

STATEMENT OF COMPLIANCE, WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

PAKISTAN ENGINEERING COMPANY LIMITED FOR THE YEAR ENDED JUNE 30, 2024

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are 09 as per the following:

- a. Male 08
- b. Female 01

The Board of Directors in its 215th meeting held on 05.03.2024 resolved to fix the number of directors as eight (08), to be elected in general meeting for a term of three (03) years. The total strength of the post-election Board of Directors of the Company is eight (08) elected directors, representing private shareholding, and four (04) Federal Government nominees.

2. The composition of board is as follows:

a. Independent Directors	02	Mr. Mohammad Abbas Mirza Mr. Arslan Nayyar Sheikh
b. Non-executive Director	08	Mr. Rashid Ali Khan Mr. Tahir Bashir Khan Mr. Muhammad Arif Habib Mirza Mahmood Ahmad Mr. Ansar Javed Government Nominee Director (Vacant) Government Nominee Director (Vacant) Government Nominee Director (Vacant)
c. Executive Directors	01	Mr. Salman Mufti (Government Nominee Director)
d. Female Directors	01	Miss. Saher Mangi

*Mr. Salman Mufti (Government Nominee Director), the Chief Executive Officer of the Company, is a deemed director as defined in Section 188(3) of the Companies Act, 2017. Mr. Salman Mufti, Chief Executive Officer, was transferred on 18.07.2024. No Government Nominee Director was notified by Establishment Division/Ministry of Industries and Production, Government of Pakistan, which was beyond the statutory limit of ninety days from the occurrence of the vacancy. However, Ministry of Industries and Production, Government of Pakistan along with Securities and Exchange Commission of Pakistan was informed with this fact.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company:

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act 2017 ("Act") and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
 8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
 9. The directors either have already attended the Directors' training as required in previous years or meet the exemption criteria as contained in these Regulation. Therefore, the Board has not arranged any Directors Training Program;
 10. The board has approved appointment of CFO, 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. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board; (Refer Para 19 (2))
 12. The Board has not formed any Board's Committees due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff. However, Securities and Exchange Commission of Pakistan (SECP) and Ministry of Industries and Production, Government of Pakistan were duly informed with this fact.
 13. The terms of reference of the Committees have not been formed, documented and advised to the Committee for compliance. (Refer Para 19(3)/Para 19(4))
 14. The frequency of meetings (quarterly/half yearly/ yearly) of the Committees were as per following:

a. Audit Committee	None
b. Finance Committee	None
c. Risk Management Committee	None
d. Human Resource and Remuneration Committee	None

No meeting of any Board' Committee could be held. This was due to the facts mentioned in paragraph 12.
 15. The Board has set up an effective internal audit function, which is supervised by the head of internal audit, who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company;
 16. The statutory auditors of the company 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 company;

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 and 8 of the regulations have been complied with. However, requirement of regulation 24, 25, 27, 28 and 34 cannot be complied. This was due to the facts mentioned in paragraph 12.
19. Explanation for non-compliance with requirements, other than regulations 24, 25, 27, 28 and 34 are below (if applicable):

S. No.	Requirement	Reg. No.	Explanation
1	Same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.	24	Presently, both the aforesaid positions are held by the same person, Mr. Anwar Aziz. Considering the requirements of these regulations, Board was trying to on-board a person with requisite qualification.
2	The chief executive officer and the chief financial officer shall duly endorse the quarterly and half-yearly under their respective signatures prior to placing and circulating the same for consideration and approval of the Board.	25	Due to the facts described in para 12 of Statement of Compliance, the chief executive officer and the chief financial officer were not able to duly endorse the quarterly and half-yearly statements under their respective signatures.
3	There shall be an Audit Committee of at least three members comprising of non-executive directors and at least one independent director where as chairman of the committee shall be an independent director, who shall not be the chairman of the Board	27	Due to the facts described in para 12 of Statement of Compliance, the Board was not able to make any committee during the year.
4	There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director.	28	Due to the facts described in para 12 of Statement of Compliance, the Board was not able to make any committee during the year.
5	The quarterly financial statements of companies shall be published and circulated along with directors' review on the affairs of the company.	34	Due to the facts described in para 12 of Statement of Compliance, the quarterly financial statements were not prepared and also the directors were not able to publish and circulate director's review report.

Lahore
March 14, 2026

Muhammad Asad Islam Mahni
(Chairman of the Board)

**Independent Auditor's Modified Review Report
To the Members of "Pakistan Engineering Company Limited"**

Review Report on the Statement of Compliance Contained in the 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 Engineering Company Limited** for the year ended June 30, 2024 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 Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company'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 Company's personnel and review of various documents prepared by the Company 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 Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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, except for the below instance of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2024.

Further, we highlight below instance of non-compliance made by the company with certain requirements of the Code as stated in paragraphs 18 and 19 of Statement of Compliance:

S. No.	Requirement Nature	Reference	Description of the Non-Compliance
1	Mandatory	Para 18	As per the code of corporate governance, independent directors must be two or one third of members of board, whichever is higher. However, this criteria was not met as Government nominee director has not been appointed.

2	Explanation of non-compliance is required	Para 19(1)	As per regulation 24, Same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company. However, due to the fact as described in para 12 of Statement of Compliance, the Board was unable to exercise its powers fully.
3	Explanation of non-compliance is required	Para 19(2)	As per regulation 25, The chief executive officer and the chief financial officer shall duly endorse the quarterly, half-yearly and annual financial statements under their respective signatures prior to placing and circulating the same for consideration and approval of the Board. However, due to the fact as described in para 12 of Statement of Compliance, no quarterly and half-yearly financial statements were prepared and duly endorsed by the chief executive officer and the chief financial officer.
4	Mandatory	Para 19(3)	As per regulation 27, It is mandatory that the audit committee shall be constituted by the Board keeping in view the following requirements; (i) the Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director; (ii) chairman of the committee shall be an independent director, who shall not be the chairman of the Board; (iii) the Board shall satisfy itself that at least one member of the audit committee shall be "financially literate"; However, due to the fact as described in para 12 of Statement of Compliance, Board was unable to constitute the audit committee and any proceedings of the said committee thereon.

5	Explanation of non-compliance is required	Para 19(4)	As per regulation 28, There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director. However, due to the fact as described in para 12 of Statement of Compliance, Board was unable to constitute the human resource and remuneration committee and any proceedings the said committee thereon.
6	Explanation of non-compliance is required	Para 19(5)	As per regulation 34, The quarterly financial statements of companies shall be published and circulated along with directors' review on the affairs of the company. However, due to the fact as described in para 12 of Statement of Compliance, the Board was unable to exercise its powers fully.

Lahore

Date: March 14, 2026

UDIN: CR202410916GT60SLbe5

Malik Haroon Ahmad & Co.
Chartered Accountants