

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Postal Life Insurance Company Limited (the Company) are pleased to present the Financial Statements along with the Auditors' Report for the year ended 31st December, 2021.

1. PRINCIPAL ACTIVITY

The Company is actively engaged in life insurance business. We provide different products of life insurance to individuals and group term life products covering accidental and death benefits to companies all over Pakistan.

2. OPERATIONAL REVIEW:

The Company was registered with SECP as Life Insurance Company in year 2020 and allowed to commence business from 20th January, 2021. The Company was formed to take over the life and savings policies issued by the Pakistan Post. On 2nd April 2021, the Finance Division issued a promissory note of Rs. 48 billion and any remaining amount duly determined through the actuarial valuation against the legacy portfolio of the Pakistan Post. The portfolio of the Pakistan Post was transferred to the Company on 05th April 2021.

The Company has remained in transition phase during the year 2021 therefore, the Board has focused its attention on development of operational infrastructure of the Company. The new management leadership has been appointed, giving special consideration towards their educational background, industry experience and overall attitude towards market and business of life insurance. Accordingly, new employees have been hired to fill the key positions such as Chief Financial Officer, Chief Technology Officer, Head of Internal Audit, Chief Investment Officer, Company Secretary and other key positions. The new management of the Company is fully committed to accomplish board's vision for the growth of business, provide services to the highest standards to policy holders, shareholders and other stake holders of the Company.

It is our pleasure to inform that the Company has already signed strategic agreement with the Pakistan Post and successfully completed the transitionary phase for taking EX-PLI staff of Pakistan Post on deputation within the Company. This step is proving to be a steppingstone towards the Company's goal of employee integration and cohesion for smooth operations. To facilitate our customers and ensure greater customer service and trustworthiness, the Company has also signed agreement with Pakistan Post for premium collection. The policyholders are now able to deposit their premiums at designated Post Offices across Pakistan, in addition to leading banks of Pakistan.

The Cabinet Division approved the wider Board of the Company in September 2021. The composition of the wider Board is as follows:

Board members	Status
Secretary, M/o Communications	Chairman
Director General, PPOD	Director
Addl. Secretary, Finance Division	Director
Chief Executive Officer (PLICL)	Director
Mr. Akif Saeed	Independent Director
Mr. Naeem Akhtar Sheikh	Independent Director
Ms. Farzin Khan	Independent Director

In November 2021, the Securities & Exchange Commission of Pakistan under the Insurance Companies (Sound and Prudent Management) Regulations, 2012 has granted specific approval of the above-mentioned Board members.

3. FINANCIAL HIGHLIGHTS:

The Annual Audited financial statements for the year ended 31st December 2021 concluded on a positive note, reporting a net profit of **Rs. 1,008.186 million**. The Earning per share is **Rs 2.73** per share. The Company's financial highlights for the year ended 31st December 2021 are as follows:

Profit & Loss account	31 st December 2021 (Audited) (in "000)
Net premium revenue	2,492,261
Investment income	218,870
Other income	4,650,922
Net insurance benefits	(3,703,872)
Net change in insurance liabilities	(1,990,343)
Acquisition expense	(251,090)
Marketing and administration expenses	(315,375)
Other expenses	(10,783)
Profit before tax	1,090,660
Taxation	(82,474)
Net Profit After Tax	1,008,186

Statement of Financial Position	31 st December 2021 (Audited) (in "000)
<u>Assets:</u>	
Receivable from Government of Pakistan	64,786,428
Investments	4,468,793
Current Assets	1,945,355
Fixed Assets- (Tangible & Intangible)	12,166
Total Assets	71,212,742
<u>EQUITIES AND LIABILITIES</u>	

Total Equity	5,021,696
Insurance Liabilities	65,883,468
Current Liabilities	307,578
Total Equity and Liabilities	71,212,742

4. RETIREMENT BENEFITS:

The Company operates an unfunded gratuity scheme for its employees. The amount of gratuity fund liability at year end has been computed. Balance of unfunded Gratuity as at December 31, 2021 was Rs. **2.167 Million**.

5. PAID UP REQUIREMENT:

The Company's paid-up capital has met the minimum capital requirement of Rs.700 million as prescribed by SECP in section 11 of the Insurance Rules 2017.

6. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board is aware of its responsibilities as established by the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the following is stated:

- the Board has complied with the relevant principles of corporate governance and has identified the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such non-compliance.
- The financial statements are prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, changes, if any, are appropriately disclosed in the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards and International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Public Sector Company as well as in line with the best practices.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.

