

Code of Corporate Governance

March 28, 2002

BOARD OF DIRECTORS

(i) All listed companies shall encourage effective representation of independent non-executive directors, including those representing minority interests, on their Boards of Directors so that the Board as a group includes core competencies considered relevant in the context of each listed company. For the purpose, listed companies may take necessary steps such that:

(a) minority shareholders as a class are facilitated to contest election of directors by proxy solicitation, for which purpose the listed companies may:

- annex to the notice of general meeting at which directors are to be elected, a statement by a candidate(s) from among the minority shareholders who seeks to contest election to the Board of Directors, which statement may include a profile of the candidate(s);
- provide information regarding shareholding structure and copies of register of members to the candidate(s) representing minority shareholders; and
- on a request by the candidate(s) representing minority shareholders and at the cost of the company, annex to the notice of general meeting at which directors are to be elected an additional copy of proxy form duly filled in by such candidate(s) and transmit the same to all shareholders in terms of section 178 (4) of the Companies Ordinance, 1984;

(b) the Board of Directors of each listed company includes at least one independent director representing institutional equity interest of a banking company, Development Financial Institution, Non-Banking Financial Institution (including a modaraba, leasing company or investment bank), mutual fund or insurance company; and

Explanation: For the purpose of this clause, the expression "independent director" means a director who is not connected with the listed company or its promoters or directors on the basis of family relationship and who does not have any other relationship, whether pecuniary or otherwise, with the listed company, its associated companies, directors, executives or related parties. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any apparent form of interference.

Any person nominated as a director under sections 182 and 183 of the Companies Ordinance, 1984 shall not be taken to be an "independent director" for the above-said purposes.

The independent director representing an institutional investor shall be selected by such investor through a resolution of its Board of Directors and the policy with regard to selection of such person for election on the Board of Directors of the investee company shall be disclosed in the Directors' Report of the investor company.

- (c) executive directors, i.e. working or whole time directors, are not more than 75% of the elected directors including the Chief Executive:

Provided that in special circumstances, this condition may be relaxed by the Securities and Exchange Commission of Pakistan.

Provided further that nothing contained in this clause shall apply to banking companies, which are required by Prudential Regulation No.9 for Banks to have not more than 25% of the directors as paid executives of the banks.

- (ii) The directors of listed companies shall, at the time of filing their consent to act as such, give a declaration in such consent that they are aware of their duties and powers under the relevant law(s) and the listed companies' Memorandum and Articles of Association and the listing regulations of stock exchanges in Pakistan.

QUALIFICATION AND ELIGIBILITY TO ACT AS A DIRECTOR

- (iii) No listed company shall have as a director, a person who is serving as a director of ten other listed companies.
- (iv) No person shall be elected or nominated as a director of a listed company if:
 - (a) his name is not borne on the register of National Tax Payers except where such person is a non-resident; and
 - (b) he has been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or he, being a member of a stock exchange, has been declared as a defaulter by such the stock exchange; and
- (v) A listed company shall endeavour that no person is elected or nominated as a director if he or his spouse is engaged in the business of stock brokerage (unless specifically exempted by the Securities and Exchange Commission of Pakistan).

TENURE OF OFFICE OF DIRECTORS

- (vi) The tenure of office of Directors shall be three years. Any casual vacancy in the Board of Directors of a listed company shall be filled up by the directors within 30 days thereof.

RESPONSIBILITIES, POWERS AND FUNCTIONS OF BOARD OF DIRECTORS

- (vii) The directors of listed companies shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of the listed company.
- (viii) Every listed company shall ensure that:
- (a) a 'Statement of Ethics and Business Practices' is prepared and circulated annually by its Board of Directors to establish a standard of conduct for directors and employees, which Statement shall be signed by each director and employee in acknowledgement of his understanding and acceptance of the standard of conduct;
 - (b) the Board of Directors adopt a vision/ mission statement and overall corporate strategy for the listed company and also formulate significant policies, having regard to the level of materiality, as may be determined it;

Explanation: Significant policies for this purpose may include:

- risk management;
- human resource management including preparation of a succession plan;
- procurement of goods and services;
- marketing;
- determination of terms of credit and discount to customers;
- write-off of bad/ doubtful debts, advances and receivables;
- acquisition/ disposal of fixed assets;
- investments;
- borrowing of moneys and the amount in excess of which borrowings shall be sanctioned/ ratified by a general meeting of shareholders;
- donations, charities, contributions and other payments of a similar nature;
- determination and delegation of financial powers;
- transactions or contracts with associated companies and related parties; and
- health, safety and environment

A complete record of particulars of the significant policies, as may be determined, along with the dates on which they were approved or amended by the Board of Directors shall be maintained.

