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Chartered Accountants
2nd Floor, Block C,
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Karachi - 74200

Grant Thornton Anjum Rahman
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REVIEW REPORT TO THE MEMBERS ON THE STATEMENTS OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 AND PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') prepared by the Board of Directors of Pakistan International Airlines Corporation Limited for the year ended December 31, 2022 to comply with the requirements of Regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations 2019 (the Regulations) and rule 24 of the Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) respectively.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and the Rules, and report if it does not, and to highlight any non-compliance with the requirements of the Codes. 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 Codes.

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 Codes 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, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended December 31, 2022.

Further, we highlight below instances of non-compliance with the requirement of the Codes as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S. No	Rule/ Regulation	Description
1	8(1)/10(3)(v)	The annual performance evaluation of the board is not undertaken by the government of Pakistan.
2	6(3)/12(1)	Minutes of the BOD meeting were not circulated within 14 days of the meeting.
3	9/15	Related party transactions were not placed before the audit committee for review and approval, Moreover the board has not established a pricing mechanism for distinguishing an arms-length transaction from a non-arm's length transactions.
4	4(2)(b)/11	The agenda for all the Board meetings was set by the Company Secretary instead of Chairman of the board.
5	11(3)/18	Annual orientation course for newly appointed / elected directors was not held during the year.



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S. No	Rule/ Regulation	Description
6	21(9)/27(5)	Minutes of the Audit committee meeting were not circulated within 14 days of the meeting.

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Chartered Accountants

UDIN: CR202210166Do58Hzaef
Dated: May 24, 2023
Karachi

Grant Thornton Anjum Rahman
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Chartered Accountants

UDIN: CR202210154DI7Qb4fIE
Dated: May 24, 2023
Karachi

STATEMENT OF COMPLIANCE

WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES 2013 AND LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS 2019

Name of company: Pakistan International Airlines Corporation Limited (PIACL)

Name of the line ministry: Aviation Division, Cabinet Secretariat

For the year ended: December 31, 2022

1. This statement is being presented to comply with Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) and Listed Companies (Code of Corporate Governance) Regulations 2019 (the Regulations) issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the Regulations, the provisions of Rules shall prevail.

Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956. With effect from April 19, 2016, the Corporation was converted from a statutory corporation into a public limited company by shares namely Pakistan International Airlines Corporation Limited (the Company or 'PIACL'), through Act No. XV of 2016, Pakistan International Airlines Corporation (Conversion) Act, 2016. (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Airlines Corporation Act, 1956 and the Company is now governed under Companies Act, 2017 (the Act).

ii. During the year ended December 31, 2022, the Company has complied with the provisions of Rules in following manner:

S.No.	Provision of Rules	Rule No.	Yes	No	N/A																											
1.	Independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																													
2.	Board has at least one-third of its total members as Independent Directors as at December 31, 2022. Board's composition was:	3(2)	✓																													
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="6">Independent Directors</td> <td>Mr Aslam R Khan</td> <td>October 20, 2020</td> </tr> <tr> <td>Mr Aijf Aslam Bajwa</td> <td>October 20, 2020</td> </tr> <tr> <td>Syed Muhammad Ali Gardezi</td> <td>October 20, 2020</td> </tr> <tr> <td>Mr Zahid F. Ebrahim</td> <td>October 20, 2020</td> </tr> <tr> <td>Mr Navaid H Malik</td> <td>November 28, 2020</td> </tr> <tr> <td>Mr Khalid Mahmood</td> <td>December 28, 2022</td> </tr> <tr> <td>Ms Parveen Agha</td> <td>December 28, 2022</td> </tr> <tr> <td>Executive Directors</td> <td>AVM Muhammad Amir Hayat</td> <td>April 26, 2022</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>Capt (R) Saif Anjum</td> <td>December 23, 2022</td> </tr> <tr> <td>Dr Kazim Niaz</td> <td>August 30, 2022</td> </tr> <tr> <td>Mr Hamed Yaqoob Sheikh</td> <td>December 06, 2021</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	Mr Aslam R Khan	October 20, 2020	Mr Aijf Aslam Bajwa	October 20, 2020	Syed Muhammad Ali Gardezi	October 20, 2020	Mr Zahid F. Ebrahim	October 20, 2020	Mr Navaid H Malik	November 28, 2020	Mr Khalid Mahmood	December 28, 2022	Ms Parveen Agha	December 28, 2022	Executive Directors	AVM Muhammad Amir Hayat	April 26, 2022	Non-Executive Directors	Capt (R) Saif Anjum	December 23, 2022	Dr Kazim Niaz	August 30, 2022	Mr Hamed Yaqoob Sheikh	December 06, 2021			
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3.	No person shall be elected or nominated as a director of more than 5 public sector companies simultaneously, except their subsidiaries	3(4)	✓																													
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓																													
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	✓																													



