

Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 & Public Sector Companies (Corporate Governance) Rules, 2013

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 and Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of corporate governance for the year ended June 30, 2023.

The Board of Directors of Sindh Modaraba Management Limited - the Modaraba Management Company (the Management Company) is responsible for management of affairs of Sindh Modaraba (the Modaraba). The Management Company 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 at least one-third of its total members as independent directors. At present the Board includes:	3(2)		✓											
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mr. Waseem Mehdi Syed</td> <td>26 November 2020</td> </tr> <tr> <td>Chief Executive Officer</td> <td>Mr. Ishfaq Ahmed</td> <td>05 September 2022</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji</td> <td>15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020	Chief Executive Officer	Mr. Ishfaq Ahmed	05 September 2022	Non-Executive Directors	Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji	15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022		
Category	Names	Date of appointment													
Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020													
Chief Executive Officer	Mr. Ishfaq Ahmed	05 September 2022													
Non-Executive Directors	Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji	15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022													
3.	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)	✓												
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	✓												
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓												
6.	The chairman has been elected by the Board of directors.	4(4)	✓												
7.	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.	5(2)	✓												
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	✓												

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	<p>(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (www.sindhmodarabald.com)</p> <p>(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</p>			
9.	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)	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or 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)	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓	
12.	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)	✓	
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)		N/A
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)		N/A

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			Tick the relevant box																			
18.	a) The Board has met at least four times during the year.	6(1)	✓																			
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓																			
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓																			
19.	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)	✓																			
20.	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	✓																			
21.	a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✓																			
	b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		✓																			
	c) The Board has placed the annual financial statements on the company's website.		✓																			
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
23.	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:		✓																			
	<table border="1"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>2</td> <td>Rehan Anjum</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Waseem Mehdi Syed</td> </tr> <tr> <td>Human Resources Committee</td> <td>3</td> <td>Waseem Mehdi Syed</td> </tr> <tr> <td>Procurement Committee</td> <td>2</td> <td>Sami ul Haq Khilji</td> </tr> <tr> <td>Nomination Committee</td> <td>3</td> <td>Sajid Jamal Abro</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	2	Rehan Anjum	Risk Management Committee	3	Waseem Mehdi Syed	Human Resources Committee	3	Waseem Mehdi Syed	Procurement Committee	2	Sami ul Haq Khilji	Nomination Committee	3	Sajid Jamal Abro			
Committee	Number of Members	Name of Chair																				
Audit Committee	2	Rehan Anjum																				
Risk Management Committee	3	Waseem Mehdi Syed																				
Human Resources Committee	3	Waseem Mehdi Syed																				
Procurement Committee	2	Sami ul Haq Khilji																				
Nomination Committee	3	Sajid Jamal Abro																				
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓																			

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25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓										
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓										
27.	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	✓										
28.	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 company except those disclosed to the company.	18	✓										
29.	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 company contains criteria and details of remuneration of each director.	19	N/A										
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	✓										
31.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="215 1365 1013 1501"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Rehan Anjum</td> <td>Non-executive</td> <td>Professional Banker</td> </tr> <tr> <td>Ms. Rukhsana Narejo</td> <td>Non-executive</td> <td>Professional Banker</td> </tr> </tbody> </table> The chief executive and chairman of the Board are not members of the audit committee.	Name of member	Category	Professional background	Mr. Rehan Anjum	Non-executive	Professional Banker	Ms. Rukhsana Narejo	Non-executive	Professional Banker	21 (1) and 21(2)	✓	✓
Name of member	Category	Professional background											
Mr. Rehan Anjum	Non-executive	Professional Banker											
Ms. Rukhsana Narejo	Non-executive	Professional Banker											
32.	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)	✓ ✓ ✓										

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33.	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	✓ ✓ ✓	
34.	The external auditors of the company 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)	✓	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit Services.	23(5)	✓	

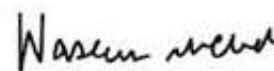
CERTAIN ADDITIONAL DISCLOSURES REQUIRED UNDER CCG

- All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchange.
- Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company
- The Company has complied with the requirements relating to maintenance of register of persons having inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.



Ishfaq Ahmed
Chief Executive Officer

(On behalf of the Board)



Waseem Mehdi Syed
Chairman/Independent Director

Karachi:

21 September 2023

Auditors' Review Report To The Members On The Statement 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 and Public Sector Companies (Corporate Governance) Rules, 2013 (both hereinafter referred to as 'Codes') prepared by the Board of Directors of **Sindh Modaraba Management Limited** (the Management Company) for the year ended June 30, 2023 to comply with the requirements of regulation 36 of Listed Companies (Code of Corporate Governance) Regulations, 2019 and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Code and the Rules is that of the Board of the Management Company. 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 Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Code or the Rules. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code and the Rules.

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's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

Further, the Code and the Rules requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. 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 Modaraba's compliance, in all material respects, with the best practices contained in the Code and the Rules as applicable to the Modaraba for the year ended June 30, 2023.

Further, we highlight instance of non-compliance with the requirements of the Rules as reflected in Schedule II to the annexed Statement of Compliance.

Place : Karachi.
Date: 27 September 2023

UDIN: CR202310151AOFRQJCSB

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Mehmood A. Razzak
Engagement Partner