

05. COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

ANNUAL REPORT/2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2012

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited), and SRO 68(I)/2003 for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The company encourages representation of Independent, Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the board includes:

Category	Names
Independent Directors	Syed Nadir Shah, Adil Matcheswalla
Executive Directors	Saad Nissar, Syed Kazim Hasan
Non-Executive Directors	Jameel Yusuf, Ali Jameel, Mustafa Ali

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy had occurred on the Board during the year.
5. 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.
6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The members of the Board are well conversant with the listing regulations, legal requirements and operational imperatives of the Company, and as such are fully aware of their duties and responsibilities. At present, one Director has acquired the formal Director's Training Certificate from the Pakistan Institute of Corporate Governance (PICG).
10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.
11. The Directors' report for the year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2012

13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed underwriting / claim settlement / reinsurance & co-insurance committee(s).
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are Non-Executive Directors including the Chairman of the committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.
18. The Board has formed a Human Resource and Remuneration Committee. It comprises of four members, of whom three are Non-Executive Directors and the Chairman of the committee is an Independent Director.
19. The board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
20. 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its 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 (ICAP).
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and Stock exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through Stock exchange.
24. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.



Saad Nissar
Chief Executive



Syed Kazim Hasan
Director

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 prepared by the Board of Directors of TPL Direct Insurance Limited ("the Company") to comply with the Listing Regulations of the Karachi Stock Exchange where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(I) /2003, by the Securities and Exchange Commission of Pakistan.

The responsibility for compliance with the Code of Corporate Governance 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 Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company 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 Company's corporate governance procedures and risks.

Further, Listing Regulations notified by the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 Code of Corporate Governance as applicable to the Company for the year ended 31 December 2012.

Date: 18 March 2013
Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem