

Listed Companies (Code of Corporate Governance) Regulations, 2017

Frequently Asked Questions (FAQs)

The following FAQs on Listed Companies (Code of Corporate Governance) Regulations, 2017 (“the Regulations”) are in addition to FAQs issued by Securities and Exchange Commission of Pakistan (SECP) and placed on website of SECP on December 06, 2017.

22. Can foreign directors attend general meeting through video conferencing?

Foreign directors can attend general meeting through video conferencing facility. However other directors are required to attend the general meetings of the shareholders in person except precluded for any reasonable cause.

23. For related party disclosures, will the statement of compliance under the Code of Corporate Governance 2012 (“Code 2012”) be used instead of compliance statement under the Regulations?

Related party requirements are not materially changed in the Regulations except that it provides compliance with Section 208 of the Companies Act, 2017 (the Act). Pending issue of regulations under Section 208 of the Act, the statement of compliance to the extent of related requirements may be given in line with earlier practice.

24. For companies whose financial year ends on March 31, 2018, June 30, 2018 or September 30, 2018, can the format of Statement of Compliance under Code 2012 be used instead of Compliance statement under the Regulations?

The Regulations are applicable from January 1, 2018 therefore such companies will be facing practical difficulty as two set of laws i.e. Code 2012 and the Regulations are applicable on the financial years ending on March 31, 2018, June 30, 2018 and September 30, 2018. The statement of compliance under Code 2012 and the Regulations are materially similar with exception of certain deletions, therefore the Board may choose to follow either of the statement of compliance while giving additional disclosure for clarity.

25. How will independent director be elected?

In view of the requirements of Section 153 and 166 of the Act, an independent director shall be a member. However such member shall, in addition to test and circumstances of independence as stated in Section 166 of the Act, not hold more than 10% of the shares of the Company. Therefore, the requirements of being member shall be fulfilled by such independent director prior to contesting elections. In this regard, companies shall facilitate such directors by making amendment in their Articles of Association regarding qualification shares, where required.

The conduct of the election and removal of independent director/s shall be made in accordance with the election procedures as per Section 159 and 163 of the Act respectively and articles of association of Company. Further, the statement of material facts annexed to the notice of the general meeting called for the purpose of elections shall indicate the justification for such person/s contesting election as independent director. Moreover, it shall be the responsibility of the Chairman of the Meeting to inform all members in attendance of the mandatory requirement of electing independent director/s. Chairman shall also ensure that an independent director/s are elected during the general meeting and specific slot/s for independent directors shall not be filled-up by unqualified nominees.