



ٹریڈنگ کارپوریشن آف پاکستان (پرائیویٹ) لمیٹڈ

Trading Corporation of Pakistan (Pvt) Limited

Phones : 9202947-49 (3 Lines)
Fax : (92-21) 9202722, 9202731 & 9202595
E-mail : tcpkhi@pk.netsoft.com

4th & 5th Floor,
Finance & Trade Centre,
Sharea Faisal,
Karachi. 75530 (Pakistan)

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, 2015

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	Rule No.	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 :	3(2)		✓																				
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent Director</td> <td>Mr. Khaliq ur Rehman</td> <td>March 20, 2014</td> </tr> <tr> <td>Mr. Adnan Afridi</td> <td>March 20, 2014</td> </tr> <tr> <td>Mr. Irfan Qaiser Sheikh</td> <td>March 20, 2014</td> </tr> <tr> <td>Executive Directors</td> <td>Rizwan Ahmed</td> <td>July 10, 2013</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>Mr. Muhammad Ashraf</td> <td>February 03, 2015</td> </tr> <tr> <td>Dr. Shakeel Ahmed Khen</td> <td>March 20, 2014</td> </tr> <tr> <td>Mr. Zahoor Ahmed</td> <td>June 17, 2014</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Director	Mr. Khaliq ur Rehman	March 20, 2014	Mr. Adnan Afridi	March 20, 2014	Mr. Irfan Qaiser Sheikh	March 20, 2014	Executive Directors	Rizwan Ahmed	July 10, 2013	Non-Executive Directors	Mr. Muhammad Ashraf	February 03, 2015	Dr. Shakeel Ahmed Khen	March 20, 2014	Mr. Zahoor Ahmed	June 17, 2014			
Category	Names	Date of appointment																						
Independent Director	Mr. Khaliq ur Rehman	March 20, 2014																						
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	Dr. Shakeel Ahmed Khen	March 20, 2014																						
	Mr. Zahoor Ahmed	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 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)		✓																				
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, including posting the same on the Company's website. (www.tcp.gov.pk) (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	5(5)																						



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	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.			✓	
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 procedure for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigate 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		✓	
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		✓	

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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- Rehman (Independent)</td> </tr> <tr> <td>Board Human Resource Committee</td> <td>3</td> <td>Mr. Adnan Afridi (Independent)</td> </tr> <tr> <td>Procurement Committee</td> <td>3</td> <td>Mr. Irfan Qaisar Sheikh (Independent)</td> </tr> <tr> <td>Nomination Committee</td> <td>-</td> <td>-</td> </tr> </tbody> </table>		Committee	Number of members	Name of chair	Board Audit & Risk Management Committee	3	Mr. Khaliq-ur- Rehman (Independent)	Board Human Resource Committee	3	Mr. Adnan Afridi (Independent)	Procurement Committee	3	Mr. Irfan Qaisar Sheikh (Independent)	Nomination Committee	-	-		✓	
Committee	Number of members	Name of chair																	
Board Audit & Risk Management Committee	3	Mr. Khaliq-ur- Rehman (Independent)																	
Board Human Resource Committee	3	Mr. Adnan Afridi (Independent)																	
Procurement Committee	3	Mr. Irfan Qaisar Sheikh (Independent)																	
Nomination Committee	-	-																	
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 (i) 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			✓														
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:	21	✓																
<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-Rehman</td> <td>Independent Director</td> <td>Chartered Accountant and experience of working as Deputy Managing Partner in Anjum Asim Shahid Rehman - a member firm in Pakistan of Grant Thornton.</td> </tr> <tr> <td>Mr. Adnan Afridi</td> <td>Independent Director</td> <td>Chief Executive Officer of Tethian Copper Group, Islamabad and experience in the field of banking.</td> </tr> <tr> <td>Mr. Zahoor</td> <td>Non-executive director</td> <td>Joint Secretary, Ministry of Finance.</td> </tr> </tbody> </table>		Name of Member	Category	Professional Background	Mr. Khaliq-ur-Rehman	Independent Director	Chartered Accountant and experience of working as Deputy Managing Partner in Anjum Asim Shahid Rehman - a member firm in Pakistan of Grant Thornton.	Mr. Adnan Afridi	Independent Director	Chief Executive Officer of Tethian Copper Group, Islamabad and experience in the field of banking.	Mr. Zahoor	Non-executive director	Joint Secretary, Ministry of Finance.						
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Mr. Zahoor	Non-executive director	Joint Secretary, Ministry of Finance.																	
The Chief Executive and Chairman of the Board are not members of the																			

