



INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Institute of Corporate Governance

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Institute of Corporate Governance (the Institute), which comprise the statement of financial position as at June 30, 2025, and the income and expenditure statement, the statement of changes in fund balance, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of changes in fund balance and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Institute's affairs as at June 30, 2025 and of the surplus, the changes in fund balance and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Institute in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Institute's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Institute as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure statement, the statement of changes in fund balance and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Institute's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Junaid Mesia**.

A handwritten signature in blue ink that reads 'A. Ferguson & Co.' with a stylized flourish at the end.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: October 3, 2025

UDIN: AR20251061106YXFpTtw

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2025

	Note	2025	2024
		(Rupees)	
ASSETS			
Non-current assets			
Property and equipment	7	3,378,201	4,459,194
Intangible asset	8	1,230,237	-
Right of use assets	9	11,240,275	16,429,219
Investments - long term	10.1	-	22,574,977
Security deposits	11	1,540,470	1,540,470
Total non-current assets		17,389,183	45,003,860
Current assets			
Receivables - unsecured	12	2,348,833	4,507,892
Investments - short term	10.2	216,312,592	191,547,160
Prepayments, advances and other receivable	13	2,370,046	3,132,499
Tax refunds due from Government	14	42,181,553	26,590,680
Cash and bank balances	15	53,555,006	20,258,082
Total current assets		316,768,030	246,036,313
Total assets		334,157,213	291,040,173
FUND BALANCE AND LIABILITIES			
Fund balance			
Accumulated fund		270,304,926	221,089,774
LIABILITIES			
Non-current liabilities			
Lease liability against right of use assets	16	9,667,620	12,859,219
Current liabilities			
Fees in advance	17	17,042,030	15,452,795
Deferred grant income	18	-	3,299,748
Current portion of lease liability against right of use assets	16	2,185,615	4,589,641
Other payables	19	21,253,355	21,454,168
Accrued expenses	20	13,703,667	12,294,828
Total current liabilities		54,184,667	57,091,180
Total liabilities		63,852,287	69,950,399
Total fund balance and liabilities		334,157,213	291,040,173
CONTINGENCIES AND COMMITMENTS			
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The annexed notes from 1 to 35 form an integral part of these financial statements.

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Chief Executive Officer



Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
 INCOME AND EXPENDITURE STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025	2024
		----- (Rupees) -----	
INCOME			
Revenue from services	22	166,947,829	136,357,601
EXPENDITURE			
Cost of services	23	118,180,682	114,278,355
Administrative and selling expenses	24	28,064,704	17,298,644
Finance cost on lease liability against right of use assets	16.1	2,131,153	795,140
Reversal of provision for expected credit losses	12.1	(3,441,400)	(835,220)
TOTAL EXPENDITURE		144,935,139	131,536,919
Operating surplus		22,012,690	4,820,682
Other income	25	29,085,207	37,438,026
Surplus for the year		51,097,897	42,258,708
Taxation		(1,882,745)	-
Surplus for the year after tax		49,215,152	42,258,708
Other comprehensive income		-	-
Total comprehensive income		49,215,152	42,258,708

The annexed notes from 1 to 35 form an integral part of these financial statements.

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 Chief Executive Officer


 Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2025

	Accumulated fund (Rupees)
Balance as at July 01, 2023	178,831,066
Total comprehensive income for the year ended June 30, 2024	42,258,708
Balance as at June 30, 2024	<u>221,089,774</u>
Total comprehensive income for the year ended June 30, 2025	49,215,152
Balance as at June 30, 2025	<u>270,304,926</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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Chief Executive Officer



Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025	2024
		------(Rupees)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		51,097,897	42,258,708
Adjustments for:			
Depreciation on property and equipment		1,396,743	1,439,422
Amortisation of intangibles		188,073	-
Depreciation on right of use assets		5,188,944	4,878,723
Finance cost on lease liability against right of use assets		2,131,153	795,140
Reversal of provision for expected credit losses		(3,441,400)	(835,220)
Other income		(27,368,543)	(37,438,026)
Surplus before working capital changes		<u>29,192,867</u>	<u>11,098,747</u>
Decrease / (increase) in current assets			
Receivables - unsecured		5,600,459	12,708,997
Prepayments, advances and other receivable		217,373	(1,875,223)
		<u>5,817,832</u>	<u>10,833,774</u>
(Decrease) / increase in current liabilities			
Fees in advance		1,589,235	1,339,617
Accrued expenses		1,408,839	(3,872,848)
Other payables		(200,813)	8,456,704
		<u>2,797,261</u>	<u>5,923,473</u>
Cash generated from operations		37,807,960	27,855,994
Profit received on savings accounts		5,544,037	8,803,571
Withholding tax paid		(17,473,618)	(11,724,988)
Net cash generated from operating activities		<u>25,878,379</u>	<u>24,934,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(315,750)	(1,968,943)
Addition to intangible asset		(1,418,310)	-
Proceeds from disposal of property and equipment		-	54,000
Investments matured during the year		724,423,356	45,000,000
Investments made during the year		(719,621,437)	(115,428,593)
Return on investments received		12,077,464	21,464,255
Net cash generated from / (used in) investing activities		<u>15,145,323</u>	<u>(50,879,281)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease liabilities		(7,726,778)	(6,295,528)
Net cash used in financing activities		<u>(7,726,778)</u>	<u>(6,295,528)</u>
Net increase / (decrease) in cash and cash equivalents		<u>33,296,924</u>	<u>(32,240,232)</u>
Cash and cash equivalents at beginning of the year		20,258,082	52,498,314
Cash and cash equivalents at end of the year	26	<u><u>53,555,006</u></u>	<u><u>20,258,082</u></u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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Chief Executive Officer



Director

**PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

1 THE INSTITUTE AND ITS OPERATIONS

1.1 Pakistan Institute of Corporate Governance (the Institute) was incorporated in Pakistan as a company limited by guarantee without share capital on December 1, 2004 under section 42 of the repealed Companies Ordinance, 1984 (now section 42 of the Companies Act, 2017). Its members include 102 (June 30, 2024: 103) corporate, 35 (June 30, 2024: 30) individual and the following founding members:

- Securities and Exchange Commission of Pakistan
- The State Bank of Pakistan
- The Pakistan Stock Exchange Limited
- Institute of Business Administration
- Lahore University of Management Sciences
- Institute of Chartered Accountants of Pakistan
- Institute of Corporate Secretaries of Pakistan
- Institute of Cost and Management Accountants of Pakistan
- Overseas Investors Chamber of Commerce and Industry
- Federation of Pakistan Chambers of Commerce and Industry
- Insurance Association of Pakistan
- Mutual Funds Association of Pakistan
- Pakistan Banks Association

1.2 The main objective of the Institute is to promote awareness of corporate governance and encourage compliance with good corporate governance practices by corporate bodies and professionals. In this regard, the Institute also conducts directors' training program based on a standard curricula for which the Institute has arrangements with foreign organisations.

1.3 The registered office of the Institute is situated at Office Suite 316, "The Forum", Clifton, Karachi, Pakistan.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3 BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the respective notes.

3.2 These financial statements are presented in Pakistani Rupees which is the Institute's functional and presentation currency.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO ACCOUNTING AND REPORTING STANDARDS

4.1 Amendments to accounting and reporting standards and interpretation / guidance which became effective during the year ended June 30, 2025

There are certain new standards, amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods which began on July 1, 2024. However, these do not have any significant impact on the Institute's financial statements and therefore have not been detailed in these financial statements.

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4.2 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective and not early adopted by the Institute:

There are certain new standards, amendments and interpretations that are mandatory for the Institute's accounting periods beginning on or after July 1, 2025 but are considered not to be relevant or will not have any significant effect on the Institute's operations and therefore have not been detailed in these financial statements, except for the following:

- IFRS 18 'Presentation and Disclosure in the Financial statements' (IFRS 18) (published in April 2024) with application date of January 1 2027 by IASB, which are yet to be notified by SECP for the purpose of applicability in Pakistan. IFRS 18 when adopted and applicable shall impact the presentation of 'Income and Expenditure Statement' with certain additional disclosures in the financial statements;
- Amendments to IFRS 9 and IFRS 7 'Financial Instruments' which clarify the date of recognition and derecognition of a financial asset or financial liability including settlement of liabilities through banking instruments and channels including electronic transfers. The amendment when applied may impact the timing of recognition and derecognition of financial liabilities.

The management is in the process of assessing the impacts of the new standards and amendments on the financial statements of the Institute.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the requirements of accounting and reporting standards as applicable in Pakistan requires management to make judgements / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgements / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected in accordance with the requirements of International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

In the process of applying the Institute's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

- a) determining the method of depreciation, residual values and useful lives of property and equipment (notes 6.1 and 7);
- b) residual and useful lives of intangible assets (notes 6.2 and 8);
- c) determining the allowance for expected credit loss on trade debts (note 6.10);
- d) right of use assets and their related lease liability (notes 6.5, 9 and 16); and
- e) contingent liabilities (note 6.9).

