

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

Name of the Company: Sindh Engro Coal Mining Company Limited.

Name of the line ministry: Energy Department, Government of Sindh.

For the year ended: December 31, 2022

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

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

S. No.	Provisions of the Rules	Rule No.	Yes/No/NA																																
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	No, Please refer to Note 1 in Notes section for details.																																
2	<div>The Board has at least one-third of its total members as independent directors. At present the Board includes:</div> <table><thead><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr></thead><tbody><tr><td>Independent Directors</td><td>N/A</td><td>N/A</td></tr><tr><td>Executive Director</td><td>Mr. Amir Iqbal (Chief Executive Officer/ Director)</td><td>24-Nov-22</td></tr><tr><td rowspan="10">Non-Executive Directors</td><td>Mr. Imtiaz Ahmed Shaikh (Chairman)</td><td>24-Nov-22</td></tr><tr><td>Mr. Muhammad Tayyab Ahmed Tareen</td><td>24-Nov-22</td></tr><tr><td>Mr. Sami Aziz</td><td>24-Nov-22</td></tr><tr><td>Mr. Ghias Uddin Khan</td><td>24-Nov-22</td></tr><tr><td>Mr. Muhammad Kamran Kamal</td><td>24-Nov-22</td></tr><tr><td>Mr. Syed Hassan Naqvi</td><td>24-Nov-22</td></tr><tr><td>Mr. Mahesh Kumar Malani</td><td>24-Nov-22</td></tr><tr><td>Mr. Muhammad Salman Burney</td><td>24-Nov-22</td></tr><tr><td>Mr. Abu Bakar Ahmed Madani</td><td>24-Nov-22</td></tr><tr><td>Mr. Sajid Jamal Abro</td><td>24-Nov-22</td></tr><tr><td>Mr. Bao Jianjun</td><td>24-Nov-22</td></tr></tbody></table>	Category	Names	Date of Appointment	Independent Directors	N/A	N/A	Executive Director	Mr. Amir Iqbal (Chief Executive Officer/ Director)	24-Nov-22	Non-Executive Directors	Mr. Imtiaz Ahmed Shaikh (Chairman)	24-Nov-22	Mr. Muhammad Tayyab Ahmed Tareen	24-Nov-22	Mr. Sami Aziz	24-Nov-22	Mr. Ghias Uddin Khan	24-Nov-22	Mr. Muhammad Kamran Kamal	24-Nov-22	Mr. Syed Hassan Naqvi	24-Nov-22	Mr. Mahesh Kumar Malani	24-Nov-22	Mr. Muhammad Salman Burney	24-Nov-22	Mr. Abu Bakar Ahmed Madani	24-Nov-22	Mr. Sajid Jamal Abro	24-Nov-22	Mr. Bao Jianjun	24-Nov-22	3(2)	No, Please refer to Note 1 in Notes section for details.
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Independent Directors	N/A	N/A																																	
Executive Director	Mr. Amir Iqbal (Chief Executive Officer/ Director)	24-Nov-22																																	
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3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	Yes, except for 1 director who is serving in more than five public sector companies.																																
4	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	Yes, fit and proper criteria was applied in making majority of the nominations. In three cases, all requirements of fit and proper criteria were not applied. However, the company has applied for exemption for the overall clause. Please refer to Note 1.																																
5	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	Yes																																
6	The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	4(4)	Yes																																
7	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where chief executive has been nominated by the Government).	5(2)	No, Please refer to Note 1 in Notes section for details.																																
8	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. The Code of Conduct of the Company can be obtained from the Company's website i.e. https://www.engroenergy.com/code-of-conduct/ (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	Yes																																

Agg

S. No.	Provisions of the Rules	Rule No.	Yes/No/NA
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	Yes
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	Yes
11	The Board has developed and implemented a policy on anti- corruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	Yes
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	Yes
13	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	N/A, the Company has been exempted from the Sindh Public Procurement Act, 2009 through notification dated May 29, 2014. However, the Company has standard operating procedures for public procurement, tender regulations and purchasing and technical standards.
14	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	Yes
15	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	Yes
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)	N/A, the Company did not deliver any services or sell any goods as a public service obligation, and no submission of request for compensation were made to the Government
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	N/A as no such directions received during the year.
18	(a) The Board has met at least four times during the year.	6(1)	Yes
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	No, There were certain delays in circulation of agenda and working papers of three board meetings, however waiver of notice was granted in the meeting as meetings were held on short notice.
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	No, There were certain delays in circulation of the Board minutes of two board meetings and one minutes circulation is not available in the Company's records.
19	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	Yes
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	Yes
21	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	Yes, however there was a delay in the approval of the half yearly accounts.
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		N/A
	(c) The Board has placed the annual financial statements on the company's website.		Yes
22	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	Yes, for directors who did not attend the meeting relevant material was shared with them.

