The Pakistan

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The Institute of Chartered Accountants of Pakistan

ICAP

CFO AS A STRATEGIC NAVIGATOR

Sustainable Trust through ISSB Standards: Shaping Pakistan's Financial Sector

Financial Strategies in an Era of Geopolitical Volatility

Next-Gen Reporting: Real-Time, Predictive, Transparent

The Rise of Value -Based Finance

Finance in the Circular Economy

Beyond the Balance Sheet: Building a Responsible, Resilient Financial Future

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Inside




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Message from President ICAP

Mr. Saif Ullah, FCA
President, ICAP

Dear Readers,

It is with great pride that I present the latest edition of The Pakistan Accountant, a distinguished publication that continues to reflect the evolving imperatives, challenges, and ambitions of the accounting and finance profession in Pakistan and beyond. Each issue serves as a mirror to the profession's dynamic landscape, and this edition is no exception, capturing the critical discourse shaping our present and defining our future.

In an era defined by accelerated change, systemic complexity, and global interdependence, this edition of The Pakistan Accountant brings into focus the pivotal themes shaping the future of finance, governance, and leadership. "Sustainable Trust through ISSB Standards" transcends mere regulatory alignment; it represents a global paradigm shift towards transparency, accountability, and responsible corporate stewardship. As Pakistan positions itself within the evolving International Sustainability Standards Board (ISSB) framework, the role of chartered accountants becomes increasingly vital in driving robust sustainability disclosures and fostering trust-based stakeholder relationships.

In tandem, the theme "Financial Strategies in an Era of Geopolitical Volatility" underscores the need for strategic foresight and adaptive resilience. In a world where uncertainty is constant, financial leaders must navigate complexity with composure, balancing prudence with opportunity and ensuring continuity amid disruption.

The profession is also witnessing a redefinition of value itself through "The Rise of Value-Based Finance." Beyond profit maximization, we are called to embrace purpose-led performance and ethical governance, measuring success not only in financial terms but also through long-term societal impact.

As digital transformation reshapes the financial landscape, "Next-Gen Reporting: Real-Time, Predictive, Transparent" emerges as a new global standard. The integration of intelligent automation, data analytics, and digital tools is imperative to deliver timely, forward-looking insights and enhance the relevance of financial reporting.

The evolution of the CFO is another defining trend. "CFO as a Strategic Navigator" reflects a broadened mandate, where finance leaders are expected to shape business strategy, foster innovation, manage risk, and build institutional trust, well beyond the confines of traditional finance functions.

Finally, "Finance in the Circular Economy" signals an important convergence of fiscal systems and sustainability. As organizations adopt regenerative and resource-efficient models, finance professionals must enable these transitions through visionary planning and strategic capital allocation.

Together, these themes reflect ICAP's unwavering commitment to empowering our members with the knowledge, tools, and global perspectives necessary to lead with purpose and impact. I am deeply grateful to our contributors, the editorial board, and our engaged readership who continue to uphold The Pakistan Accountant as a beacon of thought leadership and professional excellence.

Message from Chairman MARCOM

Dear Readers,

In today's volatile and hyperconnected world, accounting has transcended its traditional role. No longer confined to ledgers and compliance, it has emerged as the language of foresight, guiding strategy, enabling sustainability, and anchoring trust in uncertain times.

This issue of The Pakistan Accountant delves into the evolving terrain of finance, where speed, integrity, and innovation converge. The integration of ISSB-aligned sustainability reporting is more than regulatory alignment, it is a commitment to long-term resilience and stakeholder confidence. As ESG imperatives become non-negotiable, finance professionals are at the vanguard of crafting credible, sustainable business narratives.

Simultaneously, next-generation reporting, powered by AI, real-time analytics, and automation is transforming how data informs decision-making. Finance is shifting from hindsight to foresight, empowering leadership with clarity in the face of disruption.

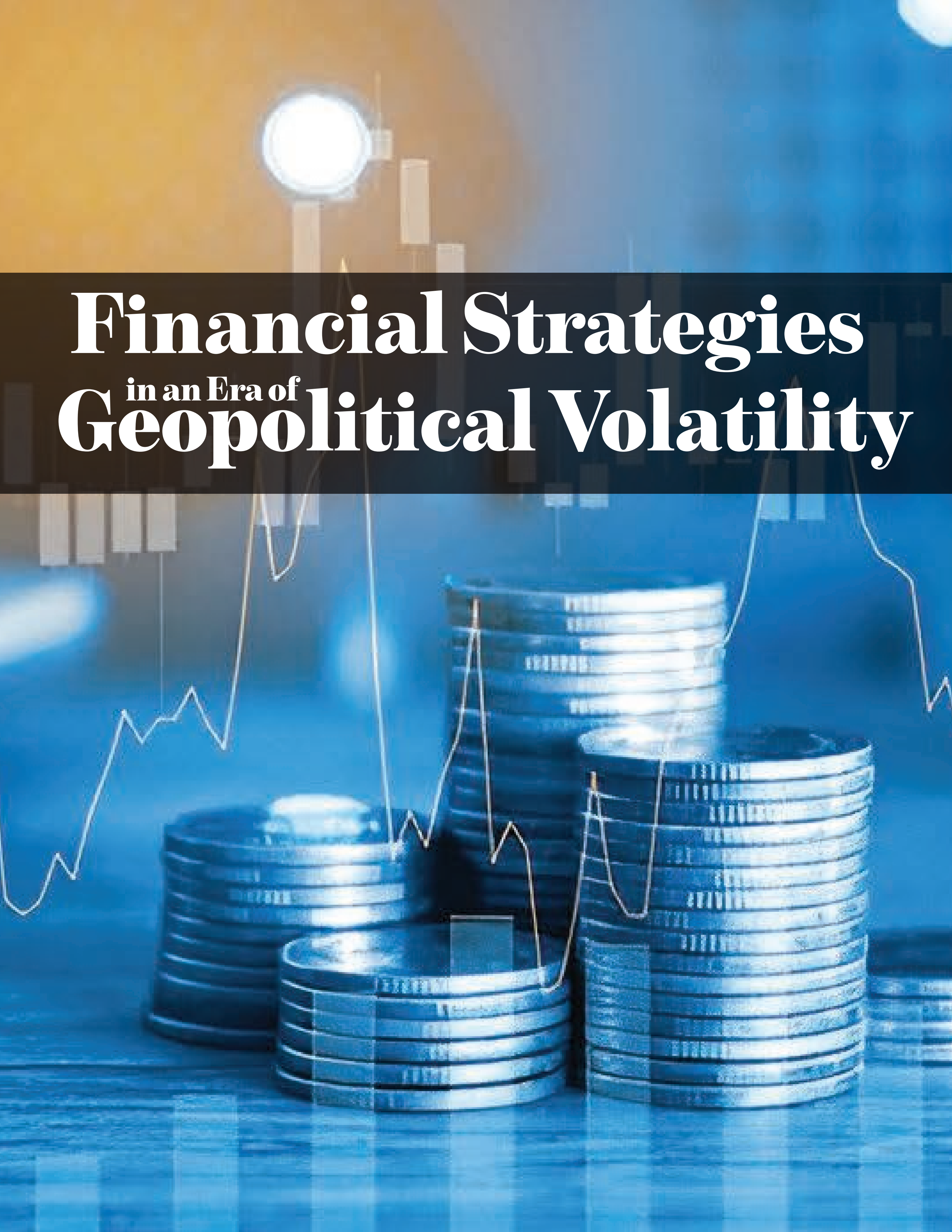
The rise of value-based finance further redefines success; no longer measured solely in profit, but in purpose, ethics, and impact. As economies tilt toward circularity, financial planning must now account for regenerative cycles, societal contribution, and environmental stewardship.

At the helm of this transformation is the modern CFO: not just a custodian of numbers, but a strategic navigator charting course through geopolitical shifts, macroeconomic tremors, and digital evolution with agility and vision.

As the profession stands at the intersection of change and opportunity, this edition invites Chartered Accountants to lead not just in finance, but in shaping the future of business.

Mr. Husnain R. Badami, FCA
Chairman - MARCOM

Financial Strategies in an Era of Geopolitical Volatility



Financial Strategies in an Era of Geopolitical Volatility

Mr. Humayun Habib, FCA

In an increasingly interconnected yet volatile global economy, financial strategies must be resilient, forward-looking, and deeply integrated with geopolitical risk awareness. This article explores practical approaches finance professionals can adopt to navigate disruptions-from supply chain instability and commodity surges to capital flow uncertainties-while seizing new opportunities.

Introduction: A Strategic Imperative for Finance Leaders

Geopolitical volatility is no longer episodic-it is persistent and complex. From trade conflicts and pandemics to shipping disruptions and regulatory fragmentation, external shocks have become embedded in global business environments. For finance leaders, resilience and agility are no longer optional-they are strategic necessities.

"In an increasingly interconnected yet volatile global economy, financial strategies must be resilient, forward-looking, and deeply integrated with geopolitical risk awareness."

Financial Risks Amid Geopolitical Tensions

Finance teams face multifaceted challenges, including:

- **Currency and Capital Flow Volatility:** Emerging markets face capital flight and rising risk premiums.
- **Supply Chain Disruptions and Customer Claims:** Events like the Red Sea crisis increase lead times and expose firms to contractual liabilities.
- **Commodity Price Shocks:** Cocoa prices, for instance, have surged over 100% in 18 months due to climate-induced supply constraints.
- **Policy and Investor Confidence:** Countries such as Pakistan, despite talent potential, often struggle to attract sustained investment due to a geopolitical security–led narrative that overshadows their economic reform and innovation potential.
- **Working Capital vs. Margin Trade-offs:** Finance leaders must balance capital preservation with opportunities to leverage price cycles.

Case Studies: Practical Lessons from Real-World Events

- Liberation Day Tariffs (2025): A Wake-Up Call for Global Supply Chains: The U.S. Liberation Day tariffs, introduced in April 2025, triggered immediate global trade disruptions, with import duties rising significantly across key sectors. This event underscored the strategic value of integrating geopolitical foresight and intelligent automation into financial planning.
- Red Sea Disruptions (2023–2024): Rerouted shipping lanes led to missed delivery timelines and customer claims. Firms with adaptive contract clauses and diversified sourcing proved more resilient.
- Cocoa Commodity Spike (2024–2025): Companies practicing active commodity hedging and dynamic pricing mitigated cost pressure. Many also conducted Pareto analyses to streamline low-margin SKUs.
- Pandemic Commodity Cycle (2020–2023): Strategic scenario planning helped businesses weigh higher working capital needs against margin opportunities during volatile cycles.
- Malaysia's Policy Consistency: During both the pandemic and political shifts, Malaysia maintained investment-friendly policies and capital incentives, particularly for SMEs. These initiatives created multiplier effects and attracted MNC capital.
- Pakistan's FDI Challenge: Despite a strong youth demographic and growing tech base, the lack of consistent economic signaling-relative to ASEAN economies that champion business narratives-has hindered services exports and investor inflows.

Strategic Financial Responses

Finance leaders can adopt the following proactive strategies:

a) Scenario-Based Forecasting
  - Conduct margin-liquidity trade-off simulations (e.g., cocoa or oil price spikes).
  - Model supply chain risks and political disruptions to anticipate downstream impacts.

b) Product Portfolio Rationalization
  - Use Pareto analysis to identify high-margin products and rationalize low-value SKU tail.
  - Reconfigure product offerings to align with logistics realities and pricing power.

c) Market Prioritization for Margin Resilience
  - Focus on high-yield export destinations (e.g., GCC, North Asia, EU) where customers can absorb price adjustments.
  - Incorporate flexible pricing models in contracts for volatile regions.

d) Policy Monitoring and Engagement
  - Track regulatory shifts and incentive structures (e.g., Malaysia's tax allowances for strategic investments).
  - Engage industry bodies and chambers to align policy advocacy with business needs.

e) Claims and Contract Risk Management
  - Introduce clauses for force majeure, inflation adjustment, and logistics disruptions.
  - Track legal exposures related to delayed fulfillment and customer reimbursements.

f) Working Capital and Treasury Resilience
  - Diversify banking relationships and establish credit buffers.
  - Hedge foreign exchange risk with instruments suited to the company's exposure profile.

Evolving Role of the CFO

The modern CFO is expected to:

- Champion agility in financial modeling and scenario response.
- Lead institutional knowledge on geopolitical risk implications.
- Serve as a bridge between strategy, operations, and capital markets.

Financial Strategies in an Era of Geopolitical Volatility: From Reactive to Proactive Leadership

In today's hyper-connected and increasingly volatile global economy, geopolitical disruptions are no longer rare "black swan" events-they are recurring realities. For manufacturing organizations, this means that the geographic location of physical assets such as plants, the structure of global sourcing networks, and the diversity of customer markets must be under constant strategic review. Financial strategies must evolve to not only mitigate risks but also to seize emerging opportunities in a fiercely competitive environment. Underperformance is no longer excusable due to external shocks; instead, finance leaders are expected to drive agility and foresight. A strategic CFO will prioritize investments in talent-building agile, business-savvy finance teams equipped with the tools and acumen to contribute beyond traditional number crunching. Leveraging business intelligence platforms

ICAP

“In today’s hyper-connected and increasingly volatile global economy, geopolitical disruptions are no longer rare “black swan” events-they are recurring realities. For manufacturing organizations, this means that the geographic location of physical assets such as plants, the structure of global sourcing networks, and the diversity of customer markets must be under constant strategic review. Financial strategies must evolve to not only mitigate risks but also to seize emerging opportunities in a fiercely competitive environment.”

“In an era where geopolitical volatility is reshaping global business dynamics, talent and technology have emerged as critical enablers of resilient financial strategies. For finance leaders, the ability to respond swiftly to disruptions hinges not only on robust forecasting models but also on the capabilities of their teams.”

and fostering continuous upskilling are now essential to ensure finance functions are not just resilient, but also value-creating partners in business transformation.

Talent and Technology: Strategic Enablers in a Volatile World

In an era where geopolitical volatility is reshaping global business dynamics, talent and technology have emerged as critical enablers of resilient financial strategies. For finance leaders, the ability to respond swiftly to disruptions hinges not only on robust forecasting models but also on the capabilities of their teams. Strategic CFOs are investing in upskilling finance professionals to build agile, cross-functional teams with strong business acumen-teams that can interpret data, anticipate risks, and contribute to strategic decisions beyond traditional financial reporting. Simultaneously, the adoption of advanced business intelligence tools, automation, and predictive analytics empowers finance functions to move from hindsight to foresight.

For example, in credit risk management, AI-powered models are now being used to assess customer and supplier credit-worthiness in real time by analyzing a wide range of structured and unstructured data-including payment histories, geopolitical developments, and even sentiment from news and social media. This allows finance teams to dynamically adjust credit limits, flag high-risk counterparties, and prevent cascading defaults during periods of instability. Together, empowered talent and intelligent technology form the backbone of a finance function that is not just reactive, but a proactive driver of business resilience and growth.

Navigating Volatility: Strategic Imperatives for Finance Leaders in Post-Conflict Pakistan

The brief but intense India–Pakistan conflict in May 2025 triggered immediate financial repercussions, with the Pakistan Stock Exchange (PSX) suffering a sharp single-day decline of over 6% amid heightened investor anxiety. The impact extended beyond capital markets, casting a shadow over Pakistan’s appeal as a hub for business process outsourcing (BPO) and shared services. Temporary airspace closures, stranded international travelers and communication disruptions during the escalation exposed vulnerabilities in service continuity, prompting concern among international stakeholders. For finance leaders, this episode underscores the urgency of reinforcing Pakistan’s geopolitical risk narrative, investing in infrastructure resilience, and cultivating investor confidence to sustain growth in high-value export sectors such as IT and BPO.

Conclusion: From Reactive to Strategic Financial Leadership

Financial strategies must evolve in step with global uncertainties. The ability to anticipate disruptions, simulate alternatives, and act decisively will distinguish companies that survive from those that thrive. Finance professionals must now be resilience architects-blending financial rigor with strategic foresight.

The writer is a Fellow Chartered Accountant working for Cargill, Malaysia.

The CFO's Role in a Geopolitically Volatile World

Mr. Muhammad Aqib, FCA

The world has changed, and so have perceptions. What is considered an excellent decision today may not necessarily turn out to be a good one in the future. The world is dynamic, and therefore, organizations, industries, retailers, manufacturers, doctors, engineers, and other professionals must adopt a proactive approach rather than a reactive one. The availability of reliable and relevant information in the shortest possible time is critical for all stakeholders. Changes in the environment may stem from natural disasters, climate change, geopolitical events, and several other reasons.

Dynamic and therefore, organizations, industries, retailers, manufacturers, doctors, engineers and other professionals must adopt a proactive approach rather than a reactive one.

In recent times, we have witnessed multiple geopolitical conflicts that have not only created short-term disruptions but

In recent times, we have witnessed multiple geopolitical conflicts that have not only created short-term disruptions but have also led to long-lasting impacts. Whether short-term or prolonged, the effects of geopolitical events are significant, particularly in countries like Pakistan, where a large segment of the population lives below the poverty line.

have also led to long-lasting impacts. Whether short-term or prolonged, the effects of geopolitical events are significant, particularly in countries like Pakistan, where a large segment of the population lives below the poverty line. India and Bangladesh, with similarly growing populations, are also affected in comparable ways.

Events or decisions in one part of the world can have far-reaching consequences in other regions. For instance, while an earthquake may impact only the country where it occurs, a war can have global ramifications. When the Russia–Ukraine war began, the entire European region was affected by rising utility costs.

It is essential to understand what is meant by geopolitical volatility. This term refers to situations where a decision by one country affects not only its internal dynamics but also has external implications-beyond its borders.

Geopolitical volatility manifests in various ways. As seen in the Russia–Ukraine conflict, utility costs surged globally. The effects were not confined to Europe alone; the entire world felt the economic strain due to the spike in energy prices.

Similarly, the recent conflict between Iran and Israel has increased global vulnerability. Despite facing restrictions, Iran continues to supply oil to various countries. Any disruption in this supply could cause a rise in oil prices, which would subsequently increase the cost of raw materials and logistics.

Furthermore, the potential blockage of the Strait of Hormuz-a route through which over 30% of the world's oil supply passes-could significantly impact global energy markets.

The timing of a geopolitical event also plays a crucial role. For example, if a country or organization is in the process of finalizing its annual budget, a sudden geopolitical shift may force revisions to key assumptions. Rising oil prices, in particular, can strain the budgets of countries that rely on imported oil for energy production. These costs can widen current account deficits and put additional pressure on exchange rates. For a country like Pakistan, such external shocks amplify economic vulnerabilities. As noted, "The external outlook is prone to many risks for Pakistan, primarily stemming from heightened geopolitical tensions, volatility in international oil prices, potential adverse impacts of proposed budgetary measures, and possible shortfalls in expected financial inflows."

Given the widespread impact of geopolitical volatility, CEOs, CFOs, operations heads, risk managers, compliance officers, and other key personnel must shoulder significant responsibility. Specifically, CFOs must adopt a flexible-not rigid-approach.

A practical example of this was seen when the USA imposed tariffs on several countries. The business environment shifted rapidly, and countries rushed to negotiate trade deals with the USA-deals that had not previously been considered. This highlighted the need for adaptability and agility in strategic thinking.

While challenges may initially seem daunting, they can also present new opportunities. The CFO must remain alert, gather relevant information, and identify such opportunities. For instance, if new avenues for business emerge due to geopolitical changes, the CFO should revise strategic plans accordingly to capitalize on these shifts.

Collaboration across departments-including international operations, supply chain, business development, marketing, and sales-is critical. These teams may be directly or indirectly impacted by geopolitical developments. By understanding and proactively preparing for such risks, organizations can minimize disruptions and avoid financial setbacks.

Engaging with stakeholders and subject matter experts can help in crafting effective response strategies. Internal and external communication should follow, ensuring clarity and alignment throughout the organization.

In conclusion, the CFO must undertake thorough risk assessments and strategic planning tailored to emerging global conditions. Staying informed, ensuring organizational flexibility, and running simulations or scenario analyses are key to making timely, well-informed decisions. Lastly, fostering stakeholder engagement and clear communication across the organization are essential for resilience and growth in an increasingly volatile world.

The writer is a Fellow Chartered Accountant working as Chief Operating Officer at Venus Corporation.

Strategies for Financial Resilience in a Volatile World

Mr. Muhammad Bilal, ACA

In today's mutually connected world, geopolitical events, such as international trade disputes, political instability and sudden policy changes can rapidly disrupt global financial markets. For both institutional and individual investors, these uncertainties demand strong and adaptable strategies that can confront new opportunities and face market shocks. In this article, we will see major financial and risk management techniques that are designed to navigate the atmosphere marked by geopolitical instability.

What is geopolitical volatility? CFA institute provides the definition of geopolitical risk. It says, "Geopolitical risk is the risk associated with tensions or actions between actors (state and non-state) that affect the normal and peaceful course of international relations. Geopolitical risk tends to rise when the geographic and political factors underpinning country relations shift."

CFA institute further categorises the geopolitical risk into three categories:

1. Event risk - the risk that evolves around certain events, such as Brexit, Russia's invasion of Ukraine, etc.
2. Exogenous risk - sudden or unanticipated risk that can affect either a country's cooperative stance, the ability of non-state actors to globalize, or both. Examples include sudden uprisings, invasions, or the aftermath of natural disasters.
3. Thematic risk - risks that evolve and expand over time. Climate change, cyber threats, and the ongoing threat of terrorism fall into this category.

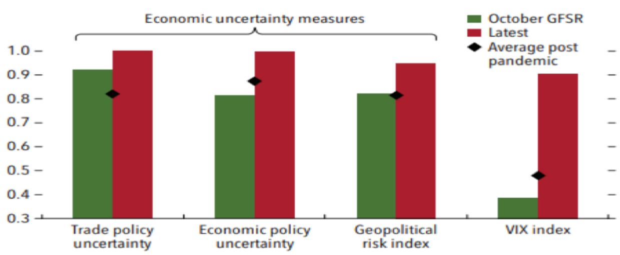
It is also to be noted that geopolitical risks have varying affects on different sectors. For example, politicised technological landscape may have significant impact on tech firms and telecoms but not on transport and infrastructure. Similarly, supply chain disruptions have more impact on consumer and retail sector than they might have on financial services sector. Therefore, choosing a financial and risk management strategy is highly dependent on what geopolitical risks a firm is exposed to.

One factor that make geopolitical risks more impactful is that they are inherently unpredictable and multifaceted. They seldom develop in linear fashion, making it difficult to monitor and forecast their likelihood, velocity, and size and nature of impact on a portfolio. For instance, the 2022 Russian invasion of Ukraine had an impact not only on these two countries but the impact spilled over to other economies as well. Russia's stock market plummeted by 33% and trading on Ukrainian stock market was suspended. But on the other hand, stock returns of firms in the defense sector in other economies generally rose on investors' expectations of increased military expenditure as security concerns took centre stage. However, the sudden suspension or reduction in energy supplies from Russia sent shockwaves through European economies, causing oil and gas prices to spike.

Similarly, Brexit fundamentally altered market sentiment by introducing uncertainties surrounding the future of trade, regulatory regimes, and the British Pound. These events underscore that geopolitical risk is less about routine market fluctuations and more about sudden structural shifts that can upset long-held pricing relationships.

The volatility indices (also called fear gauges), such as the VIX in the United States or the VSTOXX in Europe, track geopolitical shocks. During periods of instability, these indices frequently spike, reflecting sudden surges in investor uncertainty.

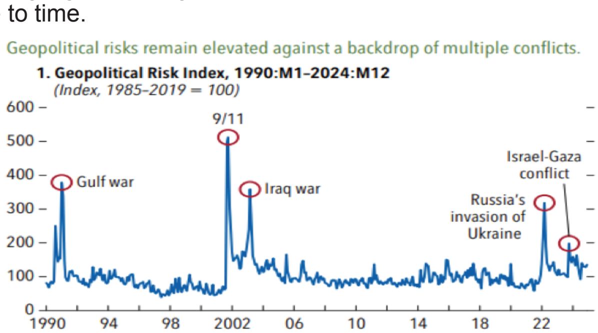
As per IMF's latest global financial stability report as of April 2025, the VIX index has increased significantly since October 2024. See below image extracted from IMF's Global Financial Stability Report.



Sources: Bloomberg Finance L.P.; Baker, Bloom, and Davis 2016; Caldara and Iacoviello 2022; and IMF staff calculations.

Note: "Economic policy uncertainty" and "trade policy uncertainty" are the indices of Baker, Bloom, and Davis (2016); "geopolitical risk" is the index of Caldara and Iacoviello (2022). The series are shown in percentiles since 1997 based on monthly data; "Average Post Pandemic" is the average percentile since 2022. Economic uncertainty measures are text based. Latest level for VIX Index is as of April 15, 2025. VIX = Chicago Board Options Exchange Volatility Index.

The below image is also extracted from the same IMF report that highlights how geopolitical risk index has moved from time to time.



Strategies to address geopolitical volatility: Now we will examine multiple financial and risk management strategies and will see their practical implication in tackling geopolitical shocks.

(a) **Diversification and Adaptive Asset Allocation:** Diversification remains one of the core strategies to hedge against geopolitical risks. It can be achieved through diversifying investments across different parts of the world or simply by frequent rebalancing of portfolio (so that no single asset class overwhelms the portfolio when market conditions shift unexpectedly). For example, during the Ukraine crisis, global investors who diversified their portfolios across different markets noticed that while European equities plunged, assets in regions less affected by Eastern European instability either held steady or even appreciated. Similarly, after the Brexit, investors moved away from UK-centric equities towards continental European markets, thereby mitigating the risk of a localized downturn. Modern portfolio managers also adopt dynamic strategies and regularly rebalance their portfolio. For example, global funds managed by institutions like BlackRock and Vanguard actively rebalance their portfolios when risk sensors suggest a fundamental change in the risk environment. This proactive allocation helps maintain a portfolio's risk profile even during sudden geopolitical shifts.

(b) **Hedging:** Hedging is primarily a tool of risk management that, investors use to reduce or limit their exposure. The most common example is when Russia invaded Ukraine, energy-focused funds used futures contracts to secure supply costs and stabilize returns.

(c) **Safe haven assets:** Probably the best example of safe haven asset is gold (and not US dollar as there are too many uncertainties around it – though it still holds the status of a global reserve currency). You probably heard in the news that China and Russia are constantly increasing their gold reserves. There is a combination of strategic, economic, and geopolitical factors behind constant increase in gold reserves. They are seeking to diversify away from US dollar-denominated assets and reduce reliance on the US financial system, especially in light of geopolitical tensions and economic uncertainty. Another emerging candidate in the category of "safe haven asset" is Bitcoin. While its status of being a safe haven asset is debated, a study published by University of Reading concluded that the Bitcoin acts as a safe haven during high market turmoil in the CAD, CHF and GBP currencies. However, in my view, Gold's status as a haven comes from its ability to store value consistently, especially during crises. For bitcoin to earn the same level of trust, it must prove it can hold value when markets turn volatile. So far, bitcoin has been reactive – mirroring risk assets more than acting as a hedge. Its correlation with equities during market downturns raises questions about its safe-haven potential.