6 MATERIAL ACCOUNTING POLICY INFORMATION

6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value, if any. Depreciation on office equipments is charged using the straight-line method, whereby the cost of an asset less estimated residual value, if not insignificant, is written off over its estimated remaining useful life. Depreciation on furniture and fixtures is charged using the reducing balance method. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

On all additions, depreciation is charged from the month in which addition / capitalisation occurs. Similarly, no depreciation is charged in the month in which an asset is disposed of.

Maintenance and repairs are charged to Income and Expenditure Statement as and when incurred. Major renewals and improvements which increase the assets' remaining useful economic lives or the performance beyond the current estimated levels are capitalised and the assets so replaced, if any, are retired.

Gain or loss on disposal is recognised in the Income and Expenditure Statement in the year in which the asset is derecognised.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amount.

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6.2 Intangible asset

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost is amortised over a period commencing from the month when the asset is available for use and ceases when the asset is derecognised.

Amortisation is charged to the Income and Expenditure Statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Costs in relation to intangible assets are only capitalised when it is probable that future economic benefits attributable to those asset will flow to the Institute and the same is amortised applying the straight line method at the rates stated in note 8 to these financial statements.

6.3 Receivables

Receivables are stated at invoice value less provision for uncollectible amounts as detailed in note 12 of these financial statements. Bad debts are written-off when there is no realistic prospect of recovery.

6.4 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand, balances with banks and short term financial assets with original maturities of three months or less. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value. These are measured at amortised cost.

6.5 Right of use assets and their related lease liability

6.5.1 Right of use assets

On initial recognition, right of use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right of use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight-line method.

6.5.2 Lease liability against right of use assets

At the commencement date of the lease, the Institute recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Institute and payments of penalties for terminating a lease, if the lease term reflects the Institute exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Institute uses the incremental borrowing rate at the initial application date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

6.6 Deferred grant income

Grants restricted for specific expenditures are recognised as 'deferred grant income' when received on the statement of financial position and are subsequently recognised as income on a systematic basis over the periods that the related costs, for which they are intended to compensate, are expensed.

6.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of consideration to be paid in the future for goods and services whether or not billed to the Institute.

6.8 Provisions

Provisions are recognised in the statement of financial position when the Institute has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

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6.9 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Institute; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

6.10 Financial instruments - initial recognition and subsequent measurement

Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

Classification of financial assets

The Institute classifies its financial assets in the following categories:

- at fair value through profit or loss ("FVTPL");
- at fair value through other comprehensive income ("FVTOCI"); or
- at amortised cost.

The Institute determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Institute's business model for managing the financial assets and their contractual 'cash flow characteristics'.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Institute classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"); or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Institute has opted to measure them at FVTPL.

Subsequent measurement

i) Financial assets at FVTOCI

All equity investments are required to be measured in the statement of financial position at fair value except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. Any surplus / (deficit) arising as a result of subsequent movement in the fair value of equity securities classified as FVOCI is to be recognised in other comprehensive income.

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ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the Income and Expenditure Statement. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the Income and Expenditure Statement in the period in which they arise.

Impairment of financial asset

The Institute recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost and FVTOCI at an amount equal to lifetime ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determined to have low credit risk at the reporting date, in which case 12 months' ECL is recorded. The following were either determined to be short term in nature or to have low or there was no increase in credit risk since initial recognition as at the reporting date.

- bank balances
- other receivables

Loss allowance for bank balances and other receivables are generally measured using 12 months ECL, since the credit risk is considered to be low.

The Institute considers a financial asset in default when it is more than 150 days past due.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 month ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Institute expects to receive).

The gross carrying amount of a financial asset is written off when the Institute has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Considering the nature of the financial assets, the Institute has applied the standard's simplified approach in respect of receivable balance from members and has calculated ECL based on life time ECL.

Derecognition

i) Financial assets

The Institute derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised as gain / (loss). In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to "Income and Expenditure Statement". In contrast, on derecognition of an investment in equity instrument which the Institute has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to "Income and Expenditure Statement", but is transferred to accumulated fund in the "Statement of Changes in Fund Balance".

ii) Financial liabilities

The Institute derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income and Expenditure Statement.

6.10.1 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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Income and expenses are presented on a net basis only when permitted by the accounting and reporting standards as applicable in Pakistan.

6.11 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date. Foreign currency transactions are recorded using the rates of exchange prevailing at the date of transaction. Exchange gains and losses on translation are included in the Income and Expenditure Statement.

6.12 Revenue recognition

The Institute is in the business of provision of services. Revenue from contracts with customers is recognised at a point in time when the services are rendered to the customer at an amount that reflects the consideration to which the Institute expects to be entitled in exchange for those services.

The Company recognises revenue based on the following principles:

- identification of customer contracts;
- identification of performance obligations;
- determination of transaction price in the contract;
- allocation of price to performance obligations; and
- recognition of revenue when the performance obligations are fulfilled.

The Institute considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for rendering of services, the Company considers the effects of variable consideration.

Returns on financial assets

- Returns on financial assets are recognised on an accrual basis using the effective interest rate.
- Gains / (losses) arising on sale of investments are included in the Income and Expenditure Statement, on the date when the transaction takes place;
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the Income and Expenditure Statement in the period in which they arise;
- Dividend income is recognised in the Income and Expenditure Statement when the Institute's right to receive payment has been established; and
- Profit on saving accounts with bank is recognised on an accrual basis.

6.13 Income taxes

The Institute is registered with the Income tax authorities as a non-profit organisation under section 2(36)(c) of the Income Tax Ordinance, 2001 read with Rules 212 and 220A of the Income Tax Rules, 2002. The Institute, being a non-profit organisation, is allowed a tax credit equal to one hundred percent (100%) of the tax payable, including minimum tax and final tax payable, under section 100C of the Income Tax Ordinance, 2001, subject to fulfilment of certain conditions stipulated therein. Income earned from sources other than sources mentioned in clause (c) of sub-section 3 of section 100C of Income Tax Ordinance, 2001 are not eligible for tax credit. Accordingly, provision for taxation on such income are recorded in Income and Expenditure Statement.

6.14 Deferred Tax

Deferred tax is recognised using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

7	PROPERTY AND EQUIPMENT	Note	2025 ----- (Rupees) -----	2024
	Operating fixed assets	7.1	<u>3,378,201</u>	<u>4,459,194</u>

7.1 The following is a statement of property and equipment:

	Note	June 30, 2025				
		Property and equipment		Total		
		Office equipments	Furniture and fixtures			
			----- (Rupees) -----			
At July 1, 2024						
Cost		5,822,111	6,825,404	12,647,515		
Accumulated depreciation		<u>(3,777,976)</u>	<u>(4,410,345)</u>	<u>(8,188,321)</u>		
Net book value		<u>2,044,135</u>	<u>2,415,059</u>	<u>4,459,194</u>		
Additions		315,750	-	315,750		
Disposals						
Cost		-	-	-		
Depreciation		-	-	-		
Depreciation charge for the year	23 & 24	<u>(1,019,807)</u>	<u>(376,936)</u>	<u>(1,396,743)</u>		
Closing net book value		<u>1,340,078</u>	<u>2,038,123</u>	<u>3,378,201</u>		
At June 30, 2025						
Cost		6,137,861	6,825,404	12,963,265		
Accumulated depreciation		<u>(4,797,783)</u>	<u>(4,787,281)</u>	<u>(9,585,064)</u>		
Net book value		<u>1,340,078</u>	<u>2,038,123</u>	<u>3,378,201</u>		
Depreciation rate (% per annum)		<u>30%</u>	<u>15%</u>			
At July 1, 2023						
Cost		5,084,732	5,827,740	10,912,472		
Accumulated depreciation		<u>(2,701,322)</u>	<u>(4,227,932)</u>	<u>(6,929,254)</u>		
Net book value		<u>2,383,410</u>	<u>1,599,808</u>	<u>3,983,218</u>		
Additions		737,379	1,231,564	1,968,943		
Disposals						
Cost		-	(233,900)	(233,900)		
Depreciation		-	180,355	180,355		
Depreciation charge for the year	23 & 24	<u>(1,076,654)</u>	<u>(362,768)</u>	<u>(1,439,422)</u>		
Closing net book value		<u>2,044,135</u>	<u>2,415,059</u>	<u>4,459,194</u>		
At June 30, 2024						
Cost		5,822,111	6,825,404	12,647,515		
Accumulated depreciation		<u>(3,777,976)</u>	<u>(4,410,345)</u>	<u>(8,188,321)</u>		
Net book value		<u>2,044,135</u>	<u>2,415,059</u>	<u>4,459,194</u>		
Depreciation rate (% per annum)		<u>30%</u>	<u>15%</u>			