S.No.	Provision of Rules	Rule No.	Yes	No	N/A
6.	The office of the Chairman of the Board is separate from the Chief Executive of the Company.	4(1)	✓		
7.	The chairman of the Board shall conduct the Board meeting including fixing the agenda.	4(2)(b)		✓	
8.	The Chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)	✓		
9.	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓		
10.	a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. (www.ptdc.com.pk) c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓ ✓		
11.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty, and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
12.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)	✓		
13.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	✓		
14.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c) (ii)	✓		
15.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	✓		
16.	The Board has developed a Vision or Mission Statement, Corporate Strategy and significant policies of the Company.	5(6)	✓		
17.	The Board has developed significant policies of the Company. A complete record of the particulars of the significant policies together with the dates, on which they were approved or amended, has been maintained.	5(7)	✓		
18.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	✓		
19.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓		

S.No.	Provision of Rules	Rule No.	Y	N	N/A												
20.	a) The Board has met at least four times during the year.	6 (1)	✓														
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6 (2)	✓														
	c) The Minutes of the meetings were appropriately recorded and circulated.	6 (3)		✓													
21.	(a) The performance evaluation of members of the Board including the chairman and the Chief Executive shall be undertaken annually by the Government for which the Government shall enter into performance contract with each member of the Board at the time of his appointment.	8 (1)		✓													
	(b) The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	✓														
22.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9		✓													
23.	a) The Board has approved the Statement of Profit or Loss for, and Statement of Financial Position as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✓														
	b) The Board has ensured that half yearly accounts are prepared and reviewed by the external auditors.		✓														
	c) The Board has placed the Annual Financial Statements on the Company's website.		✓														
24.	All the Directors underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11(3)		✓													
25.	a) The Board has formed the requisite Committees, as specified in the Rules.	11(3)	✓														
	b) The Committees were provided with written term of reference defining their duties, authority and composition.		✓														
	The Minutes of the Meetings of the Committees were circulated to all the Directors except for Finance (Risk Management) Committee, since no finance committee has been formed by Directors, refer 23(a) below:		✓														
	a) The committees were chaired by the following Non-Executive Directors:																
	<table border="1"> <thead> <tr> <th>Board Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit</td> <td>06</td> <td>Mr. Atif Aslam Bajwa</td> </tr> <tr> <td>HR (Nomination)</td> <td>01</td> <td>Mr. Zahid F Ibrahim</td> </tr> <tr> <td>Procurement</td> <td>N/A</td> <td>Syed Muhammad Ali Gardezi</td> </tr> </tbody> </table>	Board Committee	Number of Members	Name of Chair	Audit	06	Mr. Atif Aslam Bajwa	HR (Nomination)	01	Mr. Zahid F Ibrahim	Procurement	N/A	Syed Muhammad Ali Gardezi	12	✓		
Board Committee	Number of Members	Name of Chair															
Audit	06	Mr. Atif Aslam Bajwa															
HR (Nomination)	01	Mr. Zahid F Ibrahim															
Procurement	N/A	Syed Muhammad Ali Gardezi															
			✓														
			✓														
26.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓														
27.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓														

S.No.	Provision of Rules	Rule No.	Yes	No	N/A										
28.	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓												
29.	The Directors' Report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓												
30.	The Directors, CEO and Executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.	18	✓												
31.	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The Annual Report of the Company contains criteria and details of remuneration of each director.	19	✓ ✓												
32.	The Financial Statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer before consideration and approval of the Audit Committee and the Board.	20	✓												
33.	The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="300 861 1096 1018"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr Atif Aslam Bajwa</td> <td rowspan="3">Independent Directors</td> <td>Banker</td> </tr> <tr> <td>Mr Navald H Malik</td> <td>Businessman</td> </tr> <tr> <td>Syed M. Ali Gardezi</td> <td>Former Secy. Aviation</td> </tr> </tbody> </table> <p>The Chief Executive and Chairman of the Board are not Members of the Audit Committee.</p>	Name of Member	Category	Professional Background	Mr Atif Aslam Bajwa	Independent Directors	Banker	Mr Navald H Malik	Businessman	Syed M. Ali Gardezi	Former Secy. Aviation	21 (1) 21 (2)	✓ ✓		
Name of Member	Category	Professional Background													
Mr Atif Aslam Bajwa	Independent Directors	Banker													
Mr Navald H Malik		Businessman													
Syed M. Ali Gardezi		Former Secy. Aviation													
34.	a) The Chief Financial Officer, the Chief Internal Auditor and a representative of the External Auditors attended all Meetings of the Audit Committee at which issues relating to accounts and audit were discussed. b) The Audit Committee met the External Auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other Executives. c) The Audit Committee met the Chief Internal Auditor and other members of the Internal Audit function, at least once a year, without the presence of Chief Financial Officer and the External Auditors	21 (3)	✓ ✓ ✓												
35.	The audit committee shall appoint a secretary of the Committee, who shall circulate minutes of its meetings to the all members, directors and the chief financial officer, within fourteen days of the meeting.	21(9)		✓											
36.	a) The Board has set up an effective internal Audit function, which has an audit charter, duly approved by the Board Audit Committee. b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules. c) The Internal Audit Reports have been provided to the External Auditors for their review.	22	✓ ✓ ✓												