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S. No.	Provisions of the Rules	Rule No.	Yes/No/NA																		
23	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written terms of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table><thead><tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr></thead><tbody><tr><td>Audit Committee</td><td>Mr. Syed Hasan Naqvi Mr. Sami Aziz Mr. Muhammad Tavyab Ahmed Mr. Abu Bakar Ahmed Madani Mr. Sajid Jamal Abro</td><td>Mr. Syed Hasan Naqvi</td></tr><tr><td>Risk Management Committee</td><td>Mr. Syed Hasan Naqvi Mr. Sami Aziz Mr. Muhammad Tavyab Ahmed Mr. Abu Bakar Ahmed Madani Mr. Sajid Jamal Abro</td><td>Mr. Syed Hasan Naqvi</td></tr><tr><td>Human Resource Committee</td><td>Mr. Ghias Uddin Khan Mr. Syed Hasan Naqvi Mr. Kamran Kamal Mr. Muhammad Salman Burney Mr. Abu Bakar Ahmed Madani</td><td>Mr. Ghias Uddin Khan</td></tr><tr><td>Procurement Committee</td><td>Mr. Sajid Jamal Abro Mr. Amir Iqbal Mr. Ghias Uddin Khan Mr. Salman Burney</td><td>Mr. Sajid Jamal Abro</td></tr><tr><td>Nomination Committee</td><td>N/A</td><td>N/A</td></tr></tbody></table>	Committee	Number of Members	Name of Chair	Audit Committee	Mr. Syed Hasan Naqvi Mr. Sami Aziz Mr. Muhammad Tavyab Ahmed Mr. Abu Bakar Ahmed Madani Mr. Sajid Jamal Abro	Mr. Syed Hasan Naqvi	Risk Management Committee	Mr. Syed Hasan Naqvi Mr. Sami Aziz Mr. Muhammad Tavyab Ahmed Mr. Abu Bakar Ahmed Madani Mr. Sajid Jamal Abro	Mr. Syed Hasan Naqvi	Human Resource Committee	Mr. Ghias Uddin Khan Mr. Syed Hasan Naqvi Mr. Kamran Kamal Mr. Muhammad Salman Burney Mr. Abu Bakar Ahmed Madani	Mr. Ghias Uddin Khan	Procurement Committee	Mr. Sajid Jamal Abro Mr. Amir Iqbal Mr. Ghias Uddin Khan Mr. Salman Burney	Mr. Sajid Jamal Abro	Nomination Committee	N/A	N/A	12	<p>Yes, except Nomination Committee, all Committees are in place. Please refer to Note 1 in notes section for details.</p> <p>Further circulation of minutes of the Human Resource Committee minutes is not available in the Company records.</p>
Committee	Number of Members	Name of Chair																			
Audit Committee	Mr. Syed Hasan Naqvi Mr. Sami Aziz Mr. Muhammad Tavyab Ahmed Mr. Abu Bakar Ahmed Madani Mr. Sajid Jamal Abro	Mr. Syed Hasan Naqvi																			
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Procurement Committee	Mr. Sajid Jamal Abro Mr. Amir Iqbal Mr. Ghias Uddin Khan Mr. Salman Burney	Mr. Sajid Jamal Abro																			
Nomination Committee	N/A	N/A																			
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	<p>There has been no change in the position of Chief Financial Officer and Chief Internal Auditor during the year. However Company Secretary i.e Ms. Sameen Asad has resigned during the year. Mr Azeem Akbar Ali is the Acting Company Secretary in her place. No Company Secretary has been appointed as at December 31, 2022.</p>																		
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	Yes																		
26	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	Yes																		
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	Yes																		
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	Yes																		
29	<p>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.</p> <p>(b) The annual report of the company contains criteria and details of remuneration of each director.</p>	19	Yes																		
30	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	Yes																		

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S. No.	Provisions of the Rules	Rule No.	Yes/No/NA																		
31	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:	21(1) and 21(2)	Yes; however, the Company has audit committee having Non-Executive Directors who are not independent directors. Please refer Note 1.																		
	<table><tr><th>Name of member</th><th>Category</th><th>Professional background</th></tr><tr><td>Mr. Sajid Jamal Abro</td><td>Non-Executive Director</td><td>Law and Economics</td></tr><tr><td>Mr. Sami Aziz</td><td>Non-Executive Director</td><td>Finance</td></tr><tr><td>Mr. Muhammad Tayyab Ahmed Tareen</td><td>Non-Executive Director</td><td>Finance</td></tr><tr><td>Mr. Abu Bakar Ahmed Madni</td><td>Non-Executive Director</td><td>Diploma in Finance and Public Administration</td></tr><tr><td>Mr. Syed Hassan Naqvi</td><td>Non-Executive Director</td><td>Finance</td></tr></table>			Name of member	Category	Professional background	Mr. Sajid Jamal Abro	Non-Executive Director	Law and Economics	Mr. Sami Aziz	Non-Executive Director	Finance	Mr. Muhammad Tayyab Ahmed Tareen	Non-Executive Director	Finance	Mr. Abu Bakar Ahmed Madni	Non-Executive Director	Diploma in Finance and Public Administration	Mr. Syed Hassan Naqvi	Non-Executive Director	Finance
	Name of member			Category	Professional background																
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	Mr. Abu Bakar Ahmed Madni			Non-Executive Director	Diploma in Finance and Public Administration																
	Mr. Syed Hassan Naqvi			Non-Executive Director	Finance																
The Chief Executive Officer and Chairman of the board are not members of the audit committee.																					
32	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.	21(3)	Yes																		
	(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.																				
	(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.																				
33	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	Yes																		
	(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.																				
	(c) The internal audit reports have been provided to the external auditors for their review.																				
34	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	Yes																		
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	Yes																		