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8	INTANGIBLE ASSET	Note	2025	2024
			----- (Rupees) -----	
	Cost			
	Opening as at July 1		-	-
	Addition during the year		1,418,310	-
	Closing as at June 30		<u>1,418,310</u>	<u>-</u>
	Accumulated amortisation:			
	Opening as at July 1		-	-
	Amortisation charge for the year	23	188,073	-
	Closing as at June 30		<u>188,073</u>	<u>-</u>
	Net book value as at June 30		<u>1,230,237</u>	<u>-</u>
	Amortisation rate (% per annum)		<u>33%</u>	<u>-</u>
	9			
	RIGHT OF USE ASSETS			
	Cost			
	Opening as at July 1		38,492,660	24,074,337
	Re-assessment during the year		-	14,418,323
	Closing as at June 30		<u>38,492,660</u>	<u>38,492,660</u>
	Accumulated depreciation:			
	Opening as at July 1		22,063,441	17,184,718
	Charge for the year	23 & 24	5,188,944	4,878,723
	Closing as at June 30		<u>27,252,385</u>	<u>22,063,441</u>
	Net carrying amounts as at June 30		<u>11,240,275</u>	<u>16,429,219</u>
	Lease terms (in months)		<u>60</u>	<u>60</u>
	10			
	INVESTMENTS			
	10.1			
	Investments - long term			
	- At amortised cost			
	GoP Ijarah sukuks		-	22,574,977
			<u>-</u>	<u>22,574,977</u>
	10.2			
	Investments - short term			
	- At amortised cost			
	Pakistan Investment Bonds		-	70,908,158
	GOP Ijarah sukuks	10.3	21,789,596	32,196,052
			<u>21,789,596</u>	<u>103,104,210</u>
	- At fair value through profit or loss			
	Units of open-ended mutual funds	10.5	194,522,996	88,442,950
			<u>194,522,996</u>	<u>88,442,950</u>
			<u>216,312,592</u>	<u>191,547,160</u>
			<u>216,312,592</u>	<u>214,122,137</u>
	10.3			
	These carry profit / yield within a range of 9.88% to 11.16% per annum (June 30, 2024: 15.48% - 23.71% per annum) payable at six month interval and are carried at amortised cost maturing on July 29, 2025.			
	10.4			
	The market value of securities classified at amortised cost as at June 30, 2025 amounted to Rs. 20.80 million (2024: Rs. 118.63 million).			

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10.5 Units of open-ended mutual funds

Particulars	As at July 1 2024	Purchased during the year	Sold during the year	As at June 30, 2025	As at June 30, 2025		
					Carrying value	Market value	Unrealised appreciation
-----Number of units-----					----- (Rupees) -----		
Faysal Islamic Cash Fund	350,818	5,671,435	4,081,448	1,940,805	194,151,332	194,522,996	371,664
Faysal Islamic Sovereign Plan - I	530,376	1,213,235	1,743,611	-	-	-	-
As at June 30, 2025					<u>194,151,332</u>	<u>194,522,996</u>	<u>371,664</u>
As at June 30, 2024					<u>88,320,982</u>	<u>88,442,950</u>	<u>121,968</u>

10.6	Net unrealised appreciation on revaluation of investments classified as 'financial assets at fair value through profit or loss'	Note	2025	2024
			----- (Rupees) -----	
	Market value of investments	10.5	194,522,996	88,442,950
	Less: Carrying value of investments	10.5	(194,151,332)	(88,320,982)
			<u>371,664</u>	<u>121,968</u>

11 SECURITY DEPOSITS

These represent security deposits paid to "The Forum" in accordance with the rental agreements for office suites 315 and 316.

12	RECEIVABLES - UNSECURED	Note	2025	2024
			----- (Rupees) -----	
	Annual subscription		600,000	761,079
	Directors' training program		1,889,122	4,393,824
	Fee from specialised workshops and others		150,450	1,353,454
	Receivable against board evaluation		115,000	1,846,674
			<u>2,754,572</u>	<u>8,355,031</u>
	Less: provision for expected credit losses	12.1	(405,739)	(3,847,139)
			<u>2,348,833</u>	<u>4,507,892</u>

12.1 Movement in allowance for expected credit losses:

Balance at beginning of the year	3,847,139	4,682,359
Reversal of expected credit losses during the year	(3,441,400)	(835,220)
Balance at end of the year	<u>405,739</u>	<u>3,847,139</u>

12.2 Aging of trade debts

- 1 to 30 days	1,991,272	2,706,325
- 31 to 60 days	-	2,571,656
- 61 to 90 days	115,000	437,500
- 91 to 120 days	300,000	-
- older than 120 days	348,300	2,639,550
	<u>2,754,572</u>	<u>8,355,031</u>

13 PREPAYMENTS, ADVANCES AND OTHER RECEIVABLE

Prepaid insurance	342,001	426,210
Other prepayments	485,250	801,398
Advance against expenses	1,276,233	1,093,248
Profit receivable	266,562	811,643
	<u>2,370,046</u>	<u>3,132,499</u>

14 TAX REFUNDS DUE FROM GOVERNMENT

Tax deducted at source	14.1	<u>42,181,553</u>	<u>26,590,680</u>
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14.1 This represents refundable withholding tax deducted from payments made to the Institute. The Institute is in the process of recovering the said balance from the authorities.

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15	CASH AND BANK BALANCES	Note	2025	2024
			------(Rupees)-----	
	Cash in hand		50,000	50,000
	Cash at bank :			
	- savings accounts	15.1	<u>53,505,006</u>	<u>20,208,082</u>
			<u>53,555,006</u>	<u>20,258,082</u>

15.1 These represent savings accounts with commercial banks carrying profit of 7% to 9.5% per annum (2024: 18.50% per annum).

16 LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

It represents obligation in respect of right of use assets (premises for office suites 315 and 316) leased through tenancy agreements from various owners for a period of 5 years at an incremental borrowing rate of 14.00% per annum for suite 315 and 17.20% per annum for suite 316 which have been used as a discounting factor. Rentals are payable in quarterly instalments in advance as per terms of the tenancy agreements.

The amount of future payments for the leases and the period in which these payments will become due are as follows:

	2025	2024
	------(Rupees)-----	
Present value of minimum lease payments	11,853,235	17,448,860
Less: current portion	<u>(2,185,615)</u>	<u>(4,589,641)</u>
	<u>9,667,620</u>	<u>12,859,219</u>

	2025		2024	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	----- Rupees -----			
Not later than one year	3,919,543	2,185,615	6,770,794	4,589,641
Later than one year and not later than five years	<u>11,988,064</u>	<u>9,667,620</u>	<u>16,977,410</u>	<u>12,859,219</u>
	15,907,607	11,853,235	23,748,204	17,448,860
Finance cost allocated to future periods	<u>(4,054,372)</u>	-	<u>(6,299,344)</u>	-
Present value of minimum lease payments	11,853,235	11,853,235	17,448,860	17,448,860
Less: current portion	<u>(2,185,615)</u>	<u>(2,185,615)</u>	<u>(4,589,641)</u>	<u>(4,589,641)</u>
	<u>9,667,620</u>	<u>9,667,620</u>	<u>12,859,219</u>	<u>12,859,219</u>

16.1	Movement of lease liability against right of use assets	Note	2025	2024
			------(Rupees)-----	
	At the beginning of the year		17,448,860	8,530,925
	Re-assessment during the year		-	14,418,323
	Finance cost charged during the year		2,131,153	795,140
	Rentals paid during the year		<u>(7,726,778)</u>	<u>(6,295,528)</u>
	At the end of the year		<u>11,853,235</u>	<u>17,448,860</u>
	Non-current portion of lease liability		9,667,620	12,859,219
	Current portion of lease liability		<u>2,185,615</u>	<u>4,589,641</u>
			<u>11,853,235</u>	<u>17,448,860</u>

17	FEES IN ADVANCE	Note	2025	2024
			------(Rupees)-----	
	Entrance fee		250,000	-
	Advance fee for board evaluation		8,139,000	9,990,000
	Advance fee for directors' training program		7,481,320	4,263,975
	Advance fee for specialised workshops		1,028,820	1,198,820
	Advance fee for ESG executive track		<u>142,890</u>	-
			<u>17,042,030</u>	<u>15,452,795</u>

18	DEFERRED GRANT INCOME	Note	2025	2024
			------(Rupees)-----	
	Balance at the beginning of the year		3,299,748	5,000,000
	Less: grant income recognised during the year		<u>(3,299,748)</u>	<u>(1,700,252)</u>
	Balance at the end of the year	18.1	<u>-</u>	<u>3,299,748</u>

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- 18.1 In 2023, Pakistan Institute of Corporate Governance (PICG) and Faysal Bank Limited (FABL) embarked on a strategic partnership to enhance the Environmental, Social, and Governance (ESG) ecosystem in Pakistan. Under this collaboration, Faysal Bank Limited provided a grant of Rs. 5 million to PICG. The grant is allocated to provide strategic support for ESG development, including capacity building, research, training, and advisory services at critical stages of corporate ESG adoption.

This grant was initially classified as 'Deferred grant income' in the statement of financial position and is being recognised in the Income and Expenditure Statement in alignment with the fulfilment of agreed-upon milestones. During the current year, all the agreed-upon milestones have been achieved.

	Note	2025	2024
------(Rupees)-----			
19 OTHER PAYABLES			
Withholding income tax payable		315,621	757,016
Trade creditors - services		124,743	252,783
Sales tax payable		2,434,189	3,941,161
Other liabilities	19.1	18,378,802	16,503,208
		<u>21,253,355</u>	<u>21,454,168</u>

- 19.1 This includes amount in respect of provident fund payable amounting to Rs. 16.42 million (2024: Rs. 16.36 million).

	2025	2024
------(Rupees)-----		
20 ACCRUED EXPENSES		
Bonus	10,153,442	6,000,000
Other accrued expenses	3,550,225	6,294,828
	<u>13,703,667</u>	<u>12,294,828</u>

21 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2025 and June 30, 2024.

