

Securities and Exchange Commission of Pakistan

Islamabad, the 3rd May, 2013

In exercise of the powers conferred by section 506B of the Companies Ordinance, 1984 (XLVII of 1984) read with rule 24 of the Public Sector Companies (Corporate Governance) Rules, 2013, the Securities and Exchange Commission of Pakistan is pleased to issue the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013.

Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013

1. Short title, application and commencement.- (1) These guidelines may be called Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013.

(2) These guidelines shall apply to all Public Sector Companies, as defined in the Rules.

(3) These shall come into force from the financial year ending on or after June 30, 2014.

2. Publication and authentication of Statement of Compliance - (1) Every public sector company shall publish and circulate a statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, in the form set out in Schedule I to the Guidelines, alongwith its annual report to set out the status of its compliance therewith.

(2) The statement of compliance shall be signed either by the chief executive jointly with the chairman of the board or in case of his absence, with any of the independent non-executive directors.

(3) In case of non-compliance with any of the provisions of the Rules, the reasons for non-compliance alongwith a line of action for complying with the provision in future, shall be provided in the Statement of Compliance, in the form set out in Schedule II to the Guidelines.

(4) The external auditors of the company, before publication of the Statement of Compliance, shall review the same and certify compliance through review report to the members, as set out in Schedule III to the Guidelines.

(5) Notwithstanding anything contained in the statement, any disclosure required under any other directive, code, regulation or rules shall be made in the statement.

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SCHEDULE I
[See paragraph 2(1)]

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

Name of company
Name of the line ministry
For the year ended.....

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N											
			Tick the relevant box												
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)													
2.	The Board has the requisite percentage of independent directors. At present the board includes:	3(2)													
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td></td> <td></td> </tr> <tr> <td>Executive Directors</td> <td></td> <td></td> </tr> <tr> <td>Non-Executive Directors</td> <td></td> <td></td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors			Executive Directors			Non-Executive Directors				
Category	Names	Date of appointment													
Independent Directors															
Executive Directors															
Non-Executive Directors															
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)													
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)													
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)													
6.	The chairman of the board is working separately from the chief	4(1)													

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	executive of the Company.			
7.	The chairman has been elected from amongst the independent directors.	4(4)		
8.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)		
9.	(a) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (Address of website to be indicated _____) (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)		
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)		
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)		
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)		
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5)(c) (ii)		
14.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c) (iii)		
15.	The board has developed a vision or mission statement, corporate strategy and significant policies of the company. A complete	5(6)		

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	record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.			
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)		
17.	(a) The board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)		
18.	The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis*. * Strike out whichever is not applicable	8		
19.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9		
20.	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.	10		
21.	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11		
22.	(a) The board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition. (c) The minutes of the meetings of the committees were circulated to all the board members. (d) The committees were chaired by the following non-executive directors:	12		

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	Committee	Number of members	Name of Chair															
	Audit Committee																	
	Risk Management Committee																	
	Human Resources Committee																	
	Procurement Committee																	
	Nomination Committee																	
23.	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.		13/14															
24.	The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.		16															
25.	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.		17															
26.	The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.		18															
27.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.		19															
28.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.		20															
29.	The board has formed an audit committee, with defined and written terms of reference, and having the following members:		21															
	<table border="1"> <thead> <tr> <th>Name of member</th> <th>Categoryⁱ</th> <th>Professional backgroundⁱⁱ</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Name of member	Category ⁱ	Professional background ⁱⁱ													
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	The chief executive and chairman of the Board are not members of the audit committee.			
30.	The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22		
31.	The company has appointed its external auditors in line with the requirements envisaged under the Rules.	23		
32.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)		
33.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)		
34.	The company has complied with all the corporate and financial reporting requirements of the Rules.			

Signatures
(Names in block letters)
CEO & Chairman/Independent Director

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SCHEDULE II

See Paragraph 2(3)

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with [except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year].ⁱⁱⁱ

Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action

Signatures
(Names in block letters)
CEO & Chairman/Independent Director


3.5.13

SCHEDULE III

See Paragraph 2(4)

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

We have reviewed the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 for the year ended _____ prepared by the Board of Directors of M/s _____ to comply with the provisions of the Rules.

Based on our review, nothing has come to our attention, [except the following]^{iv}, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material aspects with the Public Sector Companies (Corporate Governance) Rules, 2013, as applicable to the Company for the year ended _____.

City:
Dated:

**Signature (s)
Chartered Accountants
Engagement Partner**


ⁱ Indicate whether an executive, non-executive or independent director.

ⁱⁱ Indicate professional background including finance, accounting, law, business management, etc.

ⁱⁱⁱ Delete if not applicable

^{iv} Delete if not applicable

[CLD/RD/ROC/CG/2004.]


(Nazir Ahmed Shaheen)
Executive Director (C&CD)

3. 5. 13