

STATEMENT OF COMPLIANCE

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, 2023

- 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, 2023, the Board includes :			3(2)	√	
	Category	Names	Date of Appointment			
	Independent Directors	- Mr. Ashraf Mahmood Wathra - Mr. Ahsan Ali Chughtai - Mr. Ali Syed - Mr. Nasim Ahmad	18-1-2023 21-6-2021 18-1-2023 18-1-2023			
	Executive Directors	- Mr. Rehmat Ali Hasnie CEO/President	07-08-2023			
	Non-Executive Directors	- Mr. Farid Malik - Mr. Amjad Mahmood	27-8-2023 18-1-2023			
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.			3(4)	√	
4.	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)	√	
5.	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)	√	
6.	The Chairman of the Board is working separately from the Chief Executive of the Bank.			4(1)	√	
7.	The Chairman has been elected from amongst the independent Directors, except where the Chairman of the Board has been appointed by the Government.			4(4)	√	
8.	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	
9.	a)	The Bank has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.		5(4)	√	
	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 www.nbp.com.pk.			√	
	c)	The Board has set in place adequate system and controls for the identification and redressal of grievances arising from unethical practices.			√	

10.	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)	√	
11.	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)	√	
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Bank.	5(5) (b)(vi)	√	
13.	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.	5(5) (c)(ii)	√	
	b) A committee has been formed to investigate deviations from the Bank's Code of Conduct.		√	
14.	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 in accordance with PPRA Rules.	5(5) (c)(iii)	√	
15.	The Board has developed a vision or mission statement, corporate strategy of the Bank.	5(6)	√	
16.	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)	√	
17.	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)		
18.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√	
19.	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)	√	
20.	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)	√	
21.	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	√	
22.	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 reviewed by the external auditors.		√	
	c) The Board has placed the annual financial statements on the Bank's website.		√	
23.	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	√	
24.	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:		√	
	Committees	No. of Members	Name of Chairman	
	Board Audit Committee	05	Mr. Ahsan Ali Chughtai	
	Board HR & Remuneration Committee	03	Mr. Ashraf Mahmood Wathra	
	Board Risk & Compliance Committee	04	Mr. Ahsan Ali Chughtai	
	Board Technology & Digitalization Committee	04	Mr. Farid Malik	
	Board Inclusive Development Committee	04	Mr. Ashraf Mahmood Wathra	
	NBP-NY Governance Council (Sub-Committee of BRCC)	03	The President	
25.	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	√	

26.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	√	
27.	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		
28.	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	√	
29.	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 in pattern of shareholding to the Bank.	18	√	
30.	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. b) The Annual Report of the Bank contains criteria and details of remuneration of each director.	19	√ √	
31.	The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial officer, before approval of the Board.	20	√	
32.	The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members as at December 31, 2023:	21 (1) and 21(2)	√	
	Name of Banker	Category	Professional Background	
	Mr. Ahsan Ali Chughtai	Independent Director	Senior Banker	
	Mr. Farid Malik	Non-Executive Director	Business Executive	
	Mr. Amjad Mahmood	Non – Executive Director	Additional Finance Secretary	
	Mr. Ali Syed	Independent Director	Business Executive	
	Mr. Nasim Ahmad	Independent Director	Senior Banker	
33.	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. 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.	21(3)	√ √	
34.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee. b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules. c) The internal audit reports have been provided to the external auditors for their review.	22	√ √ √	
35.	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)	√	
36.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	√	

III. Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 (The Regulations)

1. The total number of directors are as follows:
 - a. Male: 07
 - b. Female: Nil
2. 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 as well as these Regulations.
3. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
4. 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 the meeting of the Board.
5. The Board has formed committees comprising of members given below:

a) Board Audit Committee (BAC):

S. No	Names of Director	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Farid Malik	Member
3	Mr. Amjad Mahmood	Member
4	Mr. Ali Syed	Member
5	Mr. Nasim Ahmad	Member

b) Board HR & Remuneration Committee (BHRR):