Notes 1:

The Company had applied to the Securities and Exchange Commission Of Pakistan (SECP) for exemption from compliance with the Rules 3(1), 3(2), 3(7), 5(1), 5(2), 8(1) and 12(1)(e) of the PSCG Rules, 2013. The SECP vide its letter No. CLD/CCD/PSC/73/2015-1180 advised the Company to approach the Federal Government to obtain relevant relaxations. The Company thereafter has forwarded its application for exemption from the said Rules to the Energy Department, Government of Sindh for onward submission to the Federal Government. In this respect a hearing was held by the Ministry of Finance (MoF) on January 25, 2023, where the application was discussed, and the matter was sent forward to the federal cabinet for approval. A follow up letter was also issued by the Company to MoF on May 9, 2023, seeking an update.

S.No	Rule No.	Particulars
1	3(1) and 3(2)	Requirement to have independent director.
2	3(7)	Requirement to apply fit and proper criteria.
3	5(1)	Responsibilities, powers and functions of Board
4	5(2)	Appointment to the position of Chief Executive
5	8(1)	Performance evaluation.
6	12(1) (e)	Requirement to have Nomination Committee.

Note 2:

The Company had an earlier exemption from SECP for application of fit and proper criteria for one of the directors. However with respect to the criteria not being met for Minister of Energy - Government of Sindh, the Company has applied for exemption as referred to in Note 1.

Signature

Signature

Imtiaz Ahmed Shaikh
Chairman

Signature

Amir Iqbal
Chief Executive Officer

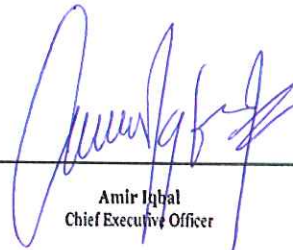
**Explanation for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013**

We confirm that all other material requirements envisaged in the rules have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

Sr. No.	Rule	Reasons for non-compliance	Future course of action
1	2(d), 3(1), 3(2), 3(7), 5(1), 5(2), 8(1), 12(1)(e) and 21(1)	The Company is a joint venture between Government of Sindh, Engro and other sponsors (referred to as 'the Parties'). Joint Venture Agreement executed between the parties gives every party the right to nominate directors and further gives Engro the right to appoint the Chief Executive Officer. Since the Joint Venture Agreement governs the relationship between the Parties, certain provisions of PSCG Rules are impractical to comply with and therefore the Company has applied exemption from compliance with the 3(1), 3(2), 3(7), 5(1), 5(2), 8(1) and 12(1)(e) of the PSCG Rules, 2013, to Energy Department - Government of Sindh for onward submission to the Federal Government.	The Company had applied to the Securities and Exchange Commission Of Pakistan (SECP) for exemption from compliance with the Rules 3(1), 3(2), 3(7), 5(1), 5(2), 8(1) and 12(1)(e) of the PSCG Rules, 2013. The SECP vide its letter No. CLD/CCD/PSC/73/2015-1180 advised the Company to approach the Federal Government to obtain relevant relaxations. The Company thereafter has forwarded its application for exemption from the said Rules to the Energy Department, Government of Sindh for onward submission to the Federal Government. In this respect a hearing was held by the Ministry of Finance (MoF) on January 25, 2023, where the application was discussed, and the matter was sent forward to the federal cabinet for approval. A follow up letter was also issued by the Company to MoF on May 9, 2023, seeking an update.
2	3(5)	The director was nominated by Government of Sindh during the year.	The Company has asked the Government of Sindh to ask the director to reduce its directorships for compliance purposes.
3	6(2) and 6(3)	There were certain inadvertent delays in circulation of the agenda and working papers, and minutes of three board meetings. Further, the circulation of minutes of one board meeting is not available in the Company records.	Going forward the Company will ensure compliance with the rules.
4	12	The circulation of minutes of Human Resource Committee meetings is not available in the Company records.	Going forward the Company will ensure compliance with the rules.



Imtiaz Ahmed Shaikh
Chairman



Amir Iqbal
Chief Executive Officer