

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, 2022.

1. PRINCIPAL ACTIVITY:

The Company is actively engaged in the life insurance business, offering a diverse portfolio of individual life insurance products featuring savings components, as well as group term life products that include coverage for accidental and death benefits to businesses across Pakistan.

2. OPERATIONAL REVIEW:

The management of the Company is fully committed to accomplishing the Board's vision for the growth of the business to provide services of the highest standards to the policy holders, and other stakeholders of the Company. The management is working towards digitization to bring efficiency in workflow which will enable the Company to compete effectively and target a due share of business. In order to enhance customer service and foster greater trust, our company has entered into an agreement with Pakistan Post for premium collection services. As a result of this collaboration, policyholders now have the convenience of depositing their premiums at designated Post Offices throughout Pakistan, in addition to leading banks in the Country.

The prevailing economic situation within the country poses challenges for our company, primarily driven by elevated high inflation that has significantly reduced the saving capacity of the majority of our population. The Government is actively implementing measures to control inflation and restore stability to the economic landscape. Given these circumstances, our management's primary objective is to closely monitor and manage the costs associated with the insurance business to enhance the overall profitability of the Company.

3. Company's Performance Review 2022:

a) Gross Premium:

During the year, Gross premium of the Company stood at Rs. 3,047 billion as compared to Rs. 2,493 billion in 2021, posting growth of 22% which reflects the trust and confidence of our policyholders in the Company.

b) Claims:

During the year, the Company paid claims amounting to Rs. 5,483 billion as compared to Rs. 3,704 billion in 2021 is showing increasing trend in maturities of policies. The Company's management is making diligent efforts to ensure the timely disbursement of insurance benefits to our valued policyholders.

c) **Investment:**

The Company has achieved a return on investment of Rs. **611** million against Rs. **219** million in 2021, marking a growth of **179%**. The increase in investment income is mainly due to rising trend in interest rates.

The Company's investment portfolio currently stood at Rs. **3,930** billion. Given the prevailing economic uncertainties, the Company has chosen to invest its portfolio in Government Securities.

Profitability:

The summarized view of profit and loss account is as follows:

Profit & Loss account	31st December 2022 (Audited) (in "000)	31st December 2021 (Audited) (in "000)
Net premium revenue	3,046,015	2,492,261
Investment income	610,780	218,870
Other income	6,397,166	4,650,922
Net insurance benefits	(5,482,797)	(3,703,872)
Net change in insurance liabilities	(2,752,488)	(1,990,343)
Acquisition expense	(428,491)	(251,090)
Marketing and administration expenses	(651,152)	(315,375)
Other expenses	(21,256)	(10,783)
Profit before tax	717,777	1,090,660
Taxation	(145,976)	(82,474)
Net Profit After Tax	571,801	1,008,186

Despite the economic challenges, the Annual Audited financial statements for the year ended 31st December 2022 concluded on a positive note, reporting a net profit of Rs. **571.8** million. The earning per share is Rs **8.7** per share.

The financial position of the Company is summarized as follows:

Statement of Financial Position	31 st December 2022 (Audited) (in “000)	31 st December 20221 (Audited) (in “000)
Assets:		
Receivable from Government of Pakistan	55,576,079	64,786,428
Investments	3,930,013	4,468,793
Current Assets	15,829,947	1,945,355
Fixed Assets- (Tangible & Intangible)	14,358	12,166
Total Assets	75,350,397	71,212,742
EQUITIES AND LIABILITIES:		
Total Equity	5,593,498	5,021,696
Insurance Liabilities	68,736,938	65,883,468
Current Liabilities	1,019,963	307,578
Total Equity and Liabilities	75,350,397	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 of December 31, 2022 was Rs. **3.68** 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 accounts of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in the 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 2nd 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 the code of corporate governance along with Auditors' review report is enclosed. However, the Company has obtained exemptions for the year 2022 from the Securities and Exchange Commission of Pakistan under letter No: ID/MDPRD/053-Approvals/2022/2662 dated 26th September, 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 (b, and c)	Development of significant policies and materiality policy
2	Clause (xlv) to (xlix)	Investment policy and related clauses
3	Clause (lxi) to (lxxii)	Risk Management System, Risk Management Function and Credit Rating

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	<ul style="list-style-type: none"> Capt. (R) Muhammad Khurram Agha (Secretary, MOC) ¹ Mr. Hasan Akhtar Khan (Director General, Pakistan Post) ² Amjad Mahmood – Additional Finance Secretary
Independent Directors	<ul style="list-style-type: none"> Mr. Akif Saeed ³ Mr. Naeem Akhtar Sheikh Ms. Farzin Khan

- During the year 2022, four (04) meetings of the Board of directors were held and attendance position was as under.

#	Name of Director	Number of Meetings Attended
1	Capt. (R) Muhammad Khurram Agha (Chairman) ¹	02
2	Mr. Hasan Akhtar Khan ²	02
3	Mr. Amjad Mahmood	02
4	Mr. Naeem Akhtar Sheikh	04
5	Ms. Farzin Khan	04
6	Mr. Zafar Hasan (Ex-Chairman Board)	02
7	Mr. Khalid Javed (Ex-Director)	02
8	Mr. Imdad Ullah Bosal (Ex-Director)	01
9	Muhammad Naeem Akhtar (Ex-CEO)	02
10	Mr. Akif Saeed (Ex-Director) ³	04

Notes:

Subsequent to the Balance sheet date, following changes have been occurred:

- Capt. (R) Muhammad Khurram Agha (Secretary, MOC) ceased to hold the directorship of PLICL on 31st October, 2023 and approval of the proposed candidate by SECP is under process.
- Mr. Hasan Akhtar Khan ceased to hold the directorship due to a change in ex-officio (DG-Pakistan Post) and was replaced by Hafiz Shakeel Ahmed Qureshi on 13th June, 2023.