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	audit committee.		✓		
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

RIZWAN AHMED
CHAIRMAN



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* Reasons for being not applicable

Sr. No	Remarks
3, 5&22	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. Nomination committee is also not required for the same reason. Casual vacancy occurring on the Board was also filled up by the Ministry.
23	During the year under review, no such appointments were made.
26	The shares of the Company are fully owned and held by the Ministry of Commerce.
27	The remuneration package of individual directors is fixed and determined by the Ministry of Commerce and therefore we are not aware of the related procedure and as such the annual report of the Company do not contain criteria of remuneration of each director.



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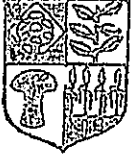
SCHEDULE- II

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, 2016.

Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1.	3(2)	During the year, two independent directors resigned due to which the requisite percentage of independent directors have been decreased. The management is taking up this matter with the Ministry of Commerce.	Will be compliant in the next financial year ending June 30, 2016
2.	3(5)	Three out of eight directors have given declaration at the time of their appointments that they are not serving as director on more than 5 public sector companies and listed companies simultaneously. The Company Secretary has requested the remaining directors for the declaration which are expected to be received in due course.	Will be compliant in the next financial year ending June 30, 2016
3.	4(1), 4(4), 5(2), 5(8)	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.
4	5(4)	The management is currently working as per the Standard Operating Procedures (SOPs) prescribed by the Article of Association and PPRA Rules and therefore code of conduct was not present. However by keeping the requirements of the Rules, the management is in process of preparing a code of conduct. Further, there are no formal systems and controls dealing with the issues of grievances. However in	Noted for future compliance



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Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
		case of any grievance, the same is communicated to the senior and the hierarchy is followed to resolve the grievance.	
5	5(5)	The Board is in process of developing 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.	Noted for future compliance
6	5(5)(b)(ii)	Conflict of interest checklist is signed by each employee at the time of his induction; however, formal 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 procedures for disclosing such interest will be developed in the financial year ending June 30, 2016.	Noted for future compliance
7	5(5)(b)(vi)	Company-wide Anti-corruption policy is under development by the Board	Noted for future compliance
8	5(5)(c)(ii)	Although, the Company does not have a formal committee dealing with the issues of deviations in code of conduct, however in case of any deviation, the same is communicated to the senior and the hierarchy is followed to resolve the deviation.	Noted for future compliance
9	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
10	6(2)	Although written notices of the Board meetings along-with agenda and working papers were circulated, however the compliance relating to number of days within which it should have been circulated have not been complied with.	Noted for future compliance.
11	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
12	8	The Board is in process of developing criteria for	Noted for future compliance

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Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
		performance evaluation of the Board members and for monitoring and assessment of senior management as prescribed in the Rules.	
13	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.
14	11	Due to non-availability of directors, orientation courses could not be arranged this year.	Noted for future compliance
15	12	Terms of references of committees prescribed in the said Rule have been communicated to them verbally. However, the formal documentation of the said terms of references are in process.	Noted for future compliance.
16.	17	This matter has been communicated to the Board.	Noted for future compliance.
17.	20	The requirements of endorsement of financial statements by the chief executive and chief financial officer of the Company were missed out.	Noted for future compliance
18.	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