

## STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS 2019 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Name of company: Shahmurad Sugar Mills Limited

The company has complied with the requirements of the Regulations in the following manner-

1. The total number of directors are 7 as per the following-

- a. Male: 6
- b. Female: 1

2. The composition of the Board is as follows:

- a. Independent directors
  - i) Mr. Rumi Moiz
  - ii) Mr. Sheikh Asim Rafiq
- b. Non-executive directors
  - i) Mr. Noor Muhammad Zakaria
  - ii) Mrs. Sanober Hamid Zakaria
  - iii) Mr. Asad Ahmad Mohiuddin
- c. Executive directors
  - i) Mr. Zia Zakaria
  - ii) Mr. Abdul Aziz Ayoob

Following the election of Directors, the Board was reconstituted on March 29, 2022 comprising of seven directors including two independent directors. One third of seven comes to 2.33 and the fraction was not rounded upward to one to have three independent directors in observance of general mathematic principle.

- 3. The directors have confirmed that none of them is serving as a director for 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 their date of approval or updating is maintained by the company;
- 6. 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 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 meetings of the Board.
- 8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9. The Chairman and two directors have prescribed education and experience required for exemption under clause 19(2) of the CCG Regulations accordingly they are exempt from attending directors training program pursuant to clause 19(2) of the CCG Regulations. Furthermore, two of the directors have acquired the required certification and other directors would be provided the facilities to acquired the certification.
- 10. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and condition of employment and complied with the relevant requirements of the Regulations.
- 11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below-
- a) Audit Committee:
- |                            |          |
|----------------------------|----------|
| Mr. Rumi Moiz              | Chairman |
| Mr. Noor Muhammad Zakaria  | Member   |
| Mrs. Sanobar Hamid Zakaria | Member   |
- b) HR and Remuneration Committee:
- |                           |          |
|---------------------------|----------|
| Mr. Rumi Moiz             | Chairman |
| Mr. Noor Muhammad Zakaria | Member   |
| Mr. Zia Zakaria           | 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 (quarterly/half yearly/ yearly) of the committee were as per following-
- a) Audit Committee: Four quarterly meetings including annual meeting  
b) HR and Remuneration Committee: One annual meeting
15. The Board has set up an effective internal audit function in the company managed by qualified and experience professional, who are conversant with the policies and procedures of the Company and industry's best practices. They are involved in the internal audit function on full time basis. The head of internal audit department functionally reports to the Board's Audit Committee
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, dependent and non-dependent 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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below.
- i. The requirement of Nomination Committee is optional in regulation no 29. The Board takes care of the responsibilities prescribed for Nomination Committee so a separate Nomination Committee is not considered necessary.
- ii. The requirement of Risk Nomination committee is optional in regulation no 30. The risk management is carried at the overall company's level by the executive management of the Company including CEO. The Company's management monitors potential risk and risk management procedures are carried out to identify, access and mitigate any identified or potential risk. The Board is also apprised from time to time about the risks and their management. Therefore, it is not considered necessary to have a separate committee in this respect.
- iii. Since the requirement with respect to disclosure of significant policies on the website is optional in regulation no 35(1), the company has uploaded only limited information in this respect on the company's website. However significant related information in respect of salient policies are disclosed in the annual reports of the Company which are duly uploaded on the website and are available for every one assessing the website. The company will however, review and place key elements of the policies if considered necessary.

  
**NOOR MOHAMMAD ZAKARIA**  
Chairman

  
**ZIA ZAKARIA**  
Chief Executive Officer

Karachi: December 26, 2023



**Independent Auditor's Review Report to the Members of Shahmurad Sugar Mills Limited**

**Review Report on the Statement of Compliance contained in the 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 **Shahmurad Sugar Mills Limited** (the Company) for the year ended September 30, 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 September 30, 2023.

  
Chartered Accountants  
Karachi.

Date: 3 January 2024

UDIN: CR202310225CWXCPRawn

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