



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

No.EMD/Misc. 324

September 28, 2011

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Dear Sir,

Re: Application of Companies Ordinance, 1984 regarding payment to directors for paid assignments for listed company

This is with reference to your letter dated September 08, 2011 regarding the above referred matter. Detailed facts have not been made available to the Commission however our reply to your queries, in seriatim, is as follows:

1. In terms of section 188 of the Companies Ordinance 1984 ("Ordinance"), the elected directors of listed companies can hold an office of profit in the same company subject to the approval of general meeting, failing which the director shall *ipso facto* cease to hold office. However approval is not required in case any elected director is appointed as Chief Executive or legal or technical adviser. The remuneration for extra services is determined in accordance with section 191 (1) of the Ordinance.
2. A company in which director of a listed company is also a director can also hold an office of profit in the same company subject to the approval of general meeting. According to section 196 of the Ordinance, directors of the company have the authority on behalf of the company to authorize a director or the firm of which he is a partner or any partner of such firm or a private company of which he is a member or a director to enter into any contract with the company for making sale, purchase or supply of goods or rendering services with the company. It may also be noted that detailed provisions regarding conduct of business of a company with such kind of related parties and mitigation of conflict of interest therein is contained in section 195, 208, 214, 215 and 216 of the Ordinance. The Code of Corporate Governance is also aligned with these provisions of law.

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Enforcement Department

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3. Subject to section 187 of the Ordinance and clause (iii) and (iv) of the Code of Corporate Governance in case of listed companies, there is no bar on a director of a company having client-contractor relationship with another company to become a director of the latter.

We hope that the above reply satisfies your concerns. Please also note that the view point of the Commission on the proposed transaction is based on the facts of the subject matter as stated above. This should not be treated as a binding pronouncement of the Commission in any way.



Ali Azeem Ikram
Director (Enforcement)

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