While traditional risk management strategies helped the organizations manage geopolitical risks, these conventional strategies must evolve to address complex, multi-layered risks. Real-world events-such as the Middle east conflict, Russia-Ukraine conflict and escalating US–China trade tensions-have underscored the necessity of integrating diversification, robust risk management and technological innovations into a cohesive strategy.

While these strategies cannot eliminate the risks in their entirety, the integration of these measures helps to mitigate potential losses and capitalize on opportunities amidst uncertainty.

The writer is an Associate Chartered Accountant working as Senior Manager Assurance at a leading firm in Karachi.

Resilient Finance: Navigating Geopolitical Volatility with Strategic Foresight

Mr. Ali Raza Lakho, ACA

When Headlines Hit the Financial Statements

“Oil prices spiral. Currencies fluctuate. Trade routes get blocked. Tariffs shock global commerce. Capital markets panic. Geopolitical volatility - wars, sanctions, and diplomatic disruptions.”

These aren’t abstract headlines - they’re everyday realities and strategic risks reshaping financial planning. Current-era volatility, from U.S. tariffs and regional tensions, demands that finance professionals to go beyond traditional models. Global CFOs and regulators are now viewing market shocks and supply chain disruptions as standard operational threats.

For Pakistani corporates, this uncertainty compounds with domestic challenges: PKR depreciation, surging inflation, political transitions, and import restrictions. Between January and April 2025, U.S. average tariff rates climbed from 2.5% to around 27%, the highest in over a century, introducing ripple

Geopolitical volatility is no longer an outlier - it's the new baseline for finance functions. Pakistani corporates must move beyond static models to embrace adaptive, hedged, ESG-integrated financial strategies. As U.S. tariffs hit historic highs and regional tensions persist, the need intensifies. A strong CFO today isn't just a number-cruncher, rather a geopolitical navigator safeguarding future value.

effects across global trade flows. The PKR's circa 78% depreciation since 2020 (falling from PKR 160 to PKR 284), paired with these external shocks, underscores that traditional financial planning is outdated. Now, agility, hedging, building liquidity buffers and scenario readiness are imperative.

Behind the Headlines: The Forces Reshaping Finance Geopolitical volatility today takes various forms:

- Tariff shocks: In April 2025, Trump announced new reciprocal tariffs, including a hefty 29% tariff rate on Pakistani exports to the US, at a time when the country is trying to drive economic growth through increased exports. (The US remains one of Pakistan's largest trading partners, with bilateral trade valued at $7.3 billion in 2024).
- Regional conflicts: Recent Pakistan-India military exchanges spiked market anxiety; KSE-100 index crashed by over 6,500 points, wiping out billions in market value. At India's end, India Volatility Index (VIX) rose over 10% in early May.
- Israel–Iran conflict: As a consequence of rising tensions at yet another neighboring border (Iran's threats to close the Strait of Hormuz and a 7–11% oil price jump), the government recently ordered the immediate import of 140 million litres of petrol and instructed all oil marketing companies to maintain at least 20 days' worth of petroleum reserves (unplanned moves).
  - Trade friction: Red Sea maritime shutdowns have disrupted logistics for textile exporters.

Maersk diverted shipping around the Red Sea, doubling lead times and raising freight costs - Pakistani SMEs without hedging frameworks saw compressed margins.

Impacts on Pakistani finance:

- FX risk: PKR remains vulnerable to oil-linked rupee weakness and capital flight.
- Trade concerns: Tariffed U.S. imports ripple through global value chains - local exporters likely to see demand and pricing shifts.
- Investor sentiment: Regional volatility raises yields and elevates risk premiums.

Turning Risk into Readiness: The CFO's Playbook

To fortify financial resilience and overcome foreseeable challenges, Pakistani CFOs and finance teams should adapt core financial strategies.

A. Scenario Planning & Stress Testing

- Develop stress testing methodology and modelling (stress tests and reverse stress tests, considering the viability and performance of the company in the event of specific stressed scenarios, assumed to occur over a five-year horizon, in line with the company's strategic financial planning process)
- Model tariff regimes and oil-price shocks alongside PKR depreciation, e.g., 10–20% (simulate outcomes like 50% oil-price surge from Strait threats or 10% global tariff hikes).
- Assess impacts on FX rates, commodity costs, and interest spreads.

For instance the companies in the UK perform and report in the Annual Report, their resilience assessment and viability testing, which covers a range of stress test scenarios including a number of severe yet plausible external events linked back to their principal risks, that include:

- Economic downturn
- Geopolitical crisis
- Climate change

In Pakistan entities like Engro, with cross-border operations, could stress-test capex plans by simulating PKR depreciations of 10-20%.

B. FX Hedging & Natural Offsets

- Use forwards, options; explore natural hedging by aligning receivables and payables in the same currency.
- Partner with banks offering hedging tools tailored for corporates.

Despite severe fluctuations in PKR (285 at FY23-end to 278 by FY24-end and circa 284 at FY25-end), many local entities

In this era of uncertainty, the CFO's role transcends finance - they must become informed geopolitical navigators, safeguarding enterprise value in an unpredictable world.

remain unhedged. Embedding treasury functions and hedging policies can prevent unexpected losses.

C. Diversify Supply Chains & Export Markets

- Reduce exposure to tariff-vulnerable markets by shifting procurement across regions.
- Counter Pakistan-India friction by exploring Central Asian routes.
- For exporters, non-U.S. destination expansion (e.g., EU, Middle East) mitigates tariff risk.

Global trend: Nestle diversified its Mediterranean suppliers post–Suez Canal blockage.
Local strategy: Textile and FMCG companies could shift suppliers to Bangladesh (amid improved political ties), Sri Lanka, or Central Asia.

D. Fortify Liquidity Buffers

- Establish multi-tier cash corridors: operating, contingency, shock.
- Pre-arranged credit lines cushion tariffs-triggered or oil-shock liquidity squeezes.

In FY 2023–24, import restrictions and dollar scarcity forced many to defer capex. Companies like Lucky Cement, with healthy liquidity, continued expansion uninterrupted. Treasury foresight allowed avoidance of costly last-minute FX borrowing.

E. Embrace Value-Based, Sustainable Finance

- leverage ESG-linked financing (e.g., green sukuks, climate bonds).
- Linked financing is attractive amid ESG-linked global interest.

Pakistan's first Green Eurobond ($500 m) via WAPDA in 2021 was six times oversubscribed. Similarly, Lahore WASA's Rs1.6bn "Blue Drop" clean-water bond backed by Japan shows rising interest in sustainability-linked debt. For private sector, green sukuks or climate-linked loans can help finance renewable energy or circular economy investments, while appealing to global ESG-focused investors.

Accountability Under Pressure: Role of Auditors, Boards & Regulators

Financial resilience hinges not only on CFOs but crucially on governance and oversight:

- Auditors must evaluate geopolitical/FX risks in "going concern" assessments - aligned with PCAOB/FRC emphasis on geopolitical risk as an audit risk.

For instance: in the UK, the auditor's reports include following assessment while concluding relating to the Going Concern:

  - o Analyzing the sensitivities applied by the Director's stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected
  - o Continued geopolitical tension and macro-economic downturn, including persistent inflation, high interest rates and weak consumer demand impacting the performance of portfolio companies, including their liquidity

- Boards & risk committees should challenge CFOs with scenario monitoring, hedging policies, and liquidity thresholds - especially critical in Pakistan where fewer boards have formal risk committees.
- Regulators (ICAP, SECP, AOB, SBP) could advance disclosure rules mandating geopolitical risk and FX volatility in financial statements. Benchmarking against global peers, as seen in IFRS's recent climate-risk standards, could fortify transparency.

Turning Headlines into Action Plans

Geopolitical volatility is no longer an outlier - it's the new baseline for finance functions. Pakistani corporates must move beyond static models to embrace adaptive, hedged, ESG-integrated financial strategies. As U.S. tariffs hit historic highs and regional tensions persist, the need intensifies. A strong CFO today isn't just a number-cruncher, rather a geopolitical navigator safeguarding future value.

Key CFO actions:

1. Integrate tariffs and strike-induced oil spikes into budgets (scenario planning).
2. Systematize FX hedging for all major exposures.
3. Diversify procurement and export markets away from single-country dependencies.
4. Build robust liquidity buffers.
5. Pursue sustainability-linked finance to attract ESG-drive capital.

In this era of uncertainty, the CFO's role transcends finance - they must become informed geopolitical navigators, safeguarding enterprise value in an unpredictable world. By adopting proactive methods Pakistani firms can thrive and signal to investors that the country is ready for volatility-resilient prosperity.

The writer is an Associate Chartered Accountant, working as Senior Manager - Audit Quality Assurance at ICAP.

The Era of Circular Economy And Geographical Volatility – Financial Leads & Strategies

Mr. Khizar Hayat, FCA

Circular economy coupled with financial strategies in an era of geopolitical volatility may be subject to both localized & global sustainability trades metrics, economic lusters, collaborative decisions, insurgencies, bilateral settlements, international fundings outplays & factors endorsements.

Capital Pixels

Capital pledging or stagnancy may become a key outcome of circular economic models. Capital blockages may result from:

- Difficulty in offsetting sizeable prorations
- Automatic capital logging due to high transaction volumes
- Extended financial transaction timelines
- Limited consumer spending power versus well-funded energy suppliers
- Public energy providers operating under fiscal constraints

Centralized Inputs & MBOs

Impulsive financial backlogs may be tied to federal allocations or international procurement lags. Since energy products significantly influence economic dynamics, the outcomes may include:

- Occasional high-value bargain gains
- Cartel-based disruptions affecting financial optimization
- Cross-border cost pressure undermining benefit leverage

Settlement Flows

Capital settlements in a circular economy are often dependent on availability of buffer resources. Traditional matching principles (e.g., as used in Western Europe) may have limited application in compressed economies.

In developing nations, "management by expectation" is more common. Delayed flows or diverted channels may lead to volume buildups and settlement inefficiencies. Unclear cost or flow centers can compound these issues.

Contractual Swords

While corporate mutual understandings may be beneficial for companies, they can negatively impact end consumers-especially where public utilities are concerned.

Parity Pushes

Global commodity markets and energy-related activities may increasingly dictate economic interdependence. The reporting of notional currencies during financial time frames could create instability in reserves and capital cushions.

Pricing and Valuation Volatility

End consumers ultimately bear the consequences of:

- Regulated price shifts
- Fluctuations in holdings and asset valuations
- Shutdowns or downtime losses
- Productivity-related financial impacts

Absorption Metrics

Availability of financial leads depends on the depth and consistency of operational cash flows. Financial structuring may rely on:

- Boom-cycle cash flows driven by BMR (Balancing Mechanism Reforms)
- Working capital efficiencies
- Government incentives or concessions
- Mergers, acquisitions, and new product lines
- Capital arrangements and strategic bonds
- Contractual negotiations and bargaining leverage

Free Floats & Stake Alignments

Legislative and regulatory reforms enabling realignment of free floats on stock exchanges could unlock new capital access. Benefits include:

- Increased public equity float
- Improved marketability
- Fresh capital injections
- Competitive transferability through smaller ownership chunks
- Greater public participation via minority stakes
- Enhanced management flexibility due to simplified owner ship transfers
- A viable funding source for clearing legacy liabilities

Normalcy in Operating Cycles

Businesses platinizations may function around robustness of operations fits and flares. Minimal deviations might frame processes delicacies coupled with probabilistic vents & reassurances redefining. Occurrences of abnormal processes rifts may be termed as degrees of businesses cushions of absorptions & survival. Greater degree of loss of standardized runs, magnified chances of processes enrichment & re-modeling of related Techsystems / cash generating units. Recently, upsurges have been imminent for enhanced contributory businesses operating whims around the globe in terms of;

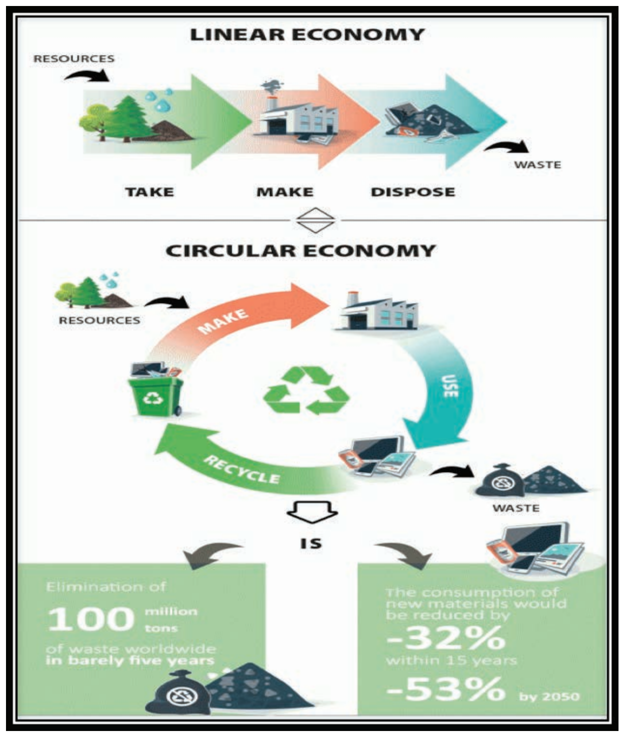
- Climate Risk., Environmental health, Governance Adherences.
- Green Accounting, Sustainable Reporting, Social Excellence.
- Blue Economy, Carbon Accounting, Integrated Reporting.

Planet accounting would surpass over conventional reporting parameters with rigorous follow ups on Global Environmental value additions. Circular Economy may entail recurrences in processes with aims of Value Retention in a Remanufacture through:-

- o Repurpose, Rethink.
- o Refuse, Recover, Recycle.
- o Refurbish, Reduce, Reuse, Repair.

In contrast to linear, circular economy prime outcomes would be halted as :-

- The consumption of new materials would be reduced by -32% within 15 years + -53% by 2050.
- Elimination of 100 million tons of waste worldwide in barely five years.



Circular Financing & Business Maturity:-

In developed geographic spreads, financial agilities may be aromatic around:-

Concept : Own financing

- o Bootstrapping
- o Accelerators
- o Self & family funding
- o EU & government grants.

Launch: Start-up

- o Angels/ family offices
- o Crowdfunding &peer-to-peer finance

- o Hybrid funding & accelerators
- o EU & government grants

Growth: Scale-up

- o Crowdfunding & peer-to-peer finance
- o Hybrid funding & accelerators
- o Venture capital/ private equity
- o EU & government grants

Maturity: Corporate

- o Bank funds
- o Capital markets. funding
- o Corporate venture capital
- o IPO

Expansions: Systemic

- o Institutional investors
- o Public entities
- o Foundations and family offices

There might be three types of economic operating versions ranging from Linear Economy, Re-Use Economy & Circular Economy with traits:-

- Non – recycling waste would be come out as a separate final output in linear version.
- Recycling is a part of production activity yet non-recycling waste would be there as a by products – (reuse version).
- Raw materials/recycling are build as overlapping processes so that there would be zero recycling waste – (Circular Economy).

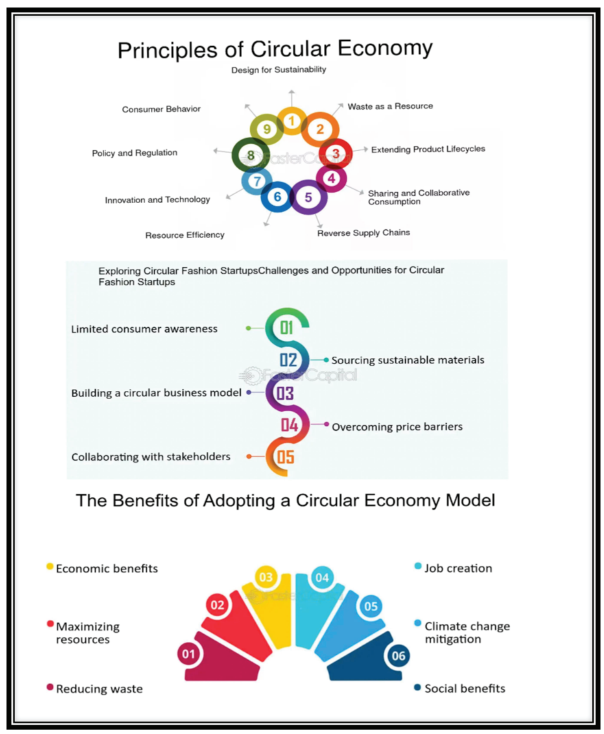
Principles of a circular economy: Glaring constituents are Innovative production , Design products using the correct materials that Can be reused and reduce waste, Support regenerative practices, Support biodiversity and ecosystem restoration, Responsible consumption, Prioritize reuse, repair, and remanufacturing

Zero Turnaround Agility

Operational Agility and Business Responsiveness Must Be Embedded into Organizational Culture at the Strategic Level. Steering Frameworks (BPF – Business Process Futures) Should Define:

- Asset Velocity, Deal Criteria, Bpf Roadmaps, Future Business Reshaping, Ethical Standards, And Information Upgrades
- Workforce Planning, Process Redesign, Reporting Metrics, Future Soft Caps, And Technology Alignment Asian Economies:

In Asia, both circular and traditional economies face major constraints-ranging from hyperinflation and financial flow stagnation to policy inefficiencies and rising capital costs. Limited state support and sudden financial obsolescence further hinder sustainable economic progress.



BENEFITS OF A CIRCULAR ECONOMY

The future is not just product driven..

A circular economy fosters sustainability in industry by helping close the gap between production processes and the Earth's natural ecosystems:

RAW MATERIALS:- [Reducing dependence on importation of raw materials, Replacing end-of-life concept with restoration to extend lifecycle of raw materials].

RECYCLING:- [Replacing end-of-life concept with restoration to extend lifecycle of raw materials].

COLLECTION:- Lowering greenhouse gas emissions and pollution.

CONSUMPTION, USE, REUSE, & REPAIR:- Reducing waste along the supply chain.

DESIGN:- Creating of new green industries and jobs.

PRODUCTION / REMANUFACTURING:- Employing more sustainable processes such as renewable energy.

DISTRIBUTION:- Using technologies that improve efficiency.

CIRCULAR BUSINESS MODEL

It would entail:

- Resources - Nutrients for biological cycles and raw materials for manufacturing.
- Waste Management - Recycling of waste and reusing resources for production.
- Consumption – Responsible consumption and reuse of products and services.
- Production - Redesigning processes, products, services to reduce the usage of resources and using harmless materials & clean energy.
- NATURE + Restoration - Decomposes restore the biological nutrients back and natural cycles restore the resources.

GLOBAL ARENA – SUSTAINABLE FINANCING IN CIRCULAR ECONOMIES

Global Circular Entities Spreads:

Transfusion into Circular Business Model is being undertaken moderately as larger accretions of global entities are still working in linear economic versions. Save in, almost marginally entities are meeting climate goals.

Circular Ecosystems:

Circular Business: John Deere , PepsiCo.
Take Back Systems: AT&T , Intel, IBM, Verizon, Nike, Microsoft, Oracle.

Activities are aligned with the Paris Climate Goals (2°C - 1.3°C global warming).

Investments Potential:

Brief outlays of Global Circular Economy Market, would be trending into below mentioned realms based on market research (2024-2034)

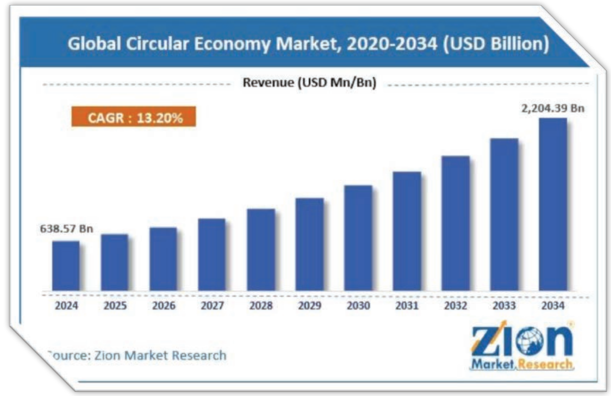
Figs in USD Billion - Revenue Source: Zion Market Research:-

- Average CAGR: 13.20%.
- 638.57 Bn in 2024.
- 2,204.39 Bn in 2034.

Future Pictorial:

The penetration rate of 'circular economy' (global comparison), key metrics are:-

- Currently, there are 12 countries in total which are dominant.
- Singapore, Thailand, Vietnam, China , Germany India, Japan, UK, US, Indonesia, Malaysia, Philippines.
- Penetration rate is superb in case of China [26.4% Vz 64.4%] while least in case of Japan [21.2% Vz 8.4%] about awareness/understanding regarding circular economic dimensions.
- Aggregate penetration is 23.5% - (I have heard of it) while 39.2% - (I understand what it means).



Pakistan Circular Economy Layouts:

Pakistan is devising/trending towards financial excellences in circular economy by stepping through:-

- Ensuring Water + Food Security.
- Energy Efficacies.
- Exports Entrepreneurship.
- E – Pakistan Initiatives – Empowering soft skills.
- Equity – (Education, Health + Population) Facilitations.

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Navigating the Nexus: Financial Strategies in an Era of Geopolitical Volatility and Economic Uncertainty

Mr. Muhammad Hasnain, FCA

The financial world is no longer just about spreadsheets and economic forecasts. It is about understanding the massive tectonic shifts happening across the globe-shifts driven by politics, power and international conflict. Over the past decade, we have seen just how fragile markets are in the face of geopolitical volatility. The U.S.-China trade war, the ongoing Pakistan-India standoff, the Russia-Ukraine crisis and a global pivot toward protectionism have all been critical disruptors. These events have shattered the illusion that financial markets can exist in a vacuum of economic theory, proving that politics is and always has been, inextricably tied to finance. It is no longer enough to simply watch GDP growth or inflation rates. We need to recognize the real-world consequences of real-time decisions in politics and global power plays. Today's financial strategies are more than just numbers-they are about predicting, navigating and responding to a world that's unstable, unpredictable and fundamentally changed. The consequences of ignoring these shifts are severe: lost opportunities, devastated investments and an inability to manage risks effectively.

The Geopolitical Landscape: A Decade of Disruption

The last decade has tested our assumptions about geopolitical risk and its financial impact. In South Asia, the ongoing conflict between Pakistan and India has led to periodic flare-ups that ripple across regional trade, energy markets and even investor confidence. This isn't just "far-off" news-it's a stark reminder of how regional tensions can destabilize entire sectors. Energy prices, military spending and cross-border trade are all at the mercy of political brinkmanship and those who fail to account for this volatility will pay the price.

The Russia-Ukraine conflict has taken center stage as another monumental disruption. Western sanctions on Russia have shocked energy markets, upended global supply chains and fundamentally altered international trade routes. We have seen firsthand how military conflict can create shockwaves far beyond the battlefield, underscoring the deep connection between geopolitics and global finance. This isn't a theory-it's reality. Nations must reevaluate their economic strategies, because the price of not doing so is steep.

Similarly, the U.S.-China trade war didn't just hurt two countries-it rocked industries around the world. Tech, agriculture and manufacturing were all hit hard by tariffs, trade barriers and shifting regulations. Global supply chains were disrupted and markets reeled under the uncertainty. The U.S.-China dynamic is far more than just a bilateral issue-it is a new economic battleground that affects every investor, every market and every global transaction. Investors who ignore this risk are putting their portfolios at serious risk.

Geoeconomics: The Intersection of Finance and Political Strategy

This isn't just about trading stocks anymore. It's about geoeconomics, where nations use economic tools to advance political objectives. We have seen countries leverage resources-such as energy and trade agreements-to enhance their global influence. Others have employed tariffs and sanctions as strategic instruments to assert their political power on the world stage. In this environment, financial strategies must evolve. Investing is not just about profit anymore-it is about understanding the political context in which profits are made. Sanctions, tariffs, trade wars—these are tools of economic warfare. And just like any war, there are winners and losers. Investors need to recognize that financial markets are no longer just passive responders to market conditions-they are active players in a much larger geopolitical struggle.

Risk Management in the Age of Geopolitical Volatility

Risk management strategies need to reflect this new reality. Investors can't simply rely on traditional metrics anymore. Geopolitical risk is no longer a niche concern—it's central to investment decisions. Whether it is the political instability of South Asia or the military tensions in Eastern Europe, these factors have real, tangible impacts on markets. Investors must ask themselves: how can I diversify my portfolio to shield against these risks? How can I position myself to take advantage of the shifting global order?

The answer is geopolitical diversification. This means spreading investments across regions and sectors to ensure that no single geopolitical risk can wipe out your portfolio. In an increasingly volatile world, the old strategies no longer work. Investors must be proactive-anticipating geopolitical risks rather than reacting to them.

For many, this means looking beyond traditional safe havens. Gold, commodities, and government bonds are still viewed as reliable refuges during times of uncertainty. But they alone won't guarantee success in this new era. Investors need to think creatively-whether that means tapping into emerging markets, pivoting toward sustainable energy investments, or diversifying into industries that are less susceptible to geopolitical disruption.

Scenario Forecasting: Adapting to a New Financial Paradigm
Investors today must look beyond historical data and make strategic predictions about what comes next. Scenario planning is not optional-it's essential. We must consider what happens if tensions between Pakistan and India escalate, or if the U.S. and China engage in full-blown economic warfare. These aren't abstract possibilities-they're real threats that need to be factored into investment strategies.

By forecasting potential geopolitical outcomes, investors can position themselves to capitalize on opportunities-or, at the very least, minimize losses. It's not just about reacting to events as they unfold; it's about anticipating those events before they happen. Scenario forecasting enables investors to adapt swiftly and strategically to a rapidly changing global environment.

Adapting Financial Strategy for an Uncertain Future

The past decade has shattered the illusion that financial markets operate in isolation from the political landscape. From tensions in South Asia to the upheaval in Eastern Europe and the U.S.-China trade conflict, it's clear that financial strategies must evolve to account for geopolitical volatility. The era of passive investing is over. Investors must now be active participants, factoring in the risks posed by geopolitics into every decision they make.

To navigate this new reality, financial strategies must combine economic insight with a deep understanding of global politics. Those who succeed will be the ones who don't just survive in this volatile environment-but who thrive by anticipating and adapting to the changes around them. In the end, the most successful investors won't just be the ones with the most money-they'll be the ones who understand that in today's world, finance and geopolitics are inseparable.