The Board of Directors shall define the level of materiality, keeping in view the specific circumstances of the listed company and the

recommendations of any technical or executive sub-committee of the Board that may be set up for the purpose;

- (c) the Board of Directors establish a system of sound internal control, which is effectively implemented at all levels within the listed company;
- (d) the following powers are exercised by the Board of Directors on behalf of the listed company and decisions on material transactions or significant matters are documented by a resolution passed at a meeting of the Board:
 - investment and disinvestment of funds where the maturity period of such investments is six months or more, except in the case of banking companies, Non-Banking Financial Institutions, trusts and insurance companies;
 - determination of the nature of loans and advances made by the listed company and fixing a monetary limit thereof;
 - write-off of bad debts, advances and receivables and determination of a reasonable provision for doubtful debts;
 - write-off of inventories and other assets; and
 - determination of the terms of and the circumstances in which a law suit may be compromised and a claim/ right in favour of the listed company may be waived, released, extinguished or relinquished;
- (e) appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors of the listed company are determined and approved by the Board of Directors; and
- (f) in the case of a modaraba or a Non-Banking Financial Institution, whose main business is investment in listed securities, the Board of Directors approve and adopt an investment policy, which is stated in each annual report of the modaraba/ Non-Banking Financial Institution.

Explanation: The investment policy shall inter alia state:

- that the modaraba/ Non-Banking Financial Institution shall not invest in a connected person, as defined in the Asset Management Companies Rules, 1995, and shall provide a list of all such connected persons;
- that the modaraba/ Non-Banking Financial Institution shall not invest in shares of unlisted companies; and
- the criteria for investment in listed securities.

The Net Asset Value of each modaraba/ Non-Banking Financial Institution shall be provided for publication on a monthly basis to the stock exchange on which its shares/ certificates are listed.

- (ix) The Chairman of a listed company shall preferably be elected from among the non-executive directors of the listed company. The Board of Directors

shall clearly define the respective roles and responsibilities of the Chairman and Chief Executive, whether or not these offices are held by separate individuals or the same individual.

MEETINGS OF THE BOARD

- (x) The Chairman of a listed company, if present, shall preside over meetings of the Board of Directors.
- (xi) The Board of Directors of a listed company shall meet at least once in every quarter of the financial year. Written notices (including agenda) of meetings shall be circulated not less than seven days before the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived.
- (xii) The Chairman of a listed company shall ensure that minutes of meetings of the Board of Directors are appropriately recorded. The minutes of meetings shall be circulated to directors and officers entitled to attend Board meetings not later than 30 days thereof, unless a shorter period is provided in the listed company's Articles of Association.

In the event that a director of a listed company is of the view that his dissenting note has not been satisfactorily recorded in the minutes of a meeting of the Board of Directors, he may refer the matter to the Company Secretary. The director may require the note to be appended to the minutes, failing which he may file an objection with the Securities and Exchange Commission of Pakistan in the form of a statement to that effect.

SIGNIFICANT ISSUES TO BE PLACED FOR DECISION BY THE BOARD OF DIRECTORS

- (xiii) In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the Boards of Directors of listed companies.

