

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

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

FOR THE YEAR ENDED 30 JUNE 2016

REVIEWED BY



MUNIFF ZIAUDDIN & CO
Chartered Accountants

SCHEDULE III (iii)

**Review Report to the Members
On 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 2016.

The responsibility for compliance with the Rules is that of 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 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 procedure and risks.

The Rules required the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place 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 for 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 2016.


MUNIFF ZIAUDDIN & CO
Chartered Accountants
(Sardar Shahid Farid, FCA)

Islamabad.

Date: 11-01-2017.

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
 For the year ended: 30th June 2016

- i. This statement is being presented to comply with 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 the requisite percentage of independent directors. At present the board includes: <table border="1" style="width: 100%; margin-top: 5px;"> <thead> <tr> <th>Category</th> <th>Name</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td><i>Independent Directors</i></td> <td><i>Mr. Salim Ullah Ghauri Syed Ahmad</i></td> <td><i>07-05-2009 17.09.2015</i></td> </tr> <tr> <td><i>Executive Directors</i></td> <td><i>Mr. Asim Shahryar Husain</i></td> <td><i>14-07-2014</i></td> </tr> <tr> <td><i>Non-Executive Directors</i></td> <td><i>Ms. Anusha Rahman Mr. Rizwan Bashir Khan Dr. Waqar Masood Khan Mr. S.M. Muneer</i></td> <td><i>08-06-2013 04-03-2016 16-04-2013 18-03-2014</i></td> </tr> </tbody> </table>	Category	Name	Date of Appointment	<i>Independent Directors</i>	<i>Mr. Salim Ullah Ghauri Syed Ahmad</i>	<i>07-05-2009 17.09.2015</i>	<i>Executive Directors</i>	<i>Mr. Asim Shahryar Husain</i>	<i>14-07-2014</i>	<i>Non-Executive Directors</i>	<i>Ms. Anusha Rahman Mr. Rizwan Bashir Khan Dr. Waqar Masood Khan Mr. S.M. Muneer</i>	<i>08-06-2013 04-03-2016 16-04-2013 18-03-2014</i>	3(2)		✓	Exemption granted by SECP for one year vide letter No.CLD/CCD/P SC/2015/8027 dated May 03, 2016.
Category	Name	Date of Appointment															
<i>Independent Directors</i>	<i>Mr. Salim Ullah Ghauri Syed Ahmad</i>	<i>07-05-2009 17.09.2015</i>															
<i>Executive Directors</i>	<i>Mr. Asim Shahryar Husain</i>	<i>14-07-2014</i>															
<i>Non-Executive Directors</i>	<i>Ms. Anusha Rahman Mr. Rizwan Bashir Khan Dr. Waqar Masood Khan Mr. S.M. Muneer</i>	<i>08-06-2013 04-03-2016 16-04-2013 18-03-2014</i>															
3	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)		✓	Exemption granted by SECP for one year vide letter No.CLD/CCD/P SC/2015/8027 dated May 03, 2016.												
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)		✓	SECP vide letter No.CLD/CCD/P SC/2015/8027 dated May 03, 2016 has required PSEB to furnish detail of directorships of members of PSEB board of directors to decide grant of												

Sr. No.	Provision of the Rules	Rule No.	Y N		Remarks
			Tick the relevant box		
					exemption as requested by the Company. PSEB is in the process of collecting the requisite detail from members of the board of directors for furnishing to SECP for grant of exemption.
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)	✓		All nominations on Board of Directors are made by GoP.
6	The chairman of the board is working separately from the chief executive of the company.	4(1)	✓		
7	The chairman has been elected from amongst the independent directors.	4(4)		✓	Exemption granted by SECP for one year vide letter No.CL.D/CCD/P SC/2015/8027 dated May 03, 2016.
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 at www.pseb.org.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 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)	✓		
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 anticorruption 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 procedures for making	5(5) (c)	✓		