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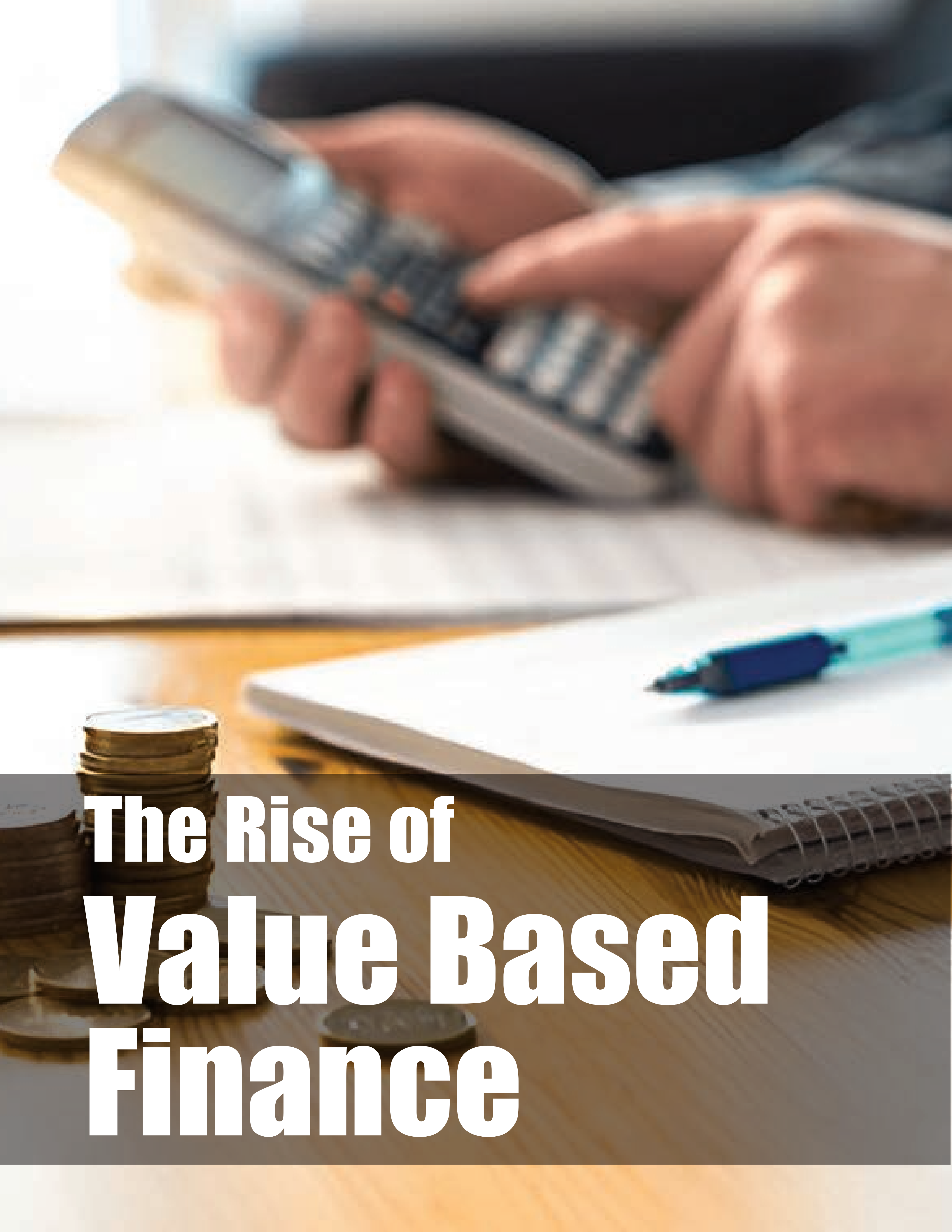

The Rise of Value Based Finance

Value Beyond Profit: The Rise of Value-Based Finance

Mr. Faizan Muneer, ACA

"Stakeholder capitalism is no longer a choice – it is a necessity. Value-based finance must guide the future of investment and corporate governance" – World Economic Forum

The rise of value-based finance is a paradigm move in capital allocation across the globe. It is different from traditional business and financial models that primarily focuses on maximizing profit and shareholders' return. Recently, the global financial landscape has experienced a melodramatic revolution. This emerging paradigm shift does not on focuses on maximizing profit but long-term sustainability, ethical considerations and broad-spectrum impact of investment on society and the environment. This approach focuses on creating a financial system that benefits both people and the planet aligning with the United Nations Sustainable Development Goals. Value-based finance attempts to create a balance between profit maximization and purpose beyond profit. Benefits associated with value-based financing includes:

i. Sustainable and resilient economic growth
ii. Address social encounters and rally wellbeing of societies
iii. Recommend transparency and culpability leading to enhanced governance practices
iv. Build trust and sureness in the financial system

Key Drivers of the Paradigm Shift

- **Regulatory Pressure:** Global and local regulators, including in Pakistan, are mandating organizations to assess environmental risks and align investment and lending decisions accordingly. The State Bank of Pakistan, for instance, encourages banks to develop green financing portfolios for renewable energy, energy efficiency, and sustainable projects.
- **Climate Change Impact:** Climate change has underscored those financial systems can no longer remain neutral. Extreme weather, resource scarcity, and the push for net-zero emissions are driving investors to factor in environmental risks and sustainability opportunities.

Climate risk is investment risk. We believe that sustainable investing is the strongest foundation for client portfolios going forward – Larry Fink, CEO BlackRock

- **Millennial and Gen Z Investors:** Younger generations prioritize ethical and sustainable values in their financial decisions, reshaping wealth management and increasing corporate accountability.
- **Stakeholder Focus:** Companies are now expected to serve all stakeholders-not just shareholders-which has driven the rise of ESG reporting and social responsibility.

Value creation must not be limited to shareholders. Companies should serve all stakeholders - employees, consumers, society, and the planet. Emmanuel Faber- Former CEO Danone

Instruments of Value-Based Finance

The instruments of value-based finance include the following:

- Green bonds – where the funds are utilized for renewable energy projects and renewable efficiency.
- Social impact bonds – where the funds are utilized for public services such as for education of under privileged

children, providing shelter to homeless people, investing in establishing old-age homes.

- Sustainability linked loans –interest rates are tagged with mortgagors ESG performance.
- Community Investment Funds – aim to serve regions or social groups promoting inclusive economic growth.

Role Models that Successfully Implemented Value Based Finance

Integrating ESG and purpose into financial strategy is not a trade-off – it is a competitive advantage. McKinsey & Company

Following are few leading cases that have efficaciously instigated this approach and have integrated financial decisions with long term value creation through combining ESF factors.

- Unilever - Linked executive compensation to ESG targets
- Danone – Issued sustainability bonds knotted to ESG performance
- Novo Nordisk – Issues green bond and linked capital allocation to social impact in diabetic treatment
- Philips – Integrated ESG metrics into investors report and linked financing to health results.
- Enel (Italy) – Issued sustainability linked bonds tied to renewable energy targets
- Schneider Electric – Integrate ESG into financial planning by using internal carbon pricing.

How to Build a Value-Based Financial Plan

Value-based finance isn't limited to organizations-individuals can adopt it in their personal financial planning as well. Consider a successful professional committed to environmental sustainability and community service. Their financial plan reflects both long-term goals and core values. They allocate a significant portion of their investments to socially responsible funds with strong ESG (Environmental, Social, and Governance) practices. Asset managers regularly review these to ensure alignment with financial and ethical goals. They also establish a charitable trust to support local environmental causes, gaining potential tax benefits while making a meaningful impact. For their children's future, they invest in low-cost, ESG-focused education savings accounts that promote responsible investing.

Finally, their retirement plan includes a mix of conventional and Roth IRAs focused on ESG-aligned funds. By integrating personal values and social responsibility into everyday financial decisions, individuals can create plans that not only build wealth-but also drive positive change.

Future Leaders Shall Embrace Value-Based Finance

Future leaders should embrace value-based finance to safeguard long-term organizational success, establish sustainable businesses, and ally with societal standards. By converging on value creation and impact, they can fascinate and retain talent, improve financial performance, and generate positive consequences for all stakeholders.

Value-based financing is decisive for future leaders due to the following motives:

- Accentuates sustainable practices, contributing to the long-term viability of organizations and their capability to erode economic recessions.
- To compel employer brand image and foster a culture of purpose that may ultimately lead to employee motivation and retention.
- Better financial outcomes through improved efficiency, reduction in costs, and creating more revenue.
- Bring into line financial decisions with hazier societal goalmouths, contributing to a more sustainable and equitable realm.
- Reassures innovation by recognizing prospects to create value through new products, services, and technologies.
- Promotes transparency and culpability by mandating the organizations to explicitly and concisely define and quantify their value creation efforts.

Challenges in Implementing this Paradigm Shift

Implementing a value-based finance model presents several challenges for organizations which are enumerated below:

- Value-based finance requires cultural shift which may include new objectives, performance parameters and reward system to which the employees may show resistance.
- Lack of understanding that how the roles of the employees will contribute and make difference in this new regime.
- There is no clear metric to determine that companies' claiming about their ESG practices are overstated, a practice known as greenwashing. Further, as rating standards for ESG are not always constant, therefore it is difficult to judge the positive correlation of investment vs ESG factors.
- Organizations may go through the gesticulations of computing value metrics without fully integrating them into their management processes leading to "value veneering" where the presence of value-based finance is espoused without the substance.
- Ranking values over financial performance may lead to lesser returns, particularly where elected investments flounder as compared to competitive market.
- Fit in personal values into a financial plan can be thought-provoking, as it requires both in-depth evaluation and a consideration of how different investments align with values.

Value-based financial planning merges financial strategy and personal values, letting individuals as well the organizations to attain their monetary goals while remains devoted to their core beliefs. By arranging what matters most - whether that's sustainability, social responsibility or community impact - this style intends to foster an innate connection to financial decisions, leading to heightened gratification and self-actualization. Irrespective of possible challenges connected with this approach, such as more limited investment opportunities and overexposure to certain diligences, the benefits of aligning your funds with your personal belief, values & ethics may compensate the downsides.

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Midas Transformed: The Rise of Value-Based Finance and the Future of Capitalism

Mr. Muhammad Hunain, FCA

Capitalism stands at a crossroads, one that demands a transformative shift. Traditional capitalism, which once viewed profit as the sole marker of success, is increasingly being questioned, especially as it fails to address global challenges like climate change, wealth inequality and social injustice. The pressing need for a new form of capitalism-purpose-driven capitalism-is undeniable. At the heart of this transformation lies the rise of value-based finance, a model that aligns financial returns with purpose, sustainability and inclusivity.

For decades, capitalism operated with a singular focus: maximize shareholder value, often without regard for the social or environmental consequences. However, the narrative is changing. As global crises unfold and a new generation of socially conscious investors emerges, we find ourselves pivoting towards a more holistic approach to capitalism-one that measures success not just in monetary terms, but in how businesses positively impact society and the environment. This shift, driven by value-based finance, emphasizes the long-term, sustainable benefits of responsible business practices.

Rethinking Capitalism: A Shift Towards Purpose-Driven Economics

Capitalism, in its classical sense, has undeniably driven immense wealth creation and technological advancements. However, it has also perpetuated systemic inequalities and fostered a growing divide between the wealthy elite and the disenfranchised. The 2008 financial crisis laid bare the flaws of the old model-unchecked greed, systemic failure and an overemphasis on profit at the cost of people. The crisis underscored the urgent need for a purpose-driven capitalism that is not just about financial growth, but about creating a fairer, more equitable society.

Now, as the world confronts critical challenges—be it climate change, economic disparities, or the disruptive influence of digital technologies-the limitations of the old capitalist framework are becoming apparent. What is now required is a new economic system, one that balances wealth creation with social responsibility, environmental stewardship and long-term sustainability. Value-based finance provides the blueprint for this transition by ensuring that profit is no longer the sole indicator of success.

Value-Based Finance: The Future of Investment and Capital Allocation

Enter value-based finance-the cornerstone of this new, evolved capitalist model. This paradigm places Environmental, Social, and Governance (ESG) criteria at the forefront, aligning investment decisions not only with financial returns but also with the positive social and environmental impacts companies can make. Investors are no longer solely focused on quarterly profits, but on how their capital can drive systemic change and address global challenges.

In this new landscape, value-based finance ensures that financial returns and societal benefits go hand-in-hand. Companies that integrate ESG principles into their strategies are demonstrating that doing good does not mean sacrificing profits. Rather, they are proving that purpose-driven capitalism can deliver sustainable, long-term value to all stakeholders-customers, employees, investors and the planet.

The Business Case for Impact-Driven Capitalism

This shift toward purpose-driven capitalism raises an essential question: Can businesses thrive in a model that prioritizes social and environmental impact alongside profit? The answer is a resounding yes.

Numerous studies have shown that companies focused on ESG factors consistently outperform their peers in the long term. This is especially true in emerging markets, where the potential for growth and impact is particularly high. In fact, impact investments often yield superior returns, as businesses that prioritize sustainability and social responsibility tend to build stronger brand loyalty and customer trust. Value-based finance is proving that when companies are driven by purpose, they can achieve both financial success and a positive societal impact.

Furthermore, as younger generations demand more from the companies they engage with-seeking employers and brands that align with their values-companies that embrace purpose-driven capitalism are better positioned to attract top talent and maintain a competitive edge.

A Vision for a Social-Ecological Market Economy

To create the type of Social-Ecological Market Economy that will define the future, businesses must think beyond short-term profit maximization. They must prioritize social justice, environmental sustainability, and the long-term well-being of all stakeholders. The shift requires a redefinition of success—one that goes beyond just financial growth and includes meaningful contributions to society.

At the heart of this transformation is purpose-driven capitalism, a model that challenges businesses to create economic value while enhancing societal welfare and ensuring ecological responsibility. Value-based finance is the key to unlocking this new economic paradigm, where profits are balanced with purpose and sustainability.

Leadership and Accountability in the New Capitalist Era

As we transition to this new economic paradigm, leadership will be critical. The future of capitalism requires leaders who are not just concerned with financial performance but also with the broader impact their decisions have on society and the environment. This calls for a mindset shift-one that recognizes business as a force for good, not just for profit.

Business leaders must lead with integrity, take responsibility for their impact and advocate for change. They must be willing to speak out on social justice, equality and environmental sustainability, even when it is not easy. Ultimately, success in the future will be measured not by profits alone, but by the lasting, positive impact a business has on the world. Purpose-driven capitalism demands leaders who act with both moral courage and business acumen.

The Future of Capitalism: A More Inclusive, Equitable, and Sustainable Economy

The rise of value-based finance signals the dawn of a new era for capitalism. In this model, economic growth is not just a measure of financial success-it is a means of fostering social inclusion, environmental responsibility and ethical governance. This new economic order will ensure that wealth creation benefits everyone, not just the privileged few.

The future of capitalism will be one where purpose is integrated into profit, and businesses thrive not just by making money, but by making a positive difference in the world. The question is no longer whether this model can work-but whether businesses, investors, and governments are ready to embrace it.

The Time for Change is Now

We stand at a pivotal moment in history. The rise of value-based finance offers a unique opportunity to reshape capitalism into a force for good. By prioritizing people and the planet alongside profits, we can create an economic system that is more inclusive, sustainable and just.

This is not just a moral imperative-it is a business imperative. The future of capitalism depends on our ability to shift toward purpose-driven business models that focus on long-term value creation, equity, and environmental sustainability. The time for change is now, and we must act to ensure that this transformation is realized.

The writer is a Fellow Chartered Accountant with extensive experience in logistics and manufacturing sector.

The Rise of Value-Based Finance

Mr. Masood Zaman, ACA

Introduction

The global financial landscape is experiencing a structural transformation as value-based finance (VBF) emerges as a compelling alternative to traditional profit-maximization models. At its core, VBF represents a strategic realignment-one that integrates environmental, social, and governance (ESG) considerations into capital allocation, investment, and risk assessment. This evolution reflects mounting pressures from climate change, regulatory reforms, and a generational shift in investor priorities.

No longer a peripheral trend, VBF is rapidly becoming a mainstream financial paradigm. It challenges institutions to redefine success not solely in terms of shareholder returns, but through the creation of long-term value for a broader set of stakeholders, including communities, ecosystems, and future generations.

Defining Value-Based Finance

Value-based finance can be broadly defined as a financial approach that aligns capital deployment with societal and environmental objectives, while maintaining fiduciary responsibility and risk-adjusted returns. The model rests on four foundational pillars:

1. **Stakeholder Capitalism:** Extending fiduciary duty beyond shareholders to include employees, consumers, suppliers, communities, and the environment.
2. **ESG Integration**: Systematically embedding ESG factors into investment analysis, credit assessments, and portfolio construction.
3. **Impact Investing:** Allocating capital to enterprises and initiatives that deliver measurable positive social or environmental outcomes alongside financial returns.
4. **Long-Termism:** Shifting away from short-termism in financial markets to emphasize sustainable, inclusive, and resilient growth trajectories.

VBF thus reimagines the function of finance-from a mechanism of capital accumulation to an enabler of sustainable development.

Key Drivers Behind the Shift

1. Evolving Investor Preferences

Institutional and retail investors are increasingly demanding investment products that align with ethical and sustainability criteria. According to a 2023 Morgan Stanley Institute for Sustainable Investing report, 85% of U.S. individual investors now consider ESG factors in their investment decisions, a figure that rises to 95% among millennials. Institutional allocators, such as sovereign wealth funds and pension schemes, are embedding ESG mandates into their investment policies.

2. Regulatory and Policy Imperatives

Governments and international bodies are reinforcing ESG integration through policy instruments and mandatory disclosure frameworks, including:

- EU Sustainable Finance Disclosure Regulation (SFDR)
- U.S. SEC Climate-Related Disclosure Rules
- Task Force on Climate-Related Financial Disclosures (TCFD)

These frameworks are catalyzing transparency, accountability, and comparability, fostering an environment conducive to VBF adoption.

3. **Corporate Responsibility and Reputational Risk**

Organizations that neglect ESG risks face reputational damage, regulatory fines, and declining investor confidence. Conversely, firms with robust ESG strategies often report enhanced brand equity, customer loyalty, and access to capital.

4. **Climate Risk and Resource Scarcity**

As the financial sector acknowledges that environmental degradation translates into material financial risk, there is a marked pivot toward climate-aligned investing. Financial institutions are rebalancing portfolios by divesting from high-carbon assets and channeling capital into renewables, climate tech, and circular economy models.

5. **Technological Enablement**

Technologies such as artificial intelligence, blockchain, and big data analytics are advancing ESG data collection, impact attribution, and risk modeling. These tools are essential for scaling VBF by enhancing transparency, comparability, and decision-making precision.

Value-Based Finance in Action

1. **Green Bonds and Sustainability-Linked Instruments**

The global green bond market surpassed $2 trillion in cumulative issuances by the end of 2023. These instruments fund initiatives such as clean energy, low-carbon transport, and climate adaptation. Sustainability-linked loans (SLLs), which tie loan terms to ESG performance metrics, are also gaining traction, offering a mechanism to incentivize responsible corporate behavior.

2. **Impact Investing and Social Bonds**

Impact investors are targeting sectors such as affordable housing, primary healthcare, and inclusive education. The global social bond market, with annual issuances exceeding $300 billion, demonstrates growing investor appetite for instruments that deliver measurable societal outcomes.

3. **ESG Risk Integration in Banking**

Leading banks-JPMorgan Chase, HSBC, BNP Paribas, among others-have institutionalized ESG risk screening across lending and investment portfolios. Many have committed to net-zero emissions by 2050 through science-based targets and sector-specific transition strategies.

4. **Stewardship and Active Ownership**

Institutional investors are leveraging shareholder influence to accelerate ESG performance. High-profile cases, such as BlackRock's climate-voting policy and Engine No. 1's successful board campaign at ExxonMobil, exemplify how stewardship is reshaping corporate governance.

Structural Challenges and Critiques

While VBF presents a transformative agenda, several critical challenges must be addressed to realize its full potential:

1.**Greenwashing and Misrepresentation**

Superficial or misleading ESG claims undermine market integrity. Regulatory bodies are intensifying scrutiny through clearer guidelines and enforcement actions.

2.**Fragmentation of ESG Metrics**

The lack of standardized ESG metrics and reporting frameworks leads to inconsistent assessments. Initiatives such as the International Sustainability Standards Board (ISSB) and the EU Corporate Sustainability Reporting Directive (CSRD) aim to harmonize global ESG disclosures.

3. **Inertia of Short-Termism**

Despite the shift toward long-term value, market pressures for quarterly performance remain pervasive. This cultural and structural inertia can dilute the commitment to sustainability objectives.

4.**Resource Constraints in Implementation**

ESG integration entails significant costs, especially for smaller firms and emerging markets. Ensuring equitable access to data, tools, and technical capacity is essential for inclusive adoption.

Outlook: What Lies Ahead

The trajectory of value-based finance is marked by acceleration, institutionalization, and innovation. Key future developments include:

- Mainstreaming ESG Investing: ESG-aligned assets are projected to represent over one-third of global AUM by 2025.
- AI-Enhanced Impact Analytics: Sophisticated tools will enable real-time ESG risk monitoring and more nuanced impact attribution.
- Blended Finance Structures: Hybrid capital models combining public, philanthropic, and private capital will unlock financing for high-impact sectors in developing economies.
- Convergence of Global Standards: Greater regulatory alignment will improve comparability, mitigate greenwashing, and enhance investor confidence.

Conclusion

Value-based finance signals a paradigmatic shift in how financial institutions operate and define success. It aligns capital markets with the imperatives of sustainability, inclusivity, and resilience-creating a more purposeful financial system. While the transition poses challenges in terms of standardization, transparency, and cost, the long-term benefits-enhanced risk management, stakeholder trust, and societal legitimacy-are profound.

For professionals in finance, policy, and investment, embracing VBF is not merely an ethical imperative-it is a strategic necessity in a world where sustainability is increasingly synonymous with profitability.

The writer is an Associate Chartered Accountant working as Director Finance at Synergy Group.

Value-Based Finance: The Emergence of Investment Ecology

Mr. Usman Farooq, ACA

Mission of Reshaping the Future of Money

In a universe where society, the planet, and ethics play an increasingly shaping role, this is a silent revolution and a necessary transition for the world of finance. It is not pure, aggressive speculation or short-term arbitrage but the work of values. “Value-based finance” is becoming a new way of looking through the investment lens, looking not only for returns, but for impact.

Value-based finance is a set of financial practices that integrate financial decisions with a wider set of humans, planetary and social values. It goes beyond the binary view of risk and returns to incorporate a third essential axis: “impact.”

Where conventional finance is all about the bottom line, value-based finance bases its decisions on sustainability, social justice and environment stewardship over the longer term. It means divesting in fossil fuels, investing in renewables, building local inclusive economies, and increasing financial access in communities that have gone underserved.

Why Now?

There are a variety of global challenges in the 21st century, from climate change and the growing gap between the haves and have nots to chronic instability in geopolitical hotspots as well as exclusion from the financial system. The COVID-19 crisis revealed additional cracks in our healthcare systems, supply chains and financial markets.

But it also changed consumer and investor mind-sets. An estimated 85% of U.S. investors are interested in sustainable investing, according to a 2023 Morgan Stanley survey, while 95% of millennials would only make investments with environmental and social considerations in mind, a 2014 MSCI survey found. In 2020, total global sustainable investment amounted to $35.3 trillion, more than one-third of all assets managed professionally, based on GSIA.

This is not a momentum restricted to individuals. Increasingly, institutional investors, banks and pension funds are adopting value-based approaches. Norway’s $1.6 trillion sovereign wealth fund, one of the biggest in the world, has stopped investing in companies connected to environmental destruction or human rights abuses.

Real-World Impact in the Flesh

1. Triodos Bank (Netherlands)

Triodos was established in 1980 and is a leading light in ethical banking. It funds renewable energy, organic agriculture and social enterprises. In 2022 itself, it financed over 500 clean energy projects that could power more than 6.5 million households.

2.CalPERS (California Public Employees' Retirement System)

CalPERS, the U.S. largest pension fund, has pledged to climate-proof its portfolios. It has stepped up further in 2023 and stepped up its allocation to green bonds and climate-related infrastructure, moving away from just avoiding risk to being part of the solution.

3.Kiva (Global)

As a p2p micro lending platform, Kiva enables people to lend as little as $25 to low-income entrepreneurs across the globe. With more than $1.9 billion in loans disbursed since it was founded, Kiva is a model of how democratized finance can benefit underprivileged communities while providing modest, but significant, returns.

The E.S.G. Boom and Its Challenges

An example, perhaps more visible than the rest, of value-based finance is Environmental, Social, and Governance (ESG) investing. There has also been significant growth in assets managed using ESG criteria that is over $8.4 trillion in the U.S. (alone) in 2022 (US SIF).

Still, the ESG movement is not without its critics. Their critics say many ESG funds have little to distinguish them from conventional portfolios and are prone to "greenwashing." A report in 2022 by InfluenceMap, a think tank, found that 55 percent of ESG-themed funds were not in line with the Paris Climate Agreement.

This has led to calls for standardized reporting and third-party audits. In response to such discrepancies, the IFRS Foundation introduced in 2021 the International Sustainability Standards Board (ISSB). The goal: bringing new levels of transparency and integrity to value-based financial disclosures.

Regulation, Policy and The Government Push

Governments too, are leaning in! The European Union's Sustainable Finance Disclosure Regulation (SFDR), which took effect in 2021, requires financial firms to measure and account for investments with a sustainability focus. And in the United States, the SEC has proposed regulations to mandate the disclosure of climate risks and emissions by public companies.

These rules mark an important pivot in how financial health is measured, not merely in profits but in planetary and social impact. Carbon pricing, green taxonomies and requirements for ESG disclosures are gradually being baked into financial governance.

The Technology Factor

Fintech has a critical role in facilitating this value-based finance. Digital marketplaces are opening up impact investing to the masses, with sites that allow potential investors to screen stocks based on ethical considerations. Apps such as Aspiration, Betterment and OpenInvest enable users to develop a portfolio that reflects their values.

New channels are being created by blockchain technology as well. Projects such as SolarCoin and Verra leverage blockchain to track and reward sustainable behaviour, promoting value based finance with a higher level of transparency and traceability.

Critics and Caveats

To be sure, value-based finance is not without its doubters. Critics say it could sacrifice financial returns or use subjective measures too heavily. But a meta-analysis by NYU Stern and Rockefeller Asset Management (2021) of all available research concluded that 58% of studies reveal that ESG is positively correlated with financial performance, against 8% that show a negative correlation. The remaining studies showed neutral 13% or mixed 21% results.

This is a sign that doing good can indeed be synonymous with doing well especially since companies with good governance and sustainability practices tend to be more resilient, particularly during market downturns.

The Future: When Niche Becomes Norm

A changing of the guard is happening as we are seeing it right now. An area that was recently the (scrappy) province of mission-driven investors is going mainstream. The BlackRock, the world's biggest asset manager, has declared sustainability its "new standard for investing. Financial institutions are beginning to realize that long-term value creation involves more than just spreadsheets.
And maybe that is the most important change of all: Value, it turns out, is not exclusively a number. It is a story with characters, plot, and purpose!

Not Just a Flash in The Pan But A Matter of Paradigm

One best understood as the emerging consensus that our financial architectures cannot just serve themselves. Whether you are an investor, a consumer, a government official, the future of finance depends on how we save, invest, plan and protect what we value. That will be determined increasingly not by profit but by principle.

We are no longer asking 'can we afford to invest in values.' The question is: "Can we afford not to?"

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Next-Gen Reporting: Real-Time, Predictive, Transparent

THE CFO'S NEW EDGE: DATA-DRIVEN, FUTURE-FOCUSED REPORTING

Mr. Sikandar Iqbal, ACA

Imagine driving a car using only the rear-view mirror. That's how traditional financial reporting has worked for decades, looking backward, summarizing what already happened. But in today's fast-paced world, businesses need more than just hindsight. They need real-time insights, predictive foresight, and transparent data to make smarter decisions, faster.

1. Real-Time Reporting: From Monthly Closes to Instant Insights

Real-time reporting means having access to financial and operational data as it happens-not days or weeks later. It's like checking your bank balance on your phone instead of waiting for a monthly statement.

"Real-time reporting means having access to financial and operational data as it happens-not days or weeks later. It's like checking your bank balance on your phone instead of waiting for a monthly statement."

Why It Matters

- Faster decisions: Managers can act on issues immediately -like spotting a sudden drop in sales or a spike in costs.
- Better accuracy: Errors can be caught early, not after the books are closed.
- More agility: Businesses can pivot quickly in response to market changes.

Real-Life Example

As of today, many companies have direct Power BI dashboards linked with their enterprise system and all reports and transactions are visible in the dashboards in real time. All stakeholders could see their relevant numbers in real time-no more waiting for reports.

2. Predictive Reporting: Seeing Around Corners

Predictive reporting uses data analytics and AI to forecast what's likely to happen next. It's not just about what happened-it's about what's coming.

Why It Matters

- Proactive planning: Instead of reacting to problems, you can prevent them.
- Smarter budgeting: Forecasts become dynamic, not static.
- Risk management: Early warnings help mitigate financial and operational risks.

Real-Life Example

We are working in house on forecasting our financial results based on historical trends and current market trends along with live indexes, all is being done with the help of AI and results are around 80% accurate.

3. Transparent Reporting: Trust Through Clarity

Transparency in reporting means making data easy to understand, traceable, and accessible to the right people. It's about building trust—internally and externally.

Why It Matters

- Investor confidence: Clear reporting builds credibility with stakeholders.
- Regulatory compliance: Transparent systems reduce the risk of errors or fraud.
- Employee empowerment: Teams make better decisions when they understand the numbers.

Real-Life Example

As mentioned previously, self-service BI tool now allows relevant people to drill down into their own cost centres. Suddenly, finance wasn't a black box, it was a shared language. Budget conversations became collaborative, not confrontational.

The Tools Powering the Shift

Here are some technologies making Next-Gen Reporting possible:

- Cloud ERPs (like SAP S/4HANA, Oracle Cloud): Enable real-time data access.
- Business Intelligence platforms (like Power BI, Tableau): Turn data into visual stories.
- AI & Machine Learning: Power predictive models and anomaly detection.
- APIs & Integrations: Connect systems for seamless data flow.

The Role of Accountants: From Scorekeepers to Strategic Advisors

As reporting evolves, so does our role as finance professionals. We're no longer just preparing reports—we're interpreting them, challenging assumptions, and guiding strategy.

To thrive in this new world, we need to:

- **Learn new tools:** Get comfortable with data visualization, analytics, and automation.
- **Think like analysts:** Ask "why" and "what's next," not just "what happened."
- **Collaborate across functions:** Partner with IT, operations, and marketing to connect the dots.

Challenges to Watch For

Of course, the journey isn't without bumps:

- **Data quality:** Real-time insights are only as good as the data behind them.
- **Change management:** Not everyone is ready to give up spreadsheets.
- **Cybersecurity:** More data access means more risk-controls are critical.

But with the right mindset and governance, these challenges are manageable.

The Future Is Now

Next-Gen Reporting isn't a buzzword-it's a business imperative. In a world where change is constant, the ability to see clearly, act quickly, and plan wisely is a competitive edge. As finance professionals, we have a unique opportunity to lead this transformation. Let's embrace the tools, sharpen our skills, and help our organizations move from hindsight to foresight.

Because the future of reporting isn't just about numbers-it's about narratives, insights, and impact.

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Learning on the Job: A View from the Audit Frontlines

Mr. Qasim Ali Riaz, ACA

I'll be honest when I first started my career in external audit a few years back, I saw financial reporting as something that happened after all the hard work was done. The books would close, the finance team would gather their numbers, and then we auditors would check to make sure everything was in order. Back then, reporting felt like a final step, almost like looking in the rearview mirror after the journey. Reporting, in that sense, felt static.

But things have changed quite a bit since then. Over time and now as a qualified Chartered Accountant, I've realized that reporting isn't just about looking back anymore. It's becoming a real-time, dynamic tool that helps companies stay ahead. I've had the privilege of working as an external auditor with clients across various industries in Pakistan and the Middle East, and I've seen firsthand how forward-thinking finance teams are embracing the next generation of reporting.

When Reporting Was "Too Late"?

One example that really stuck with me was an audit client abroad. Initially, their inventory reporting was frustratingly slow. Adjustments to stock levels were often recorded days after month-end long after the financial statements were supposed to be finalized. We'd find ourselves chasing papers and explanations well after closing, making the audit more complicated than it needed to be. It wasn't just inefficient it was a risk.

About a year later, they made some improvements. They brought in a new system that updated inventory data automatically, almost instantly. Suddenly, adjustments were reflected in the numbers as they happened. The month-end process became smoother and a lot less stressful. Their finance team wasn't just catching up anymore they were keeping pace in real time.

Real-Time Reporting: A Strategic Asset

In another audit assignment with a mid-sized manufacturing company, the finance team was using live dashboards to track daily production costs not fancy, just practical tools to monitor raw materials, machine usage, and energy expenses.

They didn't wait until the month was over to spot problems. If labor costs spiked on a particular day, they knew immediately. If production dipped below expectations, someone got an alert right away. When I audited them, it was clear that variance analysis had become an ongoing conversation, not just a boring spreadsheet buried in a report.

This made me realize how powerful real-time data can be. It gives finance teams a way to act fast, rather than just explaining things after the fact. This experience is echoed globally as well. A recent study by KX and the Centre for Economics & Business Research found that 80% of companies reported a revenue increase due to the utilization of real-time data. These tools don't just inform, they empower. They gave the finance team control and, more importantly, gave management confidence.

Predictive Insights: Making Finance Forward-Looking

The next step in reporting and the one I've only recently begun to see in practice is predictive insight. Instead of just explaining what happened, finance teams are beginning to forecast what might happen. It's not just about "what happened," but "what could happen."

At one audit client, for example, they were using tools to model how rising fuel prices could affect their delivery costs. When oil prices began to climb globally, they had already run the numbers and were negotiating contracts or changing routes before things got expensive. It was impressive to see finance leading the charge, not just reacting after the bills came in.

As an auditor, I was used to validating historical data and comparing it against budgets. But here, finance was leading the conversation before the crisis unfolded.

Transparency: Building Trust, Internally and Externally

Transparency is often associated with compliance, but I believe it's far more foundational. A transparent report isn't just about ticking boxes for auditors or regulators, it's about clarity. It's about helping decision-makers understand what's truly going on. In next-generation reporting, transparency is no longer optional, it's fundamental to how organizations earn and maintain trust. Internally, it ensures that decision-makers across departments work from the same accurate, real-time data, improving alignment and reducing uncertainty.

Externally, stakeholders expect timely and comprehensive disclosures that go beyond financials. Reporting frameworks like those from the International Sustainability Standards Board (ISSB) are raising the bar, encouraging organizations to openly share information on sustainability, risk, and performance. In a corporate environment where credibility is increasingly data-driven, transparency strengthens reputations, supports investor confidence, and fosters accountability.

Learning Through Observation: The Human Element

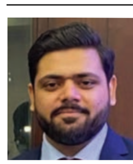
While still early in my professional journey compared to many seasoned practitioners, I've come to realize that systems and tools are only part of the picture. The real change comes from people, especially finance professionals, being willing to embrace a more proactive role.

For instance, I worked with a client whose finance team still relied on Excel sheets from different departments to track fixed assets. During the audit, we suggested some automation to reduce errors and effort. Six months later, they had a simple asset management system in place, and the audit process was much smoother. That small change wasn't about having the latest tech it was about the team wanting to work smarter.

A Journey Just Begun

With just over four and a half years of professional experience, I consider myself a fresh voice in the evolving world of finance. But one thing is clear: financial reporting is moving fast, with real-time updates, predictive insights, and clearer transparency becoming the new norm. As we move toward global standards like those set by the International Sustainability Standards Board (ISSB), finance professionals including CFOs and auditors like me need to adapt and stay curious.

Reporting isn't just a rearview mirror it's becoming the dashboard, the GPS, and the radar. It's no longer just about being accurate it's about being aware. So, if you're early in your career like me, or even if you're a seasoned pro, I'd say: don't see reporting as just a task. Think of it as a powerful tool that can help your business and your career move forward.



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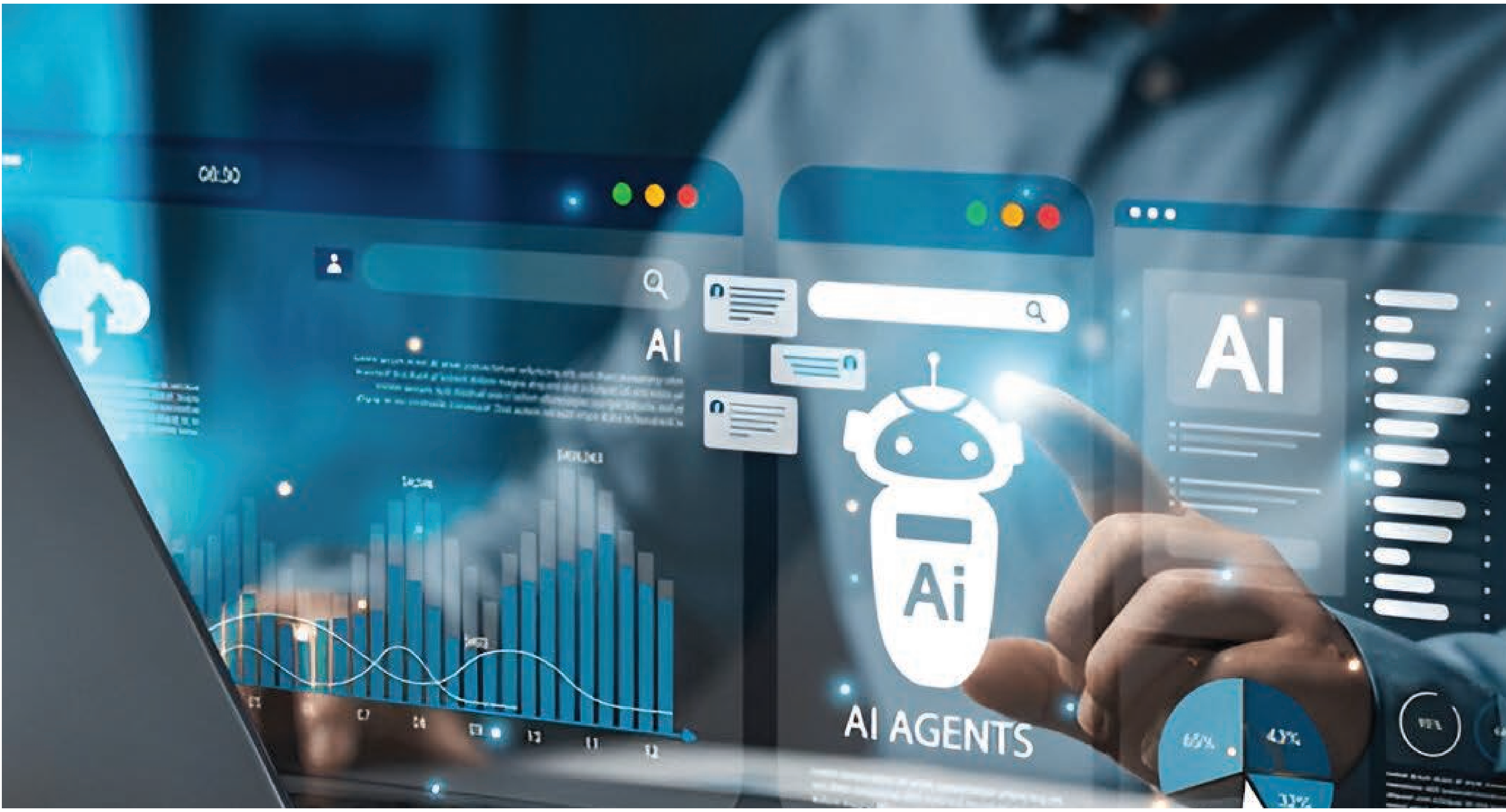


What Every Business Leader Should Know About Audits

Mr. Zahid Farooq, FCA

The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

ISAs require the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.

TYPES OF AUDIT

With the development in the technique and scope of accounting, both in the Commercial and Government sectors, the nature and purpose of Audit is also undergoing a change in concept, particularly with reference to the audit of industrial undertakings. As a result, we have now different types of audits, each having its own specific objective. The major types of audits currently in use are:

- Financial Audit;
- Statutory Audit:
- Internal Audit;
- Management Audit; and
- Cost Audit.

Financial Audit

Financial Audit is defined as that audit which "has as its ultimate aim, the verification of the financial position disclosed by the balance sheet and the profit and loss or revenue account of the undertaking".

Cost Audit is the verification of the correctness of cost accounts and of the adherence to the cost accountancy plans.

The hand book of ICAEW UK also conveys the same meaning; with reference to Financial Audit it says, "Essentially the duty of the auditors of a company is to arrive at an independent professional opinion, on whether the directors have properly carried out their own duties in the preparation of accounts for presentation to shareholders”.

From the definitions it is clear that financial audit primarily concerns itself with checking the correctness in the recording of past transactions and in the preparation of final accounts.

Statutory Audit

Statutory audit is an audit conducted according to the instructions laid down in the statute by the Government either in the form of acts or rules. Till recently, the statutory audit was confirmed in scope to Financial Audit only, as laid down in the Companies Act, except for certain Government Audits which required the procedure and propriety also to be audited.

Internal Audit

Internal audit is normally carried out by a person internal to the organization who is responsible to the management. Financial Audit on the other hand is carried out by a person external to the organization with responsibility to the share-holders. The functions of internal audit overlap to a certain extent to those of financial audit.

In the audit of detailed transactions like pay roll checking. internal audit is more intensive and it may 100% cover transactions and procedures etc. and thereby it leads age of internal audit is that it can be done continuously throughout the year instead of at periodic intervals.

Management Audit

Management Audit is an audit of the efficiency of management. It also extends in certain cases to the audit of the management policies and decisions. The various types of audit can be grouped under three main groups or under three main heads according to coverage; Audit of Transactions, Audit of Systems, and Audit of Policy.

- The financial audit is concerned primarily with the audit of transactions;
- The internal audit covers both the audit of transactions and of system;
- Cost audit goes one step further and extends to the audit of costs as well;
- Management audit is policy audit

Cost Audit:

Cost audit is an independent examination of the cost records and cost accounting systems of an organization. It is performed to ensure that the cost of goods and services produced or dealt with by the organization have been determined in accordance with the principles of cost accounting and to check the compliance with the plans, policies, procedures and statutory requirements.

The main objective of cost audit is to ensure that:
- The cost records are accurate and complete
- The cost of production or services has been determined in a correct and consistent manner.
- Cost audit is usually mandatory for certain industries such as manufacturing, construction, and service industries.

Definitions of Cost Audit:

"The verification of the correctness of cost accounts and a check on the adherence to the cost accounting plan."

According to Smith and Day, a Cost Audit involves
“Detailed checking of the costing system, techniques, and accounts to verify their correctness and to ensure adherence to the objective of cost accounting."

In the words of R. W. Dobson,
"Cost Audit is the verification of the correctness of cost accounts and of the adherence to the cost accountancy plans."

Based on these definitions, cost audit refers to the detailed verification of the correctness of costing techniques, costing systems and cost accounts. In any manufacturing or service firm, it is crucial to calculate the correct cost of manufacturing or services to charge customers.

DIFFERENCE BETWEEN COST AUDIT & FINANCIAL AUDIT:

The primary difference between the two is that a cost audit focuses on the cost records of a company, while a financial audit focuses on the financial statements.

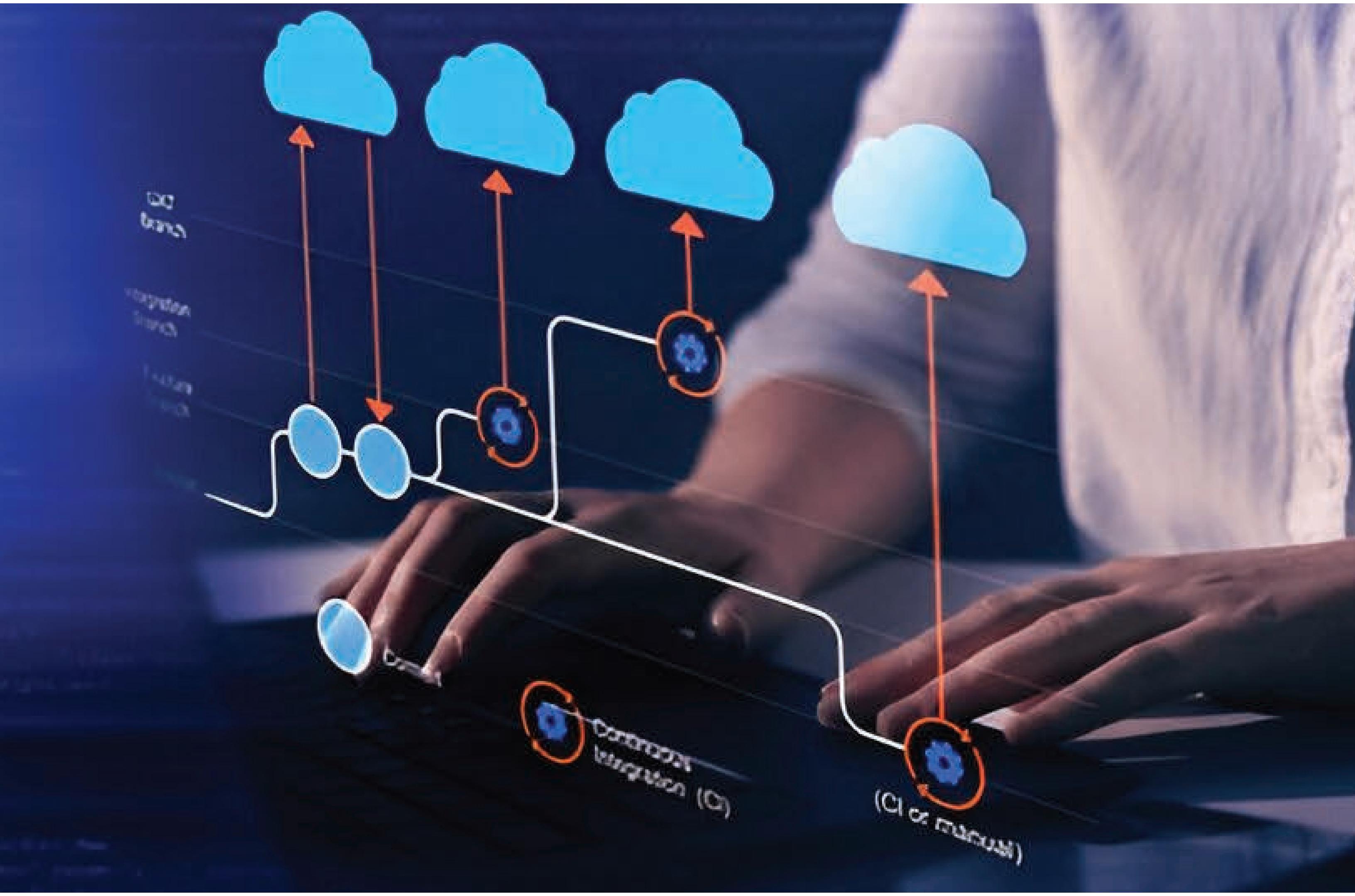
Cost Audit	Financial Audit
Focuses on cost-related issues and compliance with cost accounting principles and standards	Focuses on the financial statements and compliance with accounting standards and regulations
Examines the accuracy and reliability of cost records and cost statements	Examines the accuracy and reliability of financial statements and records
Identifies areas of cost reduction and efficiency improvement	Identifies potential fraud or mismanagement
Reviews compliance with budget and cost control procedures	Reviews compliance with laws and regulations
Primarily for internal use by management	Primarily for external use by stakeholders such as shareholders and regulators Conducted by financial auditors
Conducted by cost auditors	Usually mandatory for all types of organizations
Usually mandatory for certain regulated industries such as manufacturing and construction Frequency of audit may be annual or as required by management or regulatory authorities	Frequency of audit may be annual or as required by regulatory authorities or owners of the company
Report submitted to management	Report submitted to stakeholders such as shareholders and regulators
The primary objective is to ensure that the cost of the goods sold and operations are accurately reflected in the financial statements	The primary objective is to provide an opinion on the fairness of the financial statements.
The primary objective is to ensure that the cost of the goods sold and operations are accurately reflected in the financial statements	

> **Internal audit is normally carried out by a person internal to the organization who is responsible to the management. Financial Audit on the other hand is carried out by a person external to the organization with responsibility to the share-holders. The functions of internal audit overlap to a certain extent to those of financial audit.**

Similarities between Cost Audit and Financial Audit:

- Audit Principles: Both cost audit and financial audit adhere to the principles of audit, including independence, objectivity, professional skepticism, evidence gathering, and reporting.
- Compliance Assessment: Both audits aim to assess compliance with relevant regulations and standards. Cost audit ensures compliance with cost accounting principles and standards, while financial audit assesses compliance with generally accepted accounting principles (GAAP) or applicable financial reporting standards.
- Audit Procedures: Both audits involve similar procedures, such as examining records, documents, transactions, and internal controls, to obtain sufficient and appropriate audit evidence.
- Risk Assessment: Both cost audit and financial audit involve assessing the risk of material misstatements, whether related to costs or financial information, and designing audit procedures accordingly.
- Professional Judgment: Both audits require the exercise of professional judgment by auditors in evaluating the reasonableness, accuracy, and appropriateness of the information examined.
- Reporting: Both cost audit and financial audit result in the issuance of audit reports, which provide an opinion, findings, observations, and recommendations based on the audit procedures and examination of the relevant information.

The writer is a Fellow Chartered Accountant working as CEO of Zahid Farooq & Co. Chartered Accountants, Cost & Management Accountants.



Next-Gen Reporting in Finance: Embracing Real-Time, Predictive, and Transparent Reporting

Mr. Waqas Ahmed

Strategic decision-making, compliance and communication to the stakeholders have always been based on or relied upon financial reporting. However, the climate around professionals working in finance is changing at a dizzying pace. The combination of the digital revolution and the ever-growing regulatory demands and the unstoppable force of agility has predetermined what the next generation of reporting will be. In this development, there are three fundamental pillars: real-time reporting, predictive analytics and reinvigorated concern about transparency.

> **The Next-Gen tag does not simply imply some marketing jargon, it is a sign that the entire process of financial reporting is going to be redefined to fit into the digital epoch. As much as the pillars of real-time data, predictive analytics, and transparency.**

"The instant availability of financial measures enables organizations to take prompt reactions to changes in the market, regulations, or operating peculiarities. As an illustration, when a large amount of revenue or expenditure has been incurred, this can immediately be reflected in its cash flow forecasts and enable deft treasury control."

"Real-time reporting presents organizations with a display of what is currently occurring, predictive analytics addresses the following question: what could be the next thing that is likely to happen? This is not traditional trend analysis, but machine learning algorithms and statistical models are used to sort through volumes of past and present data to identify trends."

What Truly Defines "Next-Gen" in Financial Reporting?

The Next-Gen tag does not simply imply some marketing jargon, it is a sign that the entire process of financial reporting is going to be redefined to fit into the digital epoch. As much as the pillars of real-time data, predictive analytics, and transparency are in the spotlight, it is the combination of these functions and the paradigm shift needed to make it work that makes next-gen reporting more than a minor adjustment compared to what happened in the past.

The Shift Toward Real-Time Reporting

In the past, organizations used to work towards reporting every three or four months (or even on a monthly basis), which had the potential to cost them dearly, since the information provided there would be too late. The lag is no longer acceptable in the ever-changing markets at the present time. The finance teams are getting the chance to use real-time reporting based on modern data architecture and cloud platforms to obtain up-to-the-moment financial data.

Benefits of Real-Time Reporting

1. Enhanced Agility:

The instant availability of financial measures enables organizations to take prompt reactions to changes in the market, regulations, or operating peculiarities. As an illustration, when a large amount of revenue or expenditure has been incurred, this can immediately be reflected in its cash flow forecasts and enable deft treasury control.

2. Better Risk Management:

In real time, it is the anomalies that have the potential to be signalled by a real-time dashboard and enable organizations to detect signs of fraud, compliance failure, or operation irregularities long before they grow into bigger problems.

3. Empowered Decision-Making:

Immediate access to current financials changes finance into a value-adding proactive position in the business, rather than reactive reporting role. Executioners are able to make informed decisions using up to date trajectory instead of summaries.

Example in Practice:

A multinational company using real-time consolidation enables CFOs to instantly view revenue by geography or product, allowing faster resource allocation and timely intervention.

The Rise of Predictive Analytics

Although real-time reporting presents organizations with a display of what is currently occurring, predictive analytics addresses the following question: what could be the next thing that is likely to happen? This is not traditional trend analysis, but machine learning algorithms and statistical models are used to sort through volumes of past and present data to identify trends.

Role of Predictive Analytics in Finance

1. Preactive Strategy Formulation:

Accountants or finance teams can predetermine the up and down swings of cash, revenue, or costs and plan accordingly so that it is not merely drawn on the past data.

2. **Improved Forecasts:**

Predictive models enhance the quality of the forecasts in budgeting, risk modelling, and performance management. As an example, including macroeconomic signals, data on the mood in the market, and KPIs related to operations, finance functions can offer shades of advice to businesses.

3. **Automatization and efficiency:**

Predictive tools have the ability to effectively automate pattern detection, whether it is seasonality, or customer churn and eliminate much of the time required towards manual analysis, releasing finance talent to do more value-added work.

Example in Practice:

A major retail chain uses POS data and forecasts to predict peak demand, optimizing staffing, inventory, and customer satisfaction.

Critical Insight:

What finance professionals must learn is not only how to know the technical foundation of predictive analytics, but they must learn how to read these signals by developing business acumen. The predictive insights become most useful when understood or framed in the context of overall corporate strategic ambition as well as risk tolerance.

The Imperative of Transparency

The focus of regulators is intensifying, as are the demands upon boards, investors and customers that they introduce a high quality of clear, accessible and transparent reporting. Compliance is not the only thing with transparency: indeed, it is the principal to the creation of trust and a culture of responsibility.

