



TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
Ministry of Commerce – Government of Pakistan

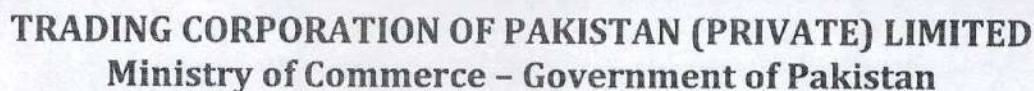
**STATEMENT OF COMPLIANCE WITH THE PROVISIONS OF THE STATE-OWNED ENTERPRISES (GOVERNANCE AND OPERATIONS) ACT, 2023
AND THE STATE-OWNED ENTERPRISES OWNERSHIP AND
MANAGEMENT POLICY, 2023**

S.No.	Requirement	Reference	Complied with			Remarks
			Tick the relevant box			
			Yes	No	N/A	
PRUDENT AND EFFICIENT MANAGEMENT						
1.	The SOE ensured sound and prudent management by: a. conducting operations with integrity, objectivity, due care, and professional skills b. ensuring independent directors and the CEO meet the fit and proper criteria c. composing management of individuals who were fit and proper for their positions d. maintaining adequate accounting and business records	Section 6(1) of the Act	✓ ✓ ✓ ✓			
2.	The accounting and other records meet the following criteria: a. enable prudent management of the SOE's business b. ensure compliance with the obligations imposed by the Act c. comply with all professional standards and pronouncements applicable in Pakistan	Section 6(2) of the Act	✓ ✓ ✓			
3.	The SOE ensured that its primary objective is met by: a. operating efficiently and in accordance with its respective Acts or articles and memorandum of association. b. generating sufficient revenues to cover costs and maintain financial stability	Section 7(1), (3) of the Act	✓ ✓			
4.	Following factors have been considered in achieving SOE's primary objectives: a. the long-term economic consequences of decisions b. business relationships with suppliers, customers, and other stakeholders c. the impact of operations on the community and the environment d. maintaining a reputation for high standards of business conduct. e. acting fairly among members of the SOE	Section 7(2) of the Act	✓ ✓ ✓ ✓ ✓			



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5.	During the reporting period, the SOE entered into a Public Service Obligation (PSO) and the PSO has been carried out in accordance with the guidelines given in the Act and Policy.	Section 7(4) of the Act, Policy Para 17, 32 Annex-5 of the Policy	✓			
MEASUREABLE PERFORMANCE						
6.	The Board has adopted a business plan for the next three financial years, prepared in line with the provisions contained in the Act and Policy.	Section 8(1), (2) & (3) of the Act, Annex-1 of the Policy	✓			
7.	The Board has adopted and published a statement of corporate intent for the SOE or the group comprising the SOE and its subsidiaries (if any) at the start of financial year while covering the reporting year and the following two financial years, in the manner and form set out in Schedule-III of the Act and Annexure I of the Policy.	Section 8(4) of the Act, Schedule-III of the Act Annex-1 of the Policy	✓			
RESPONSIBLE MANAGEMENT						
8.	During the year the Board has submitted the terms of reference, skill-gap details, and explanations to the Board Nominations Committee (BNC) for selecting independent directors.	Policy Annex-7			✓	
9.	Proper induction training has been provided for new directors.	Policy Annex-7			✓	
10.	The SOE has maintained a register of declared director interests.	Policy Annex-7	✓			
11.	The SOE has clarified the selection and appointment process of the directors.	Policy Annex-7			✓	