	Note	2025	2024
------(Rupees)-----			
22 REVENUE FROM SERVICES			
Entrance fee from members		740,000	130,000
Annual subscription fee		15,865,000	16,025,600
Fee from director's training program	22.1	83,403,042	81,191,251
Fee from specialized workshops		17,792,000	18,499,500
Advisory services and board evaluation	22.2	34,514,000	20,011,250
ESG executive track		4,616,810	-
Event sponsorship income		10,016,977	500,000
		<u>166,947,829</u>	<u>136,357,601</u>

- 22.1 This represents fee against directors' training programs conducted for various corporate entities

- 22.2 This mainly includes fee against board evaluations performed for various corporate entities.

	2025	2024
------(Rupees)-----		
23 COST OF SERVICES		
Training programs	35,098,784	38,012,661
Board evaluation	7,510,000	5,478,333
Sponsorship event	8,715,333	-
ESG executive track	5,017,678	-
Salaries, allowances and benefits	54,624,178	62,295,217
Depreciation on property and equipment	698,371	721,724
Depreciation on right of use assets	2,319,084	2,296,072
Travelling and conveyance	249,044	794,230
Utilities	591,494	704,581
Amortisation of intangibles	188,073	-
Printing and stationery	52,120	23,680
Insurance	513,358	531,821
Marketing expenses	672,998	1,247,822
IT expenses	1,930,167	2,172,214
	<u>118,180,682</u>	<u>114,278,355</u>

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24 ADMINISTRATIVE AND SELLING EXPENSES	Note	2025	2024
----- (Rupees) -----			
Salaries, allowances and benefits		14,613,846	4,581,484
Professional expenses	24.1	4,545,227	5,081,284
Depreciation on property and equipment		698,372	717,698
Depreciation on right of use assets		2,869,860	2,582,651
Travelling and conveyance		-	436,324
Utilities		591,494	952,533
Printing and stationery		335,481	313,787
Insurance		320,850	39,113
Repair and maintenance		1,848,544	1,305,309
Canteen supplies		501,751	288,053
Others	24.2	1,739,279	1,000,408
		<u>28,064,704</u>	<u>17,298,644</u>

24.1 Professional expenses

Finance outsourcing	3,110,400	3,110,400
Human resource outsourcing	421,838	386,286
Provident fund registration fee	-	10,500
Subscription fee	558,300	799,064
Internal audit fee	185,760	366,870
Others	268,929	408,164
	<u>4,545,227</u>	<u>5,081,284</u>

24.2 This mainly includes IT related expenses pertaining to website maintenance, licensing fee and internet charges.

25 OTHER INCOME	Note	2025	2024
----- (Rupees) -----			
Return / profit on:			
- Savings accounts		7,329,300	9,615,214
- GoP Ijarah sukuks		3,938,672	10,245,511
- Pakistan Investment Bonds		2,349,202	14,031,501
Gain on disposal of property and equipment		-	455
Dividend income on units of open-ended mutual funds		57,838	3,785,045
Unrealised appreciation on units of open-ended mutual funds		371,664	121,968
Grant income	18	3,299,748	1,700,252
Capital gain on disposal of units of open-ended mutual funds		12,352,463	-
Other income		1,716,664	31,760
Less: Income credited to provident fund balance		(2,330,344)	(2,093,680)
		<u>29,085,207</u>	<u>37,438,026</u>

26 CASH AND CASH EQUIVALENTS

Cash and bank balances	53,555,006	20,258,082
	<u>53,555,006</u>	<u>20,258,082</u>

27 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Institute comprise of associated companies, directors and key management personnel. All the transactions with related parties are entered into at agreed terms as approved by the Board of Directors of the Institute. Balances outstanding with related parties have been disclosed in the respective notes to these financial statements. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2025	2024
----- (Rupees) -----		
Key management personnel	18,470,120	27,898,173
Managerial remuneration	5,481,000	5,550,000
Bonus paid	<u>23,951,120</u>	<u>33,448,173</u>

27.1 Key management personnel includes Chief Executive Officer and Company Secretary.

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28 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2025		
		At amortised cost	At fair value through profit or loss	Total
------(Rupees)-----				
Financial assets				
Investments	10	21,789,596	194,522,996	216,312,592
Security deposits	11	1,540,470	-	1,540,470
Receivables - unsecured	12	2,348,833	-	2,348,833
Profit receivable	13	266,562	-	266,562
Cash and bank balances	15	53,555,006	-	53,555,006
		<u>79,500,467</u>	<u>194,522,996</u>	<u>274,023,463</u>
Financial liabilities				
Lease liability against right of use assets	16	11,853,235	-	11,853,235
Other payables	19	18,503,545	-	18,503,545
Accrued expenses	20	13,703,667	-	13,703,667
		<u>44,060,447</u>	<u>-</u>	<u>44,060,447</u>

	Note	2024		
		At amortised cost	At fair value through profit or loss	Total
------(Rupees)-----				
Financial assets				
Investments	10	125,679,187	88,442,950	214,122,137
Security deposits	11	1,540,470	-	1,540,470
Receivables - unsecured	12	4,507,892	-	4,507,892
Profit receivable	13	811,643	-	811,643
Cash and bank balances	15	20,258,082	-	20,258,082
		<u>152,797,274</u>	<u>88,442,950</u>	<u>241,240,224</u>
Financial liabilities				
Lease liability against right of use assets	16	17,448,860	-	17,448,860
Other payables	19	16,755,991	-	16,755,991
Accrued expenses	20	12,294,828	-	12,294,828
		<u>46,499,679</u>	<u>-</u>	<u>46,499,679</u>

29 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

As per the requirements of the IFRS 13, the Institute shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The estimated fair value of all financial assets are considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced other than those mentioned in note 29.1.

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29.1 Fair value hierarchy

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

As at June 30, 2025 and June 30, 2024, the Institute holds the following financial instruments measured at fair values:

	2025			
	Level 1	Level 2	Level 3	Total
At fair value through profit or loss	(Rupees)			
Units of open-ended mutual funds	-	194,522,996	-	194,522,996

	2024			
	Level 1	Level 2	Level 3	Total
At fair value through profit or loss	(Rupees)			
Units of open-ended mutual funds	-	88,442,950	-	88,442,950

Valuation techniques used in determination of fair values

Pakistan investment Bonds	The fair value of other Pakistan Investment Bonds are derived using PKRV rates. The PKRV rates are announced by FMA (Financial Market Association) through Reuters.
GoP Ijarah sukuks	The fair value of GoP Ijarah sukuks listed on Pakistan Stock Exchange has been determined through closing rates of Pakistan Stock Exchange. The fair value of other GoP Ijarah sukuks are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters.
Units of open-ended mutual funds	The market prices of mutual fund units have been obtained from Mutual Funds Association of Pakistan respectively.

The fair values of financial assets which are not measured at fair value have been disclosed in note 10.4 of these financial statements using level 2 basis.

There were no transfers between levels 1 and 2 during the year ended June 30, 2025.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

30.1 Market Risk

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

Presently, the Institute holds balance with banks and variable rate GoP Ijarah sukuks which expose the Institute to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the surplus for the year of the Institute would have been higher / lower by Rs. 0.75 million (2024: Rs. 1.12 million).

b) Sensitivity analysis for fixed rate instruments

The Institute does not hold any fixed rate instrument as at June 30, 2025.

Profit rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

MEL

The Institute's interest rate sensitivity related to financial instruments as at June 30 can be determined as follows:

2025						
Effective yield / interest rate	Exposed to interest rate risk			Not exposed to interest rate risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
(Rupees)						
On-balance sheet financial instruments						
Financial assets						
Investments	9.88% to 11.6%	21,789,596	-	-	194,522,996	216,312,592
Security deposits		-	-	-	1,540,470	1,540,470
Receivables - unsecured		-	-	-	2,348,833	2,348,833
Cash and bank balances	7% to 9.5%	53,505,006	-	-	50,000	53,555,006
Profit receivable		-	-	-	266,562	266,562
		75,294,602	-	-	198,728,861	274,023,463
Financial liabilities						
Lease liability against right of use assets	14% to 17.2%	491,530	1,694,085	9,667,620	-	11,853,235
Other payables		-	-	-	18,503,545	18,503,545
Accrued expenses		-	-	-	13,703,667	13,703,667
		491,530	1,694,085	9,667,620	32,207,212	44,060,447
On-balance sheet gap (a)		<u>74,803,072</u>	<u>(1,694,085)</u>	<u>(9,667,620)</u>	<u>166,521,649</u>	<u>229,963,016</u>
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		<u>74,803,072</u>	<u>(1,694,085)</u>	<u>(9,667,620)</u>		
Cumulative interest rate sensitivity gap		<u>74,803,072</u>	<u>73,108,987</u>	<u>63,441,367</u>		

