



SHAPING POSSIBILITY

Directors' Report

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors,
We are pleased to present the Fifty Fourth Annual Report along with the Audited Financial Statements of the Company for the year ended June 30, 2020.

Economic Overview

The year ended 2020 was turbulent period for the economy of Pakistan. The country averted a balance of payment crisis and was on its path to recovery when it was hit by a global pandemic.

GDP growth for the year clocked in at - 0.38% a first in country's 68-year history vs 3.3% in the same period last year. COVID-19 was a major reason behind this decline since pre-COVID-19 the Government had estimated a GDP Growth rate of 2.4%. Out of the three sectors only Agriculture showed positive growth of 2.7% while Industry and Services showed declines of - 2.7% and - 0.6% respectively.

The Government of Pakistan (GOP) was quick to react to the potential impact of a countrywide Covid 19 lockdown and made several decisive & timely interventions such as the following:

- Monetary Easing: The interest rate was slashed by 625 bps from 13.25% to 7% to support struggling businesses
- Special Incentives to Businesses: The SBP and GOP issued various schemes to support distressed businesses in difficult times such as refinance scheme for salaries payment, deferral of principal on loans, clearing of past tax and duty refunds etc.
- Fiscal Stimulus: The Govt. of Pakistan approved a fiscal stimulus package of PKR 1.2 Trillion and Supplementary grant of PKR 100 Billion for "Residual/Emergency Relief Fund".

- IMF Disbursement: The Govt of Pakistan was successful in raising USD 1.386 billion from IMF under the Rapid Financing Instrument to address the economic impact from COVID-19.
- Lower Currency Intervention: FX Rate (USD: PKR) remained stable during first nine months of FY2020; however quick depletion of foreign reserves coupled with the COVID-19 related export downturn negatively impacted the exchange rate in the last quarter of FY20 causing the Rupee to lose value by 6.25% against the USD.
- Restrictions on Imports and Facilitating Worker Remittances: The CAD reduced by ~78% YoY (down from USD 13.6 Bn to USD 2.9 Bn) during the year primarily driven by contraction in goods imports (down ~19% YoY). Moreover, the record USD23bn remittances sent by overseas Pakistanis in FY20 also helped reduce the current account deficit to a large extent.

With these policy measures along with implementation of a targeted "smart lockdown" the country has contained the impact of COVID-19 on the economy and a V-shaped recovery is expected in the year going forward. However, the risks of second wave of pandemic, a fall in worker remittances due to a crash in oil prices, the subsequent recession in Middle Eastern countries and declining exports due to low global demand would keep the recovery in check and pose business risks.

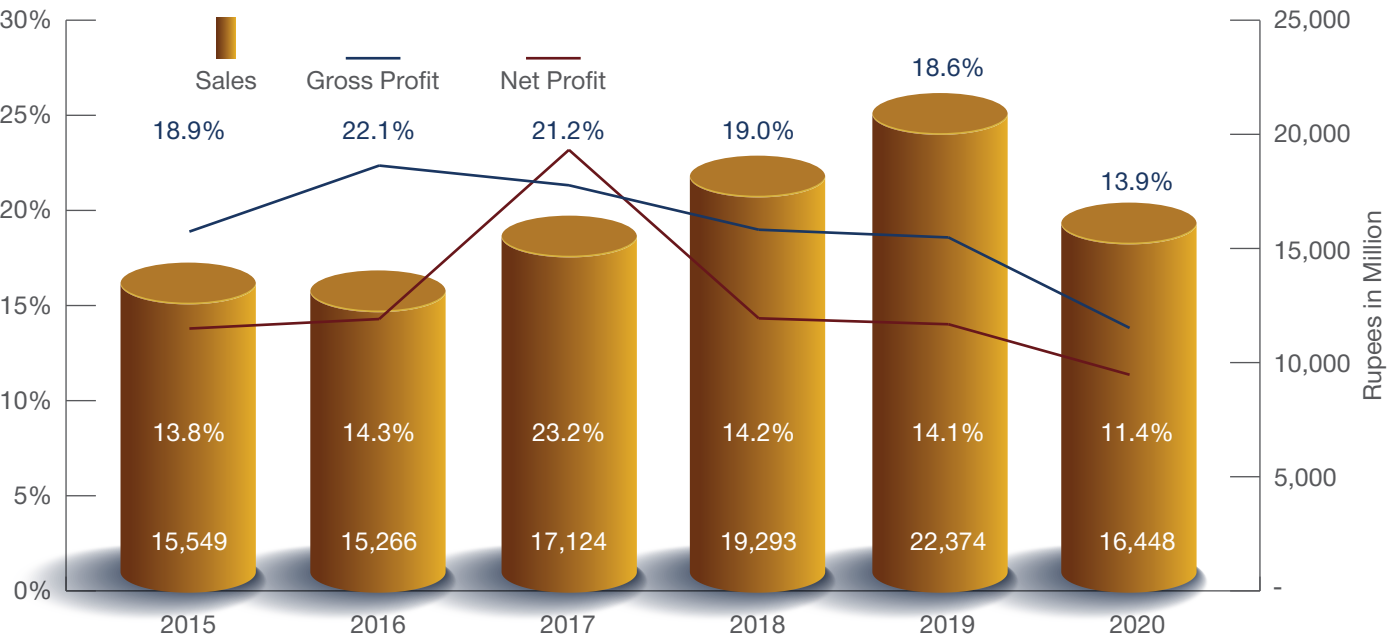
Overview of Financial Results

During the year, the companies' Sales revenue declined by 26% year on year to Rs. 16.4 billion. Profit after Tax was recorded at Rs. 1.9 billion (down 40% year on year) compared to Rs. 3.2 billion during 2018-19.

Financial Performance

Rupees in Million				
	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Net Revenue	16,448	22,374	17,203	23,545
Profit Before Taxes	2,372	4,335	4,327	5,611
Taxation	504	1,180	1,095	1,648
Profit After Taxes	1,867	3,155	3,232	3,962
Earnings Per Share - Rupees	23.04	38.93	35.63	44.20

Sales and Profitability



OVERVIEW OF BUSINESS SEGMENTS

The Company has two major business segments – the Engineering Segment and the Building Material & Allied Products Segment.

