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**Review Report to the Members on Statement of Compliance with
the Regulation of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Regulation of Corporate Governance for Insurers, 2016 ("the Regulation") as prepared by the Board of Directors ("the Board") of **Allianz EFU Health Insurance Limited** ("the Company") for the year ended 31 December 2018 to comply with the requirements of Regulation of Corporate Governance for Insurers, 2016.

The responsibility for compliance with the Regulation 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 Regulation and report if it does not and to highlight any non-compliance with the requirements of the Regulation. 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 Regulation.

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 Director'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.

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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.



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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 Regulation as applicable to the Company for the year ended 31 December 2018.

Date: 29 March 2019

Karachi

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Chartered Accountants**

Allianz EFU Health Insurance Ltd
Statement of Compliance with the Code of Corporate Governance
For the year ended December 31, 2018

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

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

1. At present the Board includes:

Category	Names
Executive Directors	Mr. Akhtar Kurban Alavi (Chief Executive Officer)
Non-Executive Directors	Mr. Saifuddin N. Zoomkawala
	Mr. Taher G. Sachak
	Mr. Rafique R. Bhimjee
	Mr. Heinz Walter Dollberg
	Mr. Muneer R. Bhimjee
	Mr. Hasanali Abdullah
	Mr. Mahmood Lotia
	Mr. Shahabuddin C. Subjally

There is no independent Director on Board as the Company is a closely held unlisted public Company.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFIL or, being a member of the stock exchange, has been declared as a defaulter by a stock exchange.
4. No casual vacancy occurred in the Board during the year 2018.
5. The Company has prepared "Statement of Ethics and Business Practices" as 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 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 Chief Executive Officer and the key officers, 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 (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. An orientation of the Board of Director has been conducted to apprise them of their duties and responsibilities.
11. The board has approved the appointment of Chief Financial Officer, Corporate Secretary and Internal Audit Coordinator working as the Head of Internal Audit of the Company, including their remuneration and terms and conditions of employment.
12. The Directors' Report for the year has been prepared in compliance with the requirements of the **Code of Corporate Governance for Insurers, 2016** and fully describes the salient matters required to be disclosed.
13. The financial statements of the company were duly endorsed by Chief Executive Officer and Chief Financial Officer before the approval of the Board.
14. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.
15. The company has complied with all the corporate and financial reporting requirements of the **Code of Corporate Governance for Insurers, 2016**.
16. The Board has formed the following Management Committees:

Name of Members	Name of Management Committees			
	Underwriting	Claim Settlement	Reinsurance & Co-insurance	Risk Management & Compliance
Mr. Taher G. Sachak (Vice Chairman - BoD)	Chairman			Chairman
Mr. Akhtar Kurban Alavi (Chief Executive Officer)		Chairman	Chairman	
Mr. Kamran Ansari (Operational Head)	Member		Member	Member
Mr. Nooruddin Jaffer Ali (Chief Financial Officer)			Member	Member
Mr. Shahid Himayat (Chief Manager)	Member / Secretary			Member / Secretary
Dr. Mazhar Hasan (General Manager)		Member		
Dr. Muhammad Mustafa (Chief Manager)		Member		
Dr. Hina Riaz (Manager)		Member / Secretary		
Mr. Sohail Adam Baloch (Chief Manager)		Member		Member
Mr. Kabir Ahmed (Manager)			Secretary	

17. The Board has formed the following Board Committees:

Name of Members	Ethics, Human Resource & Remuneration Committee	Investment Committee
Mr. Saifuddin N. Zoomkawala	Chairman	Chairman
Mr. Taher G. Sachak	Member	Member
Mr. Rafique R. Bhimjee		Member
Mr. Hasanali Abdullah		Member
Mr. Akhtar Kurban Alavi	Member	Member
Mr. Nooruddin Jaffer Ali		Member/Secretary

18. The Board has also formed an Audit Committee. It comprises of five members, including a chairman and four non-executive directors. The Chairman is a non-executive director. The composition of the Audit Committee is as follows:

Name of the Member	Category
Mr. Saifuddin N. Zoomkawala (Non-Executive Director)	Chairman
Mr. Shahabuddin C. Subjally (Non-Executive Director)	Member
Mr. Rafique R. Bhimjee (Non-Executive Director)	Member
Mr. Hasanali Abdullah (Non-Executive Director)	Member
Mr. Furqan Khanani (Internal Audit Coordinator)	Secretary to Audit Committee

19. The meetings of the above committees including the management committees mentioned in paragraph 16, except the Ethics, Human Resource and Remuneration Committee & Nomination Committee were held once in every quarter (and in case of the Audit Committee prior to the approval of interim and the final results of the company), as required under the Code of Corporate Governance for Insurers, 2016. The term of references of the Committees have been formed and advised to the Committees for compliance.

20. The Board has outsourced the internal audit function to EY Ford Rhodes, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the company and they (or their representative) are involved in the internal audit function on a regular basis. Further, the Company has Internal Audit Coordinator working as the Head of Internal Audit who oversees the internal audit function to support the outsourced internal auditors.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and Internal Audit coordinator possess such qualification and experience as required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No, XXXIX of 2000):

Name of the person	Designation
Mr. Akhtar Kurban Alavi	Chief Executive Officer
Mr. Nooruddin Jaffer Ali*	Chief Financial Officer & Corporate Secretary
Mr. Shahid Himayat	Head of Underwriting, Compliance Officer
Dr. Mazhar Hasan	Head of Medical Management & Claims Settlement
Mr. Furqan Khanani*	Internal Audit Coordinator (working as the Head of Internal Audit) & Head of Risk Management Function
Mr. Sohail Adam Baloch	Head of Grievance Function & Reinsurance

* Represents changes during the year

Reasons for change: During the Year, Mr. Amjed Bahadur Ali, Chief Financial Officer & Corporate Secretary of the Company, Mr. Tariq Saleem Butt, Internal Audit Coordinator (who was working as the Head of Internal audit) & Mr. Amin Nizar Ali, General Manager Actuarial Services parted with the Company on their own discretion. Subsequently, Mr. Nooruddin Jaffer Ali was designated as the Chief Financial Officer and Corporate Secretary of the Company and Mr. Furqan Khanani was appointed as Internal Audit Coordinator (working as the Head of Internal audit) of the Company.

22. The statutory auditors of the company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Board ensures that the investment policy of the company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
25. The Board ensures that the risk management system of the company is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
26. The company has set up a risk management function (risk management and compliance committee), which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
27. The Board ensures that as a part of the risk management system, the company gets itself rated from JCR-VIS Credit Rating Co. Limited which is being used by its risk management function and the respective committee as a risk monitoring tool. The rating assigned to the Company as on March 14, 2017 was A+ with stable outlook which is further reaffirmed by them on April 26, 2018.
28. The Board has set up a grievance function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
29. The Company has obtained exemption from the Securities and Exchange Commission of Pakistan in respect of clause (xx) of the Code of Corporate Governance for Insurer, 2016:

The Company sought approval from SECP to designate its Internal Audit coordinator working as the Head of Internal audit as the Head of Risk Management Function in addition to his current position by relaxing the requirement laid down in clause (xx) of the Code as mentioned above. The approval was granted positively on December 10, 2018.

30. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied with.

By Order of the Board

Director

Director

Chief Executive

Chairman

March 29, 2019