2024						
Effective yield / interest rate	Exposed to interest rate risk			Not exposed to interest rate risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
(Rupees)						
On-balance sheet financial instruments						
Financial assets						
Investments	15.48% to 23.71%	65,876,977	37,227,233	22,574,977	88,442,950	214,122,137
Security deposits		-	-	-	1,540,470	1,540,470
Receivables - unsecured		-	-	-	4,507,892	4,507,892
Cash and bank balances	18.5%	20,208,082	-	-	50,000	20,258,082
Profit receivable		-	-	-	416,543	416,543
		86,085,059	37,227,233	22,574,977	94,957,855	240,845,124
Financial liabilities						
Lease liability against right of use assets	14% to 17.2%	1,087,153	3,502,488	12,859,219	-	17,448,860
Other payables		-	-	-	16,755,991	16,755,991
Accrued expenses		-	-	-	12,294,828	12,294,828
		1,087,153	3,502,488	12,859,219	29,050,819	46,499,679
On-balance sheet gap (a)		<u>84,997,906</u>	<u>33,724,745</u>	<u>9,715,758</u>	<u>65,907,036</u>	<u>194,345,445</u>
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		<u>84,997,906</u>	<u>33,724,745</u>	<u>9,715,758</u>		
Cumulative interest rate sensitivity gap		<u>84,997,906</u>	<u>118,722,651</u>	<u>128,438,409</u>		

30.2 Credit risk

Credit risk represents the risk of financial loss being caused if the counter parties fail to discharge an obligation. The Institute's credit risk is primarily attributable to its receivables and balances with banks. The credit risk on liquid funds is limited because the counter parties include banks, CISs and government securities with reasonably high credit ratings. The maximum exposure to credit risk is equal to the carrying amount of the financial assets excluding cash in hand balance of Rs. 50,000 (2024: Rs 50,000).

MTEL

The Institute monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as follows:

	2025		2024	
	Balance as per statement of financial position	Maximum exposure to credit risk	Balance as per statement of financial position	Maximum exposure to credit risk
	(Rupees)			
Investments	216,312,592	194,522,996	214,122,137	88,442,950
Security deposits	1,540,470	1,540,470	1,540,470	1,540,470
Receivables - unsecured	2,348,833	2,348,833	4,507,892	4,507,892
Cash and bank balances	53,555,006	53,505,006	20,258,082	20,258,082
Profit receivable	266,562	266,562	811,643	811,643
	<u>274,023,463</u>	<u>252,183,867</u>	<u>241,240,224</u>	<u>115,561,037</u>

Difference in the balance as per the statement of financial position and maximum exposure is due to the fact that investments in government securities amounting to Rs. 21.79 million (2024: Rs. 125.68 million) are not exposed to credit risk as these are guaranteed by the government of Pakistan.

The credit quality of receivables can be assessed with reference to their historical performance with no major defaults in recent history. The credit quality of the Institute's bank balances and investments in units of open-ended mutual funds can be assessed with reference to external credit rating as follows:

Banks / Funds	Rating agency	Rating	
		Short term	Long term
Faysal Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
Faysal Islamic Cash Fund	VIS	-	AA(f)
Faysal Islamic Sovereign Plan - I	VIS	-	AA(f)

All other financial assets are unsecured.

30.3 Liquidity risk

Liquidity risk is the risk that the Institute may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Institute.

The Institute manages liquidity risk by maintaining sufficient cash and cash equivalents.

The table below summarizes the maturity profile of the Institute's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

	2025			
	Total	Up to three months	More than three months and up to one year	More than one year
	(Rupees)			
Financial liabilities				
Lease liability against right of use assets	15,907,607	955,986	2,963,557	11,988,064
Other payables	18,503,545	18,503,545	-	-
Accrued expenses	13,703,667	13,703,667	-	-
	<u>48,114,819</u>	<u>33,163,198</u>	<u>2,963,557</u>	<u>11,988,064</u>
	2024			
	Total	Up to three months	More than three months and up to one year	More than one year
	(Rupees)			
Financial liabilities				
Lease liabilities against right of use assets	23,748,204	1,692,699	5,078,095	16,977,410
Other payables	16,755,991	16,755,991	-	-
Accrued expenses	12,294,828	12,294,828	-	-
	<u>52,799,023</u>	<u>30,743,518</u>	<u>5,078,095</u>	<u>16,977,410</u>

MEL

30.4 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at June 30, 2025, the Institute does not have any financial instrument that is denominated in foreign currency and as such has no exposure to currency risk.

30.5 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Institute holds units of open-ended mutual funds which expose the Institute to the risk of changes in market price.

In case of 1% increase / decrease in the applicable net asset values (NAVs) on June 30, 2025, with all other variables held constant, the total surplus of the Institute for the year would increase / decrease by Rs. 1.95 million (2024: Rs. 0.88 million) and the net assets of the Institute would increase / decrease by the same amount as a result of gains / losses on units of open-ended mutual funds classified as financial assets at fair value through profit or loss.

30.6 Capital risk management

The Institute's objectives when managing capital are to safeguard the Institute's ability to continue as a going concern and to generate funds to meet the primary objective of the Institute. The capital structure of the Institute consists of a general fund balance raised through operating surplus and income on investments.

31 NUMBER OF EMPLOYEES**31.1 Number of employees at June 30**

	2025	2024
- Permanent	12	15
- Contractual	4	3
	<u>16</u>	<u>18</u>

31.2 Average number of employees during the year

- Permanent	14	16
- Contractual	4	2
	<u>18</u>	<u>18</u>

32 REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration to the Chief Executive and Other Executives of the Institute are as follows:

	Chief Executive		Other Executives	
	2025	2024	2025	2024
	----- (Rupees) -----			
Managerial remuneration	15,705,436	18,772,123	33,747,724	32,511,641
Bonus paid	4,524,000	3,900,000	4,701,881	4,308,429
	<u>20,229,436</u>	<u>22,672,123</u>	<u>38,449,605</u>	<u>36,820,070</u>
Number of persons	<u>2*</u>	<u>1</u>	<u>8**</u>	<u>2</u>

32.1 'Executive' means an employee other than the Chief Executive whose basic salary exceeds Rs. 1,200,000 in a financial year.

* Mr. Memosh Khawaja resigned as Chief Executive Officer during the year and Ms. Shafaq Fauzil Azim was appointed in his place.

** Ms. Shafaq Fauzil Azim resigned as Company Secretary during the year and the salary drawn till resignation has been included in other executives.

Atul

33 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. The major reclassifications have been disclosed as follows:

Reclassified from	Reclassified to	Amount (Rupees)
		2024
Tax refunds due from Government	Other payables	1,926,275
Other Income	Revenue from services	500,000
Administrative and selling expenses	Reversal of provision for expected credit losses	835,220
Administrative and selling expenses	Finance cost on lease liability against right of use assets	316,462
Cost of services	Finance cost on lease liability against right of use assets	478,678

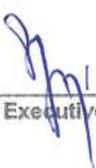
34 GENERAL

Figures have been rounded off to the nearest Rupee, unless otherwise stated.

35 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Institute in their meeting held on September 30, 2025.

APPEL



Chief Executive Officer



Director

Chairperson's Review

FY 2024-25

On behalf of the Board of Directors, I am pleased to present the annual review of the Pakistan Institute of Corporate Governance (PICG) for the financial year 2024–25.

During the year, Pakistan faced significant challenges from recurring floods and water shortages, which reduced agricultural yields and strained rural incomes and supply chains. Global monetary tightening further raised borrowing costs and limited access to concessional financing, though some stabilization appeared later in the year. At the same time, rising cyber threats and data breaches increased pressure on businesses—particularly in fintech and e-commerce—to strengthen cybersecurity and comply with evolving data protection standard.

These multifaceted challenges have reinforced the imperative for Pakistani enterprises to adopt more agile and resilient governance practices. There is a growing need to strengthen geopolitical risk assessments, diversify supply chains, and engage stakeholders through proactive corporate diplomacy. The convergence of economic headwinds, climate volatility, and digital disruption has elevated corporate governance as a strategic enabler of long-term sustainability and institutional trust.

Globally, the governance landscape continues to evolve, driven by regulatory bodies and standard-setting organizations such as the OECD, G20, IOSCO, and the International Sustainability Standards Board (ISSB). Key areas of focus include the integration of environmental, social, and governance (ESG) factors into business strategy, the implementation of sustainability disclosure standards (IFRS S1 and S2), the oversight of emerging technologies, and the protection of shareholder rights. Boards are increasingly expected to demonstrate transparency, agility, and strategic foresight, while upholding principles of accountability and stakeholder engagement.

In response to these developments, PICG intensified its efforts in ESG stewardship, advocacy for board diversity, responsible technology governance, and shareholder empowerment. The Institute continued to equip boards and senior executives with the tools and insights necessary to lead effectively in a rapidly evolving governance environment. To further support board effectiveness, PICG expanded its service portfolio to include customized assessment instruments and advisory solutions tailored to varied board structures. This included bespoke board evaluations aligned with the requirements of the State-Owned Enterprises Act.

Following the year-end, PICG—in collaboration with the Central Depository Company (CDC)—launched the Shareholder Agahi Portal, a bilingual digital platform designed to empower investors

with knowledge on shareholder entitlements, governance practices, and capital market dynamics. The portal features educational modules, frequently asked questions, e-voting tools, and a comprehensive resource library. To complement this initiative, PICG hosted a webinar series focused on capital market literacy and shareholder engagement, reinforcing its commitment to inclusive governance and informed participation.

