

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: **Artistic Denim Mills Limited**  
Year ended: **June 30, 2024**

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) in the following manner:

1. The total number of directors are seven (7) as per the following:

- a. Male: 06
- b. Female: 01

2. The composition of the Board of Directors (the Board) is as follows:

Category	Numbers	Names
<b>a) Independent Directors</b>	02	Mr. Yazdani Zia Mr. Muneer Ahmed
<b>b) Other Non-Executive Directors</b>		
- Male	02	Mr. Muhammad Iqbal Ahmed Mr. Muhammad Yousuf Ahmed
- Female	01	Ms. Zahra Faisal Ahmed
<b>c) Executive Director</b>	02	Mr. Muhammad Faisal Ahmed Mr. Muhammad Ozair Qureshi

The two elected independent directors possess essential capabilities, expertise, understanding, and background to effectively fulfill their responsibilities in accordance with relevant laws and regulations. In light of their comprehensive adherence to the requisite criteria established by pertinent laws and regulations, the appointment of the third independent director is considered unwarranted.

- 3. The Directors have confirmed that none of them is serving as a Director on the Board of 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained;
- 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 these 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 these Regulations;
9. Four directors on the Board have acquired the prescribed certification as mentioned under Regulation Number 19, whereas two directors are exempted from such course on account of the experience and qualification. The Company is currently in the process of organizing the Directors' Training Program certification for the remaining director. Following Directors have already gone through Directors' Training program:
  - a) Mr. Muhammad Faisal Ahmed
  - b) Mr. Muhmmad Yousuf Ahmed
  - c) Mr. Yazdani Zia
  - d) Mr. Muneer Ahmed
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 (CEO) duly endorsed the financial statements of the Company before approval of the Board;
12. The Board has formed committees comprising of members given below:

**a) Audit Committee:**

<b>Name of Director</b>	<b>Designation</b>
Mr. Yazdani Zia	Chairman
Mr. Muhammad Iqbal Ahmed	Member
Mr. Muneer Ahmed	Member

**b) HR and Remuneration Committee:**

<b>Name of Director</b>	<b>Designation</b>
Mr. Muneer Ahmed	Chairman
Mr. Muhammad Faisal Ahmed	Member
Ms. Zahra Faisal Ahmed	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 committees were as per following:
  - a) Audit Committee Quarterly meetings
  - b) HR and Remuneration Committee Annual meeting
  - c) Nomination Committee N/A
  - d) Risk Management Committee N/A

15. The Board has set-up an effective Internal Audit Function 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 the 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, these 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 the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. Explanation for the non-compliances with requirement, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below;
  - a) Reference to Regulation Number 10(A), the Board is responsible for setting the Company's sustainability strategies, priorities and targets to create long term corporate value. In order to effectively discharge its sustainability related duties, the board may establish a dedicated sustainability committee. At present the Board provides governance and oversight in relation to Company's initiatives on environmental, social and governance (ESG) matters. This regulation is introduced recently by SECP through notification dated June 12, 2024 and the Board is considering the possibility of establishing a dedicated sustainability committee.
  - b) Reference to Regulation Number 19(3), Companies are encouraged to organize annual training sessions for a minimum of one head of department as part of the Directors' Training Program, beginning from July 2022. The company has outlined its intentions to facilitate Directors Training Program certificates for head of departments in the coming years.
  - c) Reference to Regulation(s) Number 29 and 30, since there are no Nomination and Risk management committees in place, the responsibilities associated with nomination committee are currently carried out by the Human resource and the Remuneration Committee. Similarly, a senior officer within the company undertakes the necessary function related to risk management committee and provides relevant updates and information to the Board, wherever required.

- d) Reference to Regulation Number 35, the company has the option to display crucial components of its notable policies, along with the concise overview of the Board's committee mandates, and essential aspects of the director's remuneration policy on its official website. While these materials are already widely distributed among pertinent employees and directors, the Board is considering the possibility of making these policies and synopses available on its website in the near future.

On behalf of the Board



**MUHAMMAD FAISAL AHMED**  
Chief Executive



**MUHAMMAD IQBAL AHMED**  
Chairman

Karachi: September 28, 2024



## TO THE MEMBERS OF ARTISTIC DENIM MILLS LIMITED

### **Review Report on The Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Artistic Denim Mills Limited** (the Company) for the year ended June 30, 2024 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations require 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. 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.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2024.

*Reanda Haroon Zakaria Amir Salman Rizwan & Co*

**Reanda Haroon Zakaria Amir Salman Rizwan & Company**  
Chartered Accountants

**Engagement Partner**  
Muhammad Iqbal

**Place:** Karachi  
**Dated:** September 28, 2024  
**UDIN:** CR202410086Y5KFdTqhH

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**Reanda Haroon Zakaria Amir Salman Rizwan & Company**

Chartered Accountants

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