Engineering Segment

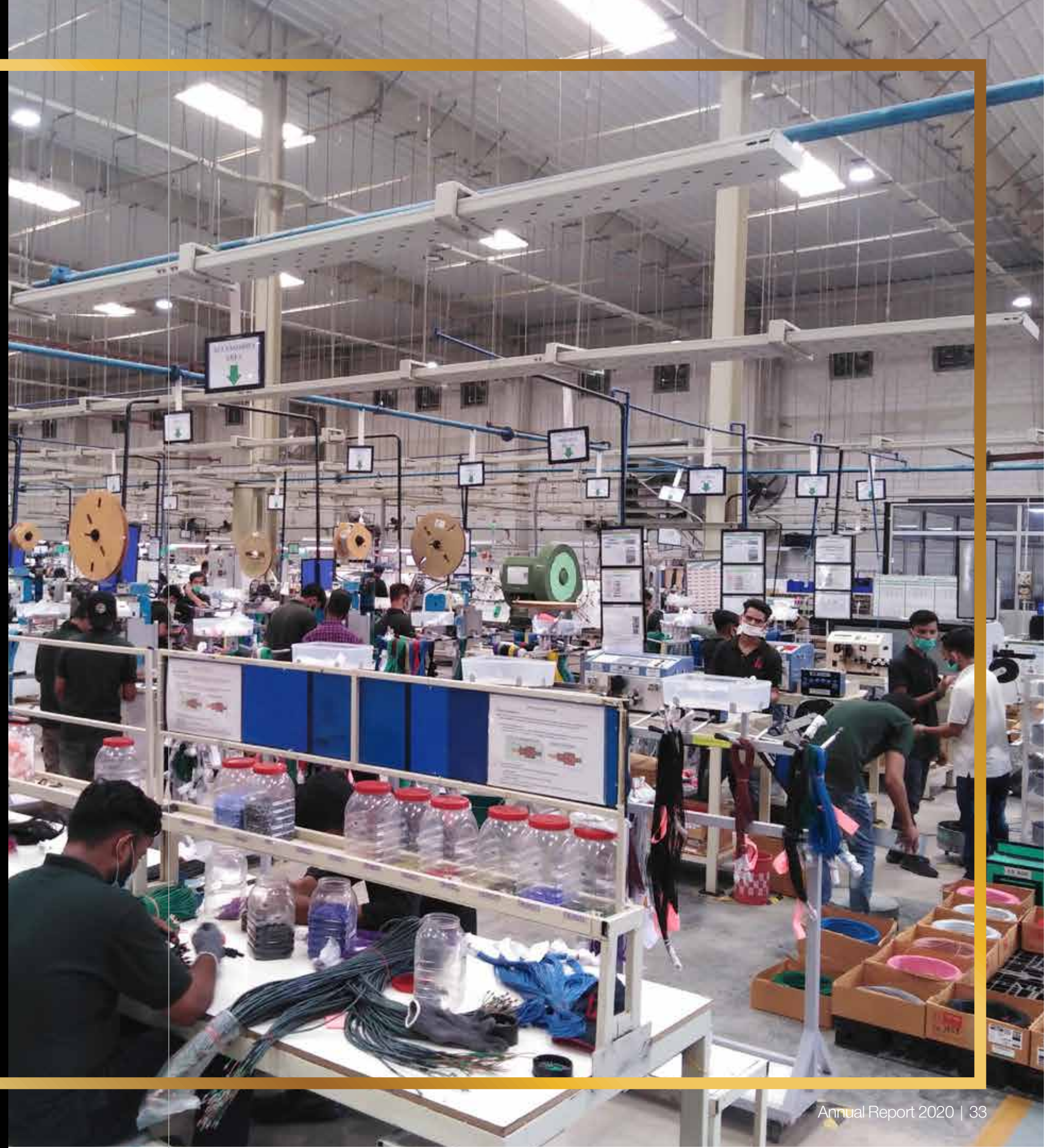
The Company's Engineering segment comprises of the Thermal & Engine Components Business and Electric Systems Business. These businesses are primarily focused on parts manufacturing for the auto industry.

Engineering segment recorded sales of Rs 8.1 billion compared to last year sales of Rs 14.9 billion witnessing a decline of 46%, whereas overall auto industry also declined by 54% in car sales. Due to Pak Rupee devaluation and imposition of additional taxes and duties, car prices increased and resultantly automotive demand shrank significantly during the first half of the financial year. From Jan'20 onwards consumer demand picked up slightly however COVID-19 outbreak affected the car sales again in fourth quarter of the fiscal year.

COVID-19 pandemic has hugely affected global economies and entire value chains yet the extent of the damage is to be determined. GoP has introduced several incentives packages to support the local industry but these measures have so far had a very nominal effect on the economic recovery. We expect that the consumer demand may remain weak in short term until uncertainties surrounding outbreaks are resolved. However, since the spread of the virus is gradually slowing its pace, economic activities are also expected to pick up.

Despite major challenges, management remained focus on business expansion, localization and optimization of cost to maintain profitable operations. Further, in order to ensure continuity of operations and prevent the spread of the Corona Virus, management adopted comprehensive SOPs in line with international and local guidelines.

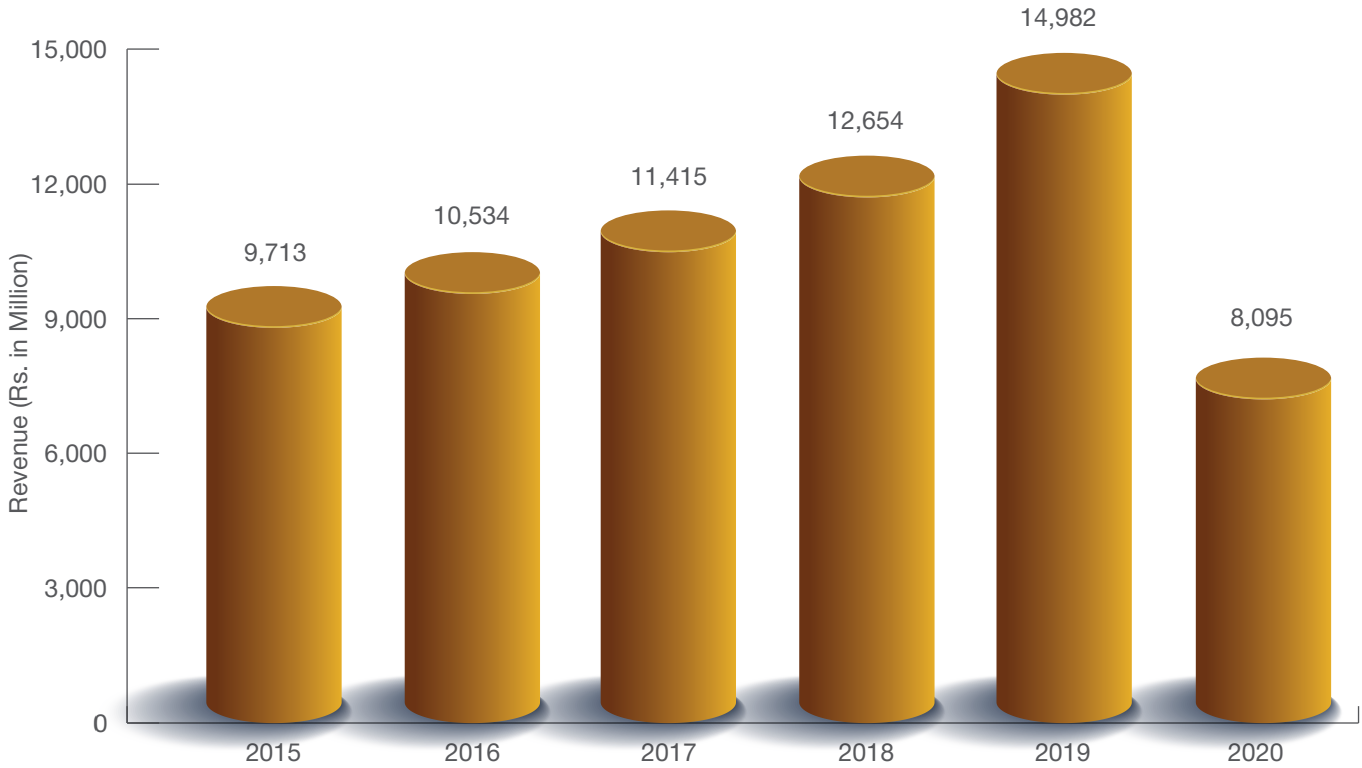
Going forward, management will continue its focus on quality, health, safety, environmental initiatives and acquiring new business from new OEMs (e.g. Hyundai Nishat) while enhancing cost efficiencies through continuous process improvement.



