

REGISTERED No. M - 302
L.-7646

The Gazette of Pakistan



**EXTRAORDINARY
PUBLISHED BY AUTHORITY**

ISLAMABAD, THURSDAY, FEBRUARY 2, 2023

PART I

Acts, Ordinances, President's Orders and Regulations

NATIONAL ASSEMBLY SECRETARIAT

Islamabad, the 31st January, 2023

No. F. 22(21)/2021-Legis.—The following Act of *Majlis-e-Shoora* (Parliament) received the assent of the President on the 30th January, 2023 is hereby published for general information:-

ACT NO. VII OF 2023

[AS PASSED BY THE MAJLIS-E-SHOORA (PARLIAMENT)]

AN

ACT

to provide for governance and operation of the management and financial efficiency of state-owned enterprises owned and controlled by the Federal Government

WHEREAS, the Federal Government owns and controls a number of state-owned enterprises established under the various laws of Pakistan;

AND WHEREAS, the governance and operation of these enterprises if not made effectively or appropriately affects the quality of service delivery by the State as well as the fiscal discipline of the State;

(81)

Price: Rs. 40.00

[173 (2023)/Ex. Gaz.]

AND WHEREAS, it is expedient to specify principles governing the operation of state-owned enterprises to authorise the formation of state owned-enterprises for carrying on certain Federal Government activities and to control the ownership thereof and to establish requirements about the governance and accountability of state-owned enterprises and for matters connected therewith and ancillary thereto;

It is hereby enacted as follows:

CHAPTER-1

GENERAL

1. **Short title and commencement.**—(1) This Act shall be called the State-Owned Enterprises (Governance and Operations) Act, 2023.

(2) It shall come into force at once.

2. **Definitions.**—In this Act, unless there is anything repugnant in the subject or context,—

(a) “articles” means the articles of association of a company;

(b) “board” means—

(i) in the case of a company, the board of directors of the company; and

(ii) in the case of a statutory state-owned enterprise, the governing body empowered to oversee or manage the affairs of such statutory body or enterprise.

(c) “chief executive officer” means—

(i) in the case of a company, the chief executive officer of the company, by whatever name called; and

(ii) in the case of a statutory state-owned enterprise, the person empowered to undertake the functions of the chief executive officer, by whatever name called under the relevant law.

(d) “controlled by the Government” means—

(i) in the case of a company, if the Federal Government directly or indirectly has the right to appoint a majority of directors or control over management or policy decisions, exercisable by a person individually or through any person acting in concert,

directly or indirectly, whether by virtue of Federal Government shareholding, management right, shareholders agreement, voting agreement or otherwise;

- (ii) in the case of an entity created by an Act of the Majlis-e-Shoora, if the Federal Government has the power to appoint a majority of the persons who are directors of that entity or otherwise has the power to determine the outcome of decisions about the entity's management or financial and operating policies.

(e) "commercial state-owned enterprise" means—

- (i) a state-owned enterprise established under the Companies Act, 2017 (XIX of 2017) other than companies licensed under section 42 thereof; or
- (ii) a state-owned enterprise that generates the majority of its revenue from the sale of goods or services or a combination of goods and services on a commercial basis.

(f) "company" means a company incorporated under the Companies Act, 2017 (XIX of 2017) which is a state-owned enterprise;

(g) "director" means—

- (i) in the case of a company, a director appointed under the Companies Act, 2017 (XIX of 2017); and
- (ii) in the case of a statutory state-owned enterprise, a member of the governing body designated under the applicable law.

(h) "nominee director" means—

- (i) a director who represents the Federal or Provincial Government; and
- (ii) a director who represents another state-owned enterprise.

(i) "independent director" means a director who is not an *ex-officio* director and is not disqualified under section 11;

(j) "owned by the Federal Government" means—

- (i) in the case of a company, an entity in which the Federal Government directly or indirectly holds fifty percent or more shareholding; and

- (ii) in the case of a statutory state owned enterprise, an entity which has been established through an Act of the Majlis-e-Shoora.
- (k) "prescribed" means prescribed by rules made under this Act;
- (l) "public service obligation" means the specified service or activity referred to in a public service obligation agreement;
- (m) "public service obligation agreement" means an agreement referred to in Schedule-II between the Federal Government and a commercial state-owned enterprise for the undertaking of a public service obligation by the commercial state-owned enterprise;
- (n) "Schedule" means Schedule made under this Act;
- (o) "state-owned enterprise" means a corporate body falling within the scope of section 2; and
- (p) "statutory state-owned enterprise" means a state-owned enterprise established under an Act of Parliament.

3. **Scope and application.**—(1) Notwithstanding anything contained in any other law for the time being in force, this Act shall have application to all public sector companies as defined in sub-section (54) of section 2 of the Companies Act, 2017 (XIX of 2017) and other corporate bodies which are owned and controlled by the Federal Government including those established under special enactments but shall not apply to—

- (a) regulatory bodies which are empowered to issue licences, grant tariffs or undertake investigations and inquiries with regard to non-compliance of their statutory functions and powers;
 - (b) subject to sub-section (2), enterprises providing health and educational services and facilities; and
 - (c) subject to the criteria laid down in the state-owned enterprise ownership and management policy, any state-owned enterprise specifically excluded from the complete or partial application of this Act by the Federal Government for reasons to be recorded and by notification in the official Gazette, provided that such exclusion does not undermine the objectives and principles of this Act.
- (2) The application of this Act may be extended by the Federal Government either completely or partly to any entity specified in Schedule-I,