S.No.	Provision of Rules	Rule No.	Yes	No	N/A
37.	The External Auditors of the Company have confirmed that the firms and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓		
38.	The Auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓		

CERTAIN ADDITIONAL DISCLOSURES, REQUIRED UNDER THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 (THE REGULATIONS)

1. The total number of directors are as follows:
 - a. Male: 10
 - b. Female: 01
2. 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 Act and these Regulations.
3. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
4. The frequency of quarterly Meetings of the Committee was as per following:
 - Meetings of the Audit Committee were held in all 4 Quarters.
 - Meetings of the HR and Nomination Committee were held 1 times during the year.
 - Meeting of Procurement Committee was not held during the year.
5. 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.
6. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with, except for regulation 27(5) which states that Draft Minutes of the Audit Committee Meetings were not circulated within 14 days of the meeting.
7. Non-compliance with the requirements other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are set out below:
 - The Company did not make appropriate arrangements to carry out orientation for its directors to acquaint them with the requirements of these Regulations.
 - The agenda for all the Board Meetings was set by the Company Secretary instead of the Chairman of the Board.
 - A formal and effective mechanism is not put in place for an Annual Evaluation of Board performance.
 - Minutes of the BOD meeting were not circulated within 14 days of the meeting.
 - Related party transactions were not placed before the audit committee for review and approval. Moreover the board has not established a pricing mechanism for distinguishing an arms-length transaction from a non-arm's length transactions.

EXPLANATION FOR NON-COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next Financial Year:

S. No.	Rule/ Sub Rule No.	Reasons for Non-Compliance	Future course of action
1	8(1)	The performance evaluation of Member of the Board including the Chairman and the Chief Executive is required to be undertaken Annually by the Government for which, the Government is required to enter into performance contract with each member of the board at the time of his appointment. Hence the compliance to this provision is primarily attributable to the Government.	During the Financial Year in question, a letter was written to the Federal Secretary Aviation, communicating the said non-compliance and seeking action thereupon on part of the Federal Government. The matter will be pursued with the Aviation Ministry for removing the stated non-compliance.
2	6(3)	Minutes of the Board Meetings were not circulated within fourteen days of the meeting.	Utmost efforts are always made to circulate the Minutes of Board Meetings within the stipulated timeline; however, there may be times when these timelines could not be met due to specific, unavoidable reasons. Nevertheless, it has been noted for compliance in future.
3	9	Due to non-establishment of related party transaction pricing policy which could differentiate non-arm's length transactions with that which have been excluded of arm's length	Noted for compliance in future.
4	4(2)(b)	Role of Chairman for conducting the Board Meeting including fixing the Agenda: Audit is of the view that the agenda for all the Board Meetings was set by the Company Secretary instead of Chairman of Board	The Agenda is indeed set by the Chairman and circulated in form of Notice to all Directors by Company Secretary. In compliance with Auditors' finding, in future, the setting up of agenda by Chairman will be documented.
5	11(3)	The Company did not make appropriate arrangements to carry out orientation for its directors to acquaint them with the requirements of these Regulations	PIA Board comprises senior civil servants, corporate leaders and business executives, who are seasoned professionals from their respective fields and most of them have already served on number of Boards during their careers. As such, the requirement of a 'classroom style' orientation is rendered meaningless. Nevertheless, they are provided with detailed orientation material encompassing relevant statutes, rules, regulations and industry specific terminologies as Board Pack at the time of their joining and subsequently kept updated.
6.	21(9)	The Secretary of the Committee, did not circulate minutes of Audit Committee's meetings to the all members, directors and the chief financial officer, within fourteen days of the meeting.	Utmost efforts are always made to circulate the Minutes of Audit committee Meetings within the stipulated timeline; however, there may be times when these timelines could not be met due to specific, unavoidable reasons. Nevertheless, it has been noted for compliance in future.

For and on behalf of the Board

Aslam R. Khan

Aslam R. Khan
Director

AVM Muhammad Amir Hayat

AVM MUHAMMAD AMIR HAYAT
Acting Chief Executive Officer

