

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Sui Northern Gas Pipelines Limited

Date of Hearing

October 25, 2019, February 24, 2020 and June 29, 2020

Order-Redacted Version

Order dated July 29, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Sui Northern Gas Pipelines Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated August 19, 2019
2. Name of Company	Sui Northern Gas Pipelines Limited
3. Name of Individual*	The proceedings were initiated against the directors and the Company i.e. Sui Northern Gas Pipelines Limited
4. Nature of Offence	Violations of rule 25 of the Public Sector Companies (Corporate Governance) Rules, 2013 read with section 508(2) of the Companies Act, 2017
5. Action Taken	Key findings of default were reported in the following manner: 2. I have analyzed that the facts of the case and I would like to mention here that the Company's election of directors were held on June 21, 2017, whereas PSC Rules 2013 were amended vide dated April 21, 2017 i.e. prior to the election of directors of the Company. Therefore, at the time of election of directors, amendments made on April 21, 2017 were duly applicable on the Company. After the aforesaid election, the Company had 14 directors on board and out of them 5 were independent directors i.e. 1/3 rd of the total directors were independent non-executive directors. It is here also added that Companies Act, 2017 came into effect on May 31, 2017 i.e. prior to election of directors of the



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Company, hence, in terms of the given requirements of section 166 of the Companies Act, 2017, independent directors were also required to be elected. However, keeping in view the manner and selection criteria of independent directors were notified subsequently, so, the desired independent directors were not required, having met the said criteria, at the time of election of directors i.e. in June 2017. Moreover, after the promulgation of the Companies Act, 2017, savings clause was also introduced in terms of clause (b) of sub-section (2) and sub-section (4) of section 509 of the Companies Act, 2017, in terms of which PSC Rules, 2013 were perpetuated and would be considered as formed in terms of the provisions of the Companies Act, 2017.

3. With regard, to the applicability of rule (12) and rule (21) of the PSC Rules, the Authorized Representative informed that compliance of the proportionate strength requirements as envisaged in rule (12) and rule (21) was made in September 2019 by reconstitution of the board audit committee, HR & Nomination committee, and proportionate strength of 35.7% of independent directors as was on board was also made part of the said committees whereas board audit committee was having more than 50% representation of independent directors. The default period started from August 2017, when a non-executive director was appointed on board audit committee increasing strength of board members to 8 on this committee, which was rectified in September 2019. The Authorized Representative furnished following details that on reconstitution of committees on September 6, 2019, the composition of board committees was follows:

Name of the Committee	Composition of independent directors	Proportionate strength of independent directors
Audit Committee	5 out of 8	5



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HR and Nomination Committee	3 out of 7	36% of 7 = 3
Finance and Procurement Committee	3 out of 7	3
UFG Control Committee	3 out of 7	3
Risk Management Committee	3 out of 7	3

4. I am therefore of the view that the Respondents have violated the requirements of PSC Rules, however, they complied with the given requirements of the PSC Rules after reconstitution of board audit committee and other committees in September 2019, and they showed responsiveness in ensuring compliance of the PSC Rules. Therefore, in terms of powers conferred under section 508 of the Companies Act, 2017 for violation of PSC Rules, a penalty of **Rs. 200,000/- (Rupees two hundred thousand only)** is hereby imposed on the Company. The directors of the Company including Chief Executive, being Respondents, are hereby also warned to be careful in future in ensuring compliance of the requirements of the law in letter and spirit, failing which proceedings as per requirements of the law may be initiated.

5. The Company is directed to deposit the aforesaid penalty in the bank account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of the date of this Order and furnish original deposit challan to the Commission forthwith. In case of non-deposit of fine, proceedings for recovery of the fines as arrears of land revenue will be initiated.

6. Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act or PSC Rules.

Penalty order dated July 29, 2020 was passed by Executive



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	Director (Adjudication-I).
6. Penalty Imposed	A penalty of Rs. 200,000/- (Two hundred thousands) was imposed on the Company.
7. Current Status of Order	No appeal was filed.