

## Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations, 2019

**Name of Bank:** **National Bank of Pakistan**

**Name of the line Ministry:** **Ministry of Finance**

**For the year ended:** **December 31, 2022**

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) (both herein referred to as 'Codes') issued for the purpose of establishing a framework of good governance, whereby a public sector bank is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the Regulations, the provisions of the Rules shall prevail and in case of any conflict between the Codes and the Banks (Nationalization) Act, 1974, the provisions of the Banks (Nationalization) Act, 1974 have been followed.

II. The Bank has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N											
			Tick the relevant box												
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	√												
2.	The Board has the requisite percentage of independent directors. As at December 31, 2022, the Board includes:	3(2)	√												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Category</th> <th style="width: 40%;">Names</th> <th style="width: 40%;">Date of appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>- Mr. Farid Malik - Mr. Ahsan Ali Chughtai</td> <td>27-7-2020 21-6-2021</td> </tr> <tr> <td>Executive Directors</td> <td>- Mr. Rehmat Ali Hasnie CEO/President (Acting)</td> <td>12-5-2022</td> </tr> <tr> <td>Non-Executive Directors</td> <td>- Mr. Asif Jooma</td> <td>9-3-2020</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	- Mr. Farid Malik - Mr. Ahsan Ali Chughtai	27-7-2020 21-6-2021	Executive Directors	- Mr. Rehmat Ali Hasnie CEO/President (Acting)	12-5-2022	Non-Executive Directors	- Mr. Asif Jooma	9-3-2020		
Category	Names	Date of appointment													
Independent Directors	- Mr. Farid Malik - Mr. Ahsan Ali Chughtai	27-7-2020 21-6-2021													
Executive Directors	- Mr. Rehmat Ali Hasnie CEO/President (Acting)	12-5-2022													
Non-Executive Directors	- Mr. Asif Jooma	9-3-2020													

	Subsequent to the year ended December 31, 2022, the Federal Government vide Notification No. F.1 (11) Bkg-III/2017-90 dated January 18, 2023, has appointed Mr. Ashraf Mahmood Wathra as Chairman of the Board, Mr. Amjad Mahmood as Non-Executive Director, Mr. Ali Syed as Independent Director and Nasim Ahmad as Independent Director of the Board with immediate effect.			
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	√	
4	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Ordinance.	3(7)	√	
5	The Chairman of the Board is working separately from the Chief Executive of the Bank.	4(1)		√
6	The Chairman has been elected by the Board of Directors except where the Chairman of the Board has been appointed by the Government.	4(4)		√
7	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the Chief Executive has been nominated by the Government)	5(2)		N/A
8	a) The Bank has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures, including posting the same on the Bank's website <a href="http://www.nbp.com.pk">www.nbp.com.pk</a> . c) The Board has set in place adequate system and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	√  √  √	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	√	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstance considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	√	
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Bank.	5(5) (b)(vi)	√	
12	a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. b) A committee has been formed to investigate deviations from the Bank's Code of Conduct.	5(5) (c)(ii)	√  √	

13	The Board has ensured compliance with the law as well as the Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	√	
14	The Board has developed a vision or mission statement, corporate strategy of the Bank.	5(6)	√	
15	The Board has developed significant policies of the Bank. A complete record of the particulars of the significant policies together with the date on which they were approved or amended has been maintained.	5(7)	√	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	√	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√	
18	a) The Board has met at least four times during the year.	6(1)	√	
	b) Written notices of the Board meetings, along with agenda duly approved by the Chairman, were circulated at least seven days before the meetings.	6(2)	√	
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	√	
19	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	√	
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	√	
21	a) The Board has approved the profit and loss account for and balance sheet as at the end of first, second and third quarter of the year as well as the financial year end.	10	√	
	b) The Board has ensured that half yearly accounts are prepared and reviewed by the external auditors.		√	
	c) The Board has placed the annual financial statements on the Bank's website.		√	
22	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.	11	√	

