



MEMORANDUM ON RECENT REGULATORY CHANGES CONCERNING CONDUCT OF ELECTIONS AND GENERAL MEETINGS BY LISTED COMPANIES

AMENDMENTS IN THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

The Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG 2019) has recently been amended by the Securities and Exchange Commission of Pakistan vide its SRO 454(I)/2024 dated March 20, 2025.

The amendments have been introduced in the background of the recommendations by the committee of experts, constituted by the SECP in November 2023, to suggest reforms in the manner of conduct of shareholder meetings by listed companies. The Committee, in its report published in February 2024, had also evaluated category-wise voting systems introduced by the SECP in the year 2023 and its impact on the rights of minority shareholders.

EFFECTS OF AMENDMENTS IN CCG 2019

1. Withdrawal of Category-wise voting for election of directors [omission of Regulation 7A]

Category-wise voting for election of independent, female and other directors was introduced by inserting regulation 7A vide SRO 906(I) of 2023 dated July 07, 2023. However, the system was not completely consistent with the provisions of the Companies Act, 2017, and therefore the regulation has now been removed.

Resultantly the voting for the election of directors shall be conducted as per provisions of section 159 of the Companies Act, 2017 in the manner it was held before the insertion of 7A.

The withdrawal has been made till suitable amendments are introduced in the Companies Act, 2017 to introduce

the voting scheme for election of directors in different categories while also providing a level playing field for representation of minority shareholders on the board.

2. Independent evaluation of the board's performance [insertion in Regulation 10(3)(v)]

Under the Code it is the responsibility of the Board of Directors to have in place a formal and effective mechanism for an annual evaluation of the Board's own performance, of the members of the Board and of its committees.

Insertion made under sub-regulation 3(v) of Regulation 10 encourages having an independent evaluation by an external body, once at least three years.

3. Participation of CEO and directors in general meetings [substitution of Regulation 10(6)]

It has now become mandatory for the chief executive officer and the directors of every listed company, representing 1/3 of the board size or four, whichever is greater, to attend annual and extraordinary general meetings of the company.

The reasons for not attending the meeting must be compelling and be notified in writing by a director to the company secretary or chairman of the Board in advance.

4. Audio Visual Recording of general meetings [insertion of Regulation 10(7)]

This new sub-regulation has been inserted which encourages the Chairman of the Board to arrange for audio and visual recording the entire proceedings of the general meetings. Such a recording of the proceedings shall be archived and made available to the Commission and PSX when required.

AMENDMENTS IN THE COMPANIES (POSTAL BALLOT) REGULATIONS, 2018 – SRO 453(I)/2025

The Securities and Exchange Commission of Pakistan (SECP) has notified following amendments in the Companies (Postal Ballot) Regulations, 2018 vide SRO 453/(1)/2025 dated March 20, 2025.

1. Removal of Category-wise Votes Counting for election of directors [omission of Regulation 10(3)]

To reciprocate the amendment in CCG Regulation 2019 regarding withdrawal of category-wise voting, postal ballot regulations have been also amended to remove the related requirement. The format of “Ballot Paper and “Execution Report” for announcement of results of voting, has been also amended accordingly.

2. Additional Responsibilities of Scrutinizer [insertion in Regulation 11A]

The listed companies and their board of directors remain responsible for taking their decisions in respect of conduct of election of directors and general meetings in conformity with the applicable legal and regulatory framework.

The scrutinizers have responsibilities related to the voting process, where appointed. Now their responsibilities have been expanded to include the following matters:

- Validate the Company’s decision of acceptance or rejection of nomination papers submitted for the election of directors;
- Validate the due diligence carried out by the company for the selection of the independent director from the data bank;
- validate the proxy forms filed with the company, and the company’s decision on their acceptance or rejection.

3. Appointment of Scrutinizer [amendment in Regulation 11 and 4(4)]

The listed companies are required to appoint a scrutinizer, where applicable, at least 21 days before the general meetings and provide, at minimum, the details below in the notice of meetings about the scrutinizer:

- Name of Scrutinizer
- Qualification and Experience
- Purpose of appointment

Previously the company had to communicate the details of the scrutinizer to the members at least 7 days before the general meeting, while there was no timeline provided for the appointment.

MANDATORY VOTING ON EVERY SPECIAL BUSINESS THOROUGH POSTAL BALLOT - SRO 451(I)/2025

Previously vide SRO 2192(I) of 2022 dated December 05, 2022, SECP had extended the applicability of Postal Ballot Regulations, 2018, for listed companies in respect of all special businesses to be transacted at general meetings, in addition to the elections of directors. However, there was ambiguity amongst the listed companies as to voting on the special business agenda, by members and proxies attending meeting physically whether to cast their vote by show of hand or polling.

To remove this ambiguity, the SECP through SRO 451(I)/2025 dated March 13, 2025 by invoking power under sub-section (10) of Section 134 of the Companies Act, 2017 has made it mandatory for listed companies to conduct voting on every special business only through postal ballot (i.e. e-voting and postal ballot).

The voting on every special business agenda in general meetings of listed companies shall now be conducted in the following manner:

- a) Members will have the opportunity to cast votes by e-voting or postal ballot prior to the date of the meeting as per the Companies (Postal Ballot) Regulations, 2018.
- b) Members who attend the general meeting physically, and who did not cast their vote prior to the date of the meeting, will be allowed to cast their vote on the day of the general meeting by way of ballot paper only.

It has been made the responsibility of chairman, and the scrutinizer to ensure that right of members to vote in the general meeting is not affected and that there is no duplication of vote cast, either manually or electronically.

**DISCLOSURE AND CIRCULATION OF NOTICE OF
GENERAL MEETING - SRO 452(I)/2025**

SRO 452(I)/2025 has been issued on March 17, 2025, to give directions to the listed companies in continuation of SRO 423(I)/2018 effecting disclosure requirements and SRO 389(I)/2023 effecting circulation of notice of general meeting.

Additional Disclosure:

The basis for valuation and other considerations taken by the board of directors of listed companies for their decision on any matters related to mergers, acquisitions, investments, divestment and sale of assets are now required to be explained in the notice of the general meeting.

Circulation of Notice:

SECP has removed the bar to dispatch the notice of general meeting containing QR Code. Now listed companies have been allowed to circulate the notice through emails where email address has been provided to the company by the members. Also, there is no need to seek any specific consent for the purpose from such members.

No Distribution of Gifts:

It has been made mandatory to provide a clear statement in the notice of the general meeting stating that no gifts shall be distributed at the meeting.

*THIS MEMORANDUM IS BEING CIRCULATED FOR INFORMATION OF
OUR CLIENT*

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