Hallmarks of Transparent Reporting

1. **Certainty and Respondent Uniformity:**

Information presented in reports has to be expressed in precise and clear forms, based on simple measurements and terms that aid in the comparability of information over time and units.

2. **Methodologies Disclosure:**

The searchlight reporting goes beyond stating the results to giving the models, the assumptions and the sources of data that lie behind the results. It is particularly important since more companies are using advanced analytics, and stakeholders must be capable of knowing how conclusions are reached.

3. **Open Access:**

By making data on finances more democratized, modern finance teams are getting rid of the traditional silo structure. Organizations are also shifting away from report centres in the finance department to self-service BI platforms where business partners can go and interrogate and visualize financial data at will.

Example of Impact:

Transparent companies often enjoy lower capital costs due to investor confidence, while open reporting boosts interdepartmental alignment and speeds up decision-making.

Navigating the Next-Gen Reporting Landscape

Strategic Considerations for Finance Leaders:

Technology Investments:

Migration to more advanced forms of BI such as cloud-based ERPs, advanced analytics, and self-service BI technologies forms the basis. The needs of expanding companies can be satisfied by solutions that are modular and scalable.

Talent Development:

The talent that the finance function has to develop is hybrid talent; talent that has a combination of financial and data science, critical thinking, and good communication skills.

Change Management:

The transition towards next-gen reporting can be defined both as a cultural change as a technological one. Effective communication, robust governance and gradual implementations are the keys to successful adoption.

Data Governance:

As data is increasing, finance professionals need to make sure that accurate, consistent, and secure data structures are put in place to enable this.

Beyond Technology: A Cultural Transformation

Next-gen reporting is as cultural as it is technological, at its core. Finance Big Bosses are driving a transition away from reporting that is tactical and focused on compliance towards proactive, insight-driven analytical reporting. This new culture promotes trial and error, continuous learning as well as collaboration among operations, finance and information technology. Instead of looking at reporting as the last stage in a process, it turns out to be a series of continuous feedback loops by which the business improvement process occurs.

Real-time insights, advanced analytics, and transparency are shaping the future of financial reporting. The true winners won't just master technology-they'll combine it with clarity, accountability, and strategic focus to drive real value across their organizations.

The writer is an Associate Chartered Accountant working as Head of Finance & Business at First Entertainment Holdings, Saudi Arabia.

Next-Gen Reporting: Real-Time, Predictive, Transparent – And Long Overdue

Mr. Ahmad Bilal, ACA

It's 1990. Grandpa is glued to his boxy, sturdy radio, listening to his favorite cricket commentary. Dad has just brought home a 30-inch television-an enormous, box-shaped marvel. The kid in the next room is hammering away at a PlayStation (maybe version -1), its buttons loud enough to wake the neighbors. Mom's in the kitchen, baking brownies from a recipe she copied into her prized notebook. This isn't your average household-it's elite, top-tier income stream territory.

And then-BOOM. Something happened they never expected but had always secretly longed for: someone invented the mobile phone. Fast forward twenty years. Dad's streaming his favorite show. Grandpa's still listening, but now on a sleek smart speaker. Mom's storing her recipes in Microsoft Notes. And the kid? Still gaming-only now it's Counter-Strike on a device once called a phone, now a pocket-sized supercomputer.

But HOLD ON. In a world where attention spans have shrunk to 15-second memes and infinite scrolls, you might be tempted to flip the page, thinking this is some editor's misfire-an article that wandered into Pakistan Accountant by mistake. After all, that kind of disruption only happens in entertainment or tech, right? Finance? Reporting? That's a slow, incremental game. Nothing transformative ever happens there.

BULL'S EYE. If you believe that, you're boarding a one-way flight to the Stone Age.

Because the truth is, the biggest disruption in finance is already here. And the best time to embrace it was yesterday. The second-best time? Right now.

From Rear-view Mirrors to Radar Systems

Let's get one thing straight: this isn't about buzzwords or "nice-to-haves." This isn't the kind of update where Microsoft changes the Windows update screen from blue to black. This is a tectonic shift. Your organization is sitting on gold, data gold. But with outdated tools and methods, we're not mining it. We're scraping it with shovels made of rust. We're using treasure maps to dig in the wrong places, and then wondering why we're still broke.

We wait for the month to close just to see what already happened. We learn from history, sure—but who wants to steer a ship using last month's weather report?

As Satya Nadella (CEO Microsoft) put it:

"Every company is a software company. You have to start thinking and operating like a digital company."

Finance is no exception. With cloud-native ERPs like SAP S/4HANA and Microsoft Dynamics 365, reporting is no longer cyclical-it's continuous. These platforms, integrated with Power BI dashboards, deliver insights in real time. No more waiting for the month-end crunch. No more post-mortems. Just live, breathing data that evolves with your business.

Deloitte calls this the shift from "off-cycle to dynamic reporting." It's not just faster-it's smarter. It's not about more data-it's about better decisions.

Predictive Finance: Seeing Around Corners

Amazon isn't just tracking sales. It's predicting them. Every click, every cart addition, every bounce feeds an algorithm that forecasts behavior with surgical precision. Profitability, ESG metrics, churn rates-broken down by product, time zone, customer segment, climate zone, terrain, income class, and even internal connectivity.

They're not making shovels with their data. They're building satellites.

Unilever, the FMCG giant, operates in a razor-thin margin world. They don't have the luxury of waiting for month-old reports. They need store-wise, street-wise, territory-wise KPIs-updated in real time. Their finance teams aren't just crunching numbers. They're steering the ship.

Automation

Let's play a game. I want you guys to judge. Imagine a guy needs to send an invoice. He takes a pen, writes down the client's name, tax ID, service description, amount, and tax. He then folds the paper, slides it into an envelope, walks to the post office, buy a stamp, and mail it.
Sounds absurd, right?

Now imagine this: YOU open Excel, enter the same data, export a PDF, save it in a folder you haven't cleaned since 2018, and email it. Congratulations. You're doing the same thing-just with a shinier envelope.

The truth is, non-intuitive, repetitive tasks no longer need to be done by NATURAL INTELLIGENCE sapiens. Leave them to artificially intelligent ones. That's exactly what Siemens did. They embedded automation into their finance DNA-reclaiming 45,000 hours annually and aligning finance with enterprise value creation.

As their CFO put it: "We didn't automate to reduce cost-we automated to unlock value."

The Human Oversight Layer

However, let's not get carried away. Machine can predict, automate, and analyze-but it can't be accountable. It can't be ethical. It can't be human.

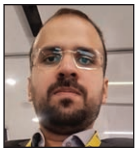
We still need people to validate predictions, ensure transparency, and own the outcomes. We need finance leaders who understand that transparency isn't a feature-it's a foundation.

Cannibalize or Be Cannibalized

Here's the reality: you have two choices. You can stay the course-maintaining the status quo while your competitors outpace you and eventually make your processes obsolete. Or, you can take the lead. You can proactively disrupt your own outdated systems, rethinking and transforming your finance function through a forward-looking lens. In a world where insights are updated by the second, relying solely on historical data is no longer enough. Precision, delivered in real time, is the new benchmark.

Final Word

This isn't just a tech trend-it's a strategic imperative. The CFO is now a growth architect, and finance has evolved into a strategic command center. The future is already here. It's time to move from outdated routines to unlocking real value.



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EMPOWERING STRATEGIC INSIGHT, TRUST, AND TRANSPARENCY IN THE DIGITAL AGE

Mr. Sami Ullah Khan, ACA

1. The Case for Transformation

In today's high-velocity environment, the conventional model of financial reporting, typically retrospective, periodic, and siloed, is no longer sufficient. Whether it is geopolitical risk, climate volatility, regulatory scrutiny, or stakeholder pressure, finance leaders are expected to provide real-time clarity, future-ready insights, and cross-functional transparency. This shift is not a matter of preference. It is a matter of resilience and relevance.

Next-generation reporting refers to a technology-enabled, forward-looking, and integrated approach to financial and non-financial disclosure.

2. What Is Next-Gen Reporting?

Next-generation reporting refers to a technology-enabled, forward-looking, and integrated approach to financial and non-financial disclosure. Its defining features include:

- Real-time visibility into financial and operational performance through automated systems and data pipelines
- Predictive capabilities using analytics and AI to identify emerging risks and trends
- Integrated transparency that merges financial results with sustainability, compliance, and strategic performance indicators

This model reflects the new expectations from investors, boards, regulators, and society at large. It is no longer enough to tell what happened. The imperative is to explain why it happened, what is likely to happen next, and how the organization is positioned to respond.

Predictive reporting moves the finance function from being a historian to a strategic forecaster. Through AI, machine learning, and scenario modelling, organizations can simulate outcomes, detect anomalies, and proactively reallocate resources.

3. Global Trends and Regulatory Momentum

Major standard-setters and regulatory authorities are actively shaping this transformation:

- The ISSB (IFRS S1 and S2), launched in 2023, mandates disclosure of sustainability-related risks and their financial implications
- The EU's Corporate Sustainability Reporting Directive (CSRD) requires machine-readable digital filings in the European Single Electronic Format
- The US SEC has advanced climate risk disclosure rules with an emphasis on consistency, assurance, and financial materiality
- According to PwC's Global Investor Survey 2023, over 70 percent of investors now expect forward-looking ESG insights embedded within mainstream financial reporting

At the same time, cloud-based ERPs, forecasting tools, and data visualization platforms are empowering finance teams to operationalize this vision at scale.

4. The Real-Time Advantage

Historically, finance operated in reporting cycles such as monthly closes, quarterly reviews, and annual disclosures. This model introduces latency and blindsides leaders to evolving risks.

Real-time reporting replaces episodic updates with continuous data flows, live dashboards, and automated alerts. Research from Deloitte (2023) shows that organizations leveraging real-time analytics make decisions 35 percent faster and reduce reporting errors by 20 percent.

Examples include:

- Daily liquidity tracking for treasury and investment decisions
- Immediate flagging of compliance breaches or threshold violations
- Sustainability dashboards showing daily emissions or energy usage per facility

These insights are critical in volatile markets and sectors where delayed reporting can lead to reputational or operational consequences.

5. Forecasting the Future: Predictive and Intelligent

Predictive reporting moves the finance function from being a historian to a strategic forecaster. Through AI, machine learning, and scenario modelling, organizations can simulate outcomes, detect anomalies, and proactively reallocate resources.

According to Fact.MR (2024), the global financial analytics market is expected to reach USD 28.3 billion by 2034, with an annual growth rate of 8.8%. Use cases include:

- Early warning on cost overruns or donor compliance risks
- Dynamic risk heatmaps powered by behavioural trend data
- Scenario-based simulations for climate risk, currency fluctuations, or cyber threats

CFOs are increasingly expected to provide predictive intelligence to support board-level decision-making.

6. Transparency Reimagined: Beyond Financial Metrics

Transparency in next-gen reporting is holistic. It integrates traditional financials with:

- ESG metrics such as emissions, diversity, and social impact
- Operational KPIs like delivery performance and customer retention
- Governance indicators covering ethics, risk management, and leadership accountability

The result is a more complete and credible view of organizational performance. This approach enhances stakeholder trust and reduces the risk of reputational loss.

Pakistan's financial and regulatory ecosystem is at a critical inflection point. Increasing donor scrutiny, environmental vulnerabilities, and a growing digital economy have created both challenges and opportunities.

7. The Relevance for Pakistan

Pakistan's financial and regulatory ecosystem is at a critical inflection point. Increasing donor scrutiny, environmental vulnerabilities, and a growing digital economy have created both challenges and opportunities.

- The State Bank of Pakistan (SBP) has issued green banking guidelines and is actively promoting financial digitization and ESG integration
- The Securities and Exchange Commission of Pakistan (SECP) has issued ESG disclosure guidelines and is exploring digital filing mandates
- Raast, Pakistan's instant payment platform, processed over 100 million transactions in 2023, showcasing national digital capacity

Despite these advances, many institutions continue to rely on outdated systems, spreadsheet-based reporting, and fragmented controls. This gap must be closed to remain globally competitive and domestically accountable.

8. Barriers to Adoption

The transition to next-gen reporting requires overcoming several challenges:

- Inconsistent or poor-quality data
- Limited digital fluency and analytical capacity within finance functions
- Disconnected IT, risk, and finance systems
- Resistance to transparency or fear of increased scrutiny

These issues can be addressed through leadership commitment, targeted investment, and cross-functional collaboration.

9. The Strategic Role of CFOs and Finance Leaders

CFOs are no longer expected to simply compile results. They must enable insight, shape strategy, and protect organizational integrity. Key responsibilities now include:

- Leading technology enablement within the finance function
- Embedding real-time controls and assurance mechanisms
- Partnering with sustainability, compliance, and risk teams to design integrated KPIs
- Supporting boards and audit committees with timely, relevant, and forward-looking insights

This evolution marks a shift from reactive reporting to proactive leadership.

10. What ICAP and Chartered Accountants Can Do

ICAP can play a transformational role by:

- Updating professional standards and CPD programs to include AI, data analytics, and ESG reporting
- Facilitating alignment between the profession, regulators, and the business community
- Promoting assurance frameworks that support the credibility of integrated and digital disclosures.

Chartered Accountants must be equipped to serve not only as technical experts but also as catalysts for trust and accountability.

11. A Practical Roadmap for Implementation

Organizations can approach this transformation in phases:

Stage	Key Action	Intended Outcome
Foundation	Map and validate data sources	Reliable, structured data for reporting
Automation	Deploy dashboards and reporting tools	Increased speed and visibility
Forecasting	Build predictive models for key risk areas	More informed and timely decisions
Integration	Align ESG, financial, and governance metrics	Holistic transparency and compliance

Next-generation reporting is not just an efficiency improvement. It is a new model of financial stewardship that delivers greater insight, faster responsiveness, and stronger trust. For Pakistan, the adoption of real-time, predictive, and integrated reporting is a vital step toward economic resilience, transparency, and institutional maturity.

Chartered Accountants are uniquely placed to lead this change - not just as reporters of numbers, but as architects of the systems, insights, and trust that organizations need in an increasingly complex world.

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The Dawn of a New Reporting Era

Mr. Adnan Mehmood Khan, ACA

1. The Three-Pillar Revolution

Farewell to Outdated Reports

Remember when business reports meant waiting weeks for data that was already outdated? Those days are vanishing fast. Today's competitive landscape demands something radically different-reporting systems that tell you what's happening now and what's likely to happen tomorrow, not just what happened in the last quarter.

The Forces Behind Change

Look around this evolution didn't happen overnight. We've watched market demands shift, tech capabilities explode and people got tired of staring at boring pie charts showing what happened last month. Everyone from the CFO to frontline

The future of reporting isn't just about better information; it's about fundamentally transforming how organizations operate in an increasingly complex world

Real-time reporting relies on sophisticated data pipelines capable of processing information as it's generated. Retail managers now receive alerts about inventory shortfalls before shelves empty. Manufacturing plants identify production anomalies immediately rather than discovering them at shift's end.

managers now expects more. This shift rests on three game-changers: the ability to see data in real-time, tools that predict what's coming next, and enough transparency to actually trust what you're seeing. These three elements have completely rewritten the rules of reporting.

The Competitive Imperative

Companies jumping on this bandwagon aren't doing it just to have prettier dashboards but gaining the kind of competitive edge that would've seemed like science fiction just ten years back. It's no longer about whether you should adopt these technologies, but how fast you can get them running before your competitors take your market share. The early adopters are already miles ahead, while the sceptics are getting left in the dust.

2. Real-Time Insights: The Power of Now

From Passive Reports to Active Intelligence

- **The Immediacy Mandate**
  I hear real-time reporting thrown around in every boardroom these days, but when you actually see it in action, it's mind-blowing. Nobody's has the time to wait until next week to figure out what's happening in their business right now. That's old-school thinking, and the market punishes old-school thinking.

- **Advanced Processing Capabilities**
  Real-time reporting relies on sophisticated data pipelines capable of processing information as it's generated. Retail managers now receive alerts about inventory shortfalls before shelves empty. Manufacturing plants identify production anomalies immediately rather than discovering them at shift's end.

- **Technology Enablers**
  Stream processing that once required specialized hardware now runs on cloud infrastructure anybody can access. Computing has gotten ridiculously fast and affordable. Data integration tools actually work now, unlike the systems from five years ago.

- **Context Is Everything**
  The most significant impact comes from combining real-time data with contextual awareness - understanding not just what's happening, but what it means for the broader operation. This transforms reporting from a passive review activity into an active management tool driving immediate action.

3. Predictive Analytics: Forecasting Business Futures

Democratizing Tomorrow's Insights

- **Beyond the Present Moment**
  If real-time reporting answers what's happening now, predictive analytics addresses the even more valuable question: what's likely to happen next? This capability represents the most transformative aspect of next-generation reporting.

- **Pattern Recognitionat Scale**
  By applying sophisticated algorithms to historical and current data, organizations identify patterns invisible to the human eye and project future outcomes with remarkable accuracy. Telecommunications providers predict network failures before they occur. Healthcare systems forecast patient admission spikes days in advance.

- **The Machine Learning Accelerator**
  The integration of machine learning has accelerated this trend, enabling systems that continuously improve their predictive capabilities without human intervention. What's particularly powerful is how prediction has moved from specialized technical tools into mainstream business reporting.

- **Prediction for Everyone**
  Executives don't need data science degrees to access forecasts - they appear directly within familiar dashboards, often with confidence intervals and scenario analyses. This democratization of prediction has profound implications for decision-making. Leaders evaluate multiple possible futures rather than reacting to single-track projections, fundamentally changing strategic planning from an annual exercise into a continuous, adaptive process.

4. Transparency: Building Trust in Data

The Foundation of Actionable Intelligence

- **Trust as a Prerequisite**
  Even the most sophisticated reporting systems fail if users don't trust them. This reality has elevated transparency from a nice-to-have feature to an essential requirement. Modern reporting systems must not only deliver insights but also explain where data originated, how it was transformed, and what assumptions underlie any predictions.

- **Traceabilityin Practice**
  This transparency takes multiple forms - from detailed data

lineage tracking to explainable AI algorithms that articulate the factors driving specific forecasts. Financial institutions implement reporting systems that trace every data element back to its source and document each transformation along the way. Pharmaceutical companies demonstrate exactly how clinical trial conclusions were reached to satisfy regulatory requirements.

5. Implementation Challenges: Bridging Vision and Reality

The Transformation Playbook

- **Technical Hurdles**
  Typical IT environment is like a geological dig layers upon layers of systems built over decades, none of which were designed to pump data at lightning speed. You need serious horsepower and specialized skills that don't grow on trees. Those legacy systems that run your business? They're often about as compatible with real-time analytics as a horse and buggy is with a Formula 1 track. And don't get me started on what happens when you try connecting data across departments that have never played nice together.

- **Human and Organizational Barriers**
  Organizational factors frequently present even greater obstacles. Siloed departments resist sharing data, established processes center around monthly reporting cycles, and employees comfortable with traditional approaches may resist change.

- **Success Strategies**
  Companies that successfully navigate these challenges typically follow a similar playbook. They start with clear business objectives rather than technology for technology's sake. They implement incrementally, proving value with targeted use cases before expanding. They invest heavily in change management and training, recognizing that human adoption ultimately determines success.

- **Governance as Enabler**
  Perhaps most importantly, they establish governance structures that balance innovation with appropriate controls. Data quality becomes a shared responsibility rather than an IT function, with business units actively participating in defining metrics and validating outputs.

6. Industry Applications: Sector-Specific Transformations

Competitive Advantages Across Markets

- **Financial Services Innovation**
  Financial services firms lead in many areas, deploying sophisticated systems that monitor transactions in milliseconds to detect fraud patterns invisible to conventional methods. These same institutions use predictive analytics to assess lending risks more accurately while maintaining transparent audit trails for compliance.

- **Healthcare Intelligence**
  Healthcare organizations leverage these technologies differently. Hospitals implement real-time patient flow dashboards that predict admission surges and resource needs days in advance. Insurers analyze claims data to identify potential health issues before they become serious, while maintaining transparency about how patient data is used.

- **Manufacturing Excellence**
  Manufacturing has seen perhaps the most dramatic operational improvements. Smart factories equipped with IoT sensors generate constant data streams that feed real-time production dashboards. These systems predict maintenance needs before equipment fails and optimize production schedules based on dozens of variables simultaneously.

- **Retail Revolution**
  Retail chains analyze purchasing patterns alongside external factors like weather and local events to predict demand fluctuations store by store, enabling precise inventory management. The common thread across all applications is how they transform reporting from a backward-looking activity into a forward-looking competitive advantage.

7. Future Horizons: The Next Wave of Innovation

Beyond Reporting to Autonomous Intelligence

- **Intelligence at the Edge**
  Tools once reserved for specialists are becoming accessible to business users through intuitive interfaces.

- **Investing in People**
  The smart companies get that fancy tech alone won't cut it. Budget allocation for more on training is critical as well to make sure everyone from store managers to corporate planners could actually use these new tools.AI is useless if people don't know how to turn insights into action.

- **The Autonomous Future**
  As these capabilities mature, the line between reporting and action will continue to blur - insights will trigger automated responses in many scenarios while providing decision support in others. The future of reporting isn't just about better information; it's about fundamentally transforming how organizations operate in an increasingly complex world.

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Transforming Finance with Next-Gen Reporting

Mr. Jalal Anwar Brohi, ACA

What is Next-Gen Reporting?

Next-Gen Reporting allows Chartered Accountants to utilize cutting-edge technologies such as cloud computing, block chain, robotic process automation (RPA), intelligent automation, cognitive capabilities, machine learning (ML), and artificial intelligence (AI) to reduce the time and expense involved in creating transformed financial data, allowing more time to do personalized financial analysis as a result, giving flexibility to select the analysis's methodology, proficiency in analytical methods, thereby producing engaging and helpful presentations for users. Chartered Accountants can now concentrate more on analytical insights and strategic decision-making rather than conventional reconciliations, thanks to Next-Gen Reporting, which makes it a valuable business partner.

Next-Gen Reporting - Key Characteristics:

Digital Transformation:

It is imperative for Chartered Accountants to embrace latest technological tools like cloud computing, block chain, RPA, intelligent automation, cognitive capabilities, ML and AI to eliminate the need to manually extract data from several spreadsheets and spend hours producing reports. By automating repetitive tasks, increasing accuracy, enhancing effectiveness and improving efficiency, Next-Gen Reporting allows Chartered Accountants to concentrate more on strategic insights.

Advanced Data Analytics:

Advanced data analytics and techniques can be utilized by Chartered Accountants in Next-Gen Reporting. Deeper insights and data-driven decision-making are supported by switching from descriptive and diagnostic analytics to predictive and prescriptive analytics.**Strategic Partnering:**

Next-Gen Reporting enables Chartered Accountants to collaborate as strategic partners with other departments to match financial goals with company objectives, offering acumens and direction that support strategic planning, performance management, and value development.

Agility and Flexibility:

Reacting swiftly to corporate requirements, regulatory updates, and market shifts requires agility from Chartered Accountants. To stay ahead of the curve, Chartered Accountants can use Next-Gen Reporting tools to quickly reallocate resources, amend budgets, and change strategies, but only if the procedures, personnel, and technologies are in place within the organization to handle rapid changes.

Enhanced Reporting and Visualization:

Next-Gen Reporting allows Chartered Accountants to provide stakeholders with transparent, up-to-date, and actionable financial information using sophisticated reporting tools and data visualization strategies. This improves transparency and facilitates better decision-making, but it again depends largely on the Chartered Accountants' capacity to efficiently use data to provide pertinent reports using the resources available to them.

Talent and Skills Development:

It is crucial to invest in Chartered Accountants' reskilling and upskilling. Chartered Accountants' ability to manage new technologies and strategic responsibilities is ensured by ongoing learning in fields like data science, business analytics, strategic management, and sustainability - an area of the company that is growing more and more focused on finance.

Next-Gen Reporting allows Chartered Accountants to utilize cutting-edge technologies such as cloud computing, block chain, robotic process automation (RPA), intelligent automation, cognitive capabilities, machine learning (ML), and artificial intelligence (AI) to reduce the time and expense involved in creating transformed financial data, allowing more time to do personalized financial analysis as a result, giving flexibility to select the analysis's methodology, proficiency in analytical methods, thereby producing engaging and helpful presentations for users.

Focus on Value Creation:

Next-Gen Reporting enables Chartered Accountants to move from efficiency and cost control to growth and value creation. To ensure that chances are not lost, Next-Gen Reporting allows Chartered Accountants to find and seize opportunities for innovation, cost reduction, and revenue growth.

Robust Risk Management:

Chartered Accountants can use Next-Gen Reporting tools to more efficiently identify, evaluate, and mitigate financial, operational, and strategic risks by putting advanced risk management methods into practice. To guarantee that risks are minimized and that the organization is guided by sound procedures, Next-Gen Reporting can also assist Chartered

Accountants in identifying suitable controls and establishing governance.

Sustainability and ESG Reporting:

The increasing significance of sustainable business practices is shown in the inclusion of sustainability and environmental, social, and governance (ESG) considerations in financial planning, reporting, and decision-making. Chartered Accountants have to be familiar with a new kind of governance and reporting requirements as sustainability efforts are increasingly making their way to their doorstep.

Next-Gen Reporting effectively changes the traditional finance function into a strategic, technology-enabled, forward-thinking part of the organization that can spur innovation and growth in a corporate climate that is becoming more complicated and fast-paced.

Next-Gen Reporting - Key Benefits:

- Data-driven decision-making is supported by ongoing business intelligence.
- Enhanced regulatory compliance as well as better assurance and controls.
- Application of standard, integrated, and flexible finance processes.
- Financial period end closing time is reduced by 40-50 percent, filing time by 3-5 days, and audit costs are reduced by 10-15% on average.
- By automating repetitive operations, cutting down on human error, and utilizing pioneering technologies like AI, ML, and RPA, operational efficiency is greatly increased.
- Using advanced data analytics and big data tools enables Chartered Accountants to obtain deeper insights, predict better outcomes, and make informed strategic decisions.
- Chartered Accountants may efficiently reallocate resources, amend budgets, and modify strategies when it is possible to quickly adapt to changes in the market, regulatory updates, and changing business needs.
- Chartered Accountants can find and seize chances for revenue growth, cost optimization, and innovation by diverting their focus from traditional cost management to value creation. This promotes the expansion and sustainability of the entity as a whole.

Next-Gen Reporting - Change Impacts:

Next-Gen Reporting brings increased efficiency and automation, thus allowing for upskilling and realigning Chartered Accountants towards strategic skills.

By giving stakeholders self-serve access to reporting, Next-Gen Reporting guarantees that Chartered Accountants produce significantly fewer sporadic, ad hoc reports and take the lead in utilizing new technologies.

Transitioning personnel into new roles and working methods, Next-Gen Reporting will require workforce planning, organizational design, and change management initiatives.

Using Next-Gen Reporting, Chartered Accountants may become more proactive in identifying potential errors and misstatements that could have a significant impact.

