

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED
REVIEW REPORT ON STATEMENT OF COMPLIANCE WITH THE PUBLIC
SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013
FOR THE YEAR ENDED JUNE 30, 2024

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

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**Review Report to the Members on the Statement of Compliance
with the Public Sector Companies (Corporate Governance) Rules, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Peshawar Electric Supply Company Limited (the Company) for the year ended June 30, 2024.

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

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 Rules requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 Rules as applicable to the Company for the year ended June 30, 2024.

Peshawar
Date: November 18, 2024
UDIN: CR2024105131sBuLpHS8


RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Engagement Partner: Muhammad Arif Saeed

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AUDIT | TAX | CONSULTING

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Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of company: **Peshawar Electric Supply Company Limited**
Name of the line Ministry: **Ministry of Energy (Power) Division**
For the year ended **June 30, 2024**

- I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") 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.
- II. The company has complied with the provisions of the Rules in the following manner:

Sr. No.	Provision of the Rules	Rule no.	Y N		Remarks																								
			Tick the relevant box																										
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																										
2.	The Board has at least one-third of its total members as independent directors. At present the Board includes: <table><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr><tr><td rowspan="5">Independent Directors</td><td>Mr. Himayat Ullah Khan</td><td>21-08-2024</td></tr><tr><td>Mr. Tahir Ali Khan</td><td>21-08-2024</td></tr><tr><td>Mr. Saud Azam</td><td>21-08-2024</td></tr><tr><td>Mr. Fazal-e-Khaliq</td><td>21-08-2024</td></tr><tr><td>Ms. Saima Akbar Khattak</td><td>21-08-2024</td></tr><tr><td>Executive Director</td><td>Mr. Akhtar Hamid Khan</td><td>25-01-2024</td></tr><tr><td rowspan="3">Non-Executive Directors</td><td>Mr. Javed Iqbal</td><td>06-09-2024</td></tr><tr><td>Mr. Irfan Ullah Khan</td><td>29-10-2024</td></tr><tr><td>Mr. Syed Shahid Raza Zaidi</td><td>10-03-2021</td></tr></table>	Category	Names	Date of appointment	Independent Directors	Mr. Himayat Ullah Khan	21-08-2024	Mr. Tahir Ali Khan	21-08-2024	Mr. Saud Azam	21-08-2024	Mr. Fazal-e-Khaliq	21-08-2024	Ms. Saima Akbar Khattak	21-08-2024	Executive Director	Mr. Akhtar Hamid Khan	25-01-2024	Non-Executive Directors	Mr. Javed Iqbal	06-09-2024	Mr. Irfan Ullah Khan	29-10-2024	Mr. Syed Shahid Raza Zaidi	10-03-2021	3(2)	✓		
Category	Names	Date of appointment																											
Independent Directors	Mr. Himayat Ullah Khan	21-08-2024																											
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3	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(4)	✓																										
4.	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(6)	✓																										

Rumman



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5.	The Chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓		
6.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government	4(4)	✓		
7.	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)	✓		The appointment of the Chief Executive Officer is being made in accordance with the Public Sector Companies (Appointment of Chief Executive) Guidelines 2015, as issued by the SECP.
8.	(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. (Address of website to be indicated)	5(4)	✓		The Board has approved Employees Code of Conduct Policy and Grievance Handling Policy.
9.	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)	✓		
10.	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)	✓		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	✓		
12.	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)	✓		
13.	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)	✓		

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14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓		
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓		
16.	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)	✓		
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓		
18.	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓		
19.	The Board has monitored and assessed the performance of senior management on annual/ half-yearly/ quarterly basis* and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	✓		
20.	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	✓		
21.	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end. (b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c) The Board has placed the annual financial statements on the company's website.	10	✓		
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓		

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23.	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors during the period 01-07-2023 to 10-08-2023:</p> <table border="1" data-bbox="287 583 1011 1089"> <thead> <tr> <th>Committee</th><th>No. of Members</th><th>Name of Chair</th></tr> </thead> <tbody> <tr> <td>Audit & Legal Committee</td><td>05</td><td>Muhammad Haroon Khan</td></tr> <tr> <td>Steering Committee: i.e. Technical Up-Gradation, Automation & Special Projects Committee</td><td>05</td><td>Faiz Ullah Khan</td></tr> <tr> <td>Finance, Procurement & Risk Management Committee</td><td>05</td><td>Mr. Farhan Zafar Jhagra</td></tr> <tr> <td>HR & Nomination Committee</td><td>05</td><td>Mr. Iftikhar Ahmad Khan</td></tr> <tr> <td>Policy, Strategy & Market Reforms - CTBCM Committee</td><td>05</td><td>Mr. Abdul Haq</td></tr> </tbody> </table> <p>(e) Due to re-constitution of the PESCO Board the committees were reconstituted and chaired by the following independent and Non-Executive Directors, during the period 11-08-2023 to 30-06-2024.</p> <table border="1" data-bbox="311 1190 1036 1667"> <thead> <tr> <th>Committee</th><th>No. of Members</th><th>Name of Chair</th></tr> </thead> <tbody> <tr> <td>Audit, Finance, Investigation, Financial Risk Management and Internal Control Committee.</td><td>06</td><td>Mr. Farhan Zafar Jhagra</td></tr> <tr> <td>HR, Legal and Other Miscellaneous Matters Committee.</td><td>05</td><td>Mr. Iftikhar Ahmad Khan</td></tr> <tr> <td>Technical Initiatives, Development, Operational Risk Management and Procurement Committee.</td><td>05</td><td>Faiz Ullah Khan</td></tr> <tr> <td>Policy, Strategy, Other Operations and Marketing Committee.</td><td>04</td><td>Mr. Abdul Haq</td></tr> <tr> <td>Recovery, Theft Control and Consumer Grievances Committee.</td><td>05</td><td>Mr. Farhan Zafar Jhagra</td></tr> </tbody> </table>	Committee	No. of Members	Name of Chair	Audit & Legal Committee	05	Muhammad Haroon Khan	Steering Committee: i.e. Technical Up-Gradation, Automation & Special Projects Committee	05	Faiz Ullah Khan	Finance, Procurement & Risk Management Committee	05	Mr. Farhan Zafar Jhagra	HR & Nomination Committee	05	Mr. Iftikhar Ahmad Khan	Policy, Strategy & Market Reforms - CTBCM Committee	05	Mr. Abdul Haq	Committee	No. of Members	Name of Chair	Audit, Finance, Investigation, Financial Risk Management and Internal Control Committee.	06	Mr. Farhan Zafar Jhagra	HR, Legal and Other Miscellaneous Matters Committee.	05	Mr. Iftikhar Ahmad Khan	Technical Initiatives, Development, Operational Risk Management and Procurement Committee.	05	Faiz Ullah Khan	Policy, Strategy, Other Operations and Marketing Committee.	04	Mr. Abdul Haq	Recovery, Theft Control and Consumer Grievances Committee.	05	Mr. Farhan Zafar Jhagra	12			
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Signature



