

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019



**Grant Thornton Anjum
Rahman**

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

INDEPENDENT AUDITOR'S REVIEW REPORT

T +92 21 35672951-56

TO THE MEMBERS OF PAKISTAN STOCK EXCHANGE 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 Pakistan Stock Exchange Limited (the Company) for the year ended 30 June 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 30 June 2022.

Chartered Accountants
Place: Karachi
Date: 26 September 2022
UDIN: CR202210093vi3QIKdXT

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

For the year ended June 30, 2022

Pakistan Stock Exchange Limited (the Exchange) has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) in the following manner:

1. The Board of Directors of the Exchange (the Board) consisted of eleven (11) directors as on June 30, 2022, as per the following categories:

| Category | Number of Directors |
|------------------|---------------------|
| Male Directors | 09 |
| Female Directors | 02 |

2. The composition of the Board as on June 30, 2022, was as follows:

| Category | Names |
|------------------------------|---|
| Independent Directors | (i) Dr. Shamshad Akhtar (Chairperson) (ii) Mr. Javed Kureishi (iii) Mr. Mohammad Salahuddin Manzoor |

| | |
|---|---|
| Other Non-Executive/ Shareholder Directors | (i) Mr. Ahmed Chinoy (ii) Mr. You Hang (iii) Dr. FU Hao (iv) Ms. Yu Huali (v) Mr. Jiang Ketao (vi) Mr. Nadeem Naqvi (vii) Mr. Zubair Razzak Palwala |
|---|---|

| | |
|---------------------------|---|
| Executive Director | (i) Mr. Farrukh H. Khan (Chief Executive Officer) |
|---------------------------|---|

The best practices of corporate governance entail having an optimal number and mix of Board members with core competencies, adequate skills and experience; and the current Board of the Exchange adequately meets the requirements. The fraction (2:3) was not rounded up for appointment of independent directors, to reflect true representation of the shareholders on the Board by having seven (7) shareholder directors, and three (3) independent directors, thereby keeping an overall size of the Board at 10 directors, excluding Chief Executive Officer of the Exchange.

3. The directors have confirmed that none of them is serving as a director on more than seven (7) listed companies, including the Exchange;
4. The Exchange has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Exchange along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Exchange. 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 Exchange;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Companies Act) and the Regulations;

7. All meetings of the Board were presided over by the Chairperson. The Board has complied with the requirements of the Companies Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors, in accordance with the Companies Act and the Regulations;
9. As at the end of financial year, 5 out of 11 directors are in possession of the prescribed certification under Directors' Training program (DTP). Nevertheless, the Board has taken note of the same and encouraged the remaining directors to obtain the said certification within reasonable time period;
10. The Board approves the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment in compliance with relevant requirements of the Regulations. Nevertheless, during the financial year, there was no new appointment of CFO, Head of Internal Audit and the Company Secretary;
11. The CFO and the Chief Executive Officer (CEO) duly endorsed the financial statements before approval of the Board;
12. Pursuant to the provisions of the Regulations, the Board formed committees comprising of members given below, as on June 30, 2022:

Name of Committee

Audit Committee

Composition

- (i) Mr. Javed Kureishi (Chairman)
- (ii) Mr. Ahmed Chinoy (Member)
- (iii) Mr. You Hang (Member)

Human Resources and Remuneration Committee

- (i) Dr. Shamshad Akhtar (Chairperson)
- (ii) Mr. You Hang (Member)
- (iii) Mr. Mohammad Salahuddin Manzoor (Member)
- (iv) Mr. Zubair Razzak Palwala (Member)
- (v) Mr. Farrukh H. Khan (Member)

Nomination Committee

- (i) Dr. Shamshad Akhtar (Member)
- (ii) Mr. Javed Kureishi (Member)
- (iii) Mr. You Hang (Member)
- (iv) Mr. Zubair Razzak Palwala (Member)

In addition to above, the Board has formed the Regulatory Affairs Committee as required under the Securities Exchanges (Licensing and Operations) Regulations, 2016, the composition of which, as at the end of financial year, was as follows:

Name of Committee

Regulatory Affairs Committee

Composition

- (i) Dr. Shamshad Akhtar (Chairperson)
- (ii) Mr. Mohammad Salahuddin Manzoor (Member)
- (iii) Mr. Nadeem Naqvi (Member)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. The frequency of meetings of the committees held during the financial year, were as follows:

Name of Committee

Audit Committee

Human Resources and Remuneration Committee

Nomination Committee

Regulatory Affairs Committee

Number of Meetings

4

3

-

7

15. The Board has set up an effective internal audit function through a combination of internal resources and outsourced expertise procured from KPMG Taseer Hadi & Co. Internal Auditors are considered suitably qualified and experienced for the purpose and are conversant with policies and procedures of the Exchange. The internal resources are engaged in internal audit function on a full time basis;
16. The statutory auditors of the Exchange have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) 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 ICAP 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 CEO, CFO, Head of Internal Audit, Company Secretary or Directors of the Exchange;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, the 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 with regard to other non-mandatory requirements, i.e. other than regulations 3, 6, 7, 8, 27, 32, 33 and 36, is as below:

| Non-Mandatory Provision | Regulation Reference | Explanation |
|---|-----------------------------|---|
| The Board may constitute the Risk Management Committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board. | 30(1) | Currently, the Board has not constituted a separate Risk Management Committee and the functions are being performed by the Board's Audit Committee (BAC). In addition, the terms of reference of BAC covers all the responsibilities assigned to the Risk Management Committee under the Regulations. |

On behalf of the Board of Directors



DR. SHAMSHAD AKHTAR
Chairperson of the Board

Karachi

Dated: September 21, 2022



FARRUKH H. KHAN
Chief Executive Officer