Moreover, Hafiz Shakeel Ahmed Qureshi ceased to hold the directorship due to change in ex-officio (DG, Pakistan Post) on 1st December, 2023 and approval of the proposed candidate from SECP is under process.

- 3) Mr. Akif Saeed resigned from the Directorship of PLICL on 09th December 2022, with immediate effect.

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 will 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 ³	Member
Mr. Hasan Akhtar Khan – Non-Executive Director ²	Member
Mr. Sarfraz Ahmed Sheikh – Head of Internal Audit ⁴	Secretary

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

Name of the Member	Category
Ms. Farzin Khan - Independent Director	Chairperson
Mr. Hasan Akhtar Khan – Director/CEO ²	Member
Mr. Ata Hussain Shah Hashmi– HR department ⁵	Secretary

c) Investment Committee:

Name of the Member	Category
Mr. Amjad Mahmood – Non- Executive Director	Chairman
Mr. Akif Saeed – Independent Director ³	Member
Mr. Hasan Akhtar Khan – Director/CEO ²	Member
Mr. Zahid Karim – CFO	Member
Mr. Ajaz Hussain – Internal actuary ⁶	Member
Mr. Sunil Cecil- Chief Investment officer ⁷	Member & Secretary

d) Procurement Committee:

Name	Status
Mr. Hasan Akhtar Khan – Director/CEO ²	Chairman
Ms. Farzin Khan - Independent Director	Member
Mr. Zahid Karim – CFO	Member
Mr. Atta Hussain Shah Hashmi - Government Liaison & Admin Officer ⁵	Secretary

The Board has also formed the following Management Committees:

d) Underwriting & Reinsurance Committee:

Name of the Member	Category
Mr. Hasan Akhtar Khan – Director/CEO ²	Chairman
Representative from Reinsurance function	Member
Mr. Ajaz Hussain – Senior Manager Actuarial & Risk management ⁶	Member
Syed Arshadullah – Head of Underwriting ⁸	Member & Secretary

e) Claim Settlement Committee:

Name of the Member	Category
Mr. Hasan Akhtar Khan – Director/CEO	Chairman
Mr. Zahid Karim Shar – CFO	Member
Mr. Taufeeq Hanif (Senior Manager Operations) ⁹	Member & Secretary

f) Risk Management & Compliance Committee:

Name of the Member	Category
Mr. Akif Saeed – Independent Director ³	Chairman
Mr. Hasan Akhtar Khan – Director/CEO ²	Member
Mr. Zahid Karim Shar – CFO	Member
Mr. Ajaz Hussain (Risk Management function) ⁶	Member
Mr. Sandeep Kumar – Head of Compliance	Member & Secretary

Notes:

Subsequent to the Balance sheet date, following changes have been occurred:

- 4) Mr. Sarfraz Ahmed Sheikh left the Company on 31st January, 2023, and Mr. Kamran Gul has been given the acting charge of Head of Internal Audit.
- 5) Mr. Ata Hussain Shah Hashmi– left the Company on 13th July, 2023, and Mr. Zahid Karim Shar (CFO) has been given the acting charge of Secretary to HR Committee.
- 6) Mr. Ajaz Hussain (Internal actuary & Risk Management) left the Company on 29th May, 2023 and Mr. Rizwan Saleem (Senior Manager – Finance) has been given the acting charge of Internal Actuary and Mr. Sandeep Kumar (Head of Compliance) has been given acting charge of Risk Management function.
- 7) Mr. Sunil Cecil (Chief Investment Officer) left the Company on 09th December, 2022 and Mr. Zahid Karim Shar (CFO) has been given the acting charge of Chief Investment Officer.
- 8) Syed Arshadullah (Head of Underwriting) left the Company on 17th November, 2023.
- 9) Mr. Taufeeq Hanif (Senior Manager – Operations) left the Company on 05th April, 2023

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 established 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 2022 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. Insurer Financial Strength Rating:

During the current year, the Company has been given an A+ IFS rating from PACRA with a stable outlook.

14. Code of Conduct:

The Board of Directors and management have adopted the professional standards and corporate values in conducting the business of life insurance with honesty and integrity. The roles and responsibilities of both the Company and its employees towards stakeholders are outlined in our code of conduct. The management has diligently undertaken measures to disseminate this code of conduct throughout the organization and has made it readily accessible on the Company's website.

15. 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 competitive products in the market which will enable the Company in achieving the growth in premium amount in long term.

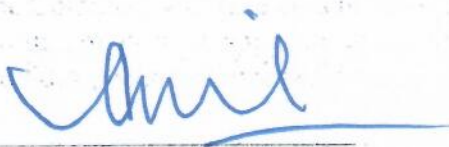
In current economic uncertainties, the Company will monitor its cost of insurance business to improve profitability and at the same time special focus will be laid on retention and motivation of the sales team by career development and compensation structure.

The Company will take concrete initiatives to improve internal controls and operational efficiency through modern IT solutions and will continue its efforts for the sustainability of the business, by providing better services to its customer and building value for its shareholders.

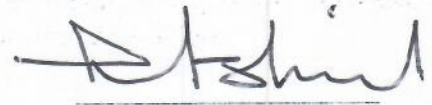
NOTE OF APPRECIATION:

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 the Ministry of Communications and Ministry of Finance for their continued patronage which is a source of encouragement for the Company.

For and on behalf of the Board of Directors



Hafiz Shakil Ahmed Qureshi
Director/ Chief Executive Officer



Naeem Akhtar Sheikh
Independent Director

Date: 08 December, 2023

Postal Life Insurance Company Limited

Pattern of Shareholding as at 31st December, 2022

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%