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12.	During the reporting year the SOE remained compliant with the following guidelines for Board composition and appointments:	Section 12(1), (2), (3), (4) of the Act,				
	a. The Board composed of 5 to 11 members		✓			
	b. There was a majority of independent directors (non-ex-officio and non-executive)	Section 15(1) & (2) of the Act,	✓			
	c. The Board consisted of independent directors, ex-officio directors and the chief executive officer of the SOE where required by law and had diverse skills and competence	Policy Para 24	✓			
	d. The Board had adequate gender representation		✓			
	e. At least one member on the Board was a young private sector individual, preferably below the age of 40 years				✓	
	f. The representation of academia, trade & industry and civil society had been considered				✓	
	g. The independent director nominations were based on the nominee's ability to devote the required time		✓			
	h. The tenure of independent directors was three years, or as per respective statutes		✓			
	i. Any independent director was not appointed to the same Board after two consecutive terms unless the period of three years had lapsed		✓			
	j. No Independent Director served for more than nine years on the Board.		✓			
	k. The Chairman of the Board was appointed by the Federal Government from one of the independent directors. The CEO was responsible for leading the board and ensuring its effective functioning and continuous development, and was not involved in the day-to-day operations of the SOE.			✓		
	l. The offices of Chairman and CEO were kept separate			✓		



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	<p>m. The representation from the administrative Ministry/ Division on the Boards of SOEs was restricted to one member</p> <p>n. The representation of any other Ministries/ Divisions(other than Ministry of Finance) and any other public sector agency was discouraged</p> <p>o. The ex-officio Board nominees had the necessary skills and experience.</p> <p>p. Directors received a fee for attending meetings, with compensation reflecting their responsibility and expertise. No additional perks were allowed, and remuneration was not at a level that could compromise the Board's independence</p> <p>q. Appointment of an individual to more than five SOEs simultaneously, including their subsidiaries was prohibited</p>		✓			
13.	<p>Following individuals were not appointed or did not continue as independent directors:</p> <p>a. Under eighteen years of age,</p> <p>b. An unnatural person,</p> <p>c. Undischarged bankrupt in any jurisdiction,</p> <p>d. Convicted of an offence,</p> <p>e. Prohibited by statute or court order,</p> <p>f. Declared mentally unfit,</p> <p>g. In the service of Pakistan,</p> <p>h. Member of Majlis-e-Shoora or Provincial Assembly,</p> <p>i. Holder of political office,</p> <p>j. Employee of an SOE.</p>	Section 11 of the Act	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓			
14.	Every director held office for the period specified under the applicable law, unless the director resigned in writing or was removed earlier in accordance with the SOE Act.	Section 13(1) of the Act 	✓			




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15.	<p>The removal of any independent director appointed by the Federal Government was based on an inquiry that established one or more of the following:</p> <p>a. the director was in non-compliance with applicable laws,</p> <p>b. failed to fulfill duties,</p> <p>c. acted detrimentally to the enterprise, or</p> <p>d. was guilty of misconduct.</p> <p>Whereby Misconduct included:</p> <p>(i) conflicts of interest,</p> <p>(ii) misuse of funds, assets and resources of the SOE</p> <p>(iii) disrespect or harassment to colleagues and staff,</p> <p>(iv) making unauthorized public statements,</p> <p>(v) non-compliance with code of conduct or conflict of interest requirements,</p> <p>(vi) accepting gifts or benefits from sources external to the SOE offered in connection with his duties on the Board,</p> <p>(vii) misuse of position</p>	Section 13(2) of the Act			✓	
16.	Any act, proceeding, or decision of the board was not deemed invalid solely due to a vacancy, defect, or irregularity in the constitution of the board.	Section 14	✓			
17.	<p>The CEO:</p> <p>a. managed the SOE and its financial and procedural matters under board delegation and oversight,</p> <p>b. implemented strategies and policies approved by the Board, and</p> <p>c. established arrangements to safeguard funds and resources, ensuring their economic, efficient, and effective use according to the business plan, primary objectives, and statutory obligations.</p>	Section 15(3) of the Act	✓			