Outlook

During the next fiscal year, auto sector is expected to face challenges due to economic slowdown and shrinking disposable income. However, post COVID-19 economic recovery may be sooner than expected for Pakistan considering the declining spread rate of the virus, which may also positively impact the auto sector growth. Going forward, the

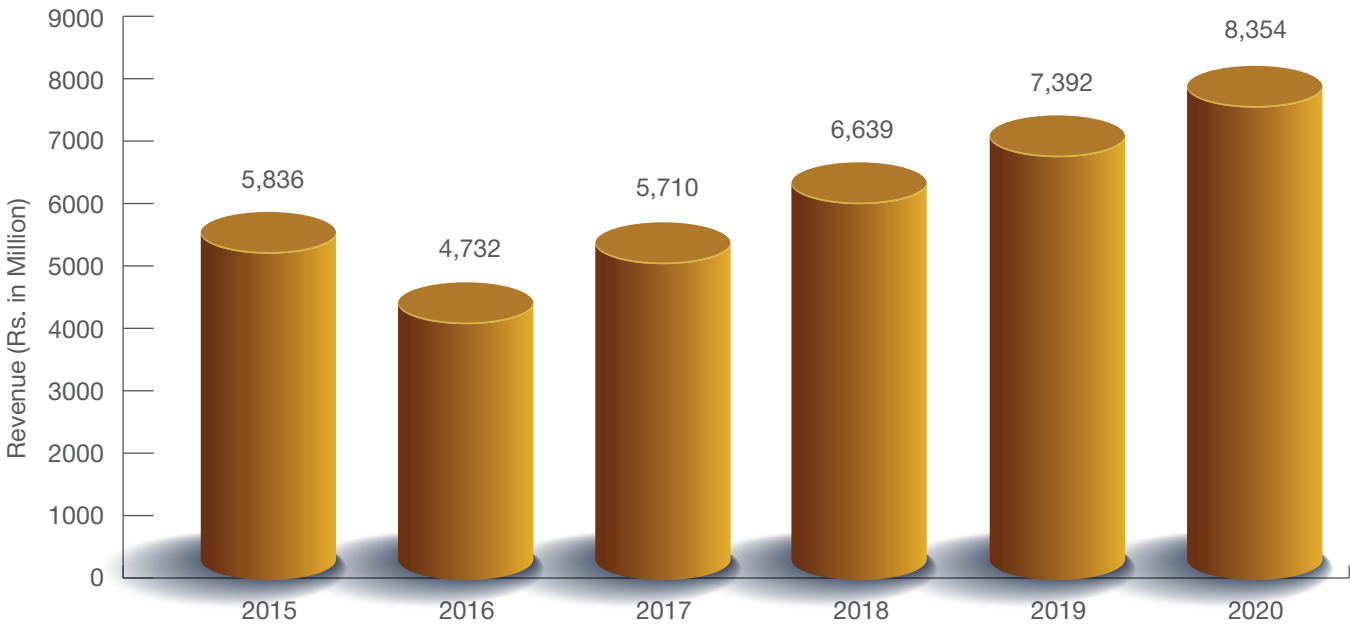
business will reap benefits by materializing localization opportunities amid these challenges. Further, local market is also undergoing diversification as the new Korean OEMs have started production and creating additional business/ localization opportunities for the business.



Packaging, Building Materials & Allied Products Segment

The Company has three businesses in this segment –Jute (known as Thal Jute), Papersack (known as Pakistan Papersack) and Laminates (known as Baluchistan Laminates).

During the outgoing year, the segment turnover registered a year on year increase of 12% (Rs. 8.4 billion compared to Rs. 7.4 billion last year).



Jute Business

By the grace of Almighty Allah, the Jute Division maintained its position as the market leader and in spite of tough competition and adverse market conditions, the year proved to be better than last year in terms of sales and profitability. The improvement in the business performance was principally due to strong export sales growth and gunny sack demand despite slow market momentum due to COVID-19.

The cost of major inputs like raw jute, power, wage and consumables increased significantly during the year coupled with an increase in the Sales Tax rate from 9% to 17%. The depreciation of the Pak Rupee, became an ongoing challenge to set off the increase in operating costs. This has resulted in an increase of cost to the end user which adversely affected local demand.

Aggressive sales efforts in international markets over the last few years are now bearing fruits in terms of increased sales, development of new markets and customers confidence on the quality of our products. We hope to maintain focus on exports and continue to expand this segment of our business to offset some of the cost pressures from devaluation.

Outlook

Your management, being aware of the challenges ahead, continues to implement cost reduction and efficiency improvement programs, in order to maintain the competitive edge of the business against competition.

The management is expecting an upward trend in Raw Jute prices in the International market this year mainly due to late sowing and recent reports of flooding in India and Bangladesh. There is also some uncertainty about the quality of jute that will be available. A clear position will emerge in next quarter.

We are confident of maintaining a positive momentum and are geared to face the challenges ahead with determination, dedication and continued concentration on product quality, production efficiencies and customer focus in both local and export markets.

Papersack Business

The Papersack business faced extremely challenging conditions in this fiscal year. The first 6 months of the year saw the cement industry going through stagnation and negative local demand, which directly impacted the demand for packaging. It was expected that stability and growth would return in Jan-June period, however, due to rise in COVID-19 cases in the country and subsequent lock down, sales in the months of March to May remained very low. The duty advantage given to plastic packaging in the last budget also impacted demand for paper packaging.

In the Carrier bags segment, the business faced challenges due to competition from grey market suppliers and low retail demand sale due to Covid19 related closures. Focus was maintained on improving efficiency and cost reduction activities to ensure the ongoing viability of business in this sector.

Volumes of food grade packaging had shown healthy growth in the first half year but were also badly affected by the Covid 19 related closures in the restaurant business.

These significant downturns in demand & sales and cost pressures from devaluation impacted the year's performance in terms of volume and eroded profitability of the business.

