

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Islamabad, the 5th December, 2018

NOTIFICATION

S.R.O. 1475 (I)/2018.- In exercise of the powers conferred by section 512, read with sections 156, of the Companies Act, 2017 (XIX of 2017), the Securities and Exchange Commission is pleased to notify the following amendments to the Listed Companies (Code of Corporate Governance) Regulations, 2017, the same having been previously published in the official Gazette vide Notification S.R.O. 1319(I)/2018, dated November 02, 2018, as required under proviso to sub-section (1) of the said section 512, namely:-

In the aforesaid Regulations,-

1. In regulation 10,-

(a) after sub-regulation (1), the following new sub-regulation shall be inserted, namely:-

“(1A) The board of directors is responsible for adoption of corporate governance practices by the company and monitoring effectiveness of such practices and the members of board shall ensure to apply high ethical standards in performing their responsibilities.”;

(b) in sub-regulation (3),-

(i) in clause (i), after the expression “mission statement” the expression “, monitoring the effectiveness of the company’s governance practices” shall be inserted;

(ii) in clause (ii), for the expression “code of conduct is in place” the expression “code of conduct or code of ethics is in place and is adopted” shall be substituted;

(iii) for clause (iii), the following shall be substituted, namely:-

“(iii) adequate policy, systems and controls are in place for communication and disclosure with stakeholders, identification and redressal of grievances and queries of shareholders/ investors and complaints arising from unethical practices;”;
and

(iv) after clause (v) the following new clause shall be inserted, namely:-

“(va) formal mechanism shall be in place for selecting, compensating, monitoring and, when necessary, replacing senior executives and overseeing succession planning and the remuneration of key executive and board may be aligned with the long term interests of the company and its shareholders;”;

(c) in sub-regulation (4),-

(i) for clause (c), the following shall be substituted, namely:-

“(c) remuneration policy for non-executive directors including independent directors;”;
and

(ii) for clause (e), the following shall be substituted, namely:-

“(e) code of ethics, managing conflict of interest of management and board members, communication policy and investors’/shareholders’ relations;”;

2. in regulation 18, in sub-regulation (1), after the words “company successfully” the expression “giving due consideration to performance evaluation (as applicable)” shall be inserted”;

3. in regulations 20, in sub-regulations (2), for the proviso, the following shall be substituted, namely:-

“Provided that the Commission may grant exemption from the directors training program certification in the following cases, keeping in view the relevancy of qualification and experience of directors and based on such conditions as deemed appropriate,-

(i) a director having a minimum of 14 years of education and has 15 years of experience on board of listed company, local and/or foreign; or

(ii) an individual having at least 25 years of post-qualification experience in fields of law, audit, tax, finance, corporate affairs, regulatory or government sector experience and is a

member of professional body of accountants whose qualification is recognized as equivalent to post graduate degree by HEC; or

(iii) an individual having atleast 30 years of experience in fields of law, audit, tax, finance, corporate affairs, regulatory or government sector experience and has a postgraduate degree in the above mentioned fields from a university in Pakistan or equivalent recognized and approved by the Higher Education Commission of Pakistan (HEC).”;

4. in regulation 21, after the words “conditions of employment” the words “or continued service” shall be inserted;

5. in regulation 23,-

(a) after the words “appointed as” appearing at the beginning, the words “or continue to hold position of” shall be added;

(b) in clause (c), for the full stop (.) at the end, a semi colon shall be substituted and thereafter the following proviso shall be added:-

“Provided that existing chief financial officer of a listed company having atleast fifteen years of experience on the same position in a listed company are exempt from qualification criteria above.”;

6. in regulation 24,-

(a) after the words “appointed as” appearing at the beginning, the words “or continue to hold position of” shall be added; and

(b) in clause (c), for the full stop (.) at the end, a semi colon shall be substituted and thereafter the following proviso shall be added:-

“Provided that existing head of internal audit of a listed company having atleast fifteen years of experience on the same position in a listed company are exempt from qualification criteria above.”;

7. in regulation 25, for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided that an individual shall not simultaneously hold the position of Company secretary and Chief financial officer in a listed company.”

8. in regulation 28, in sub-regulation (1), in clause (c), for the Explanation, the following shall be substituted, namely:-

“Explanation:- the expression “financial literate” shall mean a person who is a member of a recognized body of professional accountants or has a post graduate degree in finance from a university or equivalent institution, either in Pakistan or abroad recognized by the Higher Education Commission of Pakistan or who has atleast ten years of experience as audit committee members or atleast twenty years of senior management experience in overseeing of financial, audit related matters.”;

9. in regulation 29, in sub-regulation (3),-

(i) for clause (i), the following shall be substituted, namely:-

“(i) recommend to the board for consideration and approval a policy framework for determining remuneration of directors and senior management preferably taking into consideration that such remuneration commensurate with the performance of the company and evaluation of board and management (as applicable). The definition of senior management will be determined by the board which shall normally include the first layer of management below the chief executive officer level;”;

(ii) in clause (ii), after the expression “board as a whole” the expression “,its members” shall be added;

(iii) in clause (iv), after the expression “(including retirement benefits), the expression “and succession planning” shall be added;

10. in regulation 32, sub-regulation (2), clause (b), after the words “internal audit service” the words “or holding company staff, as applicable” shall be added;”;

11. in regulation 37, after the expression “ each Directors’ Report of the listed company” the expression “and companies may post brief


synopsis of TORs of such committees on their website.” shall be added;

12. in regulation 38, sub-regulation (2), after the words “performance-linked incentives etc.” the expression “ and companies may provide aforesaid details of remuneration of individual directors in annual report.”; and
13. for regulation 39, the following shall be substituted, namely:-

“39. Disclosure of significant policies on website.- Company may post the key elements of its significant policies on its website including but not limited to the following,-

- (a) communication and disclosure policy;
- (b) code of ethics;
- (c) risk management policy;
- (d) internal control policy;
- (e) whistle blowing policy;
- (f) corporate social responsibility/ sustainability/ environmental, social and governance (ESG) related policy.”.

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(Bilal Rasul)
Secretary to the Commission