- Due to the Company's first year of operation after transfer of legacy portfolio by the Pakistan Post on 05th April, 2021. The key operating and financial data for the last six years is not applicable.
- There has been no material departure from the practices of corporate governance. The statement of compliance required under code of corporate governance along with Auditors' review report is enclosed. However, the Company has obtained exemptions for the year 2021 from the Securities and Exchange Commission of Pakistan under letter No: ID/MDPRD/053-Approvals/2022/2371 dated 28th March, 2022 in respect of the requirements of the Code of Corporate Governance for Insurers, 2016 which are as follows:

#	Clause reference	Title
1	Clause xi (a, b, and c)	Code of Conduct, development of significant policies and materiality policy
2	Clause (xix)	Orientation course for Directors
3	Clause (xliii)	Frequency of Committee meetings
4	Clause (xlv) to (xlix)	Investment policy and related clauses
5	Clause (lxix) to (lxxii)	Risk management system, establishing of risk management function and credit rating of the company

7. PATTERN OF SHAREHOLDING

The pattern of shareholding, as required under SECP Code of Corporate Governance is enclosed.

8. COMPOSITION OF BOARD OF DIRECTORS AND THEIR MEETINGS

Total number of Directors are seven (7) which consists of

- (a) Male: 06
- (b) Female: 01

- The composition of Board of the Directors of the Company consists of following:

Category	Names
Non-Executive Directors	Mr. Zafar Hasan Mr. Khalid Javed Mr. Imdad Ullah Bosal
Independent Directors	Mr. Akif Saeed Mr. Naeem Akhtar Sheikh Ms. Farzin Khan

Executive Director

Mr. Muhammad Naeem Akhtar – CEO

- During the year 2021, nineteen (19) meetings of the Board of directors were held and attendance position was as under.

#	Name of Director	Number of Meetings Attended
01	Mr. Muhammad Akhlaq Rana	01
02	Mr. Khalid Khurshid Kunwar	09
03	Mr. Zafar Ali Malik	02
04	Mr. Khalid Javed	19
05	Mr. Ejaz Ahmed Minhas	08
06	Ms. Atifa Raffat	09
07	Mr. Rizwan Javed Hashmi	08
08	Mr. Akbar Ali Dero	06
09	Mr. Zafar Hasan	01
10	Mr. Akif Saeed	01
11	Mr. Naeem Akhtar Sheikh	01
12	Ms. Farzin Khan	01
13	Muhammad Naeem Akhtar – Director/CEO	19

9. Directors' Remuneration for Non-Executive Directors

The Board value the representation of independent directors and their expertise in the business. The remuneration is decided by the Board to appreciate member directors for their professional contribution towards the sustainability and growth of the Company. The Board reviewed the market practices for Directors' remuneration for attending the Board and Committee meetings. The Board has decided that Company should adopt the public sector fee structure as a benchmark. The Board further deliberated that certain members that are from outstation areas and required extensive travel for physical participation in the meetings, shall be entitled to a further reimbursement on actual for the expense incurred for the performance of their duties as member while attending the BOD and Committee meetings. The Board has also ensured the remuneration

of independent directors shall be appropriate and commensurate with the level of expertise offered by Independent Directors.

10. Composition of Board and Management Committees:

The Board has formed the following Board committees:

a) Audit Committee:

Name of the Member	Category
Mr. Naeem Akhtar Sheikh – Independent Director	Chairman
Mr. Akif Saeed – Independent Director	Member
Mr. Khalid Javed – Non-Executive Director	Member
Mr. Sarfraz Ahmed Sheikh – Head of Internal Audit	Secretary

b) Ethics, Human Resource, Remuneration and Nominations Committee:

Name of the Member	Category
Ms. Farzin Khan - Independent Director	Chairperson
Mr. Khalid Javed– Non- Executive Director	Member
Mr. Muhammad Naeem Akhtar – Director/CEO	Member
Mr. Syed Shaharyar Husain – HR department	Secretary

c) Investment Committee:

Name of the Member	Category
Mr. Imdad Ullah Bosal– Non- Executive Director	Chairman
Mr. Akif Saeed – Independent Director	Member
Mr. Muhammad Naeem Akhtar – Director/CEO	Member
Mr. Zahid Karim Shar – CFO	Member
Mr. Ajaz Hussain – Actuary	Member
Mr. Sunil Cecil- Chief Investment officer	Member & Secretary

d) Procurement Committee:

Name	Status
Mr. Khalid Javed– Non- Executive Director	Chairman
Ms. Farzin Khan - Independent Director	Member
Mr. Muhammad Naeem Akhtar – Director/CEO	Member
Mr. Zahid Karim Shar – CFO	Member
Mr. Atta Hussain Shah Hashmi - Government Liaison & Admin Officer	Secretary

The Board has formed the following Management Committees:

1) Underwriting & Reinsurance Committee:

