as per the following
 - a) Male: 4
 - b) Female: 3 (See list in paragraph 2 below)
2. The composition of the Board of Directors (the Board) is as follows:

Category	Names
Independent Director (excluding female director)	Mr. Feisal Kemal Khan.
Non-executive Director (excluding female director)	Mr. Abdul Qadar
Executive Directors (excluding female director)	Mr. Iskander M. Khan Mr. Abbas Sarfaraz Khan
Female Director	Ms. Mariam Ali Khan(Independent Director) Ms. Zamine Sarfaraz(non-executive Director) Ms. Laila Sarfaraz(Executive Director)

*Best practices of corporate governance entail having an optimal number and mix of board members with adequate skills and experience. The Current Board of Directors of the Company adequately meets this requirement. Further, existing independent directors play an effective part within the Board and make valuable contribution. Therefore, fraction(2.33) has not been rounded up.

*Executive Directors exceed the maximum number of Executive Director allowed as per Regulation 8 of Code of Corporate Regulations, 2019. The Company will comply the requirement maximum number of Executive Directors allowed in the next election of directors due in March, 2025.

3. The director have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has not ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.

7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. All Directors of the Company meet exemption requirement of the Directors' Training Program. One new director appointed during the year will obtain the necessary training within allowed period of one year from date of appointment.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed Committees comprising of members given below:

Audit Committee	HR and Remuneration Committee
Ms. Mariam Ali Khan (Chairperson)	Ms. Mariam Ali Khan (Chairperson)
Mr. Iskander M. Khan	Mr. Iskander M. Khan
Mr. Abdul Qadir	Mr. Abdul Qadir

*Mr. Iskander M. Khan being an Executive Director cannot be a member of an Audit Committee as per Regulation 27 of Code of Corporate Governance, 2019. The Company will change the composition of Audit Committee in the subsequent period.

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance.
14. The frequency of meetings (quarterly/half yearly/yearly) of the Committees were as per following.
 - a) Audit Committee - Quarterly - 4 meetings held during the year
 - b) HR and Remuneration Committee - On required basis - 1 meeting held during the year.
15. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company.
17. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all the requirements of Regulations 3,6,7,27,32,33, and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with. Regulation No. 8 and 27 have not been complied with as referred in paragraph 2 and 12 above.

Explanations for non-compliance with requirements, other than regulations, 3,6,27,32,33 and 36 are below.

Non-mandatory Requirement	Reg. No.	Explanation
<p>Responsibilities of the Board and its members: A Board is responsible for the government of risk and for determining the company's level of risk tolerance by establishing risk management policies and for this purpose the Board is encouraged to undertake at least annually, an overall of business risks.</p> <p>A formal and effective mechanism is put in place for annual evaluation of the Board' own performance, members of the Board and of its committee.</p>	<p>10 (2)</p> <p>10 (3) (v)</p>	<p>Risk Management policy is in place however annual evaluation is not carried out by Board of directors as encouraged by the code Management intends to comply in future.</p> <p>There is no formal and effective mechanism in place for annual evaluation of Board's own performance and its committees.</p>
<p>Nomination Committee: The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.</p>	29	Currently, the board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee. The Board will consider to constitute nomination committee.
<p>Risk Management Committee: The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.</p>	30	Currently, the board has not constituted a risk Management committee and senior officers of the Company performs the requisite functions and apprise the Board accordingly. The Board will constitute risk Management committee when required
<p>Disclosure of significant policies on website: The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors remuneration policy.</p>	35	Key elements of policies and directors remuneration policy along with synopsis are not presently presented on website of the Company. Although these are circulated among the relevant employees and directors, the Board will consider posting such policies and synopsis on its website in near future.

Mardan:
February 02, 2024


(ABBAS SARFARAZ KHAN)
 CHAIRMAN