

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

For the Year Ended December 31, 2023

This Statement is being presented to share the status of compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") by Philip Morris (Pakistan) Limited ("the Company") during the year ended December 31, 2023. The Company has complied with the requirements of the Regulations in the following manner:-

- The total number of Directors as at December 31, 2023 were seven (7) as per the following:
 - Male: Five (5)
 - Female: Two (2)
- The composition of the Board as at December 31, 2023 was as follows:

| Category | Name |
|--|---------------------------|
| Independent Directors | Mr. Sarfaraz Ahmed Rehman |
| | Mr. Mirza Rehan Baig |
| | Mr. Junaid Iqbal |
| Non-Executive Directors / Female Directors | Ms. Pattaraporn Auttaphon |
| | Ms. Nadia Waris |
| Executive Directors | Mr. Roman Yazbeck |
| | Mr. Muhammad Zeeshan |

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company;
- 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;
- 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;
- 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 ("Act") and these Regulations;
- The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency and recording minutes of meeting of the Board;
- The Board has a formal policy and transparent procedures for the remuneration of Directors in accordance with the Act and the Regulations;
- As on December 31, 2023, out of seven (7) directors on the Board, two (2) directors have acquired the Directors Training Program (DTP) certification.

- During the year, there was no fresh appointment of the Chief Financial Officer (CFO), Company Secretary (CS). However, the Head of Internal Audit (HoIA) was appointed effective August 1, 2023 directly by the Board of Directors. Revisions in the remuneration of the CFO, HoIA, and the CS for the year ended December 31, 2023 were made as per the Company policy in line with their terms of appointment.
- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
- The Board has formed the following committees, the composition of which as at December 31, 2023 was as follows:

(a) Audit Committee

| Name | Designation |
|---------------------------|-------------|
| Mr. Mirza Rehan Baig | Chairman |
| Ms. Nadia Waris | Member |
| Ms. Pattaraporn Auttaphon | Member |

(b) Human Resource and Remuneration Committee

| Name | Designation |
|---------------------------|-------------|
| Mr. Sarfaraz Ahmed Rehman | Chairman |
| Mr. Roman Yazbeck | Member |
| Ms. Nadia Waris | Member |

- The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
- The frequency of meetings of the committee were as per following:
 - Audit Committee - Four (4)
 - Human Resource and Remuneration Committee - One (1)
- The Board has set up an effective internal audit function;
- 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 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;
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed applicable IFAC guidelines in this regard;
- We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the regulations have been complied with.

19. Explanation for non-compliance with the requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

- (a) The minutes of meeting of the Board were circulated to the Board after lapse of fourteen days of respective Board meetings but before ensuing the Board meeting following the completion of the minutes preparation.
- (b) Although five of the directors of the Company have not obtained DTP certificate, the Company believes that all its directors are highly qualified and experienced. The Company also believes that the training requirements for its head of departments and executives, including female executives, are completed through in-house trainings.
- (c) In view of the fact that the change of head of internal audit with effect from August 1, 2023 was as a result of internal human resource reorganization, the matter was not formally placed before the Board Audit Committee but directly taken up by the Board of Directors on the recommendation of the Board Human Resource and Remuneration Committee.
- (d) The Board has not constituted a separate nomination committee and the functions are being performed by the Board Human Resource and Remuneration Committee.
- (e) The risk management committee has not been constituted and the risk management areas are discussed and deliberated upon in the Board Audit Committee and subsequent findings are presented to the Board.
- (f) The Company has not placed certain policies and terms of reference of the Board's committees on its official website as these have only been recommended by the Regulations.

The Board has been guided by the fact that the above requirements are not mandatory and the necessary explanation under the Regulations have been included above.



Sarfaraz Ahmed Rehman
Chairman

Date: March 22nd, 2024

Independent Auditor's Review Report

To the members of Philip Morris (Pakistan) 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 Philip Morris (Pakistan) Limited for the year ended December 31, 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 December 31, 2023.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: April 4, 2024
UDIN: CR20231005676GQ2RhDr