

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 ("the Regulations")

Name of Company:
Year ended:

Shams Textile Mills Limited
June 30, 2025

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are eight **(8)** as per the following:

a. Male: **7**

b. Female: **1**

2. The composition of board is as follows:

| Category | Names |
|-------------------------|---|
| Independent Directors | Mrs. Minail Mishal Adamjee (Female Director) Mr. Shahid Arshad |
| Non-Executive Directors | Mr. Muhammad Anwar Mr. Khurram Mazhar Karim Mr. Adil Bashir Mr. Muhammad Shafiq Gill |
| Executive Directors | Mr. Khalid Bashir (Chief Executive Officer) Mr. Asif Bashir |

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;
4. 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;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;
9. Following Director has attained the directors training program certification:

| Names of Director |
|-------------------|
| Mr. Shahid Arshad |

Following Directors meet the exemption criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence are exempt from Directors' training program:

| Names of Directors |
|---|
| Mr. Muhammad Anwar Mr. Khurram Mazhar Karim Mr. Adil Bashir Mr. Khalid Bashir (Chief Executive Officer) Mr. Asif Bashir |

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a) Audit Committee

| Names | Designation held |
|--------------------------|-------------------------|
| Mr. Shahid Arshad | Chairman |
| Mr. Khurram Mazhar Karim | Member |
| Mr. Adil Bashir | Member |

b) HR Nomination and Remuneration Committee

| Names | Designation held |
|----------------------------|-------------------------|
| Mrs. Minail Mishal Adamjee | Chairperson |
| Mr. Khurram Mazhar Karim | Member |
| Mr. Asif Bashir | Member |

c) Risk Management Committee

| Names | Designation held |
|--------------------------|-------------------------|
| Mr. Asif Bashir | Chairman |
| Mr. Shahid Arshad | Member |
| Mr. Khurram Mazhar Karim | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

a) Audit Committee

Four meetings were held during the financial year ended 30 June 2025.

b) HR Nomination and Remuneration Committee

One meeting of HR Nomination and Remuneration Committee was held during the financial year ended 30 June 2025.

c) Risk Management Committee

No meeting of Risk Management Committee was held during the financial year ended 30 June 2025.

15. The board has set up an effective internal audit function by appointing Head of Internal Audit and has outsourced the internal audit function to M/s Tahir Consulting (Private) Limited, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;

19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

| Sr. No. | Requirement | Explanation of Non-Compliance | Regulation Number |
|---------|--|---|-------------------|
| 1 | Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances. | Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee. The Board shall consider to constitute separate nomination committee after next election of directors. | 29 |
| 2 | Disclosure of significant policies on website The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors' remuneration policy. | Although these are well circulated among the relevant employees and directors, the Board shall consider posting such policies and synopsis on its website in near future. | 35 |
| 3 | Directors' Training It is encouraged that by 30 June 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it. | Five directors of the Company are exempt from Directors' training program and one director of the Company has acquired Directors' Training Program certification. The Company has planned to arrange Directors' Training Program certification for remaining two directors. | 19(1) |
| 4 | Directors' Training Companies are encouraged to arrange training for at least one head of department every year under the Directors' Training Program from July 2022. | The Company has planned to arrange Directors' Training Program certification for head of department in next few years. | 19(3) |
| 5 | Significant policies The Board is required to approve anti-harassment policy to safeguard the rights and well-being of employees. | Securities and Exchange Commission of Pakistan (SECP) amended regulation 10 of the Regulations on 12 June 2024. Currently, the management is assessing this amendment and compliance thereof, as applicable, will be performed in due course of time. | 10(4)(xvi) |
| 6 | Role of the Board and its members to address Sustainability Risks and Opportunities The board is responsible for governance and oversight of sustainability risks and opportunities within the Company by setting the Company's sustainability strategies, priorities and targets to create long term corporate value. | SECP introduced new regulation 10A in the Regulations on 12 June 2024. Currently, the management is assessing this amendment and compliance thereof, as applicable, will be performed in due course of time. | 10(A) |
| 7 | Responsibilities of the Board and its members The Board is responsible for adoption of corporate governance practices by the company. | Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations. | 10(1) |

20. The two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third independent director is not warranted.



MUHAMMAD ANWAR
Chairman

29 September, 2025
Lahore