During the year the planned upgradation of our Cement sack manufacturing capability was successfully completed with installation of a new production line. This will add capacity and also improve our ability to manufacture best in class industrial sacks.

With continuous follow up with regulatory authorities the industry was able to get rationalization of the custom duty anomaly against Sack Kraft paper

packaging in the Finance Act of 2020-21. This now allows a level playing field against plastic packaging, and also opens the door to develop exports of environment friendly packaging from Pakistan.

The Company is well aware of its responsibilities towards environment. In this regard, the business has acquired the certification for forest stewardship. In addition, certification of ISO 22000 was audited and re-certified during the year and also successfully met the required standards of all major international food chains operating in Pakistan.

Outlook

Demand for industrial packaging is expected to increase, particularly in the Cement segment driven by the PM's package for the construction industry. Consequent to removal of the custom duty anomaly on sack kraft paper, share of paper packaging against plastic is also expected to improve. The recently added production capability will also help in improving our production volumes and quality, and bring production efficiencies.

The continuous devaluation of PKR and raw material price increases in international markets may have a negative impact on the product costs. To mitigate this, management is doing its best to maintain profit margins through tight cost controls, better efficiencies and business growth in all segments. The company is also looking at development of export business.

Overall, with these initiatives, despite the many challenges, management's projection for next year is positive and we remain optimistic on the future of this business.



Laminates Business

The Laminates Business operates under the brand name “Formite” in three major segments. HPL (High Pressure Laminates), Compact Laminates and Laminated Boards. The Brand is known for its quality and adherence to corporate values.

Despite the effects of the overall slowdown in the economy and closure of businesses due to COVID-19, the Laminates Business was able to maintain sales momentum during the period.

Due to enhanced focus on cost efficiencies, better sales and supply chain planning, the Laminates Business was able to deliver better than projected results during the year.

Outlook

Our key focus in the next year will be on improving product quality, enhancing brand visibility and achieving production cost efficiencies to improve margins.

Gradual easing of lockdown in Q4 and recent incentives announced by the Federal Government to support the construction industry are showing positive signs of revival in the construction industry. Accordingly, we are confident that market conditions will improve in next year.



Thal Boshoku Pakistan (Private) Limited

During the year 2019-20, sales dropped by 43% mainly on account of closure of plant for approximately three months due to Governmental lockdown imposed in view of COVID-19. Moreover, volumes for the year were lower than the previous year, which resulted in further drop in sales, and a decline in margins.

The Company saw significant developments being undertaken during the current year. The new plant was fully commissioned and successfully handed over to the local management by the TAA Partner for volume production. However, due to delay in the launch of the model by the OEM, the Company suffered significant losses. This loss contributed further to the overall loss incurred as a result of the lockdown during the current year.

On the operations side, all customer supplies requirements were met in time with ZERO DEFECT, and the customers rated the business in the “GREEN ZONE” throughout the year. Focus remained on improving production efficiency, Kaizen and towards providing a healthy and safe working environment to our team members.

In terms of ownership, Thal Limited holds 55% of the shareholding in Thal Boshoku Pakistan (Pvt) Ltd, while 25.4% is held by Toyota Boshoku Asia Corporation, 9.6% is held by Toyota Boshoku Corporation Japan and a further 10% shares are held by Toyota Tsusho Corporation Japan.

Outlook for the future of the Company looks challenging due to continued pressure on the local economy. However, since the lifting of the lockdown, the auto-sector has seen some form of a resurgence of demand from the OEM's. In addition, the new OEM entrants have started local production which has created further opportunities to diversify the customer base.

The Company is also taking steps towards increasing its product offering by working to increase its localization portfolio, along with development of new products within the auto-parts industry.



Subsidiaries

Makro-Habib Pakistan Limited

The Honorable Supreme Court of Pakistan dismissed the MHPL's Review Petition for the Saddar Store and as a consequence, the Saddar Store of MHPL was closed down on September 11, 2015.

As a later development on December 9, 2015, the Honorable Supreme Court of Pakistan accepted the Army Welfare Trust's (AWT) request for restoration of its Review Petition. In its hearing held on February 2, 2016, the Honorable Chief Justice commented that while reviewing AWT's review petition, both MHPL and Ministry of Defense will also get a chance to argue their points on merit as they are respondents in AWT's petition.

AWT's review petition was fixed for hearing on October 17, 2017 before a new bench. However, there were no proceedings during the hearing on account of adjournment filed by counsel representing Shehri & KWSB. The company is a wholly owned subsidiary of Thal Limited

The matter is being pursued to fix the next hearing and the Company shall continue to seek a favorable resolution.

Habib METRO Pakistan (Private) Limited

The main business of Habib METRO Pakistan (Private) Limited (HMPL) is to own and manage properties. The company is exploring various business opportunities to complement the cash & carry retail rental business and to enhance enterprise value from its store locations. During the year, business of the Company was adversely

affected due to the COVID-19 pandemic and the ensuing lockdowns.

Dividends payments to Thal Limited during the year amounted to a total of Rs. 529 million which represents an increase of 31% versus the preceding year.

