

**PAKISTAN SOFTWARE EXPORT
BOARD (GUARANTEE) LIMITED**

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

30 JUNE 2018

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

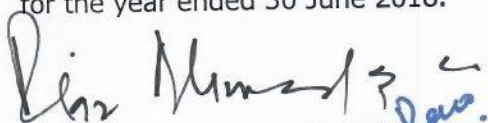
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Pakistan Software Export Board (Guarantee) Limited for the year ended 30 June 2018.

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 30 June 2018.


RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 24 JAN 2019

SCHEDULE I

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of the Company: Pakistan Software Export Board (Guarantee) Limited
 Name of the Line Ministry: Ministry of Information Technology and Telecommunication
 For the year ended: 30th June 2018

- 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 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)	✓																							
2	The Board has at least one-third of its total members as independent directors. At present the Board includes: <table border="1" style="margin-left: 20px; width: 100%;"> <thead> <tr> <th>Category</th> <th>Name</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Directors</td> <td>Mr. Salim Ullah Ghauri</td> <td>07-05-2009</td> </tr> <tr> <td>Mr. Barkan Saeed</td> <td>11.09.2017</td> </tr> <tr> <td>Executive Directors</td> <td>Syed Ali Abbas Hassani</td> <td>09-02-2018</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>Muhammad Yusuf Shaikh</td> <td>11-06-2018</td> </tr> <tr> <td>Mr. Aamir Ashraf Khawaja</td> <td>12-03-2018</td> </tr> <tr> <td>Mr. Arif Ahmed Khan</td> <td>10-01-2018</td> </tr> <tr> <td>CE TDAP (Vacant)</td> <td></td> <td></td> </tr> </tbody> </table>	Category	Name	Date of Appointment	Independent Directors	Mr. Salim Ullah Ghauri	07-05-2009	Mr. Barkan Saeed	11.09.2017	Executive Directors	Syed Ali Abbas Hassani	09-02-2018	Non-Executive Directors	Muhammad Yusuf Shaikh	11-06-2018	Mr. Aamir Ashraf Khawaja	12-03-2018	Mr. Arif Ahmed Khan	10-01-2018	CE TDAP (Vacant)			3(2)	✓		
Category	Name	Date of Appointment																								
Independent Directors	Mr. Salim Ullah Ghauri	07-05-2009																								
	Mr. Barkan Saeed	11.09.2017																								
Executive Directors	Syed Ali Abbas Hassani	09-02-2018																								
Non-Executive Directors	Muhammad Yusuf Shaikh	11-06-2018																								
	Mr. Aamir Ashraf Khawaja	12-03-2018																								
	Mr. Arif Ahmed Khan	10-01-2018																								
CE TDAP (Vacant)																										
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)		✓	Three out of seven directors have confirmed.																					
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)	✓																							
5	The chairman of the Board is working separately from the chief executive of the Company.	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 has been nominated by the Government)	5(2)		N/A																						

Sr. No.	Provision of the Rules	Rule No.	Y N		Remarks
			Tick the relevant box		
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. (Address of website to be indicated www.pseb.org.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) (ii)	✓		
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	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)	✓		
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)	✓		
14	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓		
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)	✓		
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)		N/A	
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.	6(1)	✓		
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓		
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓		

Sr. No.	Provision of the Rules	Rule No.	Y N		Remarks
			Tick the relevant box		
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)	✓		
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. (c) The Board has placed the annual financial statements on the company's website.	10		✓	In future, PSEB will get formal approval of quarterly accounts from Board.
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		✓	The matter was presented to the Board and the Board decided that Board members will consider undertaking orientation course as required.

