

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

Name of Company: SAPHIRE TEXTILE MILLS LIMITED
Year ended: June 30, 2022.

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (“the CCG Regulations”) in the following manner:

1. The total number of directors are Ten (10) as per the following:

a.	Male	(9) Nine
b.	Female	(1) One

2. The composition of the Board is as follows:

Category	Names
Independent Directors(*)	Mr. Nadeem Karamat
	Mr. Shahid Shafiq
Independent Director / Female Non-Executive Directors	Ms. Mashmooma Zehra Majeed
	Mr. Mohammad Abdullah
	Mr. Shahid Abdullah
Executive Directors	Mr. Amer Abdullah
	Mr. Yousuf Abdullah
	Mr. Nadeem Abdullah
	Mr. Nabeel Abdullah
	Mr. Umer Abdullah

(*)The independent director meets the criteria of independence under the Companies Act, 2017 (“the Act”).

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 the dates of approval or amendments has been maintained.

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 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 the meeting of Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of the total Ten (10) directors of the company, Nine (9) Directors meet the requirements, Five (5) Directors have already attained certification under directors training program and four (4) directors meet the requirements of the exemption under regulation.
10. The Board has approved appointment of CFO, 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. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
12. The Board has formed committees comprising of members given below:

a) **Audit Committee**

- Mr. Nadeem Karamat (Chairman)
- Mr. Shahid Shafiq (Member)
- Mr. Yousuf Abdullah (Member)
- Mr. Amer Abdullah (Member)

b) **HR and Remuneration Committee**

- Mr. Nadeem Karamat (Chairman)
- Mr. Nadeem Abdullah (Member)
- Mr. Umer Abdullah (Member)
- Mr. Shahid Shafiq (Member)
- Ms. Mashmooma Zehra Majeed (Member)

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 of the committees were as per following:

- a) Audit Committee [Quarterly]
- b) HR and Remuneration Committee [Annually]

15. The Board has set up an effective Internal Audit Function.

16. 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 the partners of the firm involved in the audit are not a close relative (Spouse, parents, dependents and non-dependents children) of the chief executive officer, chief financial officer, head of internal

audit, company secretary or directors 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 other requirements of the Regulations 3,6,7,8,27,32,33 and 36 have been complied with.

Regulation 6 (1) the Listed Companies (Code of Corporate Governance) Regulations, 2019, requires that “each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors”. At time of the last election of Directors, the Company assessed its compliance with this Regulation. One third of the Company’s total number of Directors results in a fractional number (3.33). The fraction has not been rounded up to one and therefore, the Board of Directors currently has 3 independent Directors. The Company considers that the existing composition of the Board of Directors brings in the relevant experience and valuable contributions to the Board.

For and on behalf of the Board



MOHAMMAD ABDULLAH
CHAIRMAN / DIRECTOR



NADEEM ABDULLAH
CHIEF EXECUTIVE

Karachi
26th September 2022

TO THE MEMBERS OF SAPPHIRE TEXTILE MILLS 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 Sapphire Textile Mills 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.



EY Ford Rhodes
Chartered Accountants
Lahore
3rd October, 2022

UDIN: CR202210177o2TF7bJlr