Board

We welcomed two new Directors during the year, Mr. Saad Ur Rahman Khan and Mr. Mir Muhammad Ali, nominees of founding members Pakistan Banks' Association (PBA) and Mutual Fund Association of Pakistan (MUFAP). We look forward to their contributions to the strategic direction and mission of the Institute.

Further, in April 2025, the Board welcomed Ms. Shafaq Fauzil Azim as the new President & CEO. We take this opportunity to express our sincere appreciation to Mr. Memosh Khawaja, whose leadership and dedication as CEO significantly contributed to PICG's growth and impact. The transition has been seamless, ensuring continuity in operations, and the Board looks forward to working closely with Ms. Azim to build on this strong foundation and drive the Institute's strategic vision forward.

Business Activity

PICG delivered a strong performance in 2024–25, marked by a 22.7% growth in operating revenue and a 16% rise in net profitability. This momentum was driven by strategic program expansion, the inaugural Directors Summit, a sharp increase in board evaluation services, and the launch of the ESG Executive Tracks online certification program. The Institute's flagship Director Training Programs—particularly those tailored for State-Owned Enterprises—continued to anchor its impact across the governance landscape.

The Directors Summit 2024 stood out as the hallmark event of PICG's calendar, convening a distinguished cohort of corporate leaders, governance experts, and policymakers to deliberate on emerging boardroom challenges and strategic imperatives. The Summit served as a dynamic platform for thought leadership, fostering dialogue on ESG integration, digital transformation, and regulatory evolution. Its success reaffirmed PICG's pivotal role in shaping governance discourse and advancing board excellence across Pakistan's corporate landscape.

PICG further advanced its sustainability agenda through high-impact initiatives, including the IFC-backed ESG & Sustainability program and the launch of FOCUS, a digital ESG assessment tool developed with CLCI (Canada). Complemented by the Shareholder Awareness Webinar Series,

these efforts underscored PICG's commitment to inclusive governance, investor education, and strategic foresight.

Finance

PICG's finances were prudently managed with the effective oversight of the Board Audit Committee, supported by the diligent work of both the Institute's internal auditors, BDO, and external auditors, A.F. Ferguson & Co.

This year, PICG improved liquidity by significantly reducing accounts receivables by 48%, while containing expenditure growth to 11%—despite economic headwinds—resulting in a 16% rise in post-tax surplus. The Board affirms that the Financial Statements are fair, balanced, and transparent.

Outlook

In the coming year, PICG is strategically positioned to deepen its role in Pakistan's governance ecosystem. Key initiatives include the launch of the bilingual Shareholder Agahi Portal, developed with CDC, and the expansion of AI Governance and Cybersecurity Oversight modules to address emerging boardroom risks.

Strengthened partnerships with regulators, GNDI, and ICGN will ensure continued alignment with global best practices. Flagship events and digital innovation will further enhance stakeholder engagement, while PICG remains committed to advancing transparency, accountability, and sustainable growth across the corporate sector.



Dr. Shamshad Akhtar
Chairperson

Directors Report to the Members of Pakistan Institute of Corporate Governance (PICG) for the year ended June 30, 2025.

The Board of PICG is pleased to issue its report on the affairs of your Institute, for the year ended June 30, 2025.

Board Composition and Remuneration

The composition of the Board is as follows:

i. Independent Directors

- a) Dr. Shamshad Akhtar (Chairperson)
- b) Mr. Muhammad Ashraf Bawany
- c) Mr. Kaiser Haneef Naseem
- d) Mr. Ahsan Iqbal

ii. Non-Executive Directors (Nominee Directors of Founding Members)

- | | |
|------------------------------|--|
| a) Ms. Musarat Jabeen | Securities & Exchange Commission of Pakistan |
| b) Mr. Muhammad Akhtar Javed | State Bank of Pakistan |
| c) Dr. Fakhara Rizwan | Pakistan Stock Exchange |
| d) Mr. Saad Ur Rahman Khan* | Pakistan Banks Association |
| e) Mr. Mir Muhammad Ali** | Mutual Funds Association of Pakistan |

iii. Executive Director

- | | |
|------------------------------|-----------------|
| a) Ms. Shafaq Fauzil Azim*** | President & CEO |
|------------------------------|-----------------|

iv. Female Directors

- a) Dr. Shamshad Akhtar
- b) Dr. Fakhara Rizwan
- c) Ms. Musarat Jabeen
- d) Ms. Shafaq Fauzil Azim

* Mr. Saad Ur Rahman Khan was appointed in place of Mr. Yousaf Hussain on January 17, 2025.

** Mr. Mir Muhammad Ali was appointed in place of Mr. Aftab Ahmed Diwan on June 26, 2025.

*** Ms. Shafaq Fauzil Azim was appointed as PICG's President & CEO by the Board with effect from April 1, 2025, after resignation of Mr. Memosh Khawaja.

The Board has the following committees with names of members as given below:

Board Audit Committee

- i. Mr. Muhammad Ashraf Bawany (Independent Chairman)
- ii. Mr. Ahsan Iqbal (Independent Director)
- iii. Dr. Fakhara Rizwan (Non-executive Director)
- iv. Mr. Muhammad Akhtar Javed (Non-executive Director)
- v. Mr. Saad Ur Rahman Khan* (Non-executive Director)

Human Resource, Remuneration & Nomination Committee

- i. Ms. Musarat Jabeen (Non-executive Chairperson)
- ii. Dr. Fakhara Rizwan (Non-executive Director)
- iii. Mr. Muhammad Ashraf Bawany (Independent Director)
- iv. Ms. Shafaq Fauzil Azim** (Executive Director)

Investment, Resource Mobilization & Business Development Committee

- i. Mr. Muhammad Akhtar Javed (Non-executive Chairman)
- ii. Mr. Kaiser Haneef Naseem (Independent Director)
- iii. Mr. Ahsan Iqbal (Independent Director)
- iv. Mr. Mir Muhammad Ali*** (Non-executive Director)

Research, Strategy & Advocacy Committee

- i. Mr. Kaiser Haneef Naseem (Independent Chairman)
- ii. Ms. Musarat Jabeen (Non-executive Director)
- iii. Mr. Saad Ur Rahman Khan* (Non-executive Director)
- iv. Mr. Mir Muhammad Ali** (Non-executive Director)
- v. Ms. Shafaq Fauzil Azim*** (Executive Director)

* Mr. Saad Ur Rahman Khan replaced Mr. Yousaf Hussain as member of the BAC and RSAC.

** Ms. Shafaq Fauzil Azim replaced Mr. Memosh Khawaja as member of HRRNC and RSAC.

***Mr. Mir Muhammad Ali replaced Mr. Aftab Ahmed Diwan as member of IRMBDC and RSAC.

No remuneration is paid to the directors as they serve on the Board *pro bono* except for the President & CEO, who is compensated in line with the Institutes HR Policies.

Board & Board Committees Meetings

The following meetings of the Board and Committees were held during the year:

Sr.	Details	Number of Meetings
1	Board Meetings	5
	Board Committee Meetings:	-
1	Audit Committee (BAC)	4
2	Human Resource Remuneration & Nomination Committee (HRRNC)	2
3	Investment & Resource Mobilization Committee (IRM)	-
4	Research Strategy & Advocacy Committee (BRSAC)	-
	Total	11

Attendance of Directors at meetings was as follows:

Sr.	Directors	Board	BAC	HRNC
1	Dr. Shamshad Akhtar	5/5	-	-
2	Dr. Fakhara Rizwan	5/5	3/4	2/2
3	Mr. Ahsan Iqbal	5/5	2/4	-
4	Ms. Musarat Jabeen	3/5	-	2/2
5	Mr. Muhammad Ashraf Bawany	5/5	4/4	2/2
6	Mr. Muhammad Akhtar Javed	4/5	2/4	-
7	Mr. Saad Ur Rahman Khan*	1/2	1/1	-
8	Mr. Yousaf Hussain**	2/3	0/2	-
9	Mr. Kaiser Haneef Naseem	4/5	-	-
10	Mr. Aftab Ahmed Diwan**	4/5	-	-
11	Ms. Shafaq Fauzil Azim*	2/2	-	-
12	Mr. Memosh Khawaja**	3/3	-	2/2
13	Mr. Mir Muhammad Ali*	-	-	-

* Mr. Saad Ur Rahman Khan joined the Board on January 2025, Ms. Shafaq Fauzil Azim was Acting CEO from November 2024 to March 2025 and appointed as CEO in April 2025. Mr. Mir Muhammad Ali joined the Board in June 2025.

** Mr. Yousaf Hussain left the Board in December 2024, Mr. Aftab Ahmed Diwan left in June 2025 and Mr. Memosh Khawaja left in November 2024, respectively.