Next-Gen Reporting - Data Sources:

Audited Financial Statements: An important source of independent confirmation is financial statements. Finding methods to expedite the process is something that Next-Gen Reporting can do. Chartered Accountants may be able to concentrate on producing the most valuable and anticipated data sooner rather than later (or not at all) if reporting is unbundled, for instance. Additionally, technology could expedite the auditing process.

If the beginning steps can be automated, tools like these could enable Chartered Accountants to begin the audit process earlier. Chartered Accountants can use ML techniques to identify trends that point to fraudulent or unusual activities. Chartered Accountants may utilize AI tools to inspect workflow patterns and process logs to identify control flaws.

Periodic Financial Reporting:

For internal management, Chartered Accountants may use Next-Gen Reporting tools to frequently prepare periodic financial reports. Think about having the data reviewed by top management or validated by a third party. Is it possible for Chartered Accountants to use technology to improve and speed up first-party data validation while still having the ability to identify fraud, catch mistakes, or raise concerns about numbers that are outside of permitted limits? Chartered Accountants can employ Next-Gen Reporting techniques to validate the data and boost audience confidence in the data's quality, increasing its attractiveness to external stakeholders en bloc.

Budgets and Long-term Financial Plans:

There is a wealth of information in budgets and other financial plans that may help answer value-related queries of users. Performance data needs to be highly personalized. The standards of acceptable service, strategic priorities, and service goals vary from community to community. While distinguishing between commoditized financial data and tailored performance information on topics like infrastructure condition and service efficacy, Next-Gen Reporting allows Chartered Accountants to combine many data sources to provide tailored information to different users as per their explicit needs. This makes it possible to comprehend ideals that complement regional interests and requirements.

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Smarter Reporting for a Smarter Economy

Mr. Majid Ali, ACA

In today's fast-changing business world, the way companies report their financial and non - financial performance is also changing. Traditional financial reporting focuses on past events and often comes after a delay. But businesses, investors, and regulators now want faster, forward- looking, and more open reporting. This new approach is called Next-Generation Reporting or Next-Gen Reporting, which is real-time, predictive, and transparent. Which ultimately enable businesses respond faster to changes, make better decisions, and build stronger relationships with investors, customers, and regulators.

This article will discuss what next-gen reporting means, how it can help companies in Pakistan, the challenges involved, and how we can move forward.

Why do we need it in Pakistan?

Pakistan's economy faces many challenges: inflation, currency fluctuations, political instability, and changing global markets. In such an environment, companies must make quick and informed decisions. Relying only on past financial data is no longer enough. Predictive reporting can help businesses plan for future costs or revenue. Transparent reporting increases trust, especially when raising capital or dealing with regulators.

Real-time reporting: faster, better decisions

In real-time reporting, data is collected and shared almost instantly. This is possible through modern software like SAP, Oracle Cloud, Odoo or local ERP systems. Many large

Businesses, investors, and regulators now want faster, forward-looking, and more open reporting. This new approach is called Next-Generation Reporting or Next-Gen Reporting, which is real-time, predictive, and transparent.

companies in Pakistan, especially in banking and telecom, have started using such systems. But smaller companies are still working with spreadsheets or outdated software. This makes it hard to report quickly or accurately. For example, imagine a manufacturing company facing a sudden rise in raw material prices. With real-time cost reporting, management can quickly adjust prices or switch suppliers. Without it, the company may suffer losses before even realizing what happened.

Predictive reporting: looking ahead

Predictive reporting uses past and present data to guess future outcomes. This is done using tools like data analytics, artificial intelligence (AI), and machine learning (ML).

Let's say a textile company in Faisalabad wants to forecast its sales next season. By using predictive tools, it can analyze global trends, weather patterns, and raw material prices. This helps in better planning for production, marketing, and finance.

In Pakistan, such tools are still new. But slowly, more CFOs and finance teams are learning how to use analytics. ICAP and SECP are playing a very big role by offering training and promoting case studies of successful examples.

Transparency: building trust

In Pakistan, there is often a trust gap between businesses and their stakeholders, especially investors and tax authorities. Transparent reporting can help fix this. Transparency means not hiding or delaying bad news. It means showing the full picture - not just profits, but also risks, sustainability efforts, and long-term goals. For listed companies, SECP has already made rules for good disclosures, especially under IFRS. But many private or family-owned businesses still report only the minimum. By adopting next- gen reporting tools - like digital dashboards, ESG metrics, Power BI, and even blockchain - companies can share clearer, faster, and more reliable information.

Role of the CFO and finance teams

The Chief Financial Officer (CFO) is at the center of this change. In the past, the CFO's role was to prepare financial statements and manage costs. Today, the CFO must be a strategic advisor, helping the company grow using real-time data and smart predictions. In Pakistan, many CFOs are ICAP members. They have strong accounting skills but need to add new abilities in data analysis, technology, and communication. ICAP can help its members with continuing professional development (CPD) programs on next-gen tools and technologies. Also, CFOs in family-run businesses must show their boards and owners the benefits of transparent and predictive reporting, not just for compliance, but for long-term success.

Regulatory support is key

To fully adopt next-gen reporting in Pakistan, support from regulators is needed. SECP has already introduced digital portals and is exploring new technologies.

To push this forward, SECP and ICAP and FBR can:

Set standards for digital and predictive reporting, encourage integrated reporting, where companies show both financial and non-financial data, offer incentives (like tax relief) for small businesses that invest in ERP or data tools, support fintech partnerships, where local software companies can help SMEs upgrade their systems, promote pilot programs with large companies to set examples for others.

How businesses can start

Moving to next-gen reporting does not mean changing everything at once. Companies can follow a step-by-step plan:

- Step 1: Review current systems - Check how financial data is collected, processed, and shared.
- Step 2: Start small projects - Automate a few key reports (like daily sales or inventory).
- Step 3: Train finance teams - Invest in training on Excel automation, Power BI, or simple forecasting tools.
- Step 4: Talk to stakeholders - Help owners, boards, and investors understand the value of better reporting.
- Step 5: Choose the right technology - Pick software that fits your size and budget, and grow step by step.

Conclusion

Next-gen reporting - real-time, predictive, and transparent - is not just a global trend. It is the future of finance in Pakistan too. Businesses that adopt it will be more competitive, more trusted, and better prepared for the future. Whether it's a large listed company or a growing SME, the journey can start now. With support from ICAP, SECP, and technology partners, Pakistani companies can move from traditional, paper- based reports to smart, digital dashboards that drive value and trust. As finance professionals, it is our duty to guide this transformation and help our organizations succeed in this digital age.

The writer is an Associate Chartered Accountant working as Accounts Manager at Orient Electronics (Private) Limited.

ICAP

CFO as a Strategic Navigator

The CFO: From Bean Counter to Business Bard – Navigating Pakistan's Perilous & Promising Path

Mr. Farrukh Rehman, FCA

Introduction

Throughout my career as a professional auditor, advisor, and risk management expert, I have interacted with numerous CFOs from both large and small organizations. My experience has consistently shown that the CFO is one of the most critical positions within any entity. The role of the CFO has transformed significantly, evolving from merely tracking numbers to becoming a strategic business partner. The following discussion outlines my perspectives and expectations on the key aspects of the CFO's role as a strategic navigator in the present and near future.

In the past, the CFO was seen as the strict guardian of the company's money. They worked in an office full of ledgers, calculators, and freshly printed expense reports. Their usual response was 'No!' followed by 'Is that in the budget?'

But times have changed! Today, the CFO is more of a strategic leader. In Pakistan, where the economy is unpredictable, the CFO has become a 'Strategic Navigator'. They guide the company through challenges, redesign its structure, and try to understand new trends like artificial intelligence and Islamic finance.

Today, the CFO is more of a strategic leader. In Pakistan, where the economy is unpredictable, the CFO has become a 'Strategic Navigator'. They guide the company through challenges, redesign its structure, and try to understand new trends like artificial intelligence and Islamic finance.

The CFO's role has evolved from traditional financial oversight to that of a chief architect, reshaping the business model. This involves a deep understanding of value drivers, emerging trends, and translating strategic goals into actionable financial plans. CFOs now lead initiatives such as divestitures, mergers, and strategic realignments, analyzing impacts on cash flow, capital structure, and profitability.

I view the CFO through the lens of a strategic navigator:

- Reconfiguring the business model: The CFO as the architect of adaptation
- Sustainability: The CFO's green thumb
- Embracing the digital genie: AI and the CFO's new best friend
- Islamic Finance: Navigating the ethical compass
- Geopolitics and Tariffs: The CFO as the global chess player
- The FBR & Superior Courts: The CFO as the corporate gladiator
- Crypto's Cryptic Arrival: The CFO's new frontier
- The CFO as Talent Whisperer: Keeping your top financial talent from leaving
- The CFO: Navigating Pakistan's Digital Banking Frontier
- The CFO: A Charmer of Shareholders, a Confidant of the Board
- The Navigator's True North: CFO and the External Auditor
- The Title Debate: CFO or Chief Future Officer?
- Fueling the Navigator: Remunerating the Strategic CFO

Please note that the thoughts in the article are originally conceived, and Gen AI platform, Copilot, is intentionally used for ease of drafting purposes at many places.

1. Reconfiguring the Business Model: The CFO as the Architect of Adaptation

In today's rapidly changing market, the CFO's role has evolved from traditional financial oversight to that of a chief architect, reshaping the business model. This involves a deep understanding of value drivers, emerging trends, and translating strategic goals into actionable financial plans. CFOs now lead initiatives such as divestitures, mergers, and strategic realignments, analyzing impacts on cash flow, capital structure, and profitability. They identify opportunities for revenue diversification, optimize cost structures, and explore new operating models leveraging emerging technologies. This proactive approach, driven by robust financial analysis and scenario planning, positions the CFO as a key partner in ensuring long-term resilience and competitive advantage.

2. Sustainability: The CFO's Green Thumb

Sustainability used to be a concern for environmentalists, but now it's a key topic in boardrooms. Companies in Pakistan and around the world are realizing that being environmentally friendly is not only good for the planet but also for their finances.

The CFO is leading this change by showing the financial benefits of sustainable practices. They are calculating savings from energy efficiency, evaluating the return on investment for renewable energy projects, and looking into Shariah-compliant green bonds to fund eco-friendly initiatives. Imagine a CFO proposing a solar-powered factory, saying, "We'll save a lot on electricity bills and also promote our commitment to the environment, which is great for our image!"

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3. Embracing the Digital Genie: AI and the CFO's new best friend

The rise of Artificial Intelligence (AI) is not just a technological wonder; it's changing finance too. CFOs are now using algorithms to predict market trends, automate financial reports, and detect potential fraud early. In Pakistan, where getting the latest technology can be tough, the CFO plays a key role in pushing for AI tools that can improve operations, make better decisions, and give their company an edge.

Imagine a CFO telling their CEO, "My new AI assistant, 'Market Maven,' says that if we start selling traditional Pakistani sweets online, our profits will increase by 20% next quarter. I think we should follow the data." The humor lies in the shift from human intuition to data-driven, machine-generated foresight.

4. Islamic Finance: Navigating the Ethical Compass

Pakistan's growing Islamic finance sector offers a unique chance for CFOs. Moving from traditional to Shariah-compliant financial tools requires a good understanding of Islamic economic principles, ethical investment, and risk-sharing methods. CFOs in Pakistan are becoming experts in Murabaha, Musharakah, and Sukuk. They find funding and investment opportunities that match both financial goals and ethical values. Traditional bankers are informed about why financial terms and structures have changed to align with new principles and regulations. It's a delicate process, but skilled CFOs are mastering it.

5. Geopolitics and Tariffs: The CFO as the Global Chess Player

The world is a complicated place. Geopolitical tensions, trade wars, and new tariffs, like the recent ones from the US, can disrupt global supply chains and affect a company's profits. For Pakistani CFOs, this means staying informed about international relations, tracking trade agreements, and understanding the effects of political decisions from afar.

CFOs are no longer just focused on local taxes; they are analyzing the impact of new tariffs on leather goods exports to the US. or the effects of regional instability on supply routes. They are the ones planning for different scenarios, saying, "If Country X has a problem, our import costs for machinery from Country Y could increase. We need a backup plan, just in case.

6. The FBR & Superior Courts: The CFO as the Corporate Gladiator

The Federal Board of Revenue (FBR) and the superior courts can make even the most experienced CFO nervous. The FBR's strict methods and the unpredictable decisions from superior courts about corporate taxes can create a lot of pressure and uncertainty.

In Pakistan, the CFO is often the unsung hero, facing these challenges directly. They understand the complex tax laws, work with legal advisors, and find ways to navigate unclear regulations while staying compliant. After a tough meeting with an FBR personnel, a CFO might joke, "They think collecting revenue is a sport, and we're just the punching bags." Humor helps them cope with stress.

7. Crypto's Cryptic Arrival: The CFO's New Frontier

The rise of cryptocurrency in Pakistan, despite unclear regulations, is an exciting new area. While the State Bank of Pakistan has been careful, there's a growing informal crypto market and new government efforts to regulate digital assets. Pakistan Crypto Council has been established. The future CFO will need to understand blockchain technology, stablecoins, and the rules for digital assets. It's about looking at the risks and opportunities, not just for financial transactions but for broader business uses. Imagine a CFO telling the board, "We're not just selling products; we're selling tokenized products on the blockchain. It's advanced, very secure, and might just confuse the FBR enough to leave us alone."

8. The CFO as Talent Whisperer: Keeping your top financial talent from leaving

For CFOs in Pakistan, the challenge of retaining the right talent is paramount, especially in a dynamic market where skilled professionals are highly sought after. It's no longer just about competitive salaries; it's about fostering a culture of growth, providing opportunities for continuous learning in areas like AI and Islamic finance, and offering a clear career trajectory that can even include succession planning for the CFO's own role. The savvy CFO understands that their department isn't just a cost center; it's a talent factory, and investing in their team's development, even through playful internal "crypto forensics" workshops or FBR negotiation simulations, ensures that when the next strategic challenge arises, they have a well-equipped, loyal, and slightly eccentric financial army ready to tackle it.

9. The CFO: Navigating Pakistan's Digital Banking Frontier

In Pakistan's fast-changing banking sector, digital transformation is speeding up, and digital banks like Easypaisa Bank and similar others may become key players. With more online transactions and new digital institutions starting up, CFOs now act as strategic guides. They need to carefully allocate resources for technology investments, assess their returns, and manage cybersecurity risks. This dynamic environment requires a CFO who not only maintains financial discipline but also promotes innovation, using financial insights to navigate the organization through a competitive landscape focused on digital agility and customer-centric solutions.

10. The CFO: A Charmer of Shareholders, a Confidant of the Board

Beyond handling spreadsheets and strategic plans, the CFO is crucial in building trust and ensuring strong corporate governance. They are the main storytellers for investors, turning complex financial details into convincing reasons to stay invested or invest more. In Pakistan's dynamic capital markets, a CFO's ability to communicate clearly, outline growth strategies, and address challenges honestly is essential. They don't just present numbers; they paint a picture of the company's financial health, future potential, and resilience against various challenges.

Additionally, the CFO is a key link with the Board of Directors and its committees. This relationship goes beyond reporting; it's a partnership based on trust, integrity, and a shared vision. The CFO provides detailed financial insights into informed decision-making, ensuring the Board understands financial risks, opportunities, and the impact of strategic choices. They are the voice of financial prudence in the boardroom, sometimes reminding ambitious directors that while a new project sounds exciting, it might require significant investment or a convincing investor presentation. Essentially, the CFO is the financial conscience of the organization, protecting its assets and ensuring its financial direction aligns with its ethical and strategic goals.

11. The Navigator's True North: CFO and the External Auditor

In their new role as a strategic navigator, the CFO's relationship with the external auditor shifts from just compliance to a key strategic partnership. For a CFO navigating complex markets and digital changes, the external auditor becomes an essential independent assurance provider. They validate not only past financial performance but also the strength of internal controls and data integrity, which are crucial for future strategic decisions. Their thorough review helps build trust in the information supporting the strategic plan, boosts stakeholder confidence in the organization's future, and can even help identify emerging risks early. This allows the CFO to confidently guide the company toward its long-term goals.

12. The Title Debate: CFO or Chief Future Officer?

Given the incredible changes in the role, should the title 'Chief Financial Officer' stay the same? Or does it need a new name to truly reflect the role's scope?

Some may suggest "Chief Value Officer," focusing on creating overall value. Others may propose "Chief Strategic Officer," highlighting the role in guiding the company's long-term vision. And then there's the more playful "Chief Future Officer," capturing the forward-looking and adaptable nature of the modern CFO.

While "Chief Financial Officer" has a certain importance and history, maybe a dual title is needed: "Chief Financial Officer and Strategic Navigator. It might not fit on a business card, but it certainly captures the essence of the role.

13. Fueling the Navigator: Remunerating the Strategic CFO

To truly empower the CFO as a strategic navigator, remuneration must transcend traditional financial performance metrics and be directly linked to forward-looking strategic outcomes and long-term value creation. Compensation packages should include significant long-term incentives tied to Key Performance Indicators that reflect digital transformation, innovation, sustainable growth, and effective risk management in a dynamic environment. This approach ensures that rewards are aligned with the CFO's crucial role in shaping and guiding the organization's strategic direction, acknowledging their impact on overall business success beyond mere financial stewardship. Additionally, fostering a culture of continuous learning and development for CFOs can further enhance their ability to drive strategic initiatives and adapt to the ever-evolving business landscape.

The CFO in Pakistan is no longer just a number-cruncher; they are a key player in financial strategy, sustainability, technology, and navigating through a complex world. They are the unsung heroes who ensure that even when the economy is tough and the FBR is demanding, the company stays afloat and moves towards a prosperous future. In recognition of their pivotal role, we must extend our heartfelt appreciation to the Chief Financial Officer – the quintessential strategic navigator.

The writer is a Fellow Chartered Accountant, former ICAP President and working as Partner at PWC (A.F. Ferguson & Co.)

CFO 2.0: Steering Strategy in a World of Uncertainty

Mr. Mohsin Irshad, ACA

In today's rapidly changing business environment, the role of the Chief Financial Officer (CFO) is undergoing a dramatic transformation. Once primarily viewed as the company's top accountant or financial gatekeeper, the modern CFO is increasingly stepping into a new role. This new role is that of a strategic navigator. This new avatar is not just about managing balance sheets and financial statements. It is about driving growth, steering through uncertainty, and shaping long term strategy. But what does it mean to be a strategic navigator in the world of finance? And how are CFOs rising to this challenge? Let's find out.

From Bookkeeper to Business Strategist

Traditionally, the CFO's responsibilities were focused on accounting, compliance, and reporting. But with globalization, digital transformation, and evolving stakeholder expectations, companies need more than just number crunchers. They need leaders who can interpret data, forecast scenarios, allocate capital wisely, and contribute meaningfully to strategic decisions.

As Tom Hood, Executive Vice President of Business Engagement and Growth at the

Association of International Certified Professional Accountants (AICPA), notes:

"CFOs are now co-pilots of the business, not just the scorekeepers. They help chart the course and anticipate what's coming."

This shift means CFOs are increasingly working alongside CEOs and boards to shape the future and not just report the past.

Strategic Thinking in Action

One of the clearest examples of the CFO as strategic navigator comes from Ruth Porat, formerly CFO of Alphabet (Google's parent company). When she joined Google in 2015, she brought with her a rigorous focus on financial discipline, but also a strategic mindset. Under her guidance, Alphabet implemented tighter cost controls while continuing to invest in projects like self-driving cars (Waymo) and health tech (Verily).

Porat has often spoken about the need to “balance short-term discipline with long-term vision,” reflecting the tightrope modern CFOs must walk. This delicate balancing act is exactly what turns a financial manager into a strategic navigator.

Another powerful case is Kevan Parekh, Apple’s CFO. He played a critical role in Apple’s strategic pivot toward services and subscriptions. This helped the company diversify its revenue beyond hardware sales. By recognizing changing market dynamics and working with other leaders to shift focus, Parekh exemplified how financial insight can guide business model evolution.

Key Competencies of the Strategic CFO

To succeed as strategic navigators, modern CFOs need a broad set of skills beyond financial expertise. Here are the core competencies reshaping the CFO profile today:

1. **Data-Driven Decision-Making**
   Strategic CFOs leverage big data and analytics to guide decisions. It is not just about looking at quarterly results. It is about predictive analytics, scenario planning, and real-time insights.

For example, during the COVID-19 pandemic, many CFOs used scenario modeling to evaluate supply chain risks, revenue impacts, and workforce decisions. Companies that had strategic CFOs at the helm were better equipped to make swift, informed choices amid uncertainty.

2. **Technological Acumen**
   The rise of digital finance tools, from AI to robotic process automation (RPA), has made it essential for CFOs to understand and implement technology. Embracing digital finance does not just streamline operations. It frees up time for strategic work instead.

According to a Deloitte CFO Signals survey, more than 80% of CFOs believe that digital transformation is part of their responsibility. For instance, Amy Hood, CFO of Microsoft, has been instrumental in investing in cloud infrastructure and business intelligence tools to support enterprise-wide digital transformation.

3. **Business Partnering**
   Modern CFOs do not operate in isolation. They collaborate with marketing, operations, HR, and product development teams to align financial strategy with organizational goals. They must be able to translate financial data into action-able insights for other departments.

As Mark Hawkins, former CFO of Salesforce, puts it:
“You have to be an integrator. The CFO must be at the center of strategy, operations, and execution.”

4. **Risk and Resilience Management**
   In an age of volatility, CFOs play a key role in identifying financial risks and building resilience. Whether it is currency fluctuations, regulatory shifts, or cybersecurity threats, the CFO must navigate the enterprise through stormy waters.

During the 2008 financial crisis, it was often the strategic CFOs who saved companies from collapse through agile thinking and sensible capital management.

Navigating Uncertainty: A Forward-Looking Role

Being a strategic navigator means operating with grace in uncertain environments. CFOs must anticipate disruptions and help the organization pivot quickly.

According to McKinsey & Company, companies where CFOs actively participate in strategic planning are 1.5 times more likely to outperform their peers in long-term growth. Yet only 13% of CFOs are fully engaged in shaping business strategy. This gap presents both a challenge and an opportunity. CFOs who step into this role can unlock competitive advantage and future-proof their organizations.

Building the Next Generation of Strategic CFOs

So how can aspiring CFOs prepare to take on this strategic mantle?

- **Broaden business understanding**
  Work in cross functional roles to understand operations, marketing, and tech.
- **Invest in soft skills**
  Communication, leadership, and influence are just as important as technical skills.
- **Stay current on tech and analytics**
  The future of finance is digital. Strategic CFOs must speak the language of data fluently.
- **Think beyond compliance**
  Understand industry trends, macroeconomic shifts, and global business dynamics.
- **Practice scenario thinking**
  Strategic CFOs plan not just for what is but for what might be.

The CFO is no longer confined to the finance corner office. They are in the boardroom, the strategy meetings, and often, in the driver’s seat of transformation. As businesses face mounting pressures from digital disruption, stakeholder activism, and economic turbulence, the CFO’s voice is more important than ever.

As Larry Summers, former U.S. Treasury Secretary and former President of Harvard University, aptly said:

“In the modern corporation, the CFO may well be the second most important executive after the CEO.

For organizations that want to survive and thrive in a complex world, the CFO must not just report the numbers but help define what those numbers mean for the future. Today, the CFO as a strategic navigator is not just a trend. It is the new standard!

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From Stewardship to Strategic Influence: Reimagining the CFO Role through a Value-Driven Lens

Dr. Rahim Somani, FCA

In a world defined by complexity, volatility, and accelerating change, the role of the Chief Financial Officer (CFO) is undergoing a profound transformation. Traditionally seen as the guardian of fiscal discipline and compliance, the CFO is now emerging as a strategic partner and a catalyst for long-term value creation. This evolution is not merely about expanding responsibilities; it is about embracing a value-driven approach that integrates financial stewardship with broader organizational purpose.

The time has come to reimagine the CFO not just as a financial steward, but as a strategic navigator, one who aligns financial decisions with institutional mission, sustainability, and stakeholder trust. In particular, public institutions and mission-oriented organizations offer compelling examples of how finance can serve as a bridge between strategy and impact.

The Expanding CFO Mandate

In the past, CFOs were often confined to back-office functions: producing financial statements, ensuring regulatory compliance, and controlling costs. While these remain essential, they are no longer sufficient. Today's CFOs must understand the strategic landscape, anticipate risks, and guide the organization through uncertainty. They are expected to interpret data, lead transformation, and drive performance across functional boundaries.

But more than technical proficiency, what distinguishes the modern CFO is the ability to connect numbers to meaning. This requires curiosity, empathy, and a deep understanding of the institution's ecosystem. Financial leadership now includes navigating competing priorities, balancing fiscal constraints with aspirational goals, and aligning investments with values. The CFO must also be an enabler of innovation. This involves actively participating in institutional planning, identifying opportunities for resource optimization, and fostering a culture where informed risk-taking is encouraged. The strategic CFO is a collaborator, not a gatekeeper, and must work across departments to co-create solutions that drive both efficiency and purpose.

Value-Based Finance in Action

Value-based finance goes beyond efficiency and return on investment. It is grounded in the belief that finance must enable long-term, meaningful outcomes for people and society. This approach is especially vital in sectors such as education, healthcare, and non-profit services, where impact cannot be measured by profit alone.

Based on my experience leading finance in mission-driven and public sector organizations, value-based decision-making involves aligning budgets with broader human-centered goals, such as student success, inclusive housing, and sustainability. It requires more than technical budgeting; it demands thoughtful navigation of trade-offs, active listening to diverse stakeholder needs, and anchoring financial decisions in the institution's core purpose and societal obligations. Whether supporting access, equity, or environmental responsibility, finance leaders must operate with intention and foresight to ensure resources create meaningful, long-term impact.

A value-driven CFO must be prepared to advocate for initiatives that may not yield immediate returns but are essential for long-term resilience. This could mean funding mental health services, championing accessibility, or supporting community engagement efforts. When finance leaders champion such priorities, they model a culture where people and purpose are not peripheral, they are central.

This shift requires CFOs to become fluent in the language of mission impact. It demands new tools and metrics to assess success, ones that include student retention, community wellbeing, staff engagement, and environmental performance. Financial dashboards must evolve to reflect both financial health and value-driven outcomes.

The Strategic Edge of Purpose-Driven Financial Leadership
Purpose is a powerful compass in uncertain times. When financial decisions are guided by shared values and strategic clarity, they gain legitimacy and coherence. CFOs who lead with purpose become enablers of trust, both within the organization and with external stakeholders.

This is particularly true when navigating the growing demand for environmental, social, and governance (ESG) accountability. Stakeholders today expect transparency, integrity, and impact. Finance leaders must rise to the occasion by embedding ESG principles into planning, procurement, and reporting frameworks. Doing so not only meets compliance expectations but positions the organization as forward-looking and principled.

Moreover, the rise of generative AI, predictive analytics, and real-time dashboards is reshaping how finance teams support strategic decisions. These tools empower CFOs to move beyond historical analysis and provide insight into future possibilities. Yet, technology is only as effective as the values that guide its use. The CFO must ensure that digital transformation enhances, not displaces, human judgment, ethical reflection, and inclusive participation.