Significant issues for this purpose may include:

- annual business plans, cash flow projections, forecasts and long term plans;
- budgets including capital, manpower and overhead budgets, along with variance analyses;
- quarterly operating results of the listed company as a whole and in terms of its operating divisions or business segments;
- internal audit reports, including cases of fraud or irregularities of a material nature;
- management letter issued by the external auditors;
- details of joint venture or collaboration agreements or agreements with distributors, agents, etc;
- promulgation or amendment of a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the listed company;

- status and implications of any law suit or proceedings of material nature, filed by or against the listed company;
- any show cause, demand or prosecution notice received from revenue or regulatory authorities, which may be material;
- default in payment of principal and/or interest, including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit;
- failure to recover material amounts of loans, advances, and deposits made by the listed company, including trade debts and inter-corporate finances;
- any significant accidents, dangerous occurrences and instances of pollution and environmental problems involving the listed company;
- significant public or product liability claims likely to be made against the listed company, including any adverse judgment or order made on the conduct of the listed company or of another company that may bear negatively on the listed company;
- disputes with labour and their proposed solutions, any agreement with the labour union or Collective Bargaining Agent and any charter of demands on the listed company; and
- payment for goodwill, brand equity or intellectual property.

ORIENTATION COURSES

- (xiv) All listed companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with their duties and responsibilities and enable them to manage the affairs of the listed companies on behalf of shareholders.

CHIEF FINANCIAL OFFICER (CFO) AND COMPANY SECRETARY

APPOINTMENT AND APPROVAL

- (xv) The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO), the Company Secretary and the head of internal audit of listed companies shall be determined by the CEO with the approval of the Board of Directors.

The CFO or the Company Secretary of listed companies shall not be removed except by the CEO with the approval of the Board of Directors.

QUALIFICATION OF CFO AND COMPANY SECRETARY

- (xvi) No person shall be appointed as the CFO of a listed company unless:
- (a) he is a member of a recognized body of professional accountants; or
 - (b) he is a graduate from a recognized university or equivalent, having at least five years experience in handling financial or corporate affairs of a listed public company or a bank or a financial institution.
- (xvii) No person shall be appointed as the Company Secretary of a listed company unless he is:

- (a) a member of a recognized body of professional accountants; or
- (b) a member of a recognized body of corporate/ chartered secretaries;
or
- (c) ¹a person holding masters degree in Business Administration or Commerce or being a Law Graduate from a University recognized by Higher Education Commission and having at least five years relevant experience.

Provided that a person already engaged by a company as Secretary before the 26th October, 2002 may continue in that capacity if he has an experience of not less than five years in that position.

REQUIREMENT TO ATTEND BOARD MEETINGS

- (xviii) The CFO and the Company Secretary of a listed company shall attend meetings of the Board of Directors.

Provided that unless elected as a director, the CFO or the Company Secretary shall not be deemed to be a director or entitled to cast a vote at meetings of the Board of Directors for the purpose of this clause. Provided further that the CFO and/ or the Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to the CFO, Company Secretary, CEO or any director.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

THE DIRECTORS' REPORT TO SHAREHOLDERS

- (xix) The directors of listed companies shall include statements to the following effect in the Directors' Report, prepared under section 236 of the Companies Ordinance, 1984:
 - (a) The financial statements, prepared by the management of the listed company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
 - (b) Proper books of account of the listed company have been maintained.
 - (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

¹ Previous *clause (xvii) (c)* "a lawyer; or" and *clause (xvii) (d)* "a graduate from a recognized university or equivalent, having at least five years experience in handling corporate affairs of a listed public company or corporation" amended vide directive dated October 6, 2005.

- (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the listed company's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The Directors' Reports of listed companies shall also include the following, where necessary:

- (a) If the listed company is not considered to be a going concern, the fact along with reasons shall be disclosed.
- (b) Significant deviations from last year in operating results of the listed company shall be highlighted and reasons thereof shall be explained.
- (c) Key operating and financial data of last six years shall be summarized.
- (d) If the listed company has not declared dividend or issued bonus shares for any year, the reasons thereof shall be given.
- (e) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same shall be disclosed.
- (f) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the listed company.
- (g) A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included.
- (h) The number of Board meetings held during the year and attendance by each director shall be disclosed.
- (i) The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:
 - associated companies, undertakings and related parties (name wise details);
 - NIT and ICP (name wise details);
 - directors, CEO and their spouse and minor children (name wise details);

- executives;
- public sector companies and corporations;
- banks, Development Finance Institutions, Non-Banking Finance Institutions, insurance companies, modarabas and mutual funds; and
- shareholders holding ten percent or more voting interest in the listed company (name wise details).

