

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

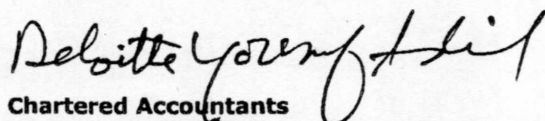
We have reviewed the enclosed Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Trading Corporation of Pakistan (Private) Limited for the year ended June 30, 2016.

The responsibility for compliance with the Rules is that of the Board of Directors of the 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 Rules. 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 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 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 Rules 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 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. 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 Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2016.


Chartered Accountants
DYA

Engagement Partner:
Mushtaq Ali Hirani

Dated:
Karachi



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Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company : Trading Corporation of Pakistan (Private) Limited
Name of the Line Ministry : Ministry of Commerce
For the year ended : June 30, 2016

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "The Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The Company has complied with the provisions of the Rules in the following manner:

S.No	Provision of the Rules	RuleNo.	Y	N	N/A*												
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓														
2.	The Board has the requisite percentage of independent directors. At present the board includes : <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. Khaliq ur Rahman Mr. Irfan Qaiser Sheikh</td><td>March 20, 2014 March 20, 2014</td></tr><tr><td>Executive Director</td><td>Rizwan Ahmed</td><td>July 10, 2013</td></tr><tr><td>Non-Executive Directors</td><td>Mr. Muhammad Ashraf Dr. Shakeel Ahmed Khan Mr. Zahoor Ahmed</td><td>February 03, 2015 March 20, 2014 June 17, 2014</td></tr></tbody></table>	Category	Names	Date of appointment	Independent Directors	Mr. Khaliq ur Rahman Mr. Irfan Qaiser Sheikh	March 20, 2014 March 20, 2014	Executive Director	Rizwan Ahmed	July 10, 2013	Non-Executive Directors	Mr. Muhammad Ashraf Dr. Shakeel Ahmed Khan Mr. Zahoor Ahmed	February 03, 2015 March 20, 2014 June 17, 2014	3(2)		✓	
Category	Names	Date of appointment															
Independent Directors	Mr. Khaliq ur Rahman Mr. Irfan Qaiser Sheikh	March 20, 2014 March 20, 2014															
Executive Director	Rizwan Ahmed	July 10, 2013															
Non-Executive Directors	Mr. Muhammad Ashraf Dr. Shakeel Ahmed Khan Mr. Zahoor Ahmed	February 03, 2015 March 20, 2014 June 17, 2014															
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)		✓													
4.	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)	✓														
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Public Sector Companies (Corporate Governance) Rules 2013 in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)			✓												
6.	The Chairman of the Board is working separately from the Chief Executive Officer of the Company.	4(1)		✓													
7.	The Chairman has been elected from amongst the independent directors.	4(4)		✓													
8.	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)		✓													

Rizwan Ahmed



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9.	(a) 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. (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓		
10.	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)		✓	
11.	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)	✓		
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	✓		
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5)(c) (ii)	✓	✓	
14.	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)		✓	
15.	The Board has developed a vision or mission statement, corporate strategy and 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(6)	✓		✓
16.	The Board has quantified the outlay of any action in respect of goods sold by the Company on behalf of the government as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)		✓	
17.	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)		✓	✓
18.	The Board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The Board has also monitored and assessed the performance of senior management on annual /half yearly/quarterly basis.	8			✓
19.	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		✓	

Signature



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20.	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, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.	10		✓															
21.	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		✓															
22.	(a) The Board has formed the requisite committees, as specified in the Rules. (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:	12	✓	✓	✓														
	<table border="1"><thead><tr><th>Committee</th><th>Number of members</th><th>Name of chair</th></tr></thead><tbody><tr><td>Board Audit & Risk Management Committee</td><td>3</td><td>Mr. Khaliq-ur- Rahman (Independent)</td></tr><tr><td>Board Human Resource Committee</td><td>4</td><td>Mr. Muhammad Ashraf (Non- executive)</td></tr><tr><td>Procurement Committee</td><td>3</td><td>Mr. Irfan Qaisar Sheikh (Independent)</td></tr><tr><td>Nomination Committee</td><td>3</td><td>Mr. Khaliq ur Rahman (Independent)</td></tr></tbody></table>	Committee	Number of members	Name of chair	Board Audit & Risk Management Committee	3	Mr. Khaliq-ur- Rahman (Independent)	Board Human Resource Committee	4	Mr. Muhammad Ashraf (Non- executive)	Procurement Committee	3	Mr. Irfan Qaisar Sheikh (Independent)	Nomination Committee	3	Mr. Khaliq ur Rahman (Independent)		✓	
Committee	Number of members	Name of chair																	
Board Audit & Risk Management Committee	3	Mr. Khaliq-ur- Rahman (Independent)																	
Board Human Resource Committee	4	Mr. Muhammad Ashraf (Non- executive)																	
Procurement Committee	3	Mr. Irfan Qaisar Sheikh (Independent)																	
Nomination Committee	3	Mr. Khaliq ur Rahman (Independent)																	
23.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	✓																
24.	The Company has adopted International Financial Reporting Standards notified by the Commission under clause (1) of subsection (3) of section 234 of the Ordinance.	16	✓																
25.	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	✓																
26.	The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.	18	✓																
27.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Company contains criteria and details of remuneration of each director.	19	✓		✓														

