



## MEMORANDUM ON CIRCULAR 07/2025 HOLDING ELECTION OF DIRECTORS

### LEGAL PROVISIONS AND BACKGROUND:

In terms of the provisions of Sections 158 read with Section 161 of the Companies Act, 2017 (the “Act”) companies are required to hold election of directors on the expiry of three years term of office of the directors. Similar legal provisions existed under the repealed Companies Ordinance 1984 as well.

Public listed companies face a cumbersome situation when the term of their board expires shortly after the AGM; compels the need for a EOGM soon afterwards. The issue became much more common when the period of holding the AGM was reduced from six months to four months in the year 2002.

Previously, SECP had allowed holding early elections under Circular No. 03/2005 and the gap allowed was 2 to 3 months before the expiry of the board time. However, this circular was later withdrawn vide Circular 03/2006 due to certain administrative and legal concerns noted by the SECP. Consequently, the difficulty for many companies continued to persist.

In November 2023, SECP had constituted a committee of experts for reviewing the manner of conduct of shareholder meetings by listed companies and to identify reforms. The Committee, in its report published in February 2024, recommended various reforms including recommending a minimum period where companies may hold early elections of directors at the AGM to avoid holding an EOGM specifically for elections.

In the light of the recommendation of the Committee, SECP has now issued Circular 07/2025 on March 13, 2025, which should help reduce the administrative burden on some of the companies faced with this situation.

### EFFECTS OF THIS CIRCULAR

#### ***Early Election of Directors in AGM***

Circular 07/2025 provides relaxation to all companies allowing them to hold election of directors in the AGM if the gap between date of expiry of the board’s term and date of holding of the AGM is not more than 15 days.

***Effective Date of Appointment of Directors***

In the event of holding an early election as aforesaid, the date for the appointment of directors will be the date on which the term of the outgoing board expires.

***Suppression of Circular 03/2006***

Circular 03/2006 which made it mandatory for companies to hold the election of directors in general meetings, on completion of the term of office of directors after every three years now stands suppressed.

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*THIS MEMORANDUM IS BEING CIRCULATED FOR INFORMATION ONLY.*

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