Name of the Member	Category
Mr. Muhammad Naeem Akhtar – Director/CEO	Chairman
Mr. Ajaz Hussain – Actuary	Member
Mr. Arshadullah Khan – Head of Underwriting	Member & Secretary

2) Claim Settlement Committee:

Name of the Member	Category
Mr. Muhammad Naeem Akhtar - Director/CEO	Chairman
Mr. Zahid Karim Shar – CFO	Member
Mr. Taufeeq Hanif (Senior Manager Operations)	Member & Secretary

3) Risk Management & Compliance Committee

Name of the Member	Category
Mr. Akif Saeed – Independent Director	Chairman
Mr. Muhammad Naeem Akhtar – Director/CEO	Member
Mr. Zahid Karim Shar – CFO	Member
Mr. Ajaz Hussain (Risk Management function)	Member
Mr. Sandeep Kumar – Head of Compliance	Member & Secretary

11. Risk Management

The Board has constituted the Risk management & Compliance Committee to assist the Board to oversee the activities of risk management function and shall make appropriate recommendations to the Board in implementation of the decisions taken by the Board to mitigate probable risks falling within the purview of risk management function/department. The management is currently in process of establishing risk management system to provide support to the Committee regarding the management of risk within the Company to achieve corporate objectives and ensure financial sustainability of the Company for effective decision making.

12. Statutory Auditors:

The present statutory Auditor M/s BDO Ebrahim & Co, Chartered Accountants was appointed for the year 2021 under Public Procurement Rules, 2004. The re-appointment of statutory auditor will be approved by the Board of Directors on the recommendation of the Audit Committee and then Shareholders approval will be taken accordingly.

13. FUTURE OUTLOOK:

The Company will continue to focus on rebranding, developing of corporate structure and new marketing strategies with a wide range of sales network for launching of competitive products in the market, will enable the Company in achieving the growth in premium amount in long term.

The Company is focusing to deliver sustainable and profitable growth in challenging and competitive business environment to achieve leading position in the industry. The company will take concrete initiatives to improve internal controls and operational efficiency and will continue its efforts for the sustainability of the business, by providing better services to its customer and building value for its shareholders.


The Company has been granted a license of a registration as the Pension Fund Manager by the SECP and Company is the first Insurance Company in Pakistan to be granted the Pension Fund Manager registration under the Voluntary Pension System Rules, 2005. The Company would require authorization to launch the Pension fund from SECP for commencement of pension fund business. The Board of Directors is currently deliberating the business proposal of Voluntary Pension Scheme (VPS) in order to make an informed decision and to safeguard the interests of the shareholders. The VPS would be a new vertical in the current insurance line of business of the Company.

The Company will monitor the cost of business acquisition, to improve the profitability and at the same time special focus will be laid on retention and motivation of the sales team by career development and compensation structure. Further improvement in the company's internal workflow will be performed to achieve efficiency in business processing by implementation of controls through modern IT solutions.

NOTE OF APPRECIATION:

We take this opportunity to express our gratitude to SECP for their valuable assistance, support and guidance. The Board also wishes to thank, the valued policyholders for placing their trust and confidence in the Company. Finally, our special thanks to Ministry of Communications and Ministry of Finance for their continued patronage which is source of encouragement for the Company.

For and on behalf of the Board of Directors


Hasan Akhtar Khan
Chief Executive Officer


Naeem Akhtar Sheikh
Independent Director

Date: 13th March, 2023

Postal Life Insurance Company Limited

Pattern of Shareholding as at 31st December, 2021

S.No.	Category of Shareholders	No of Shareholders	Shares held	Shares held (in Rs.)	Percentage
1	Government of Pakistan through Mr. Arshad Ali Khan	1	69,999,997	699,999,970	99.999996%
2	<u>CEO, Directors and their spouses and minor children</u>				
(i)	Irfan Anwar Baloch	1	1	10	0.0000014%
(ii)	Zafar Ali Malik	1	1	10	0.0000014%
(iii)	Syed Ather Ali Shah	1	1	10	0.0000014%
3	Executive	-	-	-	
4	Associated Companies, Undertakings & related parties	-	-	-	
5	NIT	-	-	-	
6	Public Sector Companies & Corporations	-	-	-	
7	Banks, Development Finance Institutions, Non-Banking Finance Institution, Insurers, Modaraba & Mutual funds	-	-	-	

Total

4 70,000,000 700,000,000 100.000%

S.No.	Category of Shareholders	No of Shareholders	Shares held	Shares held (in Rs.)	Percentage
1	Shareholders holding five percent or more voting rights in the Company				
(i)	Government of Pakistan through Mr. Arshad Ali Khan	1	69,999,997	699,999,970	99.999996%