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18.	<p>The fit and proper criteria, as prescribed in Schedule IV, has been applied to independent directors, the Chief Executive Officer, the Company Secretary, and all other senior management officers of the SOE.</p> <p>The SOE also ensured compliance with any additional requirements issued by sector regulators or authorities governing specific sectors</p>	<p>Section 16(1) (2) of the Act,</p> <p>Schedule IV of the Act</p>	✓			
19.	<p>The HR policies have been established to enhance the quality of its human resources and organizational structure, with approval from the Board of Directors.</p>	<p>Policy Para 29</p>	✓			
20.	<p>Following guidelines have been considered for developing HR policies:</p> <p>a. Approval, amendment, or supersession of HR policies has been made by the Board unless otherwise provided in the primary legislation of the statutory SOEs. The Policies/ rules/ regulations were based on the principles of fairness, transparency and equity.</p> <p>b. Regular HR review mechanism has been implemented to rationalize the workforce.</p> <p>c. New appointments were made preferably on a contract basis with a one-month notice termination clause.</p> <p>d. Annual performance evaluations for HR were conducted, and continuation/termination decisions were based on these evaluations.</p> <p>e. Fit and proper criterion for the appointment of CEO, CFO, CIA, Company Secretary, and other senior management officers complied with Section 16 and Schedule IV of the SOEs Act, 2023.</p>	<p>Policy Para 30</p>	✓ ✓ ✓ ✓ ✓			
21.	<p>Every newly appointed independent director:</p> <p>a. Submitted a declaration, along with consent to act as Director, confirming qualification under the Fit and Proper criteria as notified under the Act?</p>	<p>Policy Para 35</p>	✓			
	<p>b. provided a declaration to both the SOE and SECP if there is any change affecting his/her independence post-appointment?</p>		✓			



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RESPONSIBILITIES, POWERS AND FUNCTIONS OF THE BOARD						
22.	It has been ensured that: a. the Board operated with autonomy and independence in discharging its functions under this Act or any other applicable law, according to the adopted business plan. b. No administrative or standing instructions by any Division of the Federal Government were applied to the SOE without prior approval from the Federal Government c. Any existing instructions already in field at the time of coming into effect of this Act were ratified by the Federal Government within a period of six months, else was deemed rescinded.	Section 17(1) of the Act	✓			
23.	The SOE maintained independent procurement policies approved by the Federal Government, ensuring compliance with the Chartered Institute of Procurement and Supply's Global Standards. These policies adhered to the Public Procurement Regulatory Authority Ordinance, 2002 (XXII of 2002) as directed by the Federal Government, until the procurement policy of SOEs is prepared and approved by the Federal Government.	Section 17(2) of the Act	✓			
24.	The Board or concerned authority has appointed a chief executive officer under a performance-based contract for a specified period, and aligned existing arrangements with the appointment of chief executive officers in line with this provision within one year of coming into effect of this law.	Section 18(1) of the Act			✓	
25.	Regular monitoring of the CEO's performance against agreed performance measures was ensured, along with oversight of the CEO's development and succession planning.	Section 18(2) of the Act			✓	
26.	The CEO was selected and appointed under a performance-based contract, adhering to the criteria set by the Board, with a 3/4 majority resolution required for both appointment and removal, including ex-officio nominee directors. The Board also determined the financial compensation for the CEO.	Policy Para 26			✓	




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27.	The appointments of CEO, CFO, CIA, and Company Secretary were made in compliance with the guidelines issued by the CMU. [Note: CMU issued "State-Owned Enterprises (C-Level Appointments)Guidelines2024onAugust15,2024.Untilnew guidelines were issued, the provisions under Public Sector Companies (Corporate Governance Rules), 2013 were applicable subject to compliance with the Act and the Policy– Reference Para 26 of the policy.]	Policy Para 26	✓			
28.	The Board fulfilled its obligations to shareholders, ensuring that they were informed in a timely manner of all material events through meetings and other necessary communications	Section 19(1) of the Act	✓			
29.	The Board developed and implemented a code of conduct for Board members and employees as outlined in Schedule-V of the SOE Act. The code included establishing systems and controls for identifying and addressing grievances related to unethical practices, and ensuring that the code and supporting policies were effectively communicated within the organization.	Section 19(2) of the Act, Schedule V	✓			
30.	A Code of Conduct for Directors and employees has been developed, including matters from Schedule V of the SOEs Act and conflict of interest regulations as at Annexure 8 of the Policy. The Code included procedures for disciplinary action against those who violate it, with specific procedures for addressing violations by Directors in accordance with the relevant provisions of the Companies Act, 2017	Section 20 of the Act, Schedule V, Policy Para 34 Annex- 8	✓			

