

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**To the members of Crescent Star Insurance Limited**

**Review Report on Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Code of Corporate Governance for Insurers, 2016**

We have reviewed the enclosed Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Regulations') and the Code of Corporate Governance for Insurers, 2016 (the 'Code') prepared by the Board of Directors of Crescent Star Insurance Limited (the Company) for the year ended December 31, 2022 in accordance with the requirements of Regulation 36 of the Regulations and provision lxxvi of the Code.

The responsibility for compliance with the Code and Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement 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 and the Code.

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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm length transaction and transactions which are not executed at arm lengths price and recording proper justification for using such alternative pricing mechanism and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. 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 audit committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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 and the Code as applicable to the Company for the year ended December 31, 2022.

Further we highlighted below instances of non-compliance with the requirement of the Code and Regulations as reflected in paragraphs 2 and 25 of the statement of compliance:

<b>Code of Corporate Governance Regulations for Listed Companies, 2019 and the Code of Corporate Governance for Insurers, 2016</b>		
<b>S.No</b>	<b>Reference</b>	<b>Description</b>
1	Section 8 of regulation / Clause b of section 3 of code	<p>The Company has three executive directors out of eight elected directors, which exceed the allowable proportion (one third of elected directors) of executive directors on the Board, as required by the Code.</p> <p>The Company has explained the reason in compliance report for the fraction contained in such one-third number which is rounded off as one.</p>
2	Section 9 of regulation/ Section 12 of code	<p>The positions of the chairman of the board and the chief executive officer of the Company are held by one person.</p> <p>The company has outlined the justification in the compliance report that the post of Chairman comes with a lot of responsibilities and increased public engagement and none of the directors have expressed willingness to be appointed as Chairman of the Board, as such Mr. Naim Anwar continues to occupy the post of Chairman and CEO as well.</p>
3	Section 24 of regulation	<p>The positions of the Chief Financial Officer and Secretary are held by one person.</p> <p>The compliance report includes a rationale for the company's decision as the operations and business of the Company is affected by the economic conditions. The Company is looking to cut cost in all related departments. As such the functions of the CFO and Company Secretary are being performed by the same person.</p>

**Crowe Hussain Chaudhury & Co.**  
Chartered Accountants

**Date: 31 MAR 2023**

**Karachi**

**UDIN Number:CR202210207D1wtplHei**

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 & LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

**CRESCENT STAR INSURANCE LIMITED (“the Company”)  
FOR THE YEAR ENDED DECEMBER 31, 2022**

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) for the purpose of establishing a framework of good governance, whereby the Insurer is managed in compliance with the best practices of corporate governance and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations).

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

1. The total number of directors are eight (8), as per the following:
  - a) Male: 5
  - b) Female: 3
2. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Independent Directors	Mr. Shaikh Waqar Ahmed Ms. Naveeda Mahmud Ms. Huma Javaid
Executive Directors	Mr. Naim Anwar, CEO/Chairman Mr. Tanveer Ahmed Mr. Suhail Elahi
Non-Executive Directors	Mr. Rashid Malik Ms. Rabia Omer Hassan

The independent director meets the criteria of independence as laid down under the Code, Regulations and Companies Act, 2017.

The numbers of Executive Directors are rounded off to 3. To effectively manage the business of the Company two executive directors are looking after the north and south regions of the Company.

\*\* The post of Chairman comes with a lot of responsibilities and increased public engagement and none of the directors have expressed willingness to be appointed as Chairman of the Board, as such Mr. Naim Anwar continues to occupy the post of Chairman and CEO as well.

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company;
4. 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.