Purpose-driven leadership also influences how CFOs approach talent development. In an environment where expectations around work-life balance, inclusion, and meaning are rising, finance leaders must champion people-centered practices. This includes supporting upskilling, psychological safety, and equitable opportunities for advancement. A strategic CFO invests in human capital as intentionally as they would in infrastructure or systems.

Lessons for the Profession

This new paradigm calls for a fundamental shift in how we cultivate and empower finance professionals. While technical mastery remains a cornerstone, it must be complemented by adaptive leadership, systems thinking, emotional intelligence, and a commitment to lifelong learning. Tomorrow's CFOs must not only analyze data, but they must also inspire trust, foster collaboration, and champion innovation. They are not just stewards of capital but narrators of vision, architects of alignment, and catalysts for cultural transformation. It is through these human-centered qualities that finance leaders will drive lasting value in an increasingly complex world.

Professional bodies and institutions must invest in developing these competencies, creating pathways for CFOs to engage with strategy, governance, and social impact. Peer learning, mentorship, and cross-sector exposure can accelerate this transition.

Importantly, the profession must broaden its definition of value. Financial performance alone is no longer the sole determinant of success. Accountability to multiple stakeholders, including employees, communities, and the planet, is becoming central. In this landscape, ethical decision-making, stewardship of trust, and principled leadership are as critical as balance sheet strength.

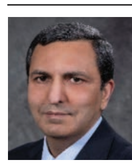
As we look to the future, the finance profession must embrace its role not only as stewards of resources but as stewards of purpose. We must ask: Are we building organizations that reflect our highest aspirations? Are our financial strategies enabling inclusion, resilience, and sustainability?

Conclusion

In an era where trust is fragile and transformation is constant; the CFO has a unique opportunity to lead with courage and conviction. By integrating financial acumen with purpose, values, and vision, CFOs can shape the future of their organizations and contribute to a more just and sustainable world.

This evolution will not be easy. It requires letting go of outdated models, building new capabilities, and embracing a mindset of continuous learning. But it is both necessary and urgent. The future belongs to CFOs who are not only effective guardians of capital, but also bold architects of institutional values.

From stewardship to strategic influence, this is the evolution of the modern CFO. And it has only just begun.



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The CFO as a Strategic Navigator: Guiding Businesses Through Complexity

Mr. Yasir Rizwan. FCA

In today's rapidly evolving business landscape, the role of the Chief Financial Officer has transformed dramatically from its traditional number-crunching roots. Modern CFOs have emerged as strategic navigators, steering their organizations through economic uncertainties and competitive challenges while identifying new opportunities for growth. This evolution reflects the growing complexity of global markets, where financial expertise must be combined with business acumen to drive sustainable success.

The traditional view of CFOs as primarily responsible for financial reporting and compliance has given way to a more dynamic understanding of their role. Contemporary CFOs are now expected to be strategic partners to CEOs, providing insights that shape the overall direction of the business. They serve as interpreters of complex financial data, translating

Modern CFOs have emerged as strategic navigators, steering their organizations through economic uncertainties and competitive challenges while identifying new opportunities for growth. This evolution reflects the growing complexity of global markets, where financial expertise must be combined with business acumen to drive sustainable success.

Risk management is a key part of what a strategic CFO manages. Besides the usual financial risks, CFOs now face cybersecurity issues, problems with their supply chains and unpredictable political circumstances.

numbers into actionable business strategies. This shift has been particularly evident in emerging markets like Pakistan, where economic volatility demands particularly agile financial leadership.

Consider, for example, a top Pakistani textile company that is losing European business due to high production costs. Unlike a traditional CFO who simply focused on cutting costs, the strategic CFO at the helm of this situation would look at world trade trends and realize the option to make upmarket tags. If the company shifts resources to produce better quality items, it might both hold onto its European market share and earn more profit along the way. This points out that leaders using smart financial strategies can face challenges and turn them into benefits.

What makes this strategy work is the CFO's ability to handle several different responsibilities at the same time. They should manage the finances responsibly and support efforts that have a calculated risk for expansion. They are required to hold down expenses while putting effort into developing new products. For this to work, a manager needs to understand the company's practices and what is happening in the wider market. With Pakistan facing frequent challenges in its economy, because of currency movement and lack of energy, having attention on both manufacturing and services is especially vital.

Technological changes have given CFOs even more useful resources. Financial leaders are now able to use advanced analytics to go beyond tracking the past and look forward into what is coming. For instance, a company producing consumer goods from Lahore began using AI to forecast demand. Managing its inventory poorly used to lead the company to both empty shelves and wasted goods. Now, by using the new systems, it increased available products while lowering excess inventory by 25%. Because of the CFO's belief, technology and analytics were championed, as the CFO noticed how useful they are in a market as crowded as the one for fast-moving consumer goods.

Today, risk management is a key part of what a strategic CFO manages. Besides the usual financial risks, CFOs now face cybersecurity issues, problems with their supply chains and unpredictable political circumstances. A local pharmaceutical company in Karachi saw this take place when their CFO introduced blockchain technology to oversee drug deliveries, making counterfeit items much less common in their network. Pakistan's business environment can be challenging, so handling risks creatively gives companies a much better chance to do well.

Most importantly, a strategic CFO connects the financial data with what happens in the company's day-to-day operations. They help other business leaders see the impact of company decisions on its financial situation. Family businesses in Pakistan, a majority of the country's corporations, greatly benefit from this translation function. For a family-owned manufacturing company in Faisalabad planning to grow, the CFO made financial models to explain how options for growth would shape both their cash reserves and their overall debt, helping the family owners choose the strategy that was best for their business.

Today's CFOs need to be good at developing talent. Today, finance teams must understand data analysis, how to work with the rest of the organization and how to think strategically. Today's CFOs are supporting the development of these skills by investing in learning opportunities within their teams. Within a fintech business in Pakistan, the CFO created a system to move finance employees between departments, helping the team share new insights with the organization.

Going forward, the strategic CFO will play an even greater role. Including ESG aspects is now at the heart of investing decisions. In light of water scarcity in Pakistan, making use of recycling technology helped a company's CFO and the business at large find an edge with sustainable customers abroad. What we see here is how financial questions are now being discussed within broader strategies.

The most skilled CFOs balance their financial skills with a strong business sense, knowledge of technology with being a good leader and are both analytical and innovative in solving problems. Having these two functions is especially beneficial in the fast-changing and difficult business scene in Pakistan. CFOs who lead with a strategy allow their organizations to survive challenges and seek out new chances, regardless of currency changes, energy problems or competition worldwide.

With businesses dealing with greater levels of complexity, the CFO will need to play an ever more important role in setting strategy. The top organizations are those that use their financial leaders' knowledge not only to control money, but also to help set the company's strategy. In Pakistan as well as elsewhere, CFOs are now partners, rather than just financial heads, shaping how we think about financial leadership in modern business.

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Digital Tax Reforms in Pakistan: What is on the Horizon?

Mr. Raza Ullah Khan, ACA

The Finance Bill 2025 introduces tax reforms targeted at the technology sector, particularly focusing on digitally delivered services and e-commerce, which specifically includes streaming, cloud computing, online banking, and e-learning. The bill presents new concepts and proposes to tax various categories of these transactions under a final tax regime.

Payment intermediaries and courier service providers are designated as new withholding agents in the bill, which establishes tax liability guidelines for payments made to non-residents. Furthermore, it mandates that online marketplaces and courier services verify that vendors using their platforms are registered for sales tax.

Additionally, the bill introduces quarterly and monthly reporting requirements for payment intermediaries and online marketplaces. Some changes in the disallowable expenses have been introduced, such as disallowing deductions for cash transactions and purchases from non-NTN holders encourage businesses to engage with formal banking channels.

Key Challenges Ahead

1. **International Coordination – Treaties**

   The implementation of digital tax policy will undoubtedly take strong diplomatic efforts to sign or revise double taxation treaties in order to harmonize tax laws with key stakeholders.

If Pakistan doesn't have comprehensive reciprocal relationships, it will be difficult to enforce its tax regulations on foreign digital service providers, particularly tech giants. Local businesses that compete with global giants may find themselves on an uneven playing field. Legislative contradictions can cause disagreements and cost exposures.

2. **Compliance Burden on Businesses**

   The need to keep detailed records, file returns, and ensure adherence to new tax rules can divert resources away from core operations. This is one of the most significant challenge, and is also creating outcry from the business community. The compliance burdens this finance bill places on businesses, especially small and medium enterprises (SMEs) which often lack the resources and expertise to navigate complex tax regulations. There could be instances of unintentional non-compliance. These businesses often operate on thin margins.

3. **Small Vendors**

Post COVID-19, small vendors represent a vital segment of the digital economy, yet they will face significant hurdles in complying with new tax policies. Many small vendors operate informally, lacking the necessary infrastructure and knowledge to fulfill tax obligations. This can lead to exclusion from the formal economy, where they would be subject to the same tax regulations as larger entities. Imagine, a part time online stationery or handicraft seller earning bread for his small family and going out of business because of the new tax policy!

4. **Data Collection**

Digital transactions occur rapidly and on a large scale. However, collecting accurate and comprehensive data presents significant challenges, including issues related to privacy, data protection, and the capacity of existing systems. Inadequate data collection can lead to gaps in monitoring compliance. Additionally, fostering a culture of transparency and trust among taxpayers is also required to encourage accurate information sharing.

5. **Technology Infrastructure**

Pakistan is already facing challenges with its internet speed and aged infrastructure. The success of digital tax policy heavily depends on robust technology infrastructure. Pakistan's current digital ecosystem may not be fully equipped to support the complexities. Insufficient technological resources can hinder effective enforcement, data collection, and overall compliance monitoring.

6. **FBR Capacity**

Currently, the FBR faces challenges related to staffing, training, and technological resources. Without adequate capacity, the FBR may struggle to monitor compliance and address issues related to tax evasion or misreporting.

Engaging Stakeholders for Credible Policy Making

1. **Changing Goal Post and Investors' Trust**

Pakistan's political environment is marked by inconsistency, which continues to discourage foreign investment and hinder economic progress. Frequent policy shifts-such as the Finance Bill 2025's abrupt removal of pecuniary limits-reflect a lack of long-term strategic planning. These changes often occur before earlier transitions are even complete, creating uncertainty for investors.

The absence of a transparent, consistent regulatory framework further complicates matters. The FBR's tendency to introduce and withdraw policies in short spans adds to the unpredictability. Foreign investors seek stable environments, and without it, trust and growth suffer. To build investor confidence, Pakistan must engage key stakeholders including professional bodies like ICAP and adopt transparent, well-communicated, and durable policies. Learning from global best practices can help foster a more reliable business climate and encourage investment in the digital economy.

2. **FBR's Administrative Capacity**

The Federal Board of Revenue (FBR) currently lacks the administrative capacity to manage the complexities of modern taxation, particularly in the digital economy. Its IRIS 2.0 system remains error-prone and difficult to use, creating unnecessary burden for businesses. Recent changes in access controls have further added to operational delays.

Beyond technology, FBR faces human resource constraints and a shortage of skilled professionals capable of handling digital taxation. Bureaucratic inefficiencies and lengthy procedures also slow down policy implementation and erode trust in the system. Without meaningful reforms and investments in both infrastructure and personnel, the FBR will struggle to enforce digital tax policies effectively, undermining the integrity and credibility of Pakistan's tax regime.

Conclusion

Pakistan has opened door to bring e-commerce and digitally delivered services in the tax net. Further significant changes can be anticipated in near future. The digital policy is in its early stages, we shall wait and see how these changes evolve and eventually become legislation in the next couple of weeks.

While the digital tax policy takes shape, significant challenges persist, including the need to protect small entrepreneurs, shifting or reducing compliance on the taxpayers especially SMEs, negotiate international tax treaties with key players, and enhance infrastructure for data collection informed decision making.

Pakistan has room to improve its tax system to more effectively capture revenue from the digital economy. The consistency in its policies and administrative capacity of Federal Board of Revenues (FBR) are two critical issues, addressing these issues is critical for enhancing revenue generation and fostering a thriving digital ecosystem.

The success of these reforms depends on effective implementation, increased awareness, and support for businesses navigating the new landscape. We are cautiously optimistic that the new legislation will meet its intended goals without hindering growth in the e-commerce sector.

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Redefining CFO Leadership: Navigating Strategy, Innovation, and Transformation

Mr. Muhammad Atta ur Rehman Malik, ACA

In today's world the business landscape is evolving at a rapid pace due to technological innovations and global political and economic changes. The role of the Chief Financial Officers (CFOs) is no longer confined to just ensuring compliance with financial reporting standards, tax laws, regulatory frameworks and preparation of Budgets but modern-day CFOs are considered as masters of business strategy who can shape the future strategy of their organizations based on their unique skills and scope of work encompassing financial expertise, data driven business insights and risk management. The role of CFO has shifted from being reactive to proactive. This evolution in the role is part of a broader trend where financial leadership is considered as integral in ensuring the financial health of the organization.

Rowan Baker, CFO of McCarthy & Stone, developer and manager of retirement communities, states:

"Gone are the days when CFO was just a custodian of all the financials within the business, I'm extensively involved in strategy working with other members of the management team. A critical part of my job is ensuring everyone has the information that they need for those decisions that need to be taken, and to be the voice of reason behind them sometimes, to explain them and to flag potential problems and risks."

Traditional CFO Vs Modern CFO:

Focus primarily on cost cutting.	Focus on strategic growth.
Reliance on past data.	Use of AI and analytics.
Reluctant to invest in new technology.	Allocate resources to innovation.
Risk averse.	Translate financial data into clear business strategies.
Prioritize immediate profits over long-term growth.	Prioritize on innovative technologies.
View departments as cost centres.	Collaborate across departments to generate value.

Why is There a Shift in the Role of CFO?

The shift in the role of CFO has been driven by the following:

- **Growing Stakeholders Expectations:**
  Investors around the world are demanding greater transparency and business sustainability. The role of the CFOs is necessary in measuring and reporting on business sustainability.
- **International Business:**
  After globalization, businesses are expanding into new markets across borders. CFOs are expected to understand diverse economic environments and develop strategies that align with global ambitions.
- **Technology:**
  Technological advancements, Artificial intelligence and data analysis have reshaped the collection and use of financial information. CFOs are expected to make use of these tools to provide real time insights and analytics for decision making.
- **Business Uncertainty:**
  Political and economic factors including pandemics, trade wars, inflation etc., require finance leaders to model scenarios and help manage strategy.

Different Roles of Strategic CFO:

- **Leader:**
  The CFOs' leadership role includes working the CEO in developing an effective strategy aligned with the organization vision and mission.
- **Critical Thinker and Analyst:**
  Critical thinking is an important part of strategy. CFOs can use their critical thinking skills and data analysis skills to prevent management from going up blind alleys.
- **Creator:**
  CFOs can use their business knowledge in generating new ideas and in providing diversity of views.
- **Adjudicator:**
  In cases where there are conflicting views, the CFO is expected to weigh up different options and to come up with the most feasible one.
- **Orchestrator:**
  With their business knowledge, CFOs are better placed to lead a cross disciplinary strategic team.

Key Benefits:

Driving Business Performance:

Strategic CFOs, by working closely with different business units, can optimize pricing, supply chain, operational efficiency and production costs.

Enabling Digital Transformation:

By implementing intelligent automation in finance functions and data driven strategies, CFOs free up time for value-added activities and also guide product development and customer engagement.

Capital Allocation and Business Acquisitions:

A strategic CFO can optimize Capital allocation through evaluating decisions not only from the financial point of view but also for their alignment with the company's strategic vision thereby maximizing return. They also ensure that business mergers and acquisitions deliver long-term value.

Sustainability and ESG Reporting:

Environmental, Social, and Governance (ESG) issues are now central to corporate strategy. CFOs ensure that sustainability initiatives are measurable, auditable, and integrated into corporate reporting.

Talent Management:

As organizations shift towards more cross-functional and agile ways of working, CFOs can contribute to a stronger organizational culture by fostering innovation, continuous learning, upskilling finance teams and collaboration across organization.

Required Competencies:

To be effective strategic leaders, CFOs must develop a broad set of competencies including:

- Visionary Thinking: The ability to anticipate the future and align financial strategies accordingly.
- Business Acumen: The ability to understand and make smart business decisions.
- Collaboration: Working seamlessly with the management to execute cross-functional strategies.
- Change Management: Leading transformation efforts and driving cultural change within the organization.
- Communication: Express complex financial insights in clear, compelling narratives for diverse stakeholders.

Real Life Example:

Ruth Porat was the longest serving CFO of Google and its parent Alphabet Inc. During her role as CFO, she drove business performance through a forward-looking strategic approach by prioritizing investments in high-growth areas like cloud computing and Artificial Intelligence. She also focused on financial discipline and operational excellence. All these efforts contributed to the Company's overall revenue growth.

Challenges:

While the strategic CFO brings tremendous value, the role is not without challenges:

- Economic uncertainty and volatile market
- Talent acquisition and retention
- Balancing Stakeholder expectations regarding short-term vs long-term goals.
- Data management.
- Rapid Technological advancements.

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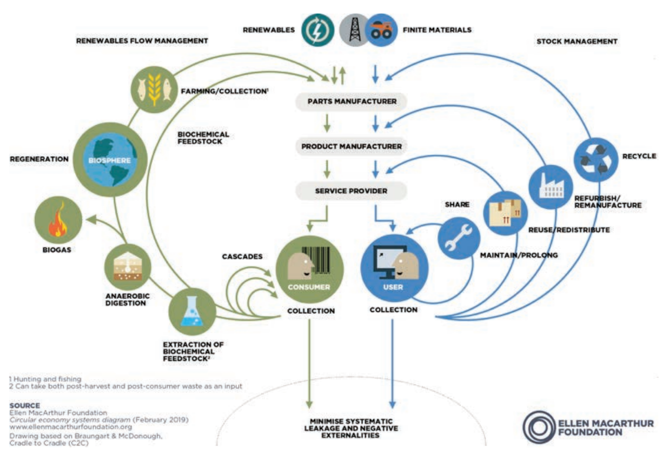
FINANCE IN THE CIRCULAR ECONOMY

Redefining Returns: How Finance Leads the Circular Economy Transition

Syed Moin Ahmed Zaidi, ACA

The circular economy replaces the traditional "take-make-dispose" model with a regenerative system focused on reuse, remanufacturing, and resource efficiency. For finance leaders, this represents a strategic pivot, requiring new metrics, long-term investment horizons, and integration of environmental factors into financial decision-making. Finance functions must now underwrite circular models, recalibrate capital allocation, and capture lifecycle value across the enterprise. This article examines how finance professionals, from CFOs to board audit committees, can lead this transition by embedding circular principles into planning, reporting, and risk management. Drawing from global best practices and practical examples from Pakistan's manufacturing, energy, and FMCG sectors, it offers a roadmap for aligning financial performance with sustainability-led growth.



The circular economy replaces the traditional "take-make-dispose" model with a regenerative system focused on reuse, remanufacturing, and resource efficiency.

Figure: The Ellen MacArthur Foundation's famous "butterfly diagram" visualizes a circular economy's resource flows. Technical cycles (blue) like reuse, refurbishment, and recycling, and biological cycles (green) like composting and regeneration, keep materials in circulation. Finance functions must adapt accounting and valuation methods to support these cycles, ensuring investments in circular processes are properly reflected in economic decision-making.

Circular Economy and Finance's Strategic Role

In a circular economy, financial value is unlocked not through volume, but through efficiency, reuse, and regenerative flows. This challenges conventional accounting and requires finance teams to treat waste as a recoverable asset and design capital projects around total cost of ownership (TCO) and lifecycle returns. For example, Gul Ahmed's fabric waste reuse reduces input costs and enhances export competitiveness. In Punjab, sugar mills monetize bagasse as fuel, improving energy efficiency and enabling carbon credit opportunities. Globally, firms like Savola and Unilever are demonstrating circular models that reduce operating costs while improving ESG performance, models that Pakistani businesses can adopt with the right financial recalibration.
Globally, comparable models are proving replicable:

Country / Company	Circular Practice	Finance Perspective (Relevance to Pakistan)
• Saudi Arabia – Savola Group	• Reusable oil drums and pilot plastic-to-fuel tech for distribution.	• Reduces packaging opex and carbon liabilities. Finance can model TCO (Total Cost of Ownership) and justify shift via ROI on reuse.
• India – Hindustan Unilever	• Urban refill stations for fast-moving goods in retail chains.	• Converts capex on dispensers into recurring savings. Finance enables cost-benefit modeling and tracks circular revenue uplift.
• Thailand – Mitr Phol Sugar	• Zero-waste sugar refining: bagasse to energy, molasses to ethanol, ash to fertilizer.	• High internal rate of return (IRR) on waste valorization. Pakistani finance teams can replicate waste-to-profit business cases.

These models underscore that finance is not a back-end function anymore, it is the enabler of transformation. By revisiting investment appraisal methods and incorporating material flow economics, finance makes circularity viable and scalable.

Stakeholder Roles in Circular Finance:

Finance-led circular transformation hinges on cross-functional alignment. Shareholders demand ESG-linked returns, boards embed circularity into strategy, and audit committees treat circular KPIs with financial rigor. Finance teams translate these goals into ROI models and integrated reporting

Stakeholder	Circular Economy Expectation / Role
Shareholders	Expect resilient, ESG-aligned growth. Circular business models reduce raw material risk and attract green capital.
Boards	Embed resource efficiency into strategic oversight. Waste is reframed as a monetizable stream, not a liability.
Audit Committees	Treat circular KPIs with the same rigor as financial metrics, requiring controls, assurance, and disclosure.
Executive Management	Execute strategy. Leadership backed circular materials tied to long-term cost efficiency and ESG goals.
Finance Teams	Drive investment appraisal, budgeting, and reporting. Model ROI for refurbishment, repair, and circular supply chains.

Implementing Circular Finance: Capital, KPIs, and Culture

Circular finance thrives on targeted capital, measurable KPIs, and cross-functional execution. Finance teams now align budgets with lifecycle value and leverage tech like blockchain to track and scale circular returns:

1. **Capital Allocation:** Dedicated budgets for circular projects (e.g., recycling plants, modular product lines) are now common. Many firms apply shadow carbon pricing to evaluate lifecycle value and regulatory hedging.

2. **Sustainability-linked KPIs:** Companies issuing SLBs often tie interest rates to circular goals, like reducing packaging waste or increasing material reuse. Finance ensures KPI validity, links incentives (e.g., management bonuses), and prepares for third-party assurance.

3. **Cross-functional Governance:** Circular transformation must cut across silos. Finance works with engineering and procurement to assess Total Cost of Ownership (TCO) and innovation feasibility. Companies like Bega (Australia) and Waste Busters (Pakistan) exemplify the profitability of turning waste into value.

In a circular economy, financial value is unlocked not through volume, but through efficiency, reuse, and regenerative flows. This challenges conventional accounting and requires finance teams to treat waste as a recoverable asset and design capital projects around total cost of ownership (TCO) and lifecycle returns.

4. **Technology Integration:** Tools like blockchain for traceability, material flow analysis, and digital twins help track circular flows and forecast ROI. Finance must assess, fund, and integrate these tools into decision-making processes.

Frameworks, Policy, and the Path Forward

Institutionalizing circular finance requires alignment with global reporting frameworks that are increasingly influencing capital allocation. The ISSB's IFRS S1 and S2 standards, now being phased in by Pakistan's SECP, require disclosure of sustainability-related risks that materially affect enterprise value, including waste, emissions, and resource usage etc. This puts circular economy performance directly in scope for financial reporting. The Global Reporting Initiative (GRI) standards, especially GRI 301 (Materials) and GRI 306 (Waste), are already used by leading Pakistani FMCG and textile exporters. These disclosures are vital for supply chain transparency and ESG alignment with international customers and buyers. The UN SDGs, particularly Goals 12 and 13, provide a global policy anchor; mapping corporate circular KPIs to these goals can unlock concessional funding and improve ESG ratings.

To operate this alignment, finance leaders must act across policy, strategy, and education:

For Corporates:

- Integrate circularity into financial strategy through materiality assessments, revised CapEx criteria, and sustainability-linked management incentives.
- Initiate pilot projects in recycling, reuse, or product-as-a-service models. Use ROI data from pilots to build scalable, finance-approved investment cases.
- Build internal capability in circular accounting, carbon pricing, and ESG reporting especially in finance and procurement teams.

For SECP and State Bank:

- Embed ISSB-compliant circular disclosure requirements into listing rules with phased implementation and effective progress monitoring.
- Launch a Pakistan Circularity Index under PSX to reward ESG-leading companies and enable thematic investment products.
- Develop a national taxonomy for circular finance, modeled on EU standards but customized for Pakistan's industry structure and waste profile.
- Enable frameworks for carbon credit monetization, both monetary (through trading) and non-monetary (tax offsets or compliance relief), to enhance circular project viability.
- Encourage banks to extend green or sustainability-linked loans at concessional rates for circular economy projects, promote PPP structures with public and development finance to de-risk capital-heavy investments (e.g. MRFs, reverse logistics hubs, reuse systems). Offer tiered credit guarantees to support SMEs driving circular innovation within supply chains.

For ICAP and Professional Bodies:

- Issue technical advisories on circular finance topics.
- Update the CA curriculum and CPD programs to include circular accounting, ESG assurance, and sustainability-linked disclosures, especially in coordination with HEC for broader reach.

Conclusion: Finance as the Engine of Circular Transformation

Finance is no longer a passive recorder of value; it is now the architect of circular strategy. CFOs must integrate resource efficiency, lifecycle economics, and supply chain resilience into financial plans. Finance teams are expected to link circular KPIs to long-term value creation and support boards and investors with integrated analysis. In Pakistan, this transition will boost economic localization, reduce import dependency, and enhance export competitiveness. Initiatives like municipal green bonds, waste-to-resource joint ventures, and service-based revenue models will need finance to lead structuring and execution.

The trajectory is clear: finance must own the circular agenda, not just for sustainability, but for strategic growth. By embedding circularity into core financial systems, the profession secures both profitability and planetary well-being, fulfilling its evolving mandate in the economy of the future.

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Accounting for Resilience: Why Finance Must Lead the Climate and Nature Agenda

Ms. Asma Jan Muhammad, FCA

In the face of climate change, biodiversity loss, and social inequality, most businesses still treat sustainability as a side note - an add-on to their annual reports, not a core part of decision-making. But these risks are not theoretical. They are real, material, and increasingly financial. Rising raw material costs due to water shortages, disrupted supply chains from extreme weather events, regulatory penalties for non-compliance, and eroded consumer trust are already impacting the bottom line.

This is not just an environmental issue. It is a business continuity issue. And the accounting profession is central to addressing it - not as passive scorekeepers, but as active business partners.

