

Islamabad, December 17, 2012

CIRCULAR NO. 39/2012

Clarification on Circular 14/2011 regarding Meetings of Board of Directors (Abroad)

In continuation of Circular 14/2011 dated November 10, 2011, issued by the Commission, to provide guiding principles for holding meeting of Board of Directors of listed companies abroad.

It has been observed that Companies were holding Board meetings abroad for a single agenda of review and approval of quarterly accounts, despite the fact that there were no foreign directors on the Board. In this regard, attention is invited to the statutory framework comprising of the Companies Ordinance, 1984 and Code of Corporate Governance which makes it mandatory for the Board of Directors to exercise objective judgment in carrying out its fiduciary duties and accordingly incur expenses in the best interest of the Company. Therefore it is the prime responsibility of directors to ensure that the decision to hold BOD meeting abroad should be based on cogent reason, for example, mandatory physical presence for deliberating on confidential matters, business decision/ agreements to be executed with foreign companies and security concerns in Pakistan, as was the intend of the circular referred above.

Through this circular, all listed companies are thereby advised to ensure that the decision to hold board meeting abroad are based on cogent justifiable reasons and do not tantamount to wastage of resources of company. It must also be ensured that the thresholds of foreign representation on Board prescribed in the said circular must not, in any way, be misconstrued as permission by Commission to hold Board meeting abroad disregarding any viable justification and overlooking the primary aim of facilitating directors in special circumstances.


Tahir Mahmood
Commissioner (Company Law Division)

Distribution:

1. Chairman of Stock Exchanges, Karachi/ Lahore/ Islamabad
2. The President, Institute of Chartered Accountants of Pakistan
3. The President, Institute of Cost and Management Accountants of Pakistan
4. The Institute of Corporate Secretaries of Pakistan