Highlights

- During the year under review, the Institute underwent a leadership transition with the appointment of Ms. Shafaq Fauzil Azim as its new President & Chief Executive Officer.
- PICG hosted its inaugural Directors Summit 2024, bringing together corporate leaders, industry experts, regulators, board members, and executives from both the local and international corporate governance community.
- The Institute delivered a robust financial performance, with revenues rising by **22.7%**, attributed to strengthened board evaluation services, the launch of PICG's ESG Executive Tracks, and sponsorship secured through the inaugural Directors Summit. Operating expenses were contained to a modest **11%** increase, resulting in a net profit growth of 16%.
- PICG launched two new programs, namely 'ESG & Sustainability for Board Directors & Executives', in collaboration with the International Finance Corporation (IFC) and 'ESG Executive Tracks,' a multi-partner online training series to equip individuals with the essential knowledge and tools needed to support their ESG integration processes.
- An online ESG Integration Assessment Tool, FOCUS, was developed with technical support from Corporate L.I.F.E.™ Centre International Inc. (CLCI), a Canada-based consulting firm, to help companies evaluate the level of ESG integration and inform the development of strategic frameworks and business plans.
- A Shareholders Awareness Webinar Series was launched to educate and empower shareholders, promoting informed decision-making and ensuring their interests are effectively represented within corporate governance structures.

Institute's Operations

During the full year, the Institute conducted **20** Director Training Programs (DTP), **16** conventional DTPs and **4** DTPs for State-Owned Enterprises (SOEs), comprising of in-person and online programs, with standard and customer specific programs held in both Karachi and Islamabad.

The inaugural Directors Summit was convened in Karachi, drawing approximately 250 participants. PICG also launched its ESG Executive Tracks program in collaboration with seven leading partner organizations. The initiative offers a globally benchmarked curriculum of over 25 customizable courses, supported by AI-enabled selection tools. To date, 61 professionals have engaged with various modules, with 14 earning the Certified ESG Professional designation—representing key sectors including banking, automotive, state-owned enterprises, and insurance

The Institute conducted **11** Director Orientation Workshops (DOWs), engaging board members from key sectors including insurance, oil & gas, and financial services. These sessions were designed to enhance governance standards by equipping directors with critical regulatory knowledge and tailored sectoral insights. Further, **7** ESG Stewardship programs were conducted.

The Institute carried out **43** Board Evaluations across diverse sectors including microfinance, pharmaceuticals, and currency exchange. Notably, this also included the design of a tailored evaluation framework for State-Owned Enterprises (SOEs), aligned with the Directors Appointment and Evaluation Guidelines under the new SOE Act and Policy.

As of June 30, 2025, the Institute's total membership reached **137**, comprising **102** corporate members and **35** individual members. The Institute also increased its outreach over the year to its stakeholders, increasing both its LinkedIn following and website traffic growth by 32%.

Finance

For the year ended June 30, 2025, the Institute recorded total revenue of PKR **166.9 million**, reflecting a **22.7%** increase over the prior year. This growth was primarily driven by the inaugural Directors Summit, a 72% rise in board evaluation services, and the launch of the ESG Executive Tracks program. Additional contributions from the Directors' Training Program, specialized workshops, and membership fees further supported this upward trend. Accounts receivables were reduced by a notable 48%, enhancing liquidity. Despite inflationary pressures and economic uncertainty, overall expenditure was contained at a modest 11% increase. Other income declined by 22%, largely due to a reduction in prevailing interest rates. As a result, the Institute reported a 16% year-on-year increase in post-tax surplus.

Auditors

We gratefully acknowledge A.F. Ferguson & Co., Chartered Accountants (a member firm of the PwC network), for accepting the appointment as external auditors for the period ended June 30, 2025, on a pro bono basis.

We also appreciate the continued professional support of BDO Ebrahim & Co., who serve as the Institute's Internal Auditors.

Corporate Governance Advocacy

During the year ended June 30, 2025, the Institute introduced the following programs and activities:

- i) **PICG's Annual Directors Summit:** The Institute also hosted its inaugural Directors Summit 2024 featuring keynote addresses, informative panel discussions, and master classes in collaboration with several esteemed organizations with topics ranging from sustainability to cyber security, progress on implementation of the State-Owned Enterprises Act (SOE Act) to fulfilment of directors' duties and liabilities, innovative tech solutions and much more. The event brought together over 300 corporate leaders, regulators, industry experts, board members, and executives from both the local and international corporate governance community. We are grateful to all our esteemed speakers, sponsors, guests and participants including our international speakers who travelled to Pakistan for this milestone event.
- ii) **Shareholder Awareness Webinar Series:** The webinar series aims to facilitate capital market development through enhanced awareness of shareholders' rights and corporate governance practices affecting their investment decisions. A total of 5 webinars were held during the year, featuring speakers from SECP, PSX and CDC.
- iii) **Pakistan's 1st ESG Certification Program 'ESG Executive Tracks':** It is a comprehensive capacity building program for those engaged in the ESG integration process, consisting of over 25 online modules, providing participants with the flexibility to attend the courses online and at their own pace.
- iv) **ESG & Sustainability for Board Directors & Executives:** PICG collaborated with IFC through the signing of an MOU to develop and disseminate advanced content aimed at enhancing capacity on ESG & sustainability frameworks and processes. As part of this agreement, PICG's faculty participated in a two-day "Train the Trainers" program designed to deepen their knowledge and teaching skills, enabling them to effectively pass on this expertise. This collaboration further strengthens the well-established relationship between IFC and PICG.

- v) **ESG FOCUS - an ESG Integration Assessment Tool:** A tool has been developed to assist companies in evaluating the quality and extent of ESG integration within their operations, identifying areas for improvement, and creating a roadmap to strengthen their frameworks and processes.

Besides the above initiatives, PICG also participated in the following collaborative activities:

- i) PICG co-hosted a **Gong Ceremony to celebrate Ringing the Bell for Gender Equality on International Women's Day** in collaboration with the Pakistan Stock Exchange (PSX), IFC, Central Depository Company (CDC), CFA Society Pakistan, UN Women, Women on Board Initiative, and Alfalah AMC. Reaffirming its commitment to promote gender equality and women empowerment in the corporate sector, PICG also participated in the panel discussion at the event discussing strategies to empower women in navigating workplace obstacles and leveraging networking, coaching, and skill-building opportunities.
- ii) PICG collaborated as a **Knowledge Partner at the Global Diversity, Equity & Benchmarks (GDEIB) Awards 2025**, hosted by HR Metrics. The event highlighted the importance of breaking down stereotypes surrounding women in leadership, promoting greater female board representation, and setting quantifiable diversity goals.
- iii) As a Member of the Global Network of Directors Institute (GNDI), PICG participated in **GNDI's annual Global Corporate Governance Virtual Conference**, nominating the DG Central Monitoring Unit of the Ministry of Finance to discuss the progress of SOEs in Pakistan. The event also explored pressing themes such as Digital Transformation and AI, Environmental, Social, and Governance (ESG), People and Leadership & Board Performance Evaluation.
- iv) PICG hosted ACCA for a session on **'Sustainability & Business: The Future & The Now'** covering latest developments and trends on sustainability, updates on international standards setting, role of businesses in promoting environmental stewardship, social responsibility, & economic prosperity.
- v) PICG was invited to the **Government and Institutional Support Council at the National Incubation Center Karachi** (NIC Karachi) with formal representation, recognizing its role in advancing governance and institutional development within Pakistan's innovation and entrepreneurship ecosystem.

Future Outlook

As PICG continues to advance its mandate, the coming year will mark significant strides in investor empowerment, board capacity-building, and digital transformation. A notable initiative in this direction is the upcoming launch of the Shareholders Agahi Portal—developed in collaboration with CDC and under SECP's guidance—which will provide bilingual access to educational resources, governance tools, and digital features such as e-voting and webinars. The platform is designed to strengthen shareholder engagement, promote transparency, and foster informed participation in corporate decision-making.

PICG will expand its advisory and training portfolio through specialized governance modules, ESG Executive Tracks, and digital oversight programs. In collaboration with domain experts, the International Finance Corporation (IFC), and other strategic partners, the Institute will continue to deliver ESG-focused capacity-building and advisory services to support boards in embedding sustainability into strategic decision-making.

Engagement with the Global Network of Director Institutes (GNDI) and the International Corporate Governance Network (ICGN) will enable PICG to remain aligned with international governance practices while leveraging global platforms to enhance its offerings.

Flagship events such as the ESG Conference and the Directors Summit will further strengthen PICG's convening power, fostering strategic dialogue and cross-sector collaboration. Complementary initiatives like the Directors Alumni Network and continued digital innovation will enhance stakeholder connectivity and promote lifelong learning.

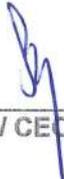
PICG will deepen its engagement with regulators, the business community, and market institutions to reinforce alignment with evolving policy frameworks and governance standards. Our way forward is rooted in collaboration—with regulators, market participants, and governance leaders—to shape a resilient, transparent, and future-ready corporate landscape, anchored in institutional excellence, global alignment, and ecosystem development.

Acknowledgement

The Board formally acknowledges and appreciates the valuable contributions of Mr. Memosh Khawaja during his tenure as Chief Executive Officer. The Institute also extends its sincere gratitude to all stakeholders—including Directors, employees, members, faculty, and our regulatory partners, the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan, and the Pakistan Stock Exchange—for their continued support and collaboration.



Director



President/ CEO & Director

September 30, 2025



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pakistan Institute of Corporate Governance

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Institute of Corporate Governance (the Institute) for the year ended June 30, 2025 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Institute. Our responsibility is to review whether the Statement of Compliance reflects the status of the Institute's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Institute's personnel and review of various documents prepared by the Institute to comply with the Regulations.

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 Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Institute's corporate governance procedures and risks.

The Regulations require the Institute 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. 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.