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24.	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	✓																							
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																							
26.	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	✓																							
27.	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	✓																							
28.	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	✓																							
29.	(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	✓																							
30.	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	✓																							
31.	<div>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:</div> <table><thead><tr><th>Name of Member</th><th>Category</th><th>Professional background</th></tr></thead><tbody><tr><td>Mr. Farhan Zafar Jhagra</td><td>Chairman</td><td>Masters In English Language and Literature</td></tr><tr><td>Mr. Abdul Haq</td><td>Member</td><td>B.A</td></tr><tr><td>Mr. Iftikhar Ahmad Khan</td><td>Member</td><td>LLB/B.A</td></tr><tr><td>Mr. Mushtaq Ahmad Abbasi</td><td>Member</td><td>LLB/M.A (ISL)</td></tr><tr><td>Mr. Hassan Raza Saeed</td><td>Member</td><td>B.A</td></tr><tr><td>Mr. Shahid Raza Zaidi</td><td>Member</td><td>M.Sc (Economics)</td></tr></tbody></table> <div>The chief executive and chairman of the Board are not members of the audit committee.</div>	Name of Member	Category	Professional background	Mr. Farhan Zafar Jhagra	Chairman	Masters In English Language and Literature	Mr. Abdul Haq	Member	B.A	Mr. Iftikhar Ahmad Khan	Member	LLB/B.A	Mr. Mushtaq Ahmad Abbasi	Member	LLB/M.A (ISL)	Mr. Hassan Raza Saeed	Member	B.A	Mr. Shahid Raza Zaidi	Member	M.Sc (Economics)	21 (1) and 21(2)	✓		
Name of Member	Category	Professional background																								
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32.	(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)	✓		
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the 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	✓		
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓		
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓		

Note:

The following Independent Directors retired from PESCO BoD on the date as mentioned against each.

- I. Mr. Faiz Ullah Khan, Independent Director remained on PESCO Board upto 20-08-2024 during FY 2023-24.
- II. Mr. Iftikhar Ahmad Khan, Independent Director remained on PESCO Board upto 20-08-2024 during FY 2023-24.
- III. Mr. Mushtaq Ahmad Abbasi, Independent Director remained on PESCO Board upto 20-08-2024 during FY 2023-24.
- IV. Mr. Abdul Haq, Independent Director remained on PESCO Board upto 20-08-2024 during FY 2023-24.
- V. Syed Samar Shah, Independent Director remained on PESCO Board upto 20-08-2024 during FY 2023-24.
- VI. Mr. Azam Khan Durrani, Independent Director remained on PESCO Board upto 18-12-2023 during FY 2023-24.
- VII. Muhammad Haroon Khan, Independent Director remained on PESCO Board upto 18-12-2023 during FY 2023-24.
- VIII. Muhammad Nadeem, Independent Director remained on PESCO Board upto 19-12-2023 during FY 2023-24.
- IX. Mr. Misbah-ud-Din, Independent Director remained on PESCO Board upto 21-12-2023 during FY 2023-24.
- X. Mr. Farhan Zafar Jhagra, Independent Director remained on PESCO Board upto 07-06-2024 during FY 2023-24.

The detail of other directors changed during this period is as under: -

- XI. Mr. Hassan Raza Saeed, Rep: MOE (Power Division) remained on PESCO Board upto 05-09-2024 during FY 2023-24.
- XII. Mr. Tashfeen Haider, Rep: Energy Deptt. KPK remained on PESCO Board upto 29-10-2024 during FY 2023-24.
- XIII. Mr. Arif Mehmood Sadozai, CEO PESCO (Executive Director) remained on PESCO Board upto 10-08-2023 during FY 2023-24.
- XIV. Mr. Fazal-e-Rabi, CEO PESCO (Executive Director) remained on PESCO Board upto 12-09-2023 during FY 2023-24.
- XV. Qazi Muhammad Tahir, CEO PESCO (Executive Director), remained on PESCO Board upto 24-01-2024 during FY 2023-24.


Chief Executive Officer
Peshawar Electric Supply Company Limited


Director
Peshawar Electric Supply Company Limited