Rizwan Ahmad



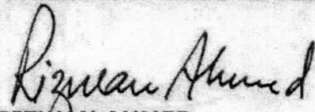
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28.	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before approval of the Board.	20	✓														
29.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1"><thead><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr></thead><tbody><tr><td>Mr. Khaliq ur Rahman</td><td>Independent Director</td><td>Chartered Accountant and experience of working as Deputy Managing Partner in Anjum Asim Shahid Rahman - a member firm in Pakistan of Grant Thornton.</td></tr><tr><td>Mr. Muhammad Ashraf</td><td>Non-Executive Director</td><td>Joint Secretary, Ministry of Finance</td></tr><tr><td>Mr. Zahoor Ahmed</td><td>Non-Executive director</td><td>Joint Secretary, Ministry of Finance.</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. Khaliq ur Rahman	Independent Director	Chartered Accountant and experience of working as Deputy Managing Partner in Anjum Asim Shahid Rahman - a member firm in Pakistan of Grant Thornton.	Mr. Muhammad Ashraf	Non-Executive Director	Joint Secretary, Ministry of Finance	Mr. Zahoor Ahmed	Non-Executive director	Joint Secretary, Ministry of Finance.	21	✓		
Name of Member	Category	Professional Background															
Mr. Khaliq ur Rahman	Independent Director	Chartered Accountant and experience of working as Deputy Managing Partner in Anjum Asim Shahid Rahman - a member firm in Pakistan of Grant Thornton.															
Mr. Muhammad Ashraf	Non-Executive Director	Joint Secretary, Ministry of Finance															
Mr. Zahoor Ahmed	Non-Executive director	Joint Secretary, Ministry of Finance.															
30.	The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22		✓													
31.	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓														
32.	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)	✓														
33.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	✓														
34.	The Company has complied with all the corporate and financial reporting requirements of the Rules.		✓														


RIZWAN AHMED
CHAIRMAN



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***Reasons for being not applicable**

Sr. No.	Remarks
5	We are not aware of the application of fit and proper criteria applied by appointing authorities as appointments were made by the Ministry of Commerce.
27	Board fee is fixed by the Board, whereas pay & other emoluments are paid by the respective Organizations.

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SCHEDULE- II

See Paragraph 2(3)

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the year ending June 30, 2017.

Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1.	3(2), 3(4)	Due to resignation of independent directors the requisite percentage has been decreased. However, in compliance with the requirements of the Code, the Board has approved name of new Independent Directors and sent to Ministry of Commerce for approval.	Will be compliant as soon approval of the Ministry of Commerce is received.
2.	4(1), 4(4), 5(2)	The requirements of these rules / sub-rules have been addressed in line with the requirements of the Article of Association of the Company which require Ministry of Commerce to oversee these matters rather than the Board of Directors of the Company.	The management has taken up these matters with the Ministry of Commerce to seek guidance for compliance in future.
3.	5(5)	The Board is in process of developing system of sound internal control to ensure compliance with the fundamental principles; probity and propriety; objectivity; integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	Noted for future compliance
4.	5(6)	From now onwards, the management will start keeping records of the dates at which significant policies are approved and amended.	Noted for future compliance
5.	6(1)	Although the board has met 5 times in a year however the compliance relating to meeting once in every quarter was not complied with as the Board meeting was not held in the second quarter due to unavailability of some members.	Noted for future compliance
6.	6(3)	Although minutes of meeting were appropriately recorded and circulated, however the compliance relating to number of days within which it should have been sent has not been complied with.	Noted for future compliance

Rizwan Ahmad

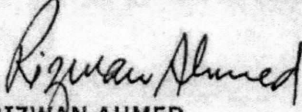


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Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
7.	8	The Board has developed criteria for performance evaluation of the Board members and for monitoring and assessment of senior management as prescribed in the Rules, however the Company is in the process of arranging the evaluation of Board member and senior management that will be completed in due course.	Noted for future compliance
8.	10	Due to manual system and processes, only six monthly and annual financial statements have been prepared manually and circulated to the Board for its approval.	Will be resolved once ERP system will be implemented
9.	11	Due to non-availability of directors, orientation courses could not be arranged this year.	Noted for future compliance
10.	12	The minutes of the meetings of the committees were circulated to all board members, however record of such circulation was not maintained by the Corporation.	Noted for future compliance.
11.	22	The Company is in process of preparing audit charter / plan to be placed before the Audit Committee for approval.	Noted for future compliance


RIZWAN AHMED
CHAIRMAN