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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

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We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors (the Board) of Taurus Securities Limited for the year ended 31 December 2016.

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 requirement 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 part of our audit of 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 risk.

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 prevailed in arm's length transactions and transactions which are not executed at arm's length priced recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of 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.


Moreover, the Rules requires the Board to ensure compliance with the law as well as the Company's internal rules and procedures relating to procurement, tender verification, purchasing and technical standards when dealing with suppliers of goods and services in accordance with Public Procurement Regulatory Rules. We hereby only performed our procedures to client's compliance with the above mentioned rules on a test basis as a part of our audit of the financial statements of the Company.

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, 2016.

Further, we highlight below instance(s) of non-compliance with the requirement(s) of the Rules as reflected in the note/ paragraph reference where it/these is/are stated in the Statement of Compliance:

<u>Paragraph</u>	<u>Reference</u>	<u>Description</u>
2.	Rule 3(2)	Board shall maintain majority of independent directors after first two years. However, there are only two independent directors out of total seven directors including chief executive officer.
3.	Rule 3(4)	Casual Vacancy in the board shall be filled not later than 90 days; however, casual vacancy of nominee director of the Bank of Khyber was filled up after a period of 220 days.

March 24, 2017
Karachi


Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

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

Name of Company: Taurus Securities Limited
Name of Line Ministry: Not Applicable
For the year ended: December 31, 2016

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												
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 style="text-align: center;">Category</th> <th style="text-align: center;">Names</th> <th style="text-align: center;">Date of appointment</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Independent Directors</td> <td>Muhammed Farhan Malik Shahzad Abdullah</td> <td style="text-align: center;">09-05-2016 23-12-2015</td> </tr> <tr> <td style="text-align: center;">Executive Directors</td> <td>Syed Zain Hussain</td> <td style="text-align: center;">23-12-2015</td> </tr> <tr> <td style="text-align: center;">Non-Executive Directors</td> <td>Muhammad Atif Hanif Risha Ameen Mohyeddin Sheikh Aftab Ahmad Eraj Hashmi Syed Akhtar Ali Shah</td> <td style="text-align: center;">18-11-2016 27-04-2016 23-12-2015 23-12-2015 23-12-2015</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Muhammed Farhan Malik Shahzad Abdullah	09-05-2016 23-12-2015	Executive Directors	Syed Zain Hussain	23-12-2015	Non-Executive Directors	Muhammad Atif Hanif Risha Ameen Mohyeddin Sheikh Aftab Ahmad Eraj Hashmi Syed Akhtar Ali Shah	18-11-2016 27-04-2016 23-12-2015 23-12-2015 23-12-2015	3(2)		✓
Category	Names	Date of appointment														
Independent Directors	Muhammed Farhan Malik Shahzad Abdullah	09-05-2016 23-12-2015														
Executive Directors	Syed Zain Hussain	23-12-2015														
Non-Executive Directors	Muhammad Atif Hanif Risha Ameen Mohyeddin Sheikh Aftab Ahmad Eraj Hashmi Syed Akhtar Ali Shah	18-11-2016 27-04-2016 23-12-2015 23-12-2015 23-12-2015														
3.	A casual vacancy occurring on the board was filled up by the directors within 90 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 of the Company.	4(1)	✓													

S. No.	Provision of the Rules	Rule No.	Y	N
7.	The Company has been granted exemption from appointment of Chairman of the Board from amongst the independent directors, as required by rule 4(4) of the Rules for three years by Securities and Exchange Commission vide their letter CLD/CCD/CG/Exemptions/2014 dated December 16, 2014.	4(4)	✓	
8.	The Board has appointed the CEO on the basis of fit & proper criteria as well as guidelines specified by the Commission as per letter CLD/CCD/CG/Exemptions/2014 dated December 16, 2014.	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.taurus.com.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 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 procedures 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)	✓ ✓	

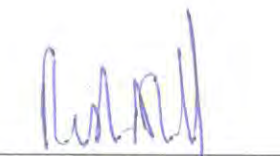
S. No.	Provision of the Rules	Rule No.	Y	N
14.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to procurement, tendering, and purchasing and technical standards, when dealing with suppliers of goods and services. The PPRA Rules are not applicable to the Company as the Company is limited by shares incorporated under the Companies Ordinance, 1984 and its shareholding is owned / controlled by other persons / body corporate.	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.	No goods sold by the Company as a public service obligation.	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 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 including the chief executive on annual 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	✓	

S. No.	Provision of the Rules	Rule No.	Y	N												
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.	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written terms 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 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>Three</td> <td>Muhammed Farhan Malik</td> </tr> <tr> <td>Risk Management Committee</td> <td>Three</td> <td>Muhammed Farhan Malik</td> </tr> <tr> <td>Human Resources Committee</td> <td>Two</td> <td>Shahzad Abdullah</td> </tr> </tbody> </table> <p>The Company has been granted exemption from formation of Procurement Committee and Nomination Committee by Securities and Exchange Commission of Pakistan vide their letter CLD/CCD/CG/Exemptions/2014 dated December 16, 2014.</p>	Committee	Number of members	Name of chair	Audit Committee	Three	Muhammed Farhan Malik	Risk Management Committee	Three	Muhammed Farhan Malik	Human Resources Committee	Two	Shahzad Abdullah	12	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	
Committee	Number of members	Name of chair														
Audit Committee	Three	Muhammed Farhan Malik														
Risk Management Committee	Three	Muhammed Farhan Malik														
Human Resources Committee	Two	Shahzad Abdullah														
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	✓													

S. No.	Provision of the Rules	Rule No.	Y	N												
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: <table border="1" data-bbox="305 1093 893 1545"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Muhammed Farhan Malik</td> <td>Non-Executive / Independent</td> <td>BSC and experience in the field of Financial Market</td> </tr> <tr> <td>Sheikh Aftab Ahmad</td> <td>Non-Executive</td> <td>MBA and experience in the field of Credit & Investments</td> </tr> <tr> <td>Eraj Hashmi</td> <td>Non-Executive</td> <td>MBA and experience in the field of Banking.</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	Muhammed Farhan Malik	Non-Executive / Independent	BSC and experience in the field of Financial Market	Sheikh Aftab Ahmad	Non-Executive	MBA and experience in the field of Credit & Investments	Eraj Hashmi	Non-Executive	MBA and experience in the field of Banking.	21	✓ ✓	
Name of Member	Category	Professional Background														
Muhammed Farhan Malik	Non-Executive / Independent	BSC and experience in the field of Financial Market														
Sheikh Aftab Ahmad	Non-Executive	MBA and experience in the field of Credit & Investments														
Eraj Hashmi	Non-Executive	MBA and experience in the field of Banking.														
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	✓													

S. No.	Provision of the Rules	Rule No.	Y	N
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.		✓	



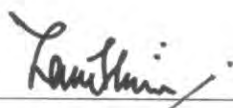
Chief Executive Officer

Chairman of the Board

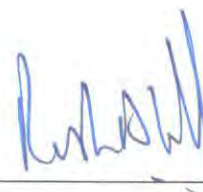
**Reasons for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013**

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:

S.No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1.	3(2)	The Board has required to have at least 40% of its members as independent directors within first two years of notification of Public Sector Companies (Corporate Governance) Rules, 2013. At present, two members of the Board are independent Directors.	Noted for consideration and compliance.
2.	3(4)	A casual vacancy occurred on the board and was not filled up by the sponsor within the 90 days. However, the same has been filled up before the year end.	NIL



Chief Executive Officer



Chairman of the Board