

# ***Board Composition and Nomination***

**PAKISTAN**

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Additional Finance Secretary

- Public Investments (Financial Safeguards) Ord 1960
- Companies Ord 1984
- Code of Corporate Governance 2002
- Prudential Regulations
- Task Force 2007-08
- Cabinet Committee on Restructuring PSEs 2010

# Nomination Process

No nomination committees

Govt. Director proposed by concerned Ministry and approved by the Prime Minister

Other Directors are proposed by the BOD, recommended by the Ministry and approved by the PM

(Database of business executives in corporate and financial sectors, Chambers of Commerce, not thru open adverts)

# Criteria

- Qualification
- Experience
- Age
- Soundness of mind
- Solvency
- Absence of any conviction for an offence involving moral turpitude
- Not earlier debarred under Companies Ordinance
- Fit and Proper Test: Not a loan or tax defaulter or politician

# Politicians and Civil Servants

Politicians cannot become directors but Ministers are normally chairing Boards

Government nominates civil servants as ex-officio directors on the boards of SOEs

Mandatory Certification by the Pakistan Institute of Corporate Governance

# Independent Directors

## Minimum Number

- Code of Corporate Governance 2002 - at least one independent director
- SBPs prudential regulations- minimum 25% members of the BOD shall be independent directors
- Task Force-not less than  $1/3^{\text{rd}}$  or 3, whichever is higher, of the total members of the BOD be independent Directors

# Independence defined

An “Independent Director” has been defined as a Non-Executive Director who is not in the service of Pakistan or of any statutory body or institution owned or controlled by the Government and is free from any business or other relationship with the SOE which may affect the ability to act in an independent manner.

Independent Directors are not allowed to participate in share options or any similar schemes.

# Who are not independent directors?

- Employee of the company within the last 3 years
- Had within the last 3 years a material business relationship with the company as a partner, share holder, director or senior executive
- Close relative of the company's director or senior executives
- Employee of institutional investor

Board committees are chaired by non-executive directors



# Board Composition

CCG 2002- Executive directors plus CEO not to be more than 75% of the directors.

SBPs prudential regulations- maximum 2 member plus CEO can be the executive directors

## Task Force

Executive directors plus CEO not to exceed 1/3<sup>rd</sup> of the directors

Thank you