Noble Computer Services (Private) Limited

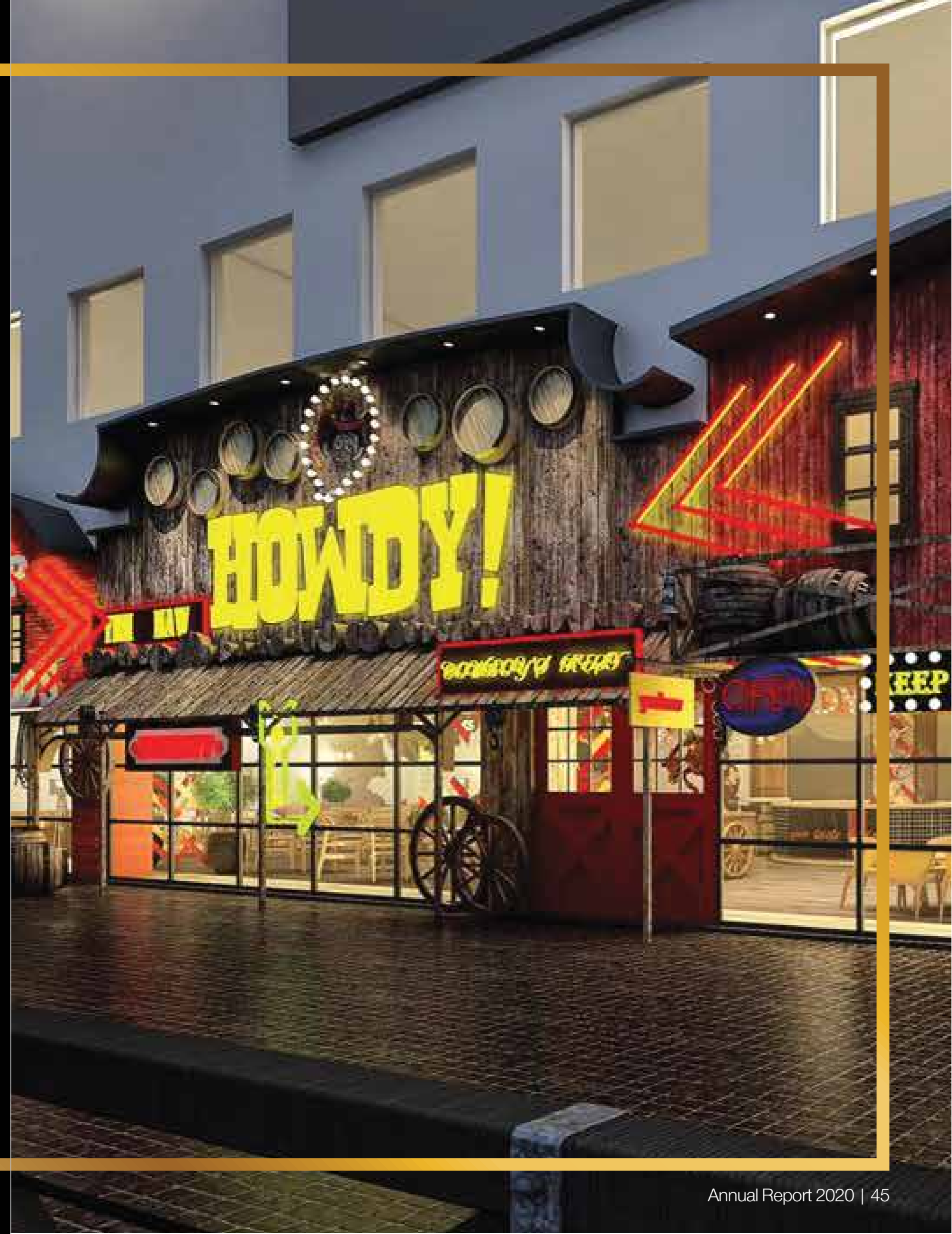
The Company continues to provide services related to Internal Audit, IT, Advisory, HR and other management related services to group companies of House of Habib. The Company is a wholly owned subsidiary of Thal Limited.

Pakistan Industrial Aids (Private) Limited

Through its trading operations, the Company continued its business of supplying auto parts and air conditioning gas to automobile assemblers and auto parts manufacturers. It is a wholly owned subsidiary of Thal Limited.

A-One Enterprises (Private) Limited

On April 23, 2020 the Board of Directors of the Company passed a resolution approving a scheme of amalgamation under Section 284(l) of the Companies Act, 2017, to amalgamate its wholly owned subsidiary, A-One Enterprises (Private) Limited with and into the Company i.e. Thal Limited. As such, as of the Completion Date of June 30, 2020 the entire undertaking of A-One Enterprises (Private) Limited stands merged with and into the Company.



Investments in Energy Sector

Sindh Engro Coal Mining Company Limited (SECMC)

SECMC is a joint venture between the Government of Sindh, Thal Limited, Engro Powergen Limited, Hub Power Company Limited, Habib Bank Limited, CMEC Thar Mining Investments Limited and SPI Mengdong. It is engaged in developing Pakistan's first open pit mining project at Thar Coal Block II.

SECMC achieved commercial operations date for 3.8 million tons per annum capacity mine (Phase I) on July 10, 2019. Phase I of the Thar mining is supplying coal to a 2x330 MW power generation plant set up by Engro Powergen Thar Private Limited.

In 1H of CY2020, SECMC operated smoothly and supplied 2 million tons of coal to record sales revenue of c. Rs. 18.4 bn and an after-tax profit of c. Rs. 3.1 bn. Whilst SECMC has generated positive cash flows over the period, it is restricted from declaring any dividends under its financing agreements until achievement of Project Completion Date (PCD) which is subject to 'true up' and approval of SECMC's COD stage tariff petition by the Thar Coal and Energy Board. SECMC management is targeting achievement of PCD in 1Q CY2021.

SECMC successfully achieved Financial Close for expansion of its mining operations to 7.6 mtpa on 31 Dec 2019. For Phase II, SECMC has entered into Coal Supply Agreements with ThalNova Power Thar (Pvt) Ltd and Thar Energy Ltd to supply additional 1.9 million tons of lignite per annum to each 330 MW power plant respectively.

In 1H2020, the global COVID-19 pandemic has adversely affected the timelines for Phase II. The Project Company is now striving to achieve commercial operations date for Phase II in 2022.

Thal Ltd owns 11.9% ordinary shareholding in SECMC.



Investments in Energy Sector

Thal Power (Private) Limited

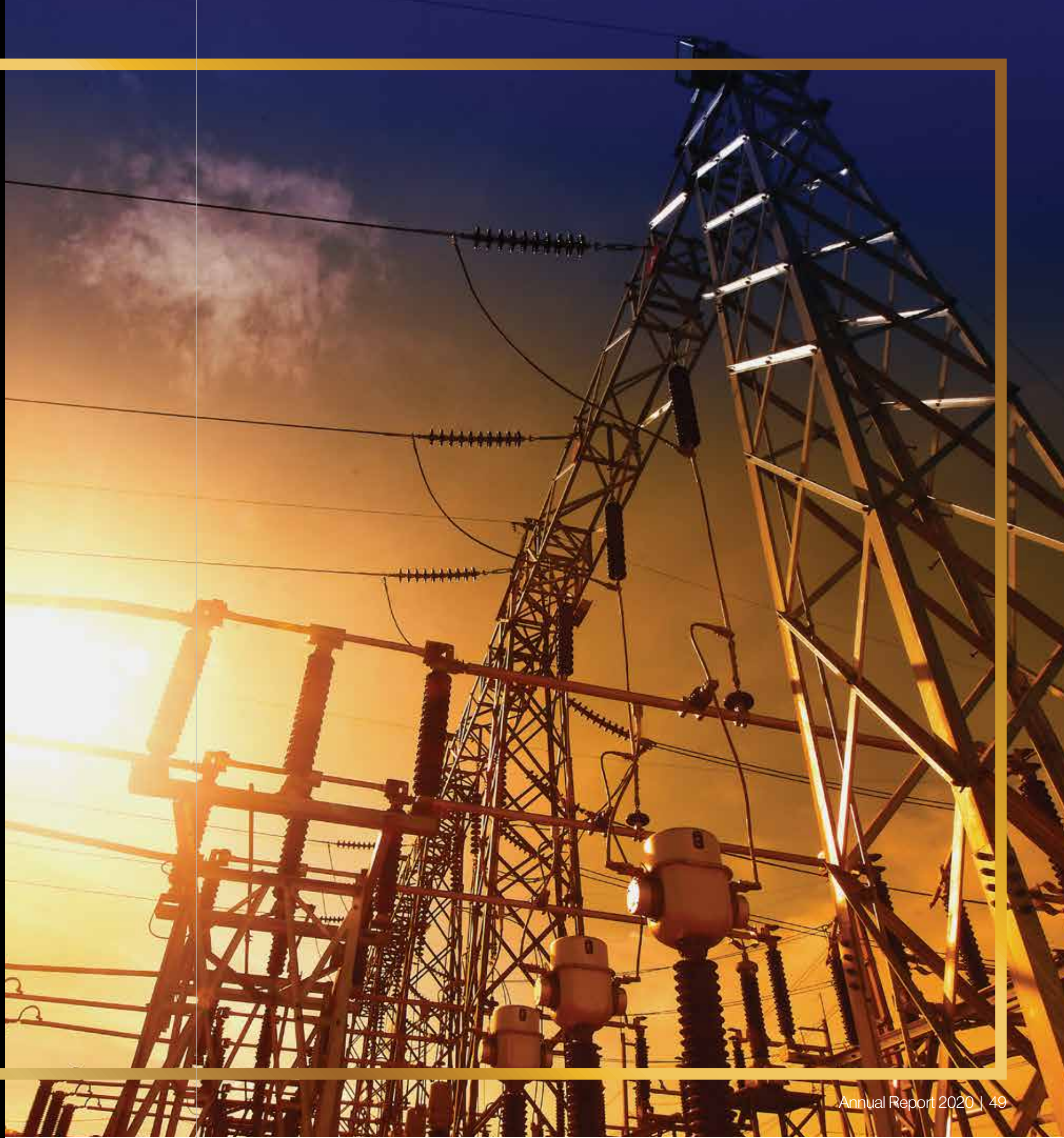
ThalNova Power Thar Private Limited ("ThalNova") is a joint venture between Thal Power (Private) Limited, Nova Powergen Ltd (subsidiary of Novatex Ltd) and Hub Power Company to set up a 330 MW mine mouth coal-fired power generation plant located at Thar, Sindh. This power plant will be run on indigenous coal extracted from the mine operated by SECMC.

