



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Pakistan Credit Guarantee Company Limited (the Company) for the year ended December 31, 2020.

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 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. 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 December 31, 2020.

Chartered Accountants  
Islamabad: May 26, 2021

Engagement Partner: JehanZeb Amin



# Statement of Compliance

## Public Sector Companies (Corporate Governance) Rules, 2013

**Name of Company:** Pakistan Credit Guarantee Company Limited  
**Name of the Line Ministry:** Ministry of Finance  
**For the year ended:** December 31, 2020

I. This statement presents the Public Sector Companies (Corporate Governance) Rules, 2013 (here in after referred to as "Codes") 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:

Sr. No	Provision of the Rules	Rule No.	Y	N	Remarks															
			Tick the relevant box																	
1.	The independent Directors meet the criteria of independence as defined under the Rules.	2(d)		N																
2.	<p>The Board has at least one-third of its total members as independent Directors. As at 31 December 2020 the Board includes:</p> <table border="1"><thead><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr></thead><tbody><tr><td>Executive Directors</td><td>Dr. Muhammad Saleem</td><td>April 12,2019</td></tr><tr><td rowspan="4">Non-Executive Directors</td><td>• Syed Samar Hasnain.</td><td>April 12,2019</td></tr><tr><td>• Mr. Iftikhar UL Hasan</td><td>April 12,2019</td></tr><tr><td>• Mr. Kamran Shehzad.</td><td>April 12, 2019</td></tr><tr><td>• Ms. Nadia Jahangir</td><td>April 12,2019</td></tr></tbody></table> <p>*Dr. Muhammad Saleem appointed as first CEO of Pakistan Credit Guarantee Company Limited on March 26, 2019.</p>	Category	Names	Date of Appointment	Executive Directors	Dr. Muhammad Saleem	April 12,2019	Non-Executive Directors	• Syed Samar Hasnain.	April 12,2019	• Mr. Iftikhar UL Hasan	April 12,2019	• Mr. Kamran Shehzad.	April 12, 2019	• Ms. Nadia Jahangir	April 12,2019	3 (2)		N	
Category	Names	Date of Appointment																		
Executive Directors	Dr. Muhammad Saleem	April 12,2019																		
Non-Executive Directors	• Syed Samar Hasnain.	April 12,2019																		
	• Mr. Iftikhar UL Hasan	April 12,2019																		
	• Mr. Kamran Shehzad.	April 12, 2019																		
	• Ms. Nadia Jahangir	April 12,2019																		
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)	Y																	

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box		
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)		N	All the nominations on the Board of Directors are made by Government of Pakistan and the State Bank of Pakistan (SBP).
5.	The Chairman of the Board is working separately from the Chief Executive Officer of the Company.	4(1)	Y		
6.	The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	4(4)	Y		
7.	The Board has evaluated the candidates for the position of the Chief Executive Officer on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the Chief Executive Officer has been nominated by the Government)	5(2)	Y		Board has evaluated the criteria and recommended appointment of CEO
8.	a. The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. 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: <a href="http://www.pcgpc.com.pk">www.pcgpc.com.pk</a> c. The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	Y  Y  Y		
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)		N	
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)	Y		
11.	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Company.	5(5) (b) (vi)		N	



Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box		
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)	Y		
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)	Y		
14.	The Board has developed a vision or mission statement and corporate strategy of the Company	5(6)		N	
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)		N	
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)			Not Applicable, Yet to commence business
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)			Not applicable as Company has yet to commence operations.
18.	a. The Board has met at least four times during the year.	6(1) 6(2)		N	a. The Board has met 2 times during the year 2020.
	b. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven day before the meetings.	6(3)	Y		
	c. The minutes of the meetings were appropriately recorded and circulated.		Y		
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)		N	The item has been added in Agenda of Board Meeting.
20.	The Board has reviewed and approved the related party transactions.	9	Y		
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	Y		
	b. The Board has placed the Annual Financial Statements on the Company's website.		N		
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		N	Formal Courses could not be conducted, although during Board Meeting & Committee meetings, the board was kept informed



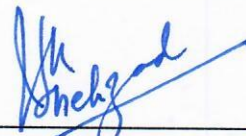
Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks												
			Tick the relevant box														
					about the changes made in Companies Act, 2017, Corporate Governance Rules, 2013, SBP & SECP notifications.												
23.	<p>a. The Board has formed the requisite committees, as specified in the Rules.</p> <p>b. The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>c. The minutes of the meetings of the committees were circulated to all the Board members</p> <p>d. The committees were chaired by the following non-executive directors:</p> <table><tr><th>Committee</th><th>No. of Members</th><th>Name of Chairman</th></tr><tr><td>Board Human Resource Committee</td><td>3</td><td>Mr. Iftikhar Ul Hassan</td></tr><tr><td>Procurement Operation &amp; Finance Committee</td><td>2</td><td>Ms. Nadia Jahangir</td></tr><tr><td>Audit Committee</td><td>2</td><td>Syed Samar Hasnain</td></tr></table>	Committee	No. of Members	Name of Chairman	Board Human Resource Committee	3	Mr. Iftikhar Ul Hassan	Procurement Operation & Finance Committee	2	Ms. Nadia Jahangir	Audit Committee	2	Syed Samar Hasnain	12		N  N  N	
Committee	No. of Members	Name of Chairman															
Board Human Resource Committee	3	Mr. Iftikhar Ul Hassan															
Procurement Operation & Finance Committee	2	Ms. Nadia Jahangir															
Audit Committee	2	Syed Samar Hasnain															
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		N													
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14		N													
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	Y														
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 matter required to be disclosed.	17	Y														
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	Y														



Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box		
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	Y		
30.	The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer before consideration and approval of the Audit Committee and the Board.	20	Y		The financial Statements are endorsed by CEO and Finance manager as CFO has not yet been appointed
31.	The Board has formed an Audit Committee, with defined and written terms of reference.	21 (1) and 21(2)	Y		
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)		N  N  N	a. The positions of CFO and CIA do not exist   c. The position of CIA do not exist
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		N	
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)	Y		
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	Y		



**Dr. Muhammad Saleem**  
Chief Executive Officer



**Mr. Muhammad Kamran Shahzad**  
Chairman, Board of Directors