Explanation: For the purpose of this clause, clause (b) of direction (i) and direction (xxiii), the expression “executive” means an employee of a listed company other than the CEO and directors whose basic salary exceeds five hundred thousand rupees in a financial year.

- (j) All trades in the shares of the listed company, carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children shall also be disclosed.

FREQUENCY OF FINANCIAL REPORTING

- (xx) The quarterly unaudited financial statements of listed companies shall be published and circulated along with directors’ review on the affairs of the listed company for the quarter.
- (xxi) All listed companies shall ensure that half-yearly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Securities and Exchange Commission of Pakistan.
- (xxii) All listed companies shall ensure that the annual audited financial statements are circulated not later than four months from the close of the financial year.
- (xxiii) Every listed company shall immediately disseminate to the Securities and Exchange Commission of Pakistan and the stock exchange on which its shares are listed all material information relating to the business and other affairs of the listed company that will affect the market price of its shares. Mode of dissemination of information shall be prescribed by the stock exchange on which shares of the company are listed.

This information may include but shall not be restricted to information regarding a joint venture, merger or acquisition or loss of any material contract; purchase or sale of significant assets; any unforeseen or undisclosed impairment of assets due to technological obsolescence, etc.; delay/ loss of production due to strike, fire, natural calamities, major breakdown, etc.; issue or redemption of any securities; a major change in borrowings including any default in repayment or rescheduling of loans; and change in directors, Chairman or CEO of the listed company.

RESPONSIBILITY FOR FINANCIAL REPORTING AND CORPORATE COMPLIANCE

- (xxiv) No listed company shall circulate its financial statements unless the CEO and the CFO present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors and the Board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.
- (xxv) The Company Secretary of a listed company shall furnish a Secretarial Compliance Certificate, in the prescribed form, as part of the annual return filed with the Registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance, 1984 have been duly complied with.

DISCLOSURE OF INTEREST BY A DIRECTOR HOLDING COMPANY'S SHARES

- (xxvi) Where any director, CEO or executive of a listed company or their spouses sell, buy or take any position, whether directly or indirectly, in shares of the listed company of which he is a director, CEO or executive, as the case may be, he shall immediately notify in writing the Company Secretary of his intentions. Such director, CEO or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates (i.e. whether physical or electronic within the Central Depository System) and nature of transaction to the Company Secretary within four days of effecting the transaction. The notice of the director, CEO or executive, as the case may be, shall be presented by the Company Secretary at the meeting of the Board of Directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the Board of Directors in its immediate next meeting:

Provided that each listed company shall determine a closed period prior to the announcement of interim/ final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or indirectly, deal in the shares of the listed company in any manner during the closed period.

AUDITORS NOT TO HOLD SHARES

- (xxvii) All listed companies shall ensure that the firm of external auditors or any partner in the firm of external auditors and his spouse and minor children do not at any time hold, purchase, sell or take any position in shares of the listed company or any of its associated companies or undertakings:

Provided that where a firm or a partner or his spouse or minor child owns shares in a listed company, being the audit client, prior to the appointment as auditors, such listed company shall take measures to ensure that the auditors disclose the interest to the listed company within 14 days of appointment and divest themselves of such interest not later than 90 days thereof.

CORPORATE OWNERSHIP STRUCTURE

- (xxviii) ²Every company which is proposed to be listed shall, at the time of public offering, comply with the requirements of offer of shares to the general public as contained in the related Listing Regulations, unless the limit is relaxed by the stock exchange with the approval of Securities and Exchange Commission of Pakistan.

DIVESTITURE OF SHARES BY SPONSORS/CONTROLLING INTEREST

- (xxix) In the event of divestiture of not less than 75% of the total shareholding of a listed company, other than a divestiture by non-resident shareholder(s) in favour of other non-resident shareholder(s) or a disinvestment through the process of privatization by the Federal or Provincial Government, at a price higher than the market value ruling at the time of divestiture, it shall be desirable and expected of the directors of the listed company to allow the transfer of shares after it has been ascertained that an offer in writing has been made to the minority shareholders for acquisition of their shares at the same price at which the divestiture of majority shares was contemplated. Where the offer price to minority shareholders is lower than the price offered for acquisition of controlling interest, such offer price shall be subject to the approval of the Securities and Exchange Commission of Pakistan.