China Machinery & Engineering Corporation ("CMEC") has been appointed as the EPC Contractor. ThalNova has entered into Coal Supply Agreement (CSA) with SECMC to supply 1.9 million tons per annum of lignite. It has also entered into a Power Purchase Agreement (PPA) with the Central Power Purchase Agency (Guarantee) Ltd (CPPA) and the Implementation Agreement ("IA") with Private Power Infrastructure Board (PPIB).

ThalNova (through shareholder's equity) has already commenced construction of the Project, by giving Mobilization Advance along with Limited Notice to Proceed (LNTP) to the EPC contractor, to expedite the achievement of Commercial Operations Date of the Project.

ThalNova executed key financial agreements with project lenders in 2H CY2019. In 1H2020, the global COVID-19 pandemic has adversely affected the timelines for financial close; firstly, due to lockdown in China and more recently in Pakistan.

The Project Company is in advanced discussions with lenders and is striving to achieve financial close by end of 3Q CY2020. The Project is expected to come online in 2022.



Human Resources

At Thal Limited, we attribute our continued success to our people. Our employees are our enduring advantage and it is our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence that drives our growth. To maintain our HR competitiveness, we remain focused on areas of talent management, learning & development, and succession planning.

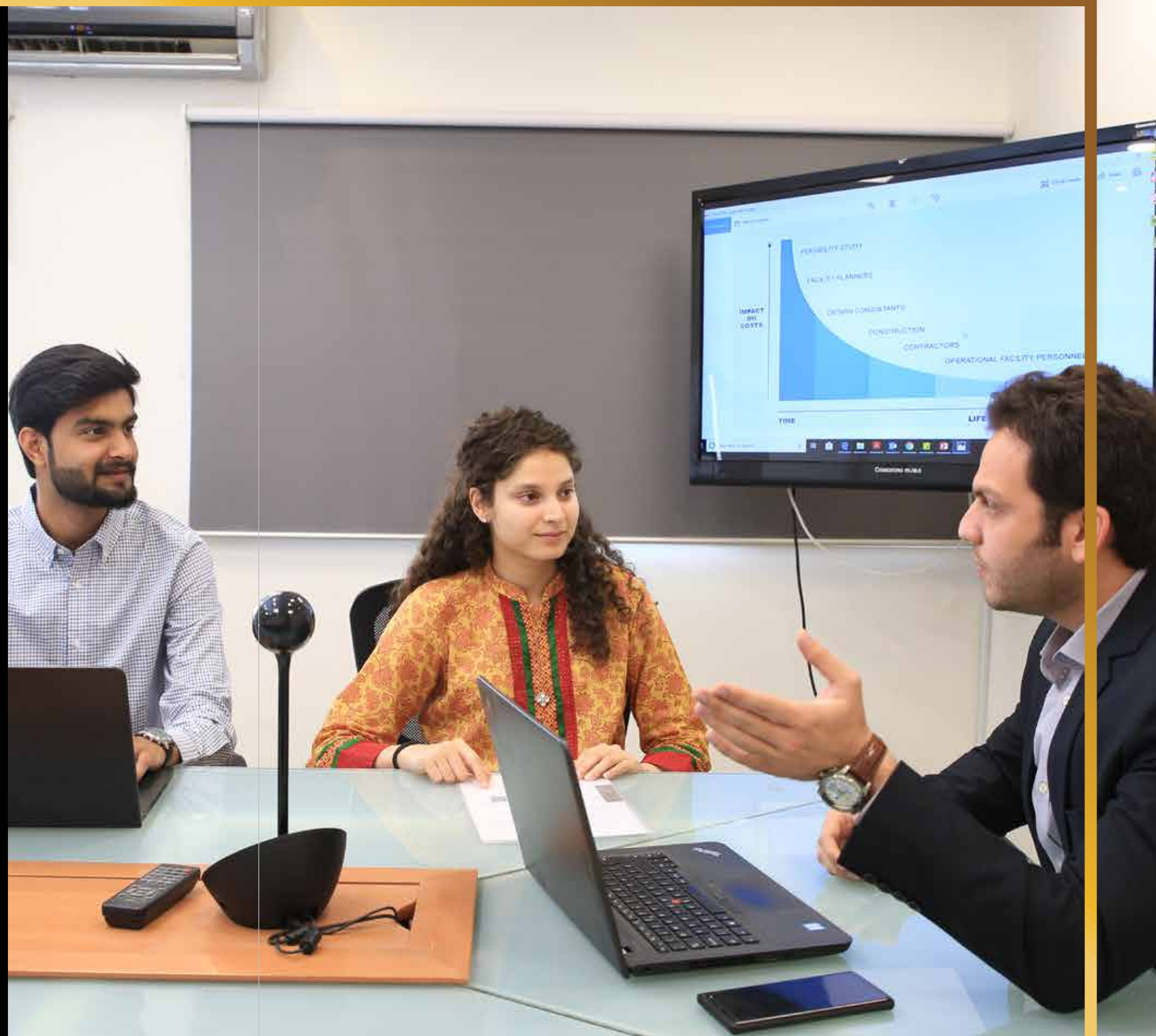
Continuing with our long-term strategy to increase our bench-strength whilst developing a well-rounded talent development framework, three major interventions were designed this year mainly on Organizational Development and Compensation & Benefits front to enhance the productivity and performance across Thal subsidiaries.

