

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

**Name of Company:** Shams Textile Mills Limited  
**Year ended:** June 30, 2023

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

1. The total number of Directors are eight (**8**) as per the following:

a. Male: **7**

b. Female: **1**

2. The composition of board is as follows:

Category	Names
Independent Directors	Mrs. Minail Mishal Adamjee Mr. Shahid Arshad
Non-Executive Directors	Mr. Muhammad Anwar Mr. Khurram Mazhar Karim Mr. Adil Bashir Mr. Muhammad Shafiq Gill
Executive Directors	Mr. Khalid Bashir (Chief Executive Officer) Mr. Asif Bashir

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 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 Companies Act, 2017 (the Act) and the 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;
9. The Board has arranged Directors' Training program for the following:

Names of Director
Mr. Shahid Arshad

Following Directors meet the exemption criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence are exempt from Directors' training program:

Names of Directors
Mr. Muhammad Anwar Mr. Khurram Mazhar Karim Mr. Adil Bashir Mr. Khalid Bashir (Chief Executive Officer) Mr. Asif Bashir

10. The Board has approved appointment of Chief Financial Officer, 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. 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**

<b>Names</b>	<b>Designation held</b>
Mr. Shahid Arshad	Chairman
Mr. Khurram Mazhar Karim	Member
Mr. Adil Bashir	Member

**b) HR Nomination and Remuneration Committee**

<b>Names</b>	<b>Designation held</b>
Mrs. Minail Mishal Adamjee	Chairperson
Mr. Khurram Mazhar Karim	Member
Mr. Asif Bashir	Member

**c) Risk Management Committee**


<b>Names</b>	<b>Designation held</b>
Mr. Asif Bashir	Chairman
Mr. Shahid Arshad	Member
Mr. Khurram Mazhar Karim	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 meetings were held during the financial year ended June 30, 2023.
  - b) HR Nomination and Remuneration Committee**  
One meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2023.
  - c) Risk Management Committee**  
No meeting of Risk Management Committee was held during the financial year ended June 30, 2023.
15. The board has set up an effective internal audit function by appointing Head of Internal Audit and has outsourced the internal audit function to M/s Tahir Consulting (Private) Limited, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
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, 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;
17. 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 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;

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

Sr. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1	<b>Nomination Committee</b> The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a <b>separate</b> nomination committee and the functions are being performed by the human resource and remuneration committee. The Board shall consider to constitute <b>separate</b> nomination committee after next election of directors.	29
2	<b>Disclosure of significant policies on website</b> The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors' remuneration policy.	Although these are well circulated among the relevant employees and directors, the Board shall consider posting such policies and synopsis on its website in near future.	35
3	<b>Responsibilities of the Board and its members</b> The Board is responsible for adoption of corporate governance practices by the company.	Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations.	10(1)
4	<b>Directors' Training</b> It is encouraged that by 30 June 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	Five directors of the company are exempt from Directors' training program and one director of the Company has acquired Directors' Training Program certification. The company has planned to arrange Directors' Training Program certification for remaining two directors before June 30, 2024.	19(1)
5	<b>Directors' Training</b> Companies are encouraged to arrange training for at least one head of department every year under the Directors' Training Program from July 2022.	The company has planned to arrange Directors' Training Program certification for head of department in next few years.	19(3)
6	<b>Representation of Minority shareholders</b> The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.	No one intended to contest election as director representing minority shareholders.	5

20. The two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third independent director is not warranted.

  
**MUHAMMAD ANWAR**  
 Chairman

28 September, 2023  
 Lahore

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF SHAMS 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 Shams Textile Mills Limited (the Company) for the year ended 30 June 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 30 June 2023.



**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**Lahore**

**Date: 30 September, 2023**

**UDIN: CR202310168BjagXspKw**