AUDIT COMMITTEE

COMPOSITION

- (xxx) The Board of Directors of every listed company shall establish an Audit Committee, which shall comprise not less than three members, including the chairman. Majority of the members of the Committee shall be from among the non-executive directors of the listed company and the chairman of the Audit Committee shall preferably be a non-executive director. The names of members of the Audit Committee shall be disclosed in each annual report of the listed company.

FREQUENCY OF MEETINGS

- (xxxi) The Audit Committee of a listed company shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the listed company by its Board of Directors and before and after completion of external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the head of internal audit.

²Previous *clause (xxviii)* "Every company which is proposed to be listed shall, at the time of public offering, offer not less than Rs. 100 million or 20% of the share capital of the company, whichever is higher, to the general public unless the limit is relaxed by the stock exchange with the approval of the Securities and Exchange Commission of Pakistan." amended vide directive dated October 6, 2005

ATTENDANCE AT MEETINGS

- (xxxii) The CFO, the head of internal audit and a representative of the external auditors shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed.

Provided that at least once a year, the Audit Committee shall meet the external auditors without the CFO and the head of internal audit being present.

Provided further that at least once a year, the Audit Committee shall meet the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present.

TERMS OF REFERENCE

- (xxxiii) The Board of Directors of every listed company shall determine the terms of reference of the Audit Committee. The Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the listed company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the listed company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee shall also include the following:

- (a) determination of appropriate measures to safeguard the listed company's assets;
- (b) review of preliminary announcements of results prior to publication;
- (c) review of quarterly, half-yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors, focusing on:
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going-concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards; and
 - compliance with listing regulations and other statutory and regulatory requirements.
- (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

- (e) review of management letter issued by external auditors and management's response thereto;
- (f) ensuring coordination between the internal and external auditors of the listed company;
- (g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the listed company;
- (h) consideration of major findings of internal investigations and management's response thereto;
- (i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- (j) review of the listed company's statement on internal control systems prior to endorsement by the Board of Directors;
- (k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- (l) determination of compliance with relevant statutory requirements;
- (m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- (n) consideration of any other issue or matter as may be assigned by the Board of Directors.

REPORTING PROCEDURE

- (xxxiv) The Audit Committee of a listed company shall appoint a secretary of the Committee. The secretary shall circulate minutes of meetings of the Audit Committee to all members, directors and the CFO within a fortnight.

INTERNAL AUDIT

- (xxxv) There shall be an internal audit function in every listed company. The head of internal audit shall have access to the chair of the Audit Committee.
- (xxxvi) All listed companies shall ensure that internal audit reports are provided for the review of external auditors. The auditors shall discuss any major findings in relation to the reports with the Audit Committee, which shall report matters of significance to the Board of Directors.

EXTERNAL AUDITORS

- (xxxvii) No listed company shall appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan.
- (xxxviii) No listed company shall appoint as external auditors a firm of auditors which firm or a partner of which firm is non-compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.
- (xxxix) The Board of Directors of a listed company shall recommend appointment of external auditors for a year, as suggested by the Audit Committee. The recommendations of the Audit Committee for appointment of retiring auditors or otherwise shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the elapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.
- (xl) No listed company shall appoint its auditors to provide services in addition to audit except in accordance with the regulations and shall require the auditors to observe applicable IFAC guidelines in this regard and shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board of Directors and management of the listed company.
- (xli) ³ (a) All listed companies in the financial sector shall change their external auditors every five years. Financial sector, for this purpose, means Banks, Non-Banking Finance Companies (NBFCs), Modarabas and Insurance Companies; and
- (b) All listed companies other than those in the financial sector shall, at a minimum, rotate the engagement partner after every five years .
- (xlii) No listed company shall appoint a person as the CEO, the CFO, an internal auditor or a director of the listed company who was a partner of the firm of its external auditors (or an employee involved in the audit of the listed company) at any time during the two years preceding such appointment or is a close relative, i.e. spouse, parents, dependents and non-dependent children, of such partner (or employee).
- (xliii) Every listed company shall require external auditors to furnish a Management Letter to its Board of Directors not later than 30 days from the date of audit report.