S. No	Names of Director	Status
1	Mr. Ashraf Mahmood Wathra	Chairman
2	Mr. Farid Malik	Member
3	Mr. Ali Syed	Member

c) Board Risk & Compliance Committee (BRCC):

S. No	Names of Director	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Ali Syed	Member
3	Mr. Nasim Ahmad	Member
4	The President	Member

d) Board Technology & Digitalization Committee (BTDC):

S. No	Names of Director	Status
1	Mr. Farid Malik	Chairman
2	Mr. Amjad Mahmood	Member
3	Mr. Ali Syed	Member
4	The President	Member

e) Board Inclusive Development Committee (BIDC):

S. No	Names of Director	Status
1	Mr. Ashraf Mahmood Wathra	Chairman
2	Mr. Amjad Mahmood	Member
3	Mr. Nasim Ahmad	Member
4	The President	Member

f) NBP-NY Governance Council (Sub-Committee of BRCC):

S. No	Names of Director	Status
1	The President	Chairman
2	Mr. Ahsan Ali Chughtai	Member
3	Mr. Nasim Ahmad	Member

5. The frequency of Meetings (Quarterly/half yearly/yearly) of the Committees were as per following:

S. No	Name of Committees	No. of Meetings held during the year
a	Board Audit Committee (BAC)	11
b	Board HR & Remuneration Committee (BHRRC)	10
c	Board Risk & Compliance Committee (BRCC)	11
d	Board Technology & Digitalization Committee (BTDC)	05
e	Board Inclusive Development Committee (BIDC)	02
f	NBP-NY Governance Council (Sub-Committee of BRCC)	09

6. The Board has set up an effective internal audit function for both local and overseas operations. With regards to NBP-USA, Internal audit function of the Bank is outsourced to an independent professional firm. In addition, audit function in Germany is also outsourced. Both these audit firms are considered suitably qualified, experienced and conversant with the policies and procedures of the Bank and all applicable laws and regulations.
7. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.
8. The statutory auditors of the Bank 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 Bank;

9. 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.
10. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the following non-compliance:
 - i) As per regulation 7, it is mandatory that the Board shall have at least one female director when it is reconstituted after the expiry of its current term. No female director was appointed on the Board after retirement of Ms. Sadaffe Abid, whose tenure ended on April 16, 2022.

EXPLANATION FOR NON-COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Bank to seek compliance by the end of next Financial Year:

S. No	Rule/Sub Rule No	Reasons for Non-Compliance	Future course of action
1	8(1)	The performance evaluation of the members of the Board including the Chairman and the Chief Executive is required to be undertaken annually by the Government for which, the Government is required to enter into performance contract with each member of the Board at the time of his appointment. Hence the compliance to this provision is primarily attributable to the Government.	The Bank is conducting Board Evaluation in line with Regulation G-13 of Corporate Governance Regulatory Framework (CGRF) of SBP. However, a letter has been sent to the Federal Government, communicating the said non-compliance and seeking action thereupon on part of the Federal Government.

REHMAT ALI HASNIE
CEO / President

ASHRAF MAHMOOD WATHRA
Chairman

Date: February 22, 2024
Place: Karachi

REVIEW REPORT TO THE MEMBERS

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

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block-C
Lakson Square Building
No.1, Sarwar Shaheed
Road, Karachi – 74200

INDEPENDENT AUDITORS' REVIEW REPORT

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), Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) (both herein referred to as 'Codes') and Bank (Nationalization) Act, 1974 prepared by the Board of Directors of National Bank of Pakistan (the Bank) for the year ended December 31, 2023 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 Codes 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, 2023.

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

S. No	Reference	Description
i	Regulation 7	It is mandatory that the Board shall have at least one female director. However, there was no female director holding the office of Directors during the current year.
ii	Rule 8(1)	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.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 4, 2024
UDIN: CR202310068PnOHTeDr0

BDO Ebrahim & Co.
Chartered Accountants
Karachi
Dated: March 4, 2024
UDIN: CR202310067bteiZ5Cjp