

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 of First National Bank Modaraba For the year ended June 30, 2022

The Modaraba Management Company (hereafter referred to as the Company) has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are six as per the following, -
  - a. Male: 6
  - b. Female: 0

2. The composition of the Board is as follows:

Independent Director	Muhammad Iqbal Hussain
Non-Executive Directors	Imran Malik
	Khawaja Waheed Raza
	Rehmat Ali Hasnie
	Jamal Baquar - Resigned on February 07, 2022
Executive Director	Abbas Azam
Female Director	Nil

3. The directors 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 ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company; and is also available on website.
5. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ certificate holders as empowered by the relevant provisions of 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 Act and the Regulations with respect to frequency, recording and circulating minutes of meeting 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. Three directors have acquired prescribed certification under Directors' Training Program while Three directors are exempt based on exemption criteria.
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. -

a) Audit Committee	Chairman	Muhammad Iqbal Hussain
	Member	Khawaja Waheed Raza
	Member	Syed Jamal Baqur
b) HR and Remuneration Committee	Chairman	Khawaja Waheed Raza
	Member	Muhammad Iqbal Hussain
	Member	Rehmat Ali Hasnie
c) Risk Management Committee	Chairman	Muhammad Imran Malik
	Member	Khawaja Waheed Raza
	Member	Muhammad Iqbal Hussain
d) Nomination Committee	NA	NA

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13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following,-
- |                                    |     |
|------------------------------------|-----|
| a) Audit Committee;                | 4   |
| b) HR and Remuneration Committee ; | 1   |
| c) Risk Management Committee       | 1   |
| d) Nomination Committee            | N/A |
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 and 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 director 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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No	Reg. Ref.	Description	Explanation
1.	7	The Board shall have a female director.	Noted for the future compliance.
2.	19	By June 30, 2022 all the directors on the Board should have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	Noted for the future compliance.
3.	24	The same person shall not simultaneously hold the office of Chief Financial Officer and Company Secretary of a listed Company.	Noted for the future compliance.
4.	27(1)(i)	The Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director	Noted for the future compliance.
5.	28(2)	The Chairman of the HR & R Committee shall be an Independent Director.	Noted for the future compliance.



Signature  
Chairman



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE  
HOLDERS OF  
FIRST NATIONAL BANK MODARABA  
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 National Bank Modaraba Management Company Limited (the Company) for and on behalf of First National Bank Modaraba (the Modaraba) for the year ended June 30, 2022 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 June 30, 2022.

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:



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<b>Sr. No.</b>	<b>Paragraph Reference</b>	<b>Description</b>
1	18	The Board does not have a female director.
2	18	The Audit Committee did not consist of at least three non-executive members in the last quarter as one of the member s resigned during the last quarter and the resulting casual vacancy has not been filled.
3	19	One of the directors did not complete the Director Training Program during the year.
4	19	The positions of Chief Financial Officer and Company Secretary are held by the same person.
5	19	The Chairman of the Human Resource and Remuneration Committee is not an independent director.

**LAHORE**  
**Dated: September 09, 2022**  
**UDIN Number: CR202210051FIU9hzcR3**

**CROWE HUSSAIN CHAUDHURY & CO.**  
**Chartered Accountants**