To join on Thal's pursuit to achieve excellence, we believe it is critical that employees at all levels demonstrate the defined performance standards. Therefore, a comprehensive vision-consistent "Leadership Competency Framework" was developed. This framework articulates the expected behavioral indicators, making up the fabric of the way we work at Thal Limited and its subsidiaries. The framework will also act as "lingua franca" to facilitate the recruitment of right talent, performance dialogues, design and stimulate development plans, grow leaders for the future and utilize employee potential to achieve excellence.

Moreover, owing to our commitment to create a high performance-driven culture at Thal, key improvements have been incorporated in Performance Management Framework. The main breakthrough will be the automation of performance management process across all Thal subsidiaries. This automation will bring more efficiency in the process along with enhanced focus on the performance discussion between the employee and his / her reporting manager.

One of the other major interventions that took place for the first time ever in Thal subsidiaries was an extensive exercise of Job Evaluation for management positions. The intent of this exercise is to bring a systematic process to determine the relative contributions that the performance of different jobs makes towards the organizational objectives. Post completion of job evaluation exercise, a grading structure will be developed that shall provide a framework for the implementation of reward strategies and policies across Thal subsidiaries.

Furthermore, keeping our commitment with the culture of developing and enabling employees to reach their full potential, online trainings were conducted for our employees during COVID-19 situation. This helped the employees to enhance their capabilities and stay engaged



Health, Safety & Environment (HSE)

Across all business segments, we desire a working environment in which safety is deeply embedded in operations and business culture. Our goal is to prevent any injuries and ensure that the Company remains a safe place to work. Throughout the year the businesses undertook significant initiatives to incorporate a strong consideration for the safety of our people, plants and the planet and consequently Thal Engineering was able to reach 5.119 million safe man hours.

Moreover, we maintained our focus on safety management systems keeping in view international best practices including Occupational Safety and Health Administration (OHSAS) and were duly recognized by Employers Federation of Pakistan, which awarded Thal Engineering 'Best Practices award for OSH&E 2019' in the Processed & Allied sectors.

In pursuit of improving safety standards, Fire Suit with Self Contained Breathing Apparatus was introduced at Thal Engineering and Thal Boshoku. Considering the efforts by Thal Engineering, Fire Protection Association of Pakistan awarded Thal Engineering with Fire Safety Award 2019.

The Company possesses and maintains a range of certificates to remain compliant with international best practices. These are the 'signs on the wall' of the efforts we make to improve our HSE level in a continuous way. Recently, Thal Engineering undertook a transition from OHSAS 18001 to ISO 45001, a new standard to strengthen its HSE policies and capability.

We are also cognizant of our responsibility to the planet both as a socially caring organization and as an entity that is signatory to the United National Global Compact. Throughout the year, by maintaining focus on this area, we were able to reduce our Carbon Footprint at Thal Engineering by 3.5% as against a targeted reduction of 2%. National Forum recognized these best practices for Environment and Health, which awarded Thal Engineering with the Environment Excellence award 2019.



Corporate Social Responsibility (CSR)

As part of our continuing commitment towards improving the quality of life of our stakeholders, our communities and the underprivileged sections of the society, we allocated Rs. 24 million approx. under our social investment commitments in 2019-20. These programs, which span all our business segments are primarily focused in the broad areas of employee welfare, healthcare, education, environment and community development.

In the category of education, we continued to support our flagship Habib University Foundation that offered scholarships and financial aid to a large number of deserving students. In addition, employees are funded every year for perusing higher education.

As an organization, we pride ourselves on our deep understanding of our responsibility to the society and our people - who remain our core enduring advantage. With this guiding principle, this year in view of challenging times due to COVID-19 Lockdown, Ration Hampers were distributed in March and in Ramadan. We ran programs that aimed to enhance employee welfare and support them in multiple causes.

We truly believe that access to quality primary and secondary healthcare is a basic right of every individual. Cognizant of this responsibility to our communities throughout the year, we endeavored to support leading healthcare institutions through direct monetary support – this included establishment of regular medical facility and quarantine room for employee at factory premises, free COVID-19 and COVID-19 antibody tests, arrangement of dedicated ambulance service, provision of appropriate PPEs to employees.

To fulfill responsibility towards community, donated Bolan ACs for the vans of Deaf Reach students. Additionally, trees were donated to Sundar Industrial Estate Lahore as an initiative to support green society.



Corporate Awards

35th MAP Corporate Excellence Award in Automobile Parts and Accessories category (2019)

Thal Engineering received Quality Award from HACPL on Nov 29, 2019

Thal Engineering received Development Award from PSMC on Feb 27, 2020

9th Annual Fire Safety Award from Fire Protection Association of Pakistan in Nov, 2019

HSE Best Practices Award from Employers' Federation of Pakistan in April, 2019

16th Annual Environmental Excellence Award from National forum of Environment & Health in July, 2019



Information Technology (IT)

The Fiscal Year 2019-20 started with the focus on Innovation and Business Transformation. During the first half of fiscal year the company modernized its current technology platform from Oracle Database to SAP Hana DB, along with upgradation of its hardware infrastructure. This helped the organization to keep abreast with competition

The COVID-19 pandemic forced companies around the world to reevaluate their business models and redesign their structures for the forthcoming digital transformation. Thal’s business operation were impacted by the COVID-19 pandemic, but thankfully, the efforts and investments made in the technology infrastructure and information security in the past helped the company to quickly adopt the appropriate tools and expertise. Employees at Thal with the support and training by IT department quickly adopted Microsoft and Zoom Video conference technologies for routine business communication. The COVID-19 pandemic, on one hand forced all business executives and employees to work from home as far as possible but on the other hand also accelerated employees and organization towards a swift digital transformation.

The shift to work from home also increased dependence on internet, making the organization equally vigilant about safeguarding its cyber security. Thal Limited engaged PwC (A. F. Ferguson & Co) to evaluate the organization vulnerability to threats to the organization's network and remote services. Their scope of work included review of remote connectivity governance and controls, vulnerability assessment, penetration testing and network design and configuration review.

The company in order to further strengthen its platform of information security implemented Trend Micro Mobile and Laptop Security solution. This technology integrates layers of data protection to secure corporate data—no matter where it goes. Encryption enforcement, remote lock and wipe, password enforcement, and other tools work together with device security and app management to keep employee’s data safe. It strikes the right balance between user productivity and IT risks.

Related Party Transactions

All transactions with related parties have been executed in accordance with applicable regulations and have been disclosed in the financial statements under relevant notes.

