

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 **ZARAI TARAQIATI BANK LIMITED** (the Company) for the year ended December 31, 2021.

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 control, 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, 2021.

ISLAMABAD

DATE: 17 APR 2022

UDIN: CR202110094h7FpIHS6O

Bdoebrahim & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Iffat Hussain

BDO Ebrahim & Co. Chartered Accountants

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**STATEMENT OF COMPLIANCE WITH PUBLIC
SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

Name of Bank Zarai Taraqati Bank Limited
Name of the line ministry Finance Division, GoP
For the year ended December 31, 2021

- I. This statement presents the overview of the compliance 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 the Bank is managed in compliance with the best practices of public sector governance.
- II. The Bank 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	<div>The Board has at least one-third of its total numbers as independent directors. At present the Board includes:</div> <table><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr><tr><td rowspan="2">Independent Directors</td><td>1. Mr.Zaigham Mahmood Rizvi</td><td>30.12.2020</td></tr><tr><td>2. Syed Javed</td><td>30.12.2020</td></tr><tr><td>Executive Directors</td><td>1. Mr.Muhammad Shahbaz Jameel</td><td>11.11.2019</td></tr><tr><td rowspan="4">Non-Executive Directors</td><td>1. Mr.Nadeem Lodhi</td><td>30.12.2020</td></tr><tr><td>2. Mr.Abdul Ghufraan</td><td>30.12.2020</td></tr><tr><td>3. Mr.Muhammad Aslam Ghauri</td><td>07.10.2021</td></tr><tr><td>4. Mr.Haaris Mahmood Chaudhary</td><td>30.12.2020</td></tr></table>	Category	Names	Date of appointment	Independent Directors	1. Mr.Zaigham Mahmood Rizvi	30.12.2020	2. Syed Javed	30.12.2020	Executive Directors	1. Mr.Muhammad Shahbaz Jameel	11.11.2019	Non-Executive Directors	1. Mr.Nadeem Lodhi	30.12.2020	2. Mr.Abdul Ghufraan	30.12.2020	3. Mr.Muhammad Aslam Ghauri	07.10.2021	4. Mr.Haaris Mahmood Chaudhary	30.12.2020	3(2)		√
Category	Names	Date of appointment																						
Independent Directors	1. Mr.Zaigham Mahmood Rizvi	30.12.2020																						
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	4. Mr.Haaris Mahmood Chaudhary	30.12.2020																						
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)	√																					

Balance.

5	The Chairman of the Board is working separately from the Chief Executive of the Bank.	4(1)	√	
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)	√	
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. (Not applicable where the chief executive have been nominated by the Government)	5(2)	√	
8	(a) The Bank 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 (www.ztbl.com.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	√ √ √	
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)(iii)	√	
11	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Bank.	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)	√	

Review.

13	The Board has ensured compliance with the law as well as Bank'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 Bank.	5(6)	√	
15	The Board has developed significant policies of the Bank. 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 Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	√	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√	
18	(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)	√ √ √	
19	The Board has monitored and assessed the performance of senior management on annual/half-yearly/quarterly 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. (b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.	10	√	

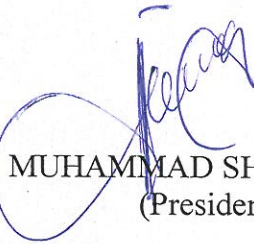
	(c)The Board has placed the annual financial statements on the Bank’s website																					
22	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.	11	√																			
23	<p>(a) The 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>Number of Members</th><th>Name of Chair</th></tr><tr><td>Audit Committee</td><td>04</td><td>Syed Javed</td></tr><tr><td>Risk Management Committee</td><td>04</td><td>Mr.Zaigham Mahmood Rizvi</td></tr><tr><td>Human Resource Committee</td><td>05</td><td>Mr.Nadeem Lodhi</td></tr><tr><td>Procurement Committee</td><td>04</td><td>Mr.Haaris Mahmood Chaudhary</td></tr><tr><td>Nomination Committee</td><td>04</td><td>Mr.Abdul Ghufraan</td></tr></table>	Committee	Number of Members	Name of Chair	Audit Committee	04	Syed Javed	Risk Management Committee	04	Mr.Zaigham Mahmood Rizvi	Human Resource Committee	05	Mr.Nadeem Lodhi	Procurement Committee	04	Mr.Haaris Mahmood Chaudhary	Nomination Committee	04	Mr.Abdul Ghufraan	12	√ √ √ √	
Committee	Number of Members	Name of Chair																				
Audit Committee	04	Syed Javed																				
Risk Management Committee	04	Mr.Zaigham Mahmood Rizvi																				
Human Resource Committee	05	Mr.Nadeem Lodhi																				
Procurement Committee	04	Mr.Haaris Mahmood Chaudhary																				
Nomination Committee	04	Mr.Abdul Ghufraan																				
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment.	13	√																			
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	√																			
26	The Bank 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 Bank except those disclosed to the company	18	√																			

Boards.

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 Bank contains criteria and details of remuneration of each director.	19	√																
30	The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial Officer, before consideration and approval of the approval of the Audit Committee and the Board.	20	√																
31	<p>The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members:</p> <table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Syed Javed</td> <td>Independent</td> <td>Economics/ Management</td> </tr> <tr> <td>Mr.Zaigham Mahmood Rizvi</td> <td>Independent</td> <td>Economics/ Business</td> </tr> <tr> <td>Mr.Haaris Mahmood Chaudhary</td> <td>Non-Executive</td> <td>Business</td> </tr> <tr> <td>Mr.Muhammad Aslam Ghauri</td> <td>Non-Executive</td> <td>Business</td> </tr> </tbody> </table> <p>The Chief Executive and Chairman of the Board are not members of the Audit Committee.</p>	Name of Member	Category	Professional background	Syed Javed	Independent	Economics/ Management	Mr.Zaigham Mahmood Rizvi	Independent	Economics/ Business	Mr.Haaris Mahmood Chaudhary	Non-Executive	Business	Mr.Muhammad Aslam Ghauri	Non-Executive	Business	21 (1) and 21 (2)	√	
Name of Member	Category	Professional background																	
Syed Javed	Independent	Economics/ Management																	
Mr.Zaigham Mahmood Rizvi	Independent	Economics/ Business																	
Mr.Haaris Mahmood Chaudhary	Non-Executive	Business																	
Mr.Muhammad Aslam Ghauri	Non-Executive	Business																	
32	<p>(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.</p> <p>(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.</p> <p>(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.</p>	21(3)	√																
33	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee.	22	√																

	(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.		√	
34	The external auditors of the Bank 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)	√	

Review


 MUHAMMAD SHAHBAZ JAMEEL
 (President/CEO)


 ZAIGHAM MAHMOOD RIZVI
 Director

SCHEDULE II

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, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

S. No.	Rule/ sub-rule No.	Reasons for non-compliance	Future course of action
1	3(2)	Subsequent to his appointment on the Board of Directors of ZTBL, Mr.Nadeem Lodhi was also appointed as Chief Executive Officer of M/s Sindh Infrastructure Development Company Limited (SIDCL).	He has already resigned from the position of CEO, SIDCL. Further, the Federal Government has also been requested for appointment of two Directors against available positions.

Believe.