

# Review Report

## To the members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended December 31, 2015 prepared by the Board of Directors of Habib Bank Limited (the Bank) to comply with the Listing Regulations of the Pakistan Stock Exchange, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank 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 Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, effective for the year ended December 31, 2015.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date: February 23, 2016  
Karachi

## Statement of Compliance

**With the best practices of the Code of Corporate Governance for the year ended December 31, 2015**

This Statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Chapter 5 of the Regulations of the Pakistan Stock Exchange Limited. The Code establishes a framework of good governance, whereby a Listed Company is managed in compliance with the best practices of corporate governance.

The Board has adopted the Code and applies the principles in the following manner:

- The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 7 elected Directors:

Categories	Names
Independent Directors	Mr. Moez Ahamed Jamal Mr. Agha Sher Shah Dr. Najeeb Samie
Non-Executive Directors	Mr. Sultan Ali Allana Mr. Shaffiq Dharamshi Mr. Sajid Zahid
Executive Director	Mr. Nauman K. Dar

The Independent Directors meet the criteria of independence under clause i(b) of the Code.

- The Directors have confirmed that none of them is serving as a director in more than seven listed companies.
- All the resident Directors have confirmed that they are registered taxpayers and none of them have defaulted in the payment of any loans to a banking company, a development finance institution, or a non-banking finance company.
- The Board of Directors of Habib Bank Limited was elected on March 27, 2015 for a three year term which will expire on March 26, 2018.
- The Board has adopted a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Bank maintains a complete record/log of all policies along with the dates on which these were approved or amended including the dates when these are required to be updated.
- All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
- The Board of Directors has approved the appointment, remuneration and terms and conditions of employment of the Chief Executive Officer.
- The remuneration of the non-executive Directors has been approved by the Shareholders at the Annual General Meeting.



- All meetings of the Board of Directors were chaired by Mr. Sultan A. Allana, Chairman of the Board. The Board met ten times during the year, including at least once in every quarter, and closely monitored the Bank's performance. The Committees of the Board also met regularly during the year. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meeting except in the case of emergency meetings where the notice period was waived by the Directors. The minutes of the meetings were appropriately recorded and circulated. The Chief Financial Officer and the Company Secretary also attended the meetings of the Board.
- During their term on the Board, some of the Directors have attended the Board Governance & Leadership Programme of the Institute of Directors, UK and some have attended in-house Directors' Orientation training.
- The Board has approved the appointments of the Chief Financial Officer, the Head of Internal Audit and the Company Secretary including their remuneration and terms and conditions of employment.
- The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank, except as mentioned in the Pattern of Shareholding.
- The Bank has disseminated the Code of Ethics and Business Conduct, which has been approved by the Board of Directors. The same has been placed on the HBL website.
- The Chief Executive Officer and Chief Financial Officer have duly endorsed the financial statements of the Bank before their approval by the Board.
- The Bank has complied with the applicable corporate and financial reporting requirements of the Code.
- The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by ICAP. The Auditors have also confirmed that neither they nor any of the partners of the firm, nor their spouses and minor children hold any shares of the Bank.
- The Statutory Auditors or the persons associated with them have not been appointed to provide services other than approved services and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
- The Board Audit Committee comprises of three members, all of whom are non-executive Directors and the Chairman of the Committee is an Independent Director. The Board Risk Management Committee comprises of three members with a majority of non-executive Directors and the Chairman of the Committee is a non-executive Director. The Board HR and Remuneration Committee comprises of four members, of which three members, including the Chairman of the Committee, are non-executive Directors.
- An effective Internal Audit Group is in place. The Head of Internal Audit reports directly to the Board Audit Committee.
- The Board Audit Committee met seven times during the year, including at least once in every quarter prior to the approval of the interim and final results of the Bank as required by the Code. The Terms of Reference of the Audit Committee have been formulated and approved by the Board. The Board approves the financial statements of the Bank on the recommendation of the Audit Committee.

- The Board Risk Management Committee met seven times during the year and the Board Human Resource and Remuneration Committee met six times during the year.
- The Bank confirms that all other material principles contained in the Code have been complied with.
- The Closed Period, prior to the announcement of interim/final results and business decisions which may materially affect the market price of the Bank's securities, was determined and intimated to Directors, employees and the Pakistan Stock Exchange.
- Material/price sensitive information has been disseminated among all market participants at once through the Pakistan Stock Exchange.

This Statement of Compliance with best practices of corporate governance is being published and circulated along with the Annual Report of the Bank.

For and on behalf of the Board

**Nauman K. Dar**  
President & Chief Executive Officer  
February 23, 2016