



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
COMPANY LAW DIVISION
CORPORATIZATION & COMPLIANCE DEPARTMENT**

Before

Director

(Corporatization and Compliance Department)

In the matter of

COMSATS EMPLOYEES HOUSING FOUNDATION

ORDER

Under Rule 25 of the Public Sector Companies (Corporate Governance) Rules 2013 read with Section 506(2) of the repealed Companies Ordinance, 1984 now Section 508(2) of the Companies Act, 2017

Number and date of show cause notice: No. CCD/PSC/142/2015/IAN-35/5/2016-7991
dated April 28, 2016
Present: Mr. Muhammad Azam and Mr. Shiraz Khan,
authorized representatives of the Company
Dates of Hearing: May 23, 2016 and January 24, 2017
Place of Hearing: Islamabad

This Order shall dispose of proceedings initiated against the Chief Executive Officer of M/s. COMSATS Employees Housing Foundation (hereinafter referred to as the "Company") for the default made in compliance with the requirements of rule 24 of the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter referred to as the "Rules").

2. The brief facts leading to the show cause notice are that the Company being a public sector company, was required in terms of sub-rule (1) and (2) of rule 24 of the Rules to publish, circulate and file with the Commission, the Statement of Compliance (hereinafter referred to as the "SOC") and review report from the auditor for the years ended June 30, 2014 and June 30, 2015. However, despite issuance of demand notice(s), it has failed to do so for which a show cause notice dated April 28, 2016 (the "SCN") was issued calling upon its chief executive officer to explain in writing and to appear in person or through authorized representative for hearing on May 23, 2016 to clarify the position.

3. In response to the SCN, the Company vide its Letter No CIIT/CEHF/11430 dated May 9, 2016 informed that it had filed the corresponding SOC's of the years ended June 30, 2014 and June 30, 2015. The perusal of record rebutted such assertion and made it abundantly clear that the Company through its company secretary vide letter dated May 2, 2016 only submitted audited financial statements of year ending June 30, 2014 along with notice and minutes of AGM, copy of directors' report and copies of Form 27, 28 and 29 and no such SOC's as per the requirements of Rules were ever submitted.

4. In furtherance to its previous reply, the Company vide its Letter No CIIT/CEHF/969-11513 dated May 19, 2016 apprised that it could not submit the required SOC due to non-availability of information to be provided with the statement i.e. appointment of independent directors, constitution of committees, appointment of chief financial officer and chief internal auditor. The Company submitted following reasons for its non-compliances with the Rules; **Quote 1) The independent directors could not be appointment as CIIT established CEHF to provide housing facility exclusively to its employees and Directors nominated by CIIT probably can watch the interests of employees as compared to the independent Directors appointed outside CIIT; 2) It is evident from the financial statements submitted to SECP that company is meeting its very basic expenses by taking loan from the parent institution, i.e. CIIT and would not be able to hire the highly paid services of Chief Financial Officer and Chief Internal Auditor. Therefore, practically it is impossible for CEHF to go 100% by the rule-24 of Corporate Governance Rules 2013. Un-Quote.**

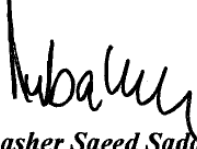
5. The authorized representative of the Company appeared for hearing on 23rd May 2016 and reaffirmed his earlier assertions. Later on, the matter was fixed for hearing on 12th January 2017, for which the notice of hearing remained undelivered. Subsequently, the hearing was re-fixed on 24th January 2017 on which date the authorized representative of the Company appeared and reiterated similar assertion that SOC for the year ended June 30, 2014 has already been filed with the concerned company registration office and SOC for the year ended June 30, 2015 will be filed soon after the approval of the accounts in the annual general meeting for which direction under section 170 of the Companies Ordinance, 1984 has been already sought. However, from the perusal of record it appeared that no such SOC for the years ended June 30, 2014 and June 30, 2015 has yet been filed by the Company and the same fact has also been confirmed by the concerned company registration office.

6. I have gone through the relevant provisions of the Rules, and other record of the Company and observed that sub-section (1) of rule 24 of the Rules required that every public sector company shall publish and circulate a SOC along-with its annual report to set out the status of its compliance with the Rules, and shall also file SOC with the Commission and the registrar concerned along with its annual report. Further, sub-rule (2) of rule 24 of the Rules requires that the Company shall ensure that SOC with the rules is reviewed and certified by the external auditors, where such compliance can be objectively verified, before its publication. I have also perused rule 25 of the Rules, which provide penalty for contravention of the rules.

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7. Based on the above, it is apparent that the Company and its directors have violated the mandatory requirements of rule 24 of the Rules by not filing SOC for the years ended June 30, 2014 and June 30, 2015. I, therefore, in exercise of the powers conferred under rule 25 of the Rules read with section 508(2) of the Companies Act, 2017 (the "Act") impose a fine of Rs. 50,000/- (Rupees Fifty thousand only) on the chief executive of the Company. The chief executive is, hereby, directed to deposit the amount of penalty in the Commission's account within 30 days of the receipt of this Order and furnish original receipt/challan of the same to this office for record. In case of non-payment of penalty within the specified time, the same will be recovered under the provisions of law. The Company and its directors including its chief executive are also directed to submit the overdue SOC for the years ended June 30, 2014 and June 30, 2015 forthwith.

8. This order is issued without prejudice to any other action(s) that may be initiated against the Company and its directors/officers responsible for the violations of the aforesaid provisions of the Rules and the Act.


Mubasher Saeed Saddozai
Director (CCD)

Announced:
February 19, 2018