Why Existing Reporting Frameworks Fall Short

Time to Enforce the Three P Model: People, Planet, Profit

The role of finance and accounting must go beyond balancing books. It must enforce balance between the three critical dimensions of business success:

- **People:** Fair wages, ethical supply chains, safe working conditions, and inclusive growth.

- **Planet:** Measuring and managing environmental impact, decarbonizing operations, investing in nature-positive solutions.

- **Profit:** Ensuring financial health - but not at the expense of people and the planet.

Without integrating all three, any profit is short-lived. Resilient businesses are those that understand that sustainability is not a cost. It is risk management. It is a value creation. It is survival.

Why Existing Reporting Frameworks Fall Short

From Compliance to Commitment: Why Accountants Must Lead

Finance is the gatekeeper of strategy. Every investment, every procurement contract, every project passes through the financial lens. This gives accountants a unique advantage to challenge the "business as usual" mindset.

The profession must:

- Demand that climate risks, nature loss, and social impact are part of capital allocation decisions - not optional disclosures.
- Reject business cases that rely on externalizing environmental or social costs.
- Embed shadow carbon pricing, natural capital accounting, and social impact analysis into budgeting, forecasting, and scenario planning.
- Use internal audit and controls not only to check the numbers but to hold the organisation accountable for its ESG claims.

Why Existing Reporting Frameworks Fall Short

Traditional corporate reporting focuses on short-term financial metrics. Sustainability reports, on the other hand, often sit outside core financial statements - voluntary, qualitative, and lacking rigor. This fragmented approach creates a blind spot where businesses can claim "green" achievements without aligning their strategy, operations, or capital flow.

The profession must push for:

- Mandatory inclusion of climate and nature-related risks within mainstream financial reporting.
- Integration of double materiality (how the business affects the world, not just how the world affects the business).
- Alignment between financial statements, management reports, and sustainability targets.

Without this integration, climate action will remain rhetorical, not reality.

Skills the Profession Must Build (Beyond Spreadsheets)

To lead this shift, accountants must upskill themselves in areas like:

- Climate science and carbon accounting.
- ESG standards (TCFD, TNFD, ISSB).
- Scenario planning and risk modeling for environmental impacts.
- Ethical leadership and stakeholder engagement.

But the most critical capability? The courage to speak up. To challenge decisions that may deliver short-term profit but destroy long-term value.

Barriers We Must Break

- Incentives misaligned to short-term financial goals.
- Sustainability treated as CSR, not as a financial risk.
- Lack of capability in understanding non-traditional risks.

These are not reasons to wait. They are reasons why the accounting profession must lead.

Companies with Excellence in Action

- Danone links executive bonuses directly to ESG performance.
- Patagonia legally committed its profits to environmental protection.
- Kering uses environmental profit and loss accounting to embed nature into its business model.

These are not feel-good stories. They are business strategies that protect resilience, reputation, and returns.

Ethics Over Profit, Always

Accountants cannot remain neutral. In the choices we make - in what we choose to measure, report, and prioritize - we either enable resilience or contribute to risk. The Three P Model is not a slogan. It is the foundation of true financial stewardship. The question is not whether we should act. The question is whether we, as finance professionals, are ready to step up and lead.

Because if not us, then who?

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Sustainable Trust through ISSB Standards: Shaping Pakistan's Financial Sector

The Role of ESG Policies in Shaping Sustainable Businesses

Mr. Junaid Shekha, FCA

Sustainability and ESG once buzzwords, have evolved to being seriously considered by both corporates and policy makers. Many argue what is the difference between the two. Technically speaking the scope of sustainability is much broader and ESG can be taken to be a sub-set of sustainability. ESG stands for environment, social and governance, which essentially when combined covers a broad spectrum of areas within which a business operates. Generally, both these terms are concurrently used.

With growing awareness, value chains are inquiring about the ESG practices of their business partners making a strong business case for implementation. Considering the importance, regulators have appropriately acted by introducing regulations and mandatory compliance with respect to sustainability. One of the key requirements for

> **"Having a board level ESG policy is also important from a governance perspective as it brings ownership and clarity at the highest level thereby making it easier to navigate the specific agenda across the organization to achieve the desired objectives."**

corporations is having a policy for sustainability and ESG. SECP is the primary regulator of companies in Pakistan. It has implemented numerous changes pertaining to sustainability in the regulatory framework, particularly in the Code of Corporate Governance for Listed Companies, 2019 (the Code), requiring a company's Board of Directors to establish and maintain an ESG policy.
As per PICG ESG survey carried out in 2023:

On a question "Does your organization have a defined action plan related to the ESG strategy?

Yes	No	Not sure	In progress
30%	20%	10%	40

This makes a very strong case for the companies to have a board level ESG policy to steer and speed up ESG agenda.

Having a board level ESG policy is also important from a governance perspective as it brings ownership and clarity at the highest level thereby making it easier to navigate the specific agenda across the organization to achieve the desired objectives. The Code requires companies to have a policy addressing the following:

"Environmental, social and governance (ESG) including but not limited to health and safety aspects in business strategies that promote sustainability, corporate social responsibility initiatives and other philanthropic activities, donations, contributions to charities and other matters of social welfare".

The sustainability agenda can be better achieved through a board level policy that covers the following elements:

Linking the Mission and Vision statement and Values:

A company's mission and vision statement and set of values, act as the foundation on which the company exists and operates. Embedding sustainability into these core principles is crucial for integrating sustainable practices into all aspects of the business. To achieve this, companies should review and revise their existing mission and vision statements to include sustainability.

Risk Management:

Companies have risk management programs in place to identify, analyze, and estimate the criticality and impact of business risks, including performing scenario analysis for better impact estimation.

It is important that a company analyze the possible impact of ESG related risks that could have an impact on the company's future business, profits, cash flows and market positioning and devise an action plan accordingly.

Ethical Culture:

An important role of the board is to ensure that ethical values and culture are promoted and practiced company wide. Areas such as transparency in business dealings, maintaining confidentiality of data, anti-bribery, anti-harassment and anti-sexual harassment etc.

The objective should be for all employees to be aware of and adhere to ethical values. These values should ideally be consolidated into a code of conduct that all employees sign, demonstrating their commitment to uphold them. From the ESG lens, this approach represents compliance with the social aspects. Ensuring this is adequately covered in the ESG policy will help adherence to social compliance requirements.

Whistle Blowing Program:

A whistle blowing program is a vital aspect of governance. It helps identify wrongdoings within the company and throughout the value chain. This program encourages employees, business partners, vendors, and suppliers to report any wrongdoings they observe or experience, with the assurance of confidentiality. Additionally, it serves as a platform for reporting issues related to ESG matters.

Action plan, KPI and significant issues:

Management must inform the board of any significant matters related to company business or operations. Additionally, management should bring any material ESG issues to the board's attention, including the status and challenges with respect to ESG policy; updates on ESG KPIs and milestones set and achieved; non compliances and penalties imposed due to non-compliance with any regulatory body concerning ESG and updates on CSR activities carried out.

There should be adequate coverage of this in the policy.
Finally, to ensure the governance of the ESG policy framework, it is essential that the company's board includes a diverse mix of members, such as independent and female directors, who possess the necessary competency, experience, and exposure to support and drive the company's ESG initiatives.

The ESG policy serves as a document which not only aligns a company's internal processes to ESG but also enables a company to communicate this externally to business partners, customers and investors. This will support any enquiries about ESG indicators, and the actions taken by the company to ensure related ESG KPI's are met. Furthermore, a robust ESG policy framework will support any future requirements for independently audited statements.

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Anomalies and Hardships in Income Tax Laws in Pakistan

Mr. Syed Imtiaz Abbas Hussain, FCA

01. CHARGE OF TAX (Chapter II of the Income Tax Ordinance 2001)

01.01 Individual (Salaried person), Individual (Sole proprietorship etc) and Association of Person (AOP – Firms etc) are exempted from payment of income tax upto taxable income of Rs. 600,000/ per tax year since Finance Act 2022, while now the inflation eroded income of these low level taxpayers many folds as a result many small businesses closed or merged with other business to survive and many salaried persons have become jobless etc. So what is rationale in maintaining Rs. 600,000/- per year instead of at least Rs. 2,000,000/- per year as exempted taxable income? It is also suggested to allow to salaried

The current Income Tax Ordinance contains numerous anomalies, outdated thresholds, and inconsistent provisions that burden low-income earners, small businesses, and salaried individuals, while discouraging investment and industrial growth.

taxpayer deduction for expenditure of rent, utilities and interest on loan, in addition to a reasonable education allowance (Division I (1 & 2) and Section 12 (4));

01.02 Section 148's complex and punitive advance tax regime on imports discourages manufacturing and industrial growth. The confusing classification under the Twelfth Schedule exposes taxpayers to unnecessary risks, fines, and penalties. A simpler, growth-oriented tax structure is essential to boost local industry and exports. To support economic development, individuals should be exempt from import tax, while AOPs, SMEs, and small companies may be subjected to an adjustable 0.25% import tax. For large manufacturing industries, a uniform and adjustable 1% import tax on all relevant goods, machinery, and equipment should be introduced.

01.03 By mistake Proviso (d) of Clause 13 of Second Schedule Part I combined with Proviso (c) relating to gratuity or commutation of pension;

01.04 Any income derived by the institutions, foundations, societies, boards, trusts and funds as mentioned in Table 1 covering (i) to (Ixvii) are exempted under Clause 66(1) of the Second Schedule Part 1, which by mistake includes Pension of a former President of Pakistan and his widow;

01.05 Rate of dividend tax is 15% under Section 5 (First Schedule, Part I, division III (b)) received from mutual fund and REIT etc. But it will be 25% if received from mutual funds who is driving income 50% or more from profit on debt. How come recipients of dividend know about such inside details about mutual funds income at the time of filing income tax return?;

01.06 Rate of dividend tax is 25% under Section 5 (First Schedule, Part I, division III (d)) if received from a company where no tax is payable by such company due to exemption of income, or carry forward of business losses. How come recipients of dividend know about such inside details about the company at the time of filing income tax return?;

01.07 By mistake there is no rate of dividend tax mentioned under Section 5 (First Schedule, Part I, division III) if received from a company except mentioned for special cases under 'a' to 'd' of division III;

01.08 By mistake mentioned as "individual and an AOP" instead of "individual or an AOP" under Sec 5AA, First Schedule Part I, Div IIIB (c);

01.09 Clause 18B of Second Schedule, Part II has been deleted by the Finance Act 2021 which allowed 2% rate of tax relieve to shariah complied company under First Schedule part I Division II. But its related Rule 231H under the Income Tax Rules 2002 still exist due to mistake;

01.10 What is the rational in charging tax on any foreign source income brought into or received in Pakistan by a short-term resident individual under Section 50 (2)(b)? while nations always welcome foreign exchange;

01.11 Payment of advance tax by taxpayers under Section 147 is in fact is a part of income tax computed on the end of the Tax Year which is taken in advance, so it is not a tax credit and should be first adjusted before any tax credit while by mistake and illegally it is shown as to be adjusted in the last under Section 4(3) (c);

02.01 Tax deducted at source under Division III (Part V, Chapter X) was once fully adjustable. Now, it includes minimum and final taxes, making its disallowance under Section 21(b) unjustified. Needs review.

02.02 Section 22(13)(d) lacks clarity on adjusting the written down value (WDV) when sale proceeds exceed the cost of immovable property. Section 22(8)(a) should specify upward revision of WDV for accurate taxation.

02.03 Foreign investors prefer straight-line depreciation over reducing balance (Section 22(2)) due to impractically long asset life. Recommend shifting to straight-line for global alignment and ease of business.

02.04 Section 27 doesn't clearly cover in-house employee training, a key aspect of workforce development. It should be explicitly included.

02.05 Lease rental cost cap for passenger vehicles not plying for hire is Rs. 2.5 million (Section 28(1)(b)), while Rs. 7.5 million is allowed under Section 22(13)(a). This inconsistency needs correction.

02.06 Capital gains on securities held over six years (acquired between July 2013 and June 2022) are mistakenly taxed at 12.5% instead of 0% under Section 37A, Division VII, Table, Proviso (i).

02.07 Anomalies in Section 60D discourage educational investment:

- 02.07.1 Education of parents (taxpayers) is not considered for deduction, despite its future tax benefit.
- 02.07.2 It's unclear if "number of children" includes those not yet in school.
- 02.07.3 The Rs. 1.5 million income limit and 5% fee cap are outdated and unrealistic given inflation and actual school costs.

02.08 Instead of restricted tax credit under Section 61, charitable donations by high-income individuals, AOPs, and companies should be treated as deductible allowances to promote education and healthcare. Currently, recipients enjoy 100% credit under Section 100C, but donors face limits.

01. COMMON RULES (Chapter IV of the Income Tax Ordinance 2001)

01.01 There are many immovable properties and other assets which a business purchases against other assets instead of bank transactions. Section 75A is silent on it and unjustly and illegally not allowing to enjoy any allowance under Section 22 to 25 and such amount shall not be treated as cost as defined under Section 76;

02. PROVISIONS GOVERNING PERSONS (Chapter V of the Income Tax Ordinance 2001)

02.01 The definition of company includes a modaraba but has ignored other Islamic mode of finance and economic activities under Section 80 (2) (b);

03. ANTI AVOIDANCE (Chapter VIII of the Income Tax Ordinance 2001)

03.01 Where the Commissioner is of the opinion that a transaction has not been declared at arm's length, the Commissioner may obtain report from an independent Chartered Accountant or Cost and Management Accountant to determine the fair market value of asset, product, expenditure or service at the time of transaction under Section 108A. It seems to be defective and it is advisable to get report from independent Valuer who has expertise in this work;

04. MINIMUM TAX (Chapter IX of the Income Tax Ordinance 2001)

04.01 It is a bad law to charge income tax on business losses or where there is no income. If Pakistan had charged it as a "minimum tax" under Section 113 for a given situation to cover fund shortfall then it should be temporary or transitional. But now it is not only become permanent but also misused in entire Income Tax Ordinance as tax deducted or collected at source will be a minimum tax or final tax instead of adjustable tax under Sections 148, 151, 152, 153, 154, 156 etc; and also in alternative corporate tax at 17% under Section 113C. So these changes in tax laws is against Section 168 and also damaged the basic principle of the business as a result economy of Pakistan is not flourishing and remain backward;

05. PROCEDURE (Chapter X of the Income Tax Ordinance 2001)

05.01 Under Section 118 (2A), where salary income is Rs. 500,000/- or more the taxpayer shall file return of income electronically while taxable income of salaried person is exempted upto Rs. 600,000/-. So this is a mistake and need to be changed;

05.02 by mistake Section 113A mentioned instead of Section 113C in Section 137 for due date for payment of tax;

05.03 Individual and AOP as tenant should deduct income tax at source from gross rent above Rs. 300,000/- in a tax year under Section 155(1). While individual and AOP paying gross rent less than Rs. 1.5 million in a year is "not prescribed person" under Section 155(3), so they should not require to deduct tax at source from rent payment. FBR need to remove this lacuna. (Section 155 and First Schedule, Part III, Division V attached to the Income Tax Ordinance 2001);

05.04 Clause (e) skipped by mistake and inserted Clause (f) in Section 165(1);

05.05 A confusion has been created in Section 165(6) and Section 165(7) by the words "shall furnish annual statement" and "shall e-file annual statement" for every person deducting tax from payment under Section 149. If also to submit annual statement physically in addition to electronic filing then what is the use of technology? Physical submission of annual statement is creating room for corruption and harassment to the taxpayer, which need to be withdrawn;

05.06 Under Section 164(2) a person required to furnish a return of taxable income shall attach copies of CPR or SPR on the basis of which a certificate under Section 164(1) is provided to the person. What is the rational in this huge exercise which create only frustration and harassment?;

05.07 What is the credibility and reliability of huge quantity of information furnished by banks to the FBR every month under Section 165A while banking company and their bank officers are not liable to punishment for any wrong or fraudulent furnishing of information;

05.08 If a refund of tax due to the taxpayer is not paid within three months then compensation at the rate of KIBOR plus 0.5% per annum of the amount of refund computed for the period from the end of three months and ending on the date on which it was paid under Section 171. Why compensation after three month instead of from refund due date? Further compensation for such delayed refund is not allowed to taxpayer if return not filed within due date under Section 182A. This lacunae need to be removed;

05.09 Section 172 and 173 relating to representatives has not given right of appeal to the representative against the order and proceedings of tax authorities;

05.10 The accounts and documents required to be maintained for six years under Section 174 but maintaining period of records does not mentioned except for Section 111(2)(ii);

05.11 How come a reasonable compensation by the commissioner to the owner of the accounts, documents and computer for the loss or destruction under Section 175(6) will cover other penalty or prosecution provisions of tax laws to the owner / taxpayer;

05.12 In many sections of Income Tax Laws, it is mentioned that subject to Section 216, all information received under this section shall be used only for the tax purposes and kept confidential as also mentioned under Section 175A (4) while there is no check on its misuse under tax laws;

05.13 Under Section 175B, indicative income and tax liability computed by NADRA on the basis of AI, mathematical or statistical modeling etc and action being taking by the FBR without providing an opportunity of being heard to the person is nothing more than an harassment and torture to the citizen of Pakistan because AI and other technology models in Pakistan are in premature stage and not reliable and on the top of it these are just supporting devices for taking decision making by Human Intelligence;

05.14 Chapter XI of Administration and Chapter XIII of Miscellaneous have not mentioned about language in which accounts, documents and records and computer stored information to be maintained while penalizing taxpayer by charging cost of translation of record into Urdu or English language under Section 179;

06. ADMINISTRATION (Chapter XI of the Income Tax Ordinance 2001)

06.01 What is the rational in including under the Sec 207 (1) the same functional post of Inland Revenue Audit Officer and Auditor Inland revenue as the authorities;

06.02 Section 216 of disclosure of information by a public servant is confusing and overlapping section due to the following shortcomings:

06.02.1 Under Section 216(2) no Court or any other authority shall require any public servant to produce any information about the taxpayer while there are many authorities and civil Court to whom public servant may produce information about the taxpayer under Section 216(3);

06.02.2 Further information about taxpayer and information about public servant are both mixed up in this section 216 while this section only pertains to disclosure of information about the taxpayer by the public servant;

07. TRANSITIONAL ADVANCE TAX PROVISIONS (Chapter XII of the Income Tax Ordinance 2001)

07.01 What is the rational in deducting advance income tax at 10% Tax on deemed excess calculated commission of 17.65 worked out at 15% of enhanced advertisement service value through (formula A X 15 / 85) under the Section 233 (2A) instead of deducting advance income tax at 10% on actual commission earned by the advertising agent? This is obviously unjust and a bad law;

07.02 Double advance income tax on the same property is being collected from the both seller and purchaser under Section 236C and Section 236K, which is unjust and unlawful;

07.03 Only covered commission of life insurance agents under Section 233 of the First Schedule Part IV Div II and has not covered Takaful agents. This shows government of Pakistan still having no believe on Islamic banks and Takaful;

No Pakistani is truly outside the tax net under the Income Tax Ordinance 2001 and related rules. However, once a person interacts with tax authorities, they often face complex provisions, heavy penalties, and harassment—even tax experts are not spared.Pakistan's low tax-to-GDP ratio is less about collection and more about poor oversight of government spending. Why has the government avoided independent audits—especially of trillions in PSDP and welfare funds?

Tax laws impose harsh penalties, such as:

- Rs. 50–100 million for non-filers under Section 114B.
- Rs. 1 million for companies not maintaining beneficial ownership records (Section 181E).

These laws burden small businesses that can't afford full-time tax staff or consultants. Outdated legal references and scattered exemptions further confuse taxpayers. The FBR should consolidate all exemptions into the Second Schedule and create a single schedule for penalties to make the law simpler and more transparent. Simplification and fairness-not fear-will drive better compliance and economic growth.

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True Face of Empowerment

Mr. Sohailuddin Alavi

Empowerment is talked about more frequently in these days. Evidence suggests that empowered employees work more effectively compared to others. Empowered employees are self-regulated and require lesser supervision. It enables them to make informed decisions and just actions leading to efficient performance. Having said, both go hand in hand; former being the tool and latter being the outcome, though with somewhat diverse and distinct faces in different contexts. The aim is of achieving the primary goals of harnessing cost of doing business by slicing additional supervisory roles, maximizing profitability, growth, and sustainability both in conventional as well as in modern organizations. This underlines the need for intellectual debate on the true face of this management concept in the present scenario, marked by the more qualified employees; shift from administrative to process management; and need for cost minimization. As

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In an administrative organization function of a manager is defined as one who gets the job done through other people. In this context, empowerment is referred to as the delegation of authority. The underlying assumption is that if a manager has adequate authority in his or her role, s/he would surely be able to get the job done. Ironically, the measure of competence on the job is indicated by the amount of authority alone.

against administrative management model based on tall hierarchies; multiple supervisory position; stricter command and control, modern lean organizations demand that employees should be capable enough to manage enlarged and enriched jobs rather independently, which is only possible through empowerment in true sense. Having said, empowerment is about developing employees' capacity and encouraging them to take ownership of their work, exhibit initiative and creativity, embrace responsibility, and contribute to meaningful decision making for improved performance and productivity aimed at achieving the goal of organizational growth and success.

In an administrative organization function of a manager is defined as one who gets the job done through other people. In this context, empowerment is referred to as the delegation of authority. The underlying assumption is that if a manager has adequate authority in his or her role, s/he would surely be able to get the job done. Ironically, the measure of competence on the job is indicated by the amount of authority alone. In other words, the assumption is that delegation of authority is the key to making decisions or controlling tasks in a befitting manner. Accordingly, higher the authority higher is the performance. Hence, empowerment is simply the authority to control job and people. Typical bureaucratic or conventional organizations usually work on this format. Quote, "There was this Public Service Officer in BPS 19. He was recently made head of the training department of Customs. Prior to that he had always been in the operations. When he was asked how he qualifies for this rather different role, his reply was very simple, "this position requires an officer of BPS 19, which I am. So, I am capable of working on this position on merit." Unquote.

Looking at empowerment from a process management concept, it deals with holistic outlook on the job – wisdom, knowledge, and skills. Appropriate authority to control the job and the resources shall compliment but is not empowerment per se. Theoretically, it allows a manager to make judicious decisions and act reasonably and to conduct on his or her job rather independently as a process manager. Having said, the critical inputs for empowerment are the followings, but not limited to. Namely, professional maturity, information, knowledge, skills, emotional stability and authority to control resources and make decisions. Authority without the other ingredients poses rather grave situation. The scope of administrative role i.e. to control others is substituted with managing tasks - from getting things done to doing thing. This allows aversion to tall hierarchies and hierarchy-syndrome1.

We shall discuss empowerment from the latter tangent as an ideal concept and will analyze its presence in the modern organizations. Paradoxically, as we evaluate modern organizations, we see that traditional administrative structure i.e. Officer in Charge and Clerical relationships are still very in vogue, however, with a fresh look. Officer in Charge is now called Manager or Leader, etc. though Leader is the trendiest title these days. The clerks are now Executives or Team players, respectively. However, job context and relationship between them has not changed much over the past.

On the positive side we see that more qualified human resources have replaced traditional generalists in the emergent scenario. However, paradoxically managers are continuing to act as administrative head controlling people instead of process specialists. While the executives are still working with a clerical orientation. The relationship between the manager and executives is practically still of an Officer in Charge and Clerk, save its façade. Firstly, because the manager or leader continues to rely on conventional authority paradigm. Secondly, the subordinates, however named, are minimally empowered. In certain situations, they are even less knowledgeable on their jobs compared to the clerks in the past. In short, the face of organizations has changed but the people are not really empowered to do their jobs independently.

Ironically, in organizations concept of empowerment has taken the form of rhetoric – changing the employees' titles, disguising affirmative action as empowerment of employees who might be considered hitherto at a disadvantage, adding a few conveniences for the employees, etc. Do these interventions really enhance productivity? The answer is No! This is blatantly reflected in the lack of work knowledge and capacity of the employees, in general. Service organizations are the most hit by this culture of pseudo empowerment. Nevertheless, other organizations also suffer from lack of empowerment of their employees.

In modern times business organizations find themselves so pressed by the competition that their focus has been shifted to "Go Getter Employees" from "Knowledge based Employees." To unravel the shift in mindset of organizations I quote remarks by two senior bankers of their times. Quote, "Mr. I. A. Magoon, a Chartered Accountant by profession and Ex Principal of Habib Bank Training used to mentor his trainees by emphasizing that every signature of a banker could turn into his or her death warrant. Meaning, if a banker fails to take cognizance of the legal and business repercussions of a loosely designed transaction, he or she will surely put the bank and herself or himself in a grave situation in the times to come. On the contrast, in modern times a President of an uprising bank revealed his unbelievable position on equipping the officers / managers with legal knowledge. He confidently said, teaching law makes the officers cowered and then they do not act aggressively and lose the competition. Unquote.

Another interesting dimension is shortcuts practiced in empowering the employees. While working overseas, I observed that the empowerment scenario was upside down. Majority of the local employees were practically raw – as Maslow described it unconsciously incompetent – yet being locals they had proclaimed core positions under the disguise of empowerment initiative. This generally resulted in flatter growth trajectories and shorter life cycles of the organizations. I have purposely not mentioned name of the country.

Dilemma

Organizations' urgency for results coincided by job-hopping culture has given rise to the fact that employers are now reluctant to invest in their employees' development. This has affected empowerment for worse. For instance, many prosperous organizations hire qualified employees, pay them competitive salaries, and are forced to afford career progression simply to limit the attrition rate. But at what cost? Creating a Halo effect! Such employees are "Go Getters" and honestly speaking motivated for good salary but not empowered in doing their jobs well. They make glorified promises to the customers without knowing if such was plausible or not and how it will affect the organization's future. Quote, "The financial melt-down in the year 2008 is not a distant history. Mortgage loan agents were given targets to sell loans, which they did but without understanding the significance of customer credibility and its repercussion on the banks. More loans they sold, more commission they earned. Result was nothing less than global devastation." Unquote.

Corruption, nepotism, and general apathy has also undermined the state of empowerment. The adverse effects of it are evident in prospering public sector employees and decaying public sector organizations.

Conclusion

In short, the prevailing empowering culture is to develop aggressive personalities and modern façade. However, building the moral and knowledge base is largely compromised for worse. Hence, we see a lot more smart looking employees across the counters but paradoxically they lack moral compass and adequate competence to understand with clarity, make judicious decisions and solve customer problems ethically and wisely. It is time for organizations to shift their focus from pseudo empowerment to real empowerment. Having said, organizations should revisit their employee development strategy: develop smart, morally upright and knowledge-based employees. Doing so, they can surely avert the humongous risks besides enabling their employees to act in a more ethical and confident manner.

Having said, a smart Human Resource Development strategy should be considered from a strategic perspective. Employees' development must focus on building their whole personalities in line with general morals, organization's business values and strategy, and sustainable business competence along employees' career path – no need to induct and train employees for a given job alone.

1.Hierarchy Syndrome refers to a scenario where people in the middle of a scalar chain simply pass on the task to the next level without adding any value to it. The termed is coined by the author.

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