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 Institute's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Institute for the year ended June 30, 2025.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: October 3, 2025

UDIN: CR202510611YIBIJ1Kx7

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pakistan Institute of Corporate Governance
For The Year Ended June 30, 2025

This statement is being presented to voluntarily comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 and establishes that the Pakistan Institute of Corporate Governance ("the Institute") is managed in compliance with the best practices of corporate governance. The Institute is not required to comply with the provisions of the Code of Corporate Governance which are applicable to listed companies. However, to ensure the implementation of best practices in its own operations, the Board of Directors of the Institute have decided to measure its governance against the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Institute complies with such provisions of the Code that specifically relate to its activities and operations.

1. The total number of directors are 10 comprising the following:

Males	:	6
Females	:	4

2. The composition of the Board is as follows:

i. Independent Directors

- a) Dr. Shamshad Akhtar (Chairperson)
- b) Mr. Ahsan Iqbal
- c) Mr. Muhammad Ashraf Bawany
- d) Mr. Kaiser Haneef Naseem

ii. Non-Executive Directors (Nominee Directors of Founding Members)

- a) Ms. Musarat Jabeen - Securities & Exchange Commission of Pakistan
- b) Mr. Muhammad Akhtar Javed - State Bank of Pakistan
- c) Dr. Fakhara Rizwan - Pakistan Stock Exchange Limited
- d) Mr. Saad Ur Rahman Khan* - Pakistan Banks Association
- e) Mr. Mir Muhammad Ali** - Mutual Funds Association of Pakistan

iii. Executive Director

- a) Ms. Shafaq Fauzil Azim*** - President & CEO

* Mr. Saad Ur Rahman Khan replaced Mr. Yousaf Hussain in January 2025.

** Mr. Mir Muhammad Ali replaced Mr. Aftab Ahmed Diwan in June 2025.

*** Ms. Shafaq Fauzil Azim replaced Mr. Memosh Khawaja in April 2025.

iv. Female Directors

- a) Dr. Shamshad Akhtar
- b) Ms. Musarat Jabeen
- c) Dr. Fakhara Rizwan
- d) Ms. Shafaq Fauzil Azim

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Institute.
4. The Institute has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Institute along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy, and significant policies of the Institute. The Board has ensured that a complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Institute.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / members as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
8. No remuneration is paid to the Directors except for the Executive Director for whose remuneration the Board has a formal policy and transparent procedure in accordance with the Act and these Regulations.
9. The Board is in compliance with the requirement of Directors' Training program as the following Directors have completed their Directors Training or have been exempted from the requirement under provisions of the Code:
 - i. Dr. Shamshad Akhtar
 - ii. Mr. Muhammad Akhtar Javed
 - iii. Mr. Muhammad Ashraf Bawany
 - iv. Mr. Kaiser Haneef Naseem
 - v. Ms. Musarat Jabeen
 - vi. Dr. Fakhara Rizwan
 - vii. Mr. Ahsan Iqbal
 - viii. Mr. Saad Ur Rahman Khan
 - ix. Mr. Mir Muhammad Ali
 - x. Ms. Shafaq Fauzil Azim
10. The Board has approved the outsourcing of the finance function (outsourced to RSM Avasi Hyder Liaquat Nauman), appointment of the Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The Chief Executive Officer duly endorsed the financial statements before the approval of the Board.
12. The Board has formed committees comprising of members given below:
 - i. Audit Committee**
 - Mr. Muhammad Ashraf Bawany (Independent Chairman)
 - Mr. Ahsan Iqbal (Independent Director)
 - Dr. Fakhara Rizwan (Non-executive Director)
 - Mr. Muhammad Akhtar Javed (Non-executive Director)
 - Mr. Saad Ur Rahman Khan (Non-executive Director)

ii. Human Resource, Remuneration and Nomination Committee

- Ms. Musarat Jabeen (Non-executive Chairperson)
- Dr. Fakhara Rizwan (Non-executive Director)
- Mr. Muhammad Ashraf Bawany (Independent Director)
- Ms. Shafaq Fauzil Azim (Executive Director)

iii. Investment & Resource Mobilization Committee

- Mr. Muhammad Akhtar Javed (Non-executive Chairman)
- Mr. Ahsan Iqbal (Independent Director)
- Mr. Kaiser Haneef Naseem (Independent Director)
- Mr. Mir Muhammad Ali* (Non-executive Director)

iv. Research Strategy & Advocacy Committee

- Mr. Kaiser Haneef Naseem (Independent Chairman)
- Ms. Musarat Jabeen (Non-executive Director)
- Mr. Saad Ur Rahman Khan (Non-executive Director)
- Ms. Shafaq Fauzil Azim (Executive Director)
- Mr. Mir Muhammad Ali* (Non-executive Director)

** Mir Muhammad Ali replaced Mr. Aftab Ahmed Diwan on these Committees subsequent to year end, as approved by the Board.*

13. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
 - a) Audit Committee - four quarterly meetings
 - b) Human Resource, Remuneration and Nomination Committee - two meetings
15. The Board has outsourced the internal audit function to BDO Pakistan who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Institute.
16. The statutory auditors of the Institute have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Institute.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for the non-compliance requirements, those other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

Matters	Regulation No.	Explanation
<p><u>Approval</u></p> <p>The Board shall appoint, determine remuneration, renew contracts and terms and conditions of employment of chief financial officer, company secretary and head of internal audit of the company.</p>	20	<p>The Board approved the outsourcing of the whole of the finance function to M/s RSM Avasi Hyder Liaquat Nauman & Co Chartered Accountants, and consequently the Institute does not have a Chief Financial Officer. The decision was taken by the Board to outsource regular business functions and avail the benefits of a professional firm due to the size and structure of the Institute, and so that existing management could focus on strategic core business functions in line with the strategic direction of the Institute.</p>
<p><u>Human Resource, Remuneration and Nomination Committee</u></p> <p>The chairman of the committee shall be an independent director and the chief executive officer may be included as a member of the committee.</p>	28 (2)	<p>Chair of the Human Resource, Remuneration and Nomination Committee, not being an Independent Director as per Regulation 28, owes to the Institute's commitment to having a woman chair for gender balance in committee leadership which was deemed more important by the Board.</p>
<p><u>Risk Management Committee</u></p> <p>The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.</p>	30 (1)	<p>This is not a mandatory Committee. Further, the Board itself and through its Audit Committee annually reviews business risks facing the Institute to ensure that a sound system of risk identification, risk management and related systemic and internal controls is being maintained to safeguard assets.</p> <p>Further, BDO has been appointed as Internal Auditors to ensure that all material controls (financial, operational, compliance) are monitored and reviewed. The Board ensures that risk mitigation measures are robust.</p>

Matters	Regulation No.	Explanation
<p><u>Environmental, Social and Governance (ESG) matters</u></p> <p>The Board of Directors is responsible for a company's sustainability initiatives, encompassing environmental, social, and governance (ESG) matters. Further, the Board is also encouraged to adopt SECP's ESG Disclosure Guidelines. Their duties include setting strategies, managing risks such as climate change, and implementing diversity, equity, and inclusion (DE&I) policies, with a specific emphasis on gender equality. The Board is responsible to address key sustainability risks and opportunities, including climate-related, by assessing impact and managing them proactively. The board must monitor progress and may form a sustainability committee that may include at least one female director. These efforts and risk management strategies must be detailed in the Directors' Report.</p>	<p>10A</p>	<p>The Board is actively reviewing its sustainability governance framework and remains committed to addressing sustainability risks in accordance with Regulation 10A of the Listed Companies (Code of Corporate Governance) Regulations, 2019.</p> <p>The committee is in place and the TORs have been updated in the upcoming meeting approved by the Board.</p>
<p><u>Disclosure of significant policies on website</u></p> <p>The Institute may post the following on its website:</p> <p>(1) key elements of its significant policies including but not limited to the following:</p>	<p>35 (1-4)</p>	<p>With reference to the observation in the context of Regulation 35(1-4) to the Listed Companies (Code of Corporate Governance) Regulation, 2019, we understand that the disclosure of policies and synopsis of TORs (listed in the Regulations) on the Institute's website are not</p>

Matters	Regulation No.	Explanation
<p>(i) communication and disclosure policy;</p> <p>(ii) code of conduct for members of board of directors, senior management and other employees;</p> <p>(iii) risk management policy;</p> <p>(iv) internal control policy;</p> <p>(v) whistle blowing policy; and</p> <p>(vi) corporate social responsibility/ sustainability/ environmental, social and governance related policy.</p> <p>Amongst the above-mentioned policies, only Code of conduct is available on the website.</p> <p>Under the mentioned clause, the Institute may post following on its website:</p> <p>(1) Brief synopsis of terms of reference of the Board's committees including:</p> <p>(i) Audit Committee and Risk Management Committee and (ii) HR and Remuneration Committee</p> <p>(2) key elements of the directors' remuneration policy.</p> <p>However, the following have not been mentioned.</p>		<p>mandatory, which may be placed by the management on its discretion. The Institute will review significant policies and key elements of the TORs for potential disclosure, and will place them on the website as deemed appropriate during the ensuing year.</p>

On behalf of the Board



DR. SHAMSHAD AKHTAR
CHAIRPERSON