Internal Financial Controls

The Company and its subsidiaries have deployed an effective system of Internal Financial Controls to safeguard its assets and ensure the accuracy and reliability of its records. Senior management reviews financial performance of the Company and its subsidiaries through detailed monthly financial reports and analysis while the Board also carries out its own review at each quarter and probes into any variation versus budgets. Detailed examinations are regularly carried out by the internal audit function in adherence to internal procedures; the internal audit function reports its findings to the Board Audit Committee as per best practice.

Risks and Uncertainties facing the Company

The Management is cognizant that the Company faces various types of risks to the business - both internal and external. The Company has established an Enterprise Risk Management (ERM) system. ERM is the process of identifying, assessing, prioritizing, evaluating and mitigating the risks and challenges faced by the business. Risk management is the primary responsibility of the management of the Company. It is overseen and assisted by the Internal Audit Function and the Board of Directors in line with policies & procedures that are in place to counter any potential risks.

The Company has enumerated these risks as:

- 1. Strategic Risk
- 2. Financial Risk
 - a. Foreign Currency Risk
 - b. Credit Risk
 - c. Interest Rate Risk
- 3. Internal Control Risk
- 4. Operational / Commercial Risk
 - a. Competitors Risk / Technological & Innovation Risk
 - b. Regulatory Risk
- 5. Health Safety and Environment

Mitigating strategies are in place and the Company continues to monitor and re-evaluate them through the ERM system.

Contribution to National Exchequer

During the year 2019-20, the Company contributed a sum of Rs. 4.1 billion (2018-19, Rs. 7.08 billion) towards the National Exchequer by way of taxation (including super tax), custom duties, levies, excise duty and WWF.

Remuneration Policy of Directors

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time. The remuneration of Chief Executive and Non-Executive Directors is disclosed on page 135 of the Annual Report.

Auditors

The current auditors Messrs. EY Ford Rhodes, Chartered Accountants, retire and being eligible offered themselves for re-appointment as auditors for the year 2020-21. Their reappointment has also been recommended by the Board Audit Committee.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2020 is attached to this report.

The Board has determined the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and the Company Secretary, as those executives whose reporting is to be made to the PSX in respect of trading in Company shares,

Reconstitution of the Board’s Sub Committee

Mr. Imran Ali Habib was appointed as member of the Board’s Audit Committee with effect from June 29, 2020.

Directors training program

Mr. Rafiq M. Habib, Mr. Salman Burney are exempted by SECP from the Directors Training Program as each has requisite qualification and experience of serving on the Boards. Mr. Asif Qadir, Ms. Aliya Saeeda Khan, Mr. Mohamedali R. Habib and Mr. Imran Ali Habib are certified by PICG.

Compliance with the Code of Corporate Governance Statement on Corporate and Financial Reporting Framework

- The financial statements prepared by the Management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates based on reasonable and prudent judgment.

- International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The Board has outsourced the internal audit function to M/s. Noble Computer Services (Pvt) Ltd., who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- All members of the Audit Committee are independent/non-executive Directors.
- There are no significant doubts upon the Company’s ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The value of investment of provident fund and retirement fund stands at Rs. 610 million and Rs. 68 million respectively as at June 30, 2020.
- The key operating & finance data for the last 6 years are annexed to the report.

The total number of directors are 7 as per the following:

Male	6
Female	1

The composition of board is as follows:

Independent Directors	Mr. Asif Qadir Ms. Aliya Saeeda Khan
Other Non-Executive Directors	Mr. Rafiq M. Habib Mr. Mohamedali R. Habib Mr. Imran Ali Habib Mr. Salman Burney
Executive Director	Mr. Muhammad Tayyab Ahmad Tareen

The names of the Board members during the year are as stated below, along with their respective attendance in the seven (7) Board meetings that were held during the year:

Sr. No.	Names of Directors	Meeting Attended
1	Mr. Rafiq M. Habib (Chairman)	5/7
2	Mr. Ali S. Habib (Late)	4/7
3	Mr. Mohamedali R. Habib	5/7
4	Mr. Asif Qadir	7/7
5	Mr. Salman Burney	7/7
6	Mr. Muhammad Tayyab Ahmad Tareen	7/7
7	Ms. Aliya Saeeda Khan	6/7
8	Mr. Sohail P. Ahmed (resigned on Sept 20, 2020)	1/7
9	Ms. Roshan B. Mehri (Alternate Director)	2/7

Mr. Imran Ali Habib was appointed as Director of the Company with effect from June 29, 2020 to fill the casual vacancy created by the demise of Mr. Ali S Habib (late)

During the year the Audit Committee met 5 times and attendance of the Directors was as follows:

Sr. No.	Names of Directors	Meeting Attended
1	Mr. Asif Qadir (Chairman)	5/5
2	Mr. Mohamedali R. Habib	3/5
3	Mr. Salman Burney	5/5
4	Mr. Sohail P. Ahmed (resigned on Sept 20, 2020)	1/5

During the year Human Resources & Remuneration Committee met once and the attendance of the Directors was as follows:

Sr. No.	Names of Directors	Meeting Attended
1	Mr. Asif Qadir - Chairman	1/1
2	Mr. Salman Burney	1/1
3	Mr. Muhammad Tayyab Ahmad Tareen	1/1

Dividend and Appropriations

The Directors propose following appropriations out of the profit for the current year:

- Final cash Dividend declared of Rs. 3.5 per share, i.e., 70% in addition to interim dividends of Rs 1.50 per share, i.e., 30%.
- Recommends appropriating a sum of Rs 1.46 billion from un-appropriated profits to General Reserve.

Sad Demise of Mr. Ali S Habib (Late)

During the year, our beloved Mr. Ali S. Habib, Director of the Company passed away on April 17, 2020.

Mr. Ali S. Habib was an inspirational leader, a true visionary with brilliant business acumen and a passion for people. He made an unprecedented impact on Pakistan's industry, particularly through the development of the auto sector in Pakistan and the establishment of Habib University.

At Thal Ltd, he sowed the seeds of a now thriving Pakistan's auto engineering industry, led the foundation of Pakistan's first cash and carry retail business and made great strides in achieving national energy security through Pakistan's first open pit indigenous coal mine.

His remarkable leadership and tireless efforts led to the success and growth of the Company over the last 30 years.

His dedicated philanthropic endeavors set an inspirational example for us all. Those who worked with him witnessed unparalleled diligence, and are honored to have had the opportunity to learn from such a respected, charismatic and brilliant personality.

The diligent leadership of Late Mr. Ali Suleman Habib will forever be missed. We are privileged that his inspiring guidance and wisdom will remain with us, and lead us to new accomplishments and greater success

Acknowledgement

On behalf of the Board of Directors and the management, We wish to express sincere gratitude to our shareholders, customers, dealers and business partners for their continuing patronage and trust. We would also like to thank all regulatory authorities for their guidance and support. Last but not least, the Board of Directors extends its sincere appreciation to its entire staff members for their significant contribution to the growth of our Company under the challenging business conditions.



Chief Executive Officer



Director

Karachi.

Dated: September 08, 2020.