Sr. No.	Provision of the Rules	Rule No.	Y N		Remarks
			Tick the relevant box		
	appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct.	(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, in accordance with the PPRA Rules.	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 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)	✓		None
17	(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)	✓		
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 basis.	8		✓	All the nominations in Board of Directors of the company are made by GoP & majority of them are senior officials of the government who hold directorships in the company and other government owned & controlled corporations are well versed with government rules and regulations including corporate governance rules as they regularly

Sr. No.	Provision of the Rules	Rule No.	Y N		Remarks
			Tick the relevant box		
					undergo high level trainings, courses, seminars, workshops etc. within and outside Pakistan as part of their careers. Government of Pakistan monitor & carry out performance of their officials throughout their services.
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	✓		None
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	✓		
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		✓	All the nominations in Board of Directors of the company are made by GoP & majority of them are senior officials of the government who hold directorships in the company and other government owned & controlled corporations are well versed with government rules and regulations including corporate governance rules as they regularly undergo high level trainings, courses, seminars,

Sr. No.	Provision of the Rules	Rule No.	Y N		Remarks																		
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					workshops within and outside Pakistan as part of their careers. Government of Pakistan monitor & carry out performance of such officials throughout their services.																		
22	(a) The board has formed the requisite committees, as specified in the Rules.	12	✓		SECP disallowed exemption under rules 12(1)(e) and required Board of Directors to form nomination committee in view of the fact that although the directors are appointed and removed at the pleasure of the government, the nomination committee and the board of directors is required to assist the government in making appointment of board members who are fit and proper for the position. The SECP granted exemption vide letter No.CLD/CCD/P SC/2015/8027 dated May 03, 2016 for one year with respect to the requirements of majority of independent directors on the board committees as required under rules 12(2).																		
	(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>Category</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td><i>Audit Committee</i></td> <td>3</td> <td><i>Mr. Rizwan Bashir Khan</i></td> </tr> <tr> <td><i>Risk Management</i></td> <td>N.A.</td> <td><i>PSEB is neither a financial institution nor having assets of five billion rupees or more to form risk management committee.</i></td> </tr> <tr> <td><i>Human Resource</i></td> <td>3</td> <td><i>Syed Ahmad</i></td> </tr> <tr> <td><i>Procurement Committee</i></td> <td>Varies</td> <td><i>Mr. Asim Shahryar Husain</i></td> </tr> <tr> <td><i>Nomination Committee</i></td> <td>N.A.</td> <td></td> </tr> </tbody> </table>	Category	Number of Members	Name of Chair		<i>Audit Committee</i>	3	<i>Mr. Rizwan Bashir Khan</i>	<i>Risk Management</i>	N.A.	<i>PSEB is neither a financial institution nor having assets of five billion rupees or more to form risk management committee.</i>	<i>Human Resource</i>	3	<i>Syed Ahmad</i>	<i>Procurement Committee</i>	Varies	<i>Mr. Asim Shahryar Husain</i>	<i>Nomination Committee</i>	N.A.				
	Category	Number of Members	Name of Chair																				
	<i>Audit Committee</i>	3	<i>Mr. Rizwan Bashir Khan</i>																				
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<i>Nomination Committee</i>	N.A.																						

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	✓	The appointment of Chief Internal Auditor is in process.												
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	✓	PSEB is a company limited by guarantee without having any share capital and hence the instant provision / rule 18 is not applicable upon it as specifically clarified by SECP vide letter No.CLD/CCD/P SC/31/2015/802 7 dated May 03, 2016.												
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: <table border="1" data-bbox="305 1371 1071 1720"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Rizwan Bashir Khan</td> <td>Non-Executive Director</td> <td>Secretary, IT</td> </tr> <tr> <td>Mr. Arshad Ahmad</td> <td>Non-Executive Director</td> <td>Financial Advisor, IT</td> </tr> <tr> <td>Syed Ahmad</td> <td>Independent Non-Executive Director</td> <td>Chairman PASHA</td> </tr> </tbody> </table> <p>The Chief Executive & Chairman of the Board are not the members of the audit committee.</p>	Name of Member	Category	Professional Background	Mr. Rizwan Bashir Khan	Non-Executive Director	Secretary, IT	Mr. Arshad Ahmad	Non-Executive Director	Financial Advisor, IT	Syed Ahmad	Independent Non-Executive Director	Chairman PASHA	21	✓	SECP has granted exemption on the requirement to have majority of members on the audit committee including the chairman as independent non-executive directors.
Name of Member	Category	Professional Background														
Mr. Rizwan Bashir Khan	Non-Executive Director	Secretary, IT														
Mr. Arshad Ahmad	Non-Executive Director	Financial Advisor, IT														
Syed Ahmad	Independent Non-Executive Director	Chairman PASHA														
30	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												