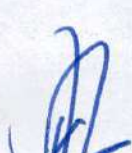


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31.	<p>An audit committee in line with the provisions contained in the Act and Policy has been established, ensuring that</p> <p>a. the majority, including the chairman, were independent directors, and</p> <p>b. that neither the Chairman of the Board nor the Chief Executive Officer were members.</p> <p>c. The committee met quarterly, with meeting minutes submitted to the Board at the next scheduled meeting, and convened before Board approval of interim results and post-external audit completion.</p> <p>d. The SOE's annual report detailed the committee's work and performance evaluation, which is conducted by the Board. Besides, SOEs conducted comprehensive risk assessments to manage potential threats</p> <p>The SOE also considered establishing further committees as needed.</p>	<p>Section 21(1) of the Act,</p> <p>Annex-6 of the Policy</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			
32.	<p>The audit committee is responsible for:</p> <p>1. Recommending appointment of external auditors, considering resignation/removal, audit fees, and additional services.</p> <p>2. Determining measures to safeguard assets.</p> <p>3. Managing all reports and communications with external auditors.</p> <p>4. Reviewing half-yearly and annual financial statements before Board approval.</p> <p>5. Ensuring coordination between internal and external auditors.</p> <p>6. Investigating deviations from code of conduct or internal controls confidentially.</p>	<p>Section 21(2) of the Act</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			
33.	<p>Internal audit procedures have been established as required under sections 19 and 20 of the Act and in line with the Annexure 6 of the SOE Policy.</p>	<p>Policy Para 31</p> <p>Annex-6 of the Policy</p> 	<p>✓</p>			



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34.	The Board met at least once every two months. The Board also met at other times as necessary for efficient management.	Section 22(1) of the Act	✓			
35.	Decisions of the Board have been taken by a majority vote. However, the following decisions were made with a three-fourth majority, including the vote of the Federal or Provincial Government nominee director: a. Appointment and removal of the CEO b. Approval of the statement of corporate intent and business plan c. Proposals for the sale of sizeable assets d. Annual budget statement approval e. Sale of assets of the company	Section 22(2) of the Act	✓ ✓ ✓ ✓ ✓		✓	
36.	In the case of an equal number of votes during Board decisions, the Chairman of the Board had a casting vote.	Section 22(3) of the Act	✓			
37.	The directors, the CEO, or other employees of the SOE were protected from legal proceedings if their actions or omissions were made in good faith and with due care.	Section 23 of the Act	✓			
38.	Each SOE director completed the Director Training Program within six months of his/her appointment.	Policy Para 25	✓			
TRANSPARENT PERFORMANCE						
39.	The SOE and its subsidiaries kept written financial records that: a. Correctly recorded and explained its transactions, financial position, and performance; b. Enabled financial statements to be prepared and audited in accordance with this Act;	Section 24(1) of the Act	✓ ✓			
	c. Clearly identified any transactions involving directors or their close relatives, directly or indirectly, including pecuniary or non-pecuniary benefits; d. Enabled the preparation of other reports required by this Act.		✓ ✓			