23	a) The Board has formed the requisite committees, as specified in the Rules.	12	√		
	b) The committees were provided with written term of reference defining their duties, authority and composition.		√		
	c) The minutes of the meetings of the committees were circulated to all the Board members.		√		
	d) The committees were chaired by the following non-executive directors:		√		
	<b>Committees</b>		<b>No. of Members</b>		<b>Name of Chairman</b>
	Board Audit Committee		03		Mr. Ahsan Ali Chughtai
	Board HR & Remuneration Committee		03		Mr. Farid Malik
	Board Risk & Compliance Committee		04		Mr. Ahsan Ali Chughtai
Board Technology & Digitalization Committee	03	Mr. Farid Malik			
Board Inclusive Development Committee	03	Mr. Asif Jooma			
NBP-NY Governance Council (Sub-Committee of BRCC)	02	Mr. Ahsan Ali Chughtai			
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13	√		
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	√		
26	The Bank has adopted International Financial Reporting Standards notified by the Commission in terms of sub- section (1) of section 225 of the Act.	16	√		
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	√		
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Bank except those disclosed to the Bank.	18	√		
29	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.	19	√		
	b) The Annual Report of the Bank contains criteria and details of remuneration of each director.		√		

30	The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial officer, before approval of the Board.	20	√													
31	The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members as at December 31, 2022:	21 (1) and 21(2)	√													
	<table border="1"> <thead> <tr> <th>Name of Banker</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Ahsan Ali Chughtai</td> <td>Independent Director</td> <td>Senior Banker</td> </tr> <tr> <td>Mr. Farid Malik</td> <td>Independent Director</td> <td>Business Executive</td> </tr> <tr> <td>Mr. Asif Jooma</td> <td>Non - Executive Director</td> <td>Business Executive</td> </tr> </tbody> </table>				Name of Banker	Category	Professional background	Mr. Ahsan Ali Chughtai	Independent Director	Senior Banker	Mr. Farid Malik	Independent Director	Business Executive	Mr. Asif Jooma	Non - Executive Director	Business Executive
Name of Banker	Category				Professional background											
Mr. Ahsan Ali Chughtai	Independent Director				Senior Banker											
Mr. Farid Malik	Independent Director				Business Executive											
Mr. Asif Jooma	Non - Executive Director	Business Executive														
	The Chief Executive and Chairman of the Board are not members of the Audit Committee.															
32	a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed.	21(3)	√													
	b) The Audit Committee met the external auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives.		√													
	c) The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the external auditors.		√													
33	The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee.	22	√													
	The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.		√													
	The internal audit reports have been provided to the external auditors for their review.		√													
34	The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	√													
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	√													

**Yousuf Adil**  
Chartered Accountants  
Cavish Court, KCHSU  
Shahrah-e-Faisal  
Karachi, Pakistan

**A.F. Ferguson & Co.**  
Chartered Accountants  
State Life Building No. 1-C  
I.I Chundrigar Road  
P.O. Box 4716  
Karachi - 74000

**Review Report to the Members**  
**On the Statements of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) and Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) (both herein referred to as 'Codes') prepared by the Board of Directors of **National Bank of Pakistan** (the Bank) for the year ended December 31, 2022 to comply with the requirements of regulation 36 of the Regulations and the provisions of the Rules.

The responsibility for compliance with the Codes is that of the Board of Directors of the Bank. Our responsibility is to review to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Codes.

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 Bank's corporate governance procedures and risks.

The Codes require the Bank 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 arms' length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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. We have not carried out any procedures to determine 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 Bank's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Bank for the year ended December 31, 2022.

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

	Reference	Description
i	III (9(i))	It is mandatory that the Board shall have at least one female director. However, there was no female director holding the office of Directors after the retirement of Ms. Sadaffe Abid from the Board.
ii	IV (1)	After the retirement of Mr. Zubyr Soomro as Chairman of the Board, President / CEO (A) presided over the meetings of the Board, in absence of the chairman.
iii	IV (2)	The performance evaluation of members of the Board including the Chairman and the Chief Executive shall be undertaken annually by the Government. However, no performance evaluation was undertaken of the above stated personnel.



**Yousuf Adil**  
Chartered Accountants  
Place: Karachi  
Date: March 6, 2023  
UDIN: CR2022100914svoxIUAq



**A.F. Ferguson & Co.**  
Chartered Accountants  
Place: Karachi  
Date: March 6, 2023  
UDIN: CR202210068q1JIKSyey