23	a) The Board has formed the requisite committees, as specified in the Rules.	12	✓																			
	(b) The committees were provided with written term of reference defining their duties, authority and composition.	12	✓																			
	(c) The minutes of the meetings of the committees were circulated to all the Board members.	12	✓																			
	(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>Audit Committee</td> <td>3</td> <td>Mr. Aamir Ashraf Khawaja</td> </tr> <tr> <td>Risk Management Committee</td> <td>N.A.</td> <td>PSEB is neither a financial institution nor having assets of five billion rupees or more to form risk management committee.</td> </tr> <tr> <td>Human Resource Committee</td> <td>3</td> <td>Mr. Barkan Saeed</td> </tr> <tr> <td>Procurement Committee</td> <td>Varies</td> <td>Syed Ali Abbas Hasani</td> </tr> <tr> <td>Nomination Committee</td> <td>2</td> <td>Syed Ali Abbas Hasani</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	3	Mr. Aamir Ashraf Khawaja	Risk Management Committee	N.A.	PSEB is neither a financial institution nor having assets of five billion rupees or more to form risk management committee.	Human Resource Committee	3	Mr. Barkan Saeed	Procurement Committee	Varies	Syed Ali Abbas Hasani	Nomination Committee	2	Syed Ali Abbas Hasani		✓	✓
Committee	Number of Members	Name of Chair																				
Audit Committee	3	Mr. Aamir Ashraf Khawaja																				
Risk Management Committee	N.A.	PSEB is neither a financial institution nor having assets of five billion rupees or more to form risk management committee.																				
Human Resource Committee	3	Mr. Barkan Saeed																				
Procurement Committee	Varies	Syed Ali Abbas Hasani																				
Nomination Committee	2	Syed Ali Abbas Hasani																				
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	✓																			
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																			
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	✓																			
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 company except those disclosed to the company.	18	✓																			
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.	19	✓																			
	(b) The annual report of the company contains criteria and details of remuneration of each director.		✓																			
30	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	✓																			

Sr. No.	Provision of the Rules	Rule No.	Y N		Remarks							
			Tick the relevant box									
31	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:	21 (1) and 21 (2)	✓									
	<table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Aamir Ashraf Khawaja</td> <td>Non-Executive Member</td> <td>Secretary, IT</td> </tr> <tr> <td>Dr. Nawaz Ahmad</td> <td>Non-Executive Member</td> <td>Financial Advisor, IT</td> </tr> <tr> <td>Mr. Barkan Saeed</td> <td>Independent Non-Executive Member</td> <td>Chairman PASHA</td> </tr> </tbody> </table>					Name of Member	Category	Professional Background	Mr. Aamir Ashraf Khawaja	Non-Executive Member	Secretary, IT	Dr. Nawaz Ahmad
Name of Member	Category	Professional Background										
Mr. Aamir Ashraf Khawaja	Non-Executive Member	Secretary, IT										
Dr. Nawaz Ahmad	Non-Executive Member	Financial Advisor, IT										
Mr. Barkan Saeed	Independent Non-Executive Member	Chairman PASHA										
	The chief executive and chairman of the Board are not members of the audit committee.		✓									
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.	21 (3)	✓									
	(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.					✓						
					Subsequent to appointment of Chief Internal Auditor PSEB internal audit function will be functional.							
33	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22		✓	The appointment of Chief Internal Auditor is in process.							
	(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 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)	✓									
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23 (5)	✓									

Syed Ali Abbas Hasani

Syed Ali Abbas Hasani
(Managing Director / CEO)

Syed Ahmad

Syed Ahmad
Independent Director

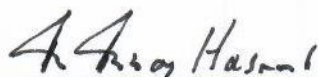
Date: **24 JAN 2019**
Islamabad

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

Sr. No.	Rule / Sub rule No.	Reason for non-compliance	Future course of action
1	3(5)	Confirmation from four members is pending. PSEB is pursuing the matter, however it is stated that position of Chief Executive TDAP is vacant, therefore PSEB would be able to secure said confirmation upon filing of vacancy.	PSEB will seek pending confirmations at the earliest.
2	10	PSEB could not get formal approval of quarterly accounts due to unavoidable circumstances.	In future, PSEB will get formal approval of quarterly accounts from Board.
3	11	The matter was presented to the Board and the Board decided that Board members will consider undertaking orientation course as required.	The orientation course will be arranged on the desire of Board Members.
4	12	Board appointed executive director as chairperson of procurement and nomination committees.	PSEB will present to the Board for appointment of non-executive director as chairperson of procurement and nomination committees.
5	21 (3)	The appointment of Chief Internal Auditor is in process.	Compliance will be ensured once the internal auditor is appointed.
6	22	The setting up of internal audit function is in progress.	Subsequent to appointment of Chief Internal Auditor PSEB internal audit function will be functional.



Syed Ali Abbas Hasani
(Managing Director / CEO)



Syed Ahmad
Independent Director

Date: 24 JAN 2019

Islamabad.