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40.	The records required by 24 (1) are ensured to be kept: a. for at least ten years after the dates of the transactions to which they relate; b. at the principal place of business or the registered office address of the SOE; c. in electronic form if they are readily retrievable and convertible into hard copy form.	Section 24(2) of the Act	✓ ✓ ✓			
41.	The audited financial statements were prepared for the financial year for the SOE and consolidated financial statements for the group consisting of the SOE and its subsidiaries. <i>Note: For the purposes of this section, a subsidiary does not include a joint venture.</i>	Section 25(1) of the Act	✓			
42.	The financial statements have been prepared in accordance with IFRS. The statements, together with the notes, included all necessary information to ensure they give a true and fair view of the financial position of the SOE and the group, including its subsidiaries. Note: If the SOE is not following IFRS at the time this Act comes into effect, the Board must ensure compliance within three years.	Section 25(2) of the Act	✓			
43.	The financial statements have been accompanied by a declaration of the Board stating whether, in their opinion: a. There are reasonable grounds for believing that the SOE and its subsidiaries shall be able to pay their debts as they become due and payable.	Section 25(3) of the Act	✓			
	b. the financial statements and the notes to them complied with the requirements of this Act and international accounting standards.		✓			
44.	A report has been submitted on SOE's operations and its subsidiaries for the financial year to which it relates not later than four months after the ends of that financial year, in the form prescribed in Schedule-VI.	Section 26(1) of the Act, Schedule VI	✓			



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45.	The annual report omitted any information that could seriously harm the business interests if disclosed.	Section 26(2) of the Act	✓			
46.	A confidential report to the Federal Government has been submitted detailing the information omitted from the annual report and reasons for the omission (<i>if the case be</i>).	Section 26(3) of the Act	✓			
47.	A summary of the annual report has been published on SOE's website, or if not available, on the website of the relevant Division or in newspapers circulating in Pakistan	Section 27(1) of the Act	✓			
48.	The SOE published a summary of the annual report within one month after submission to the Federal Government, comparing actual performance with the targets or benchmarks set in the statement of corporate intent for that financial year.	Section 27(2) of the Act	✓			
49.	A half-yearly report of operations has been submitted to the Federal Government for the first half of the financial year within two months after the end of that period.	Section 28(1) of the Act	✓			
50.	The half yearly report contained: a. The half-yearly financial reports of the SOE b. A statement on the extent the SOE and its subsidiaries have achieved the business goals specified in its statement of corporate intent for the financial year. c. Any other matter that the Federal Government may have directed to include	Section 28(2) of the Act	✓			
51.	The SOE clearly stated and published in its annual report all contingent liabilities, guarantees provided by the Federal Government or third parties on behalf of the Federal Government, payables to other SOEs, and any loans or other financial support provided by the Federal Government or other SOEs.	Policy Para 28	✓			



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SHAREHOLDING RIGHTS OF THE FEDERAL GOVERNMENT						
52.	Directors and senior management officers submitted their annual declarations of assets and beneficially held investments and properties to the Board, reporting any changes within two weeks. Public disclosure is in line with the Board's conflict management policy.	Section 30(1) of the Act	✓			
53.	The SOE disclosed the specified documents relating to its affairs or those of its subsidiaries as directed by the Federal Government.	Section 30 (2) of the Act	✓			
54.	The SOE proposed reasonable conditions to the Federal Government regarding the public disclosure of information, including any restrictions on further disclosure, when applicable.	Section 30 (4) of the Act	✓			
MONITORING PERFORMANCE						
55.	The SOE submitted the required information to the CMU as mandated by the Act and has promptly updated or corrected any changes or errors within fifteen days of such change or knowledge of error.	Section 32(1) of the Act	✓			
56.	The SOE complied with the CMU's written notices for disclosure within ten working days to assist the CMU in discharging its functions under the Act.	Section 32(2)(3) of the Act	✓			
57.	The bi-annual reports have been disclosed on SOE's website following the CMU's publication of the summary of financial and economic performance reports, which were reviewed by CCoSOEs and the Federal Government.	Policy Para 36	✓			

DIRECTOR

CHAIRMAN & CHIEF EXECUTIVE