



# TRANSPARENCY INTERNATIONAL-PAKISTAN

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**Advisory Committee**

8<sup>th</sup> September, 2011

Mr. Muhammad Ali,  
Chairman,  
Securities and Exchange Commission of Pakistan,  
National Insurance Corporation Building,  
Jinnah Avenue,  
Islamabad-44000,  
Fax No. (92-51) 9205692, 9204915

**Sub: Application of Companies Ordinance 1984 regarding Payment to Directors for paid assignments for the Listed Company.**

Dear Sir,

Transparency International Pakistan has received complaint that some elected directors of Listed Companies have been awarded negotiated Contracts for services by these companies, and director/partner of a listed company which has client-contractor relationship with a X company has become nominated director of the X company.

This act according to TI Pakistan is a glaring example of **Conflict of Interest**, as directors are owners representatives on the Board of Companies, and they or their firms shall not be awarded contracts during the period they are on the Board of Directors, because it tantamount to very apparent conflict of interest and TI Pakistan understands that such practices are in violation and in contrast to the requirements of laws administered by SECP for listed companies.


For reference, the relevant clause of Code of Corporate Governance for listed companies is reproduced here with;

*Considering that the directors have the eventual responsibility for the long-term prosperity of the company, they have multiple duties and obligations. Broadly speaking, there are legal, contractual and fiduciary obligations. Directors are under a positive duty to exercise their powers with due skill and diligence when acting on behalf of the company. Any breach of a duty can render a director liable both under civil and criminal law.*

Transparency International Pakistan therefore would like SECP to kindly confirm whether ;

1. The elected directors of the listed companies, are allowed to be appointed as paid advisors to the very company on a remuneration basis, which has to be decided/approved by the Board of Directors, for assignment like, Medical Specialist, Consultants, Economist, IT Expert, Auditors, Lawyers, Architects, Consulting Engineers or Contractors or not.
2. A company, in which such director of the company is partners/directors, can be or can not be awarded assignments for services, or supplies or contracts, and that too on negotiated basis.
3. A director/partner of a company, in which has client-contractor relationship with an X company, can or cannot become director of the X company.

With regards,

  
(Syed Adil Gilani)  
Adviser