³ Previous *clause (xli)* "All listed companies are required to change their external auditors every five years. If for any reason this is impractical, a listed company may at a minimum, rotate the partner in charge of its audit engagement after obtaining the consent of the Securities and Exchange Commission of Pakistan." amended vide directive dated March 16, 2005

- (xliv) Every listed company shall require a partner of the firm of its external auditors to attend the Annual General Meeting at which audited accounts are placed for consideration and approval of shareholders.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

- (xlv) All listed companies shall publish and circulate a statement along with their annual reports to set out the status of their compliance with the best practices of corporate governance set out above.
- (xlvi) All listed companies shall ensure that the statement of compliance with the best practices of corporate governance is reviewed and certified by statutory auditors, where such compliance can be objectively verified, before publication by listed companies.
- (xlvii) Where the Securities and Exchange Commission of Pakistan is satisfied that it is not practicable to comply with any of the best practices of corporate governance in a particular case, the Commission may, for reasons to be recorded, relax the same subject to such conditions as it may deem fit.

Appendix

Clause Reference	Brief Description	Manner of Enforcement	Effective Date
(i)	Representation of independent non-executive directors, including those representing minority interests, on the Board of Directors of listed companies	Voluntary	When next election is due
(ii)	Filing of consent by directors	Mandatory	When next election is due
(iii) and (iv)	Qualification and eligibility to act as a director	Mandatory	When next election is due
(v)	Election/ nomination of a broker on the Board of Directors	Voluntary	When next election is due
(vi)	Tenure of office of directors	Mandatory	Immediate
(vii), (viii) and (ix)	Responsibilities, powers and functions of the Board of Directors	Mandatory	July 1, 2002
(x), (xi) and (xii)	Meetings of the Board of Directors	Mandatory	Immediate
(xiii)	Significant issues to be placed for decision by the Board of Directors	Mandatory	July 1, 2002
(xiv)	Orientation courses	Mandatory	July 1, 2002
(xv)	Appointment and removal of CFO and Company Secretary	Mandatory	July 1, 2002
(xvi) and (xvii)	Qualification of CFO and Company Secretary	Mandatory	Immediately for new appointments
(xviii)	Requirement for CFO and Company Secretary to attend Board meetings	Mandatory	Immediate

(xix)	The directors' report to shareholders	Mandatory	For accounting periods ending on or after June 30, 2002
(xx), (xxi), (xxii) and (xxiii)	Frequency of financial reporting	Mandatory	For accounting periods ending on or after June 30, 2002
(xxiv) and (xxv)	Responsibility for financial reporting and corporate compliance	Mandatory	For accounting periods ending on or after June 30, 2002
(xxvi)	Disclosure of interest by a director holding company's shares	Mandatory	Immediate
(xxvii)	Auditors not to hold shares	Mandatory	Immediate
(xxviii)	Corporate ownership structure	Mandatory	July 1, 2002
(xxix)	Divestiture of shares by sponsors/ controlling interest	Mandatory	July 1, 2002
(xxx), (xxxi), (xxxii), (xxxiii) and (xxxiv)	Audit Committee	Mandatory	July 1, 2002
(xxxv) and (xxxvi)	Internal Audit	Mandatory	July 1, 2002
(xxxvii), (xxxviii), (xxxix) and (xl)	Appointment of external auditors	Mandatory	When next appointment of auditors is due
(xli)	Rotation of external auditors	Mandatory	When next appointment of auditors is due
(xlii)	Appointment of a partner or employee of the external auditors in a key position within the listed company	Mandatory	Immediately for new appointments
(xlili)	Management letter issued by external auditors	Mandatory	For accounting periods ending on or after June 30, 2002

(xiv)	Attendance of external auditors at Annual General Meeting	Mandatory	For accounting periods ending on or after June 30, 2002
(xiv) and (xlv)	Compliance with the Code of Corporate Governance	Mandatory	For accounting periods ending on or after June 30, 2002