5. Casual vacancy occurred on the Board on March 14, 2022. The said vacancy was filled during the year.
6. The Company has prepared a “Code of Conduct” which has been disseminated among all directors and employees of Company along with its supporting policies and procedures.
7. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of significant policies along with the dates on which they were approved or amended has been maintained by the Company.
8. All 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 Chief Executive Officer, other executive directors and the key officers, have been taken by the Board. Decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
9. The meetings of the Board were presided over by the Chairman and, in 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 (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Board have a formal policy and transparent procedure for remuneration of directors in accordance with the Act and Regulations.
11. While almost all the directors are professionals and senior executives who possess wide experience of duties of directors, the Company apprises its directors of new laws and regulations and amendments in the existing ones. The Board plans to arrange directors’ training program.
12. There was no new appointment of Chief Financial Officer (CFO) or Company Secretary or Head of Internal Audit during the year.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The Board has formed the following Management Committees:
  - a) Underwriting, Reinsurance and Co-insurance Committee

Names	Category
Mr. Tanveer Ahmed	Chairman
Mr. Naim Anwar	Member
Ms. Gul Taj	Secretary

b) Claims Settlement Committee

Names	Category
Mr. Naim Anwar	Chairman
Dr. Atif Rais	Member
Mr. Ashraf Dhedhi	Secretary

c) Risk Management & Compliance Committee

Names	Category
Mr. Naim Anwar	Chairman
Mr. Malik Mehdi Muhammad	Member
Mr. Tanveer Ahmed	Member
Mr. Ashraf Dhedhi	Member

15. The Board has formed the following Board Committees comprising of members given below;

a) Nomination, Ethics, Human Resource & Remuneration Committee

Names	Category
Ms. Huma Javaid	Chairman
Mr. Shaikh Waqar Ahmed	Member
Mr. Naim Anwar	Member

b) Investment Committee

Names	Category
Mr. Naim Anwar	Chief Executive Officer / Chairman
Mr. Shaikh Waqar Ahmed	Independent Director / Member
Ms. Huma Javaid	Independent Director / Member
Mr. Malik Mehdi Muhammad	Chief Financial Officer

16. The Board has formed an Audit Committee. It presently comprises of three members and all of them are independent director including the chairman of the committee. The Composition of the audit committee is as follows:

Names	Category
Mr. Shaikh Waqar Ahmed	Independent Director / Chairman
Ms. Naveeda Mahmud	Independent Director / Member
Ms. Huma Javaid	Independent Director / Member

17. The meetings of the committees except Nomination, Ethics, Human Resource & Remuneration Committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of references of the Committees have been formed and advised to the Committees for compliance.
18. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company includes all the necessary aspects of internal control given in the Code.
19. The statutory auditors of the Company have been appointed from the panel of auditor approved by the Commission in term of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). 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 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 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 director of the Company.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulation, or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The Directors' report for this year has been prepared in compliance with the requirements of the Code and the Regulations and fully describes the salient matters required to be disclosed.
22. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
23. The Company has complied with all the corporate and financial reporting requirements of the Code.
24. The Board has set up an effective internal audit function and the head of internal audit is conversant with the policies and procedures of the Company.
25. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under this Code. Moreover, the persons heading the underwriting, claims, reinsurance, risk management and grievance functions possess qualification and experience of direct relevance to their functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No .XXXIX of 2000):

Names	Designation
Mr. Naim Anwar	Chief Executive Officer
Mr. Malik Mehdi Muhammad	Chief Financial Officer & Company Secretary*
Syed Danish Hasan Rizvi	Head of Internal Audit
Mr. Ashraf Dhedhi	Head of Claims and Compliance Officer
Mr. Tanveer Ahmed	Head of Underwriting, Reinsurance, Risk Management & Grievance Department

\* As the operations and business of the Company is affected by the economic conditions. The Company is looking to cut cost in all related departments. As such the functions of the CFO and Company Secretary are being performed by the same person.

26. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provision of the Code.
27. The Board ensures that the risk management system of the Company is in place as per Code.
28. The Company has set up a risk management function, which carries out its tasks as covered under the Code.
29. The Board ensures that as part of the risk management system, the Company gets itself rated from PACRA which is being used by its management function/department and the respective committee as a risk monitoring tool. The rating assigned by the rating agency on January 27, 2023 is A with Outlook Stable.
30. The Board has set up a grievance department/function, which fully complies with the requirements of the Code.
31. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan (SECP) in respect of the requirements of the Code.
32. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulation and all material requirement of Code have been complied.

For and on behalf of the Board of Directors  
**Crescent Star Insurance Limited**

**Naim Anwar**  
Managing Director & CEO

Karachi: March 24, 2023