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box		
	and which worked in accordance with the applicable standards.				process and shortly there will be effective internal audit function within the Company.
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 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 rule.				Except for the instances of non-compliances as specified above; the company has complied with the corporate & financial reporting requirements of the rule.


ASIM SHAHRYAR HUSAIN
 (Managing Director & CEO)

Date:
Islamabad


NASEER A. AKHTAR
 Independent Director


SCHEDULE II

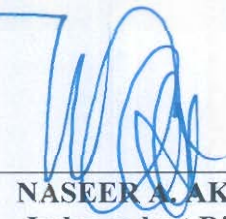
Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, 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)	Directors on the Board of PSEB are appointed and removed at the pleasure of the government and further that composition of the Board of Directors of PSEB and appointment in the Board of PSEB is made / approved by the Prime Minister, therefore, it is not practicable for PSEB to comply with Rule 3(5), therefore, PSEB applied to SECP for grant of exemption. In response thereof, SECP vide letter No. CLD/CCD/PSC/2015/8027 dated May 03, 2016 has required PSEB to furnish detail of directorships of members of the PSEB board of directors to decide grant of exemption as requested by the Company.	PSEB is in the process of collecting the requisite detail from members of the board of directors for furnishing to SECP for grant of exemption.
2	8	All the nominations in Board of Directors of the company are made by GoP & majority of them are senior officials of the government, reputed businessmen & experts who hold directorships in the company and other government owned & controlled corporations. The Government of Pakistan through its established system and procedures monitor & carry out performance of nominated members of board of directors of the company. Therefore, it is not appropriate for the Board to carry out performance evaluation of its chairman nominated by the Prime Minister of Pakistan as Chairman of the PSEB Board of Directors & Minister of IT & Telecom. Similarly, other board members of the company are highest rank officials of the government of Pakistan, reputed businessmen and sectorial experts who have been nominated as board members by the government keeping in view their domain knowledge, skills and expertise. However, Board monitors and carries out performance of CEO.	No action specified.

Sr. No.	Rule / Sub rule No.	Reason for non-compliance	Future course of action
3	11	All the nominations in Board of Directors of the company are made by GoP & majority of them are senior officials of the government who hold directorships in the company and other government owned & controlled corporations and are well versed with government rules and regulations including corporate governance rules as they regularly undergo high level trainings, courses, seminars, workshops etc. within and outside Pakistan as part of their careers. Most of the members of the board have underwent an orientation course arranged by other government owned and controlled corporations and hence no orientation course is arranged by the company.	Subject to desire of the board members, orientation course will be arranged by the company for the designated board members.
4	12	PSEB is a guarantee limited company without having share capital and board members are appointed / removed at the pleasure of the government and therefore, PSEB requested SECP for grant of exemption for formation of nomination committee to identify and recommend the candidates for the board for the consideration of shareholders. However, SECP disallowed exemption under rules 12(1)(e) and required Board of Directors to form nomination committee in view of the fact that although the directors are appointed and removed at the pleasure of the government, the nomination committee and the board of directors is required to assist the government in making appointment of board members who are fit and proper for the position.	PSEB will seek guidance of the board on this issue and will act accordingly.


 ASIM SHAHRYAR HUSAIN
 (Managing Director & CEO)


 NASEER AKHTAR
 Independent Director

Date: 11-01-2017.
 Islamabad.