



Voting for Election of Directors of Listed Companies 2023



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Voting for Election of Directors of Listed Companies 2023

The Securities Exchange Commission of Pakistan (SECP) has introduced a MANDATORY regulation **7A** “**Voting in separate categories for female and independent directors in the election of directors**” in the Listed Companies (Code of Corporate Governance) Regulations, 2019. The SRO 906(I)/2023 is issued on July 7, 2023.

Please remember, there is no change in the board composition requirements, still requirements are as under:

Director Category	Composition Requirement
Executive	Maximum 1/3 rd of the Board, including CEO
Independent	Higher of 2 or 1/3 rd of the Board
Non-Executive	Remaining
Female	At least 1 in any category

The **Mandatory** regulation **7A** has only introduced category wise voting. The Categories are as under for voting purpose:

Director Category	Seats in each category
Female	1
Independent	Higher of 2 or 1/3 rd of the Board
Others	Remaining directors to be elected

How the Votes will be Bifurcated

Say, a Board election is of 9 directors, and a shareholder has 10,000 shares, thus this shareholder has total 90,000 votes. The shareholder’s entitlement to cast votes in each category is as under:

Director Category	Category Factor	Votes Available for Each Category
Female	1	10,000 = 1*10,000 shares
Independent	3	30,000 = 3*10,000 shares
Others	5	50,000 = 5*10,000 shares
Total Votes		90,000

The procedure of election of directors will be as under:

1. The board of directors of a company shall fix the number of directors to be elected in the general meeting, not later than thirty-five days before convening of such meeting.
2. Any member who seeks to contest an election to the office of director shall, whether s/he is a retiring director or otherwise, file with the company, not later than fourteen days before the date of the meeting at which elections are to be held, a notice of her/his intention to offer herself/himself for election as a director mentioning the category of independent, female, or other director.
3. For independent director category, all notices received by the company shall be subject to due diligence by the company as prescribed under section 166 of the Companies Act 2017 and the Companies (Manner and selection of Independent Directors) Regulations 2018.
4. All notices of contesting election in each category received by the company shall be transmitted to all members not later than seven days before the meeting in the same manner in which notice of meeting is circulated under the act and such notice shall be published at least in one issue each of daily newspaper having nationwide circulation in English and Urdu languages with the following information for the independent and female members contesting for the election of directors:
 - a. Names along with the profile and the category for which he/she is contesting for the election of director.
 - b. Justification for selecting the candidate for the appointment of independent director.
5. The member on his/her discretion may cast the vote to any candidate in each category.
6. The division of votes available to each member for a category shall be in proportion to the number of seats of directors under such category.
7. The number of votes for each category shall be counted separately after the completion of voting process.

Further, SECP has issued a notification no. S.R.O. 905 (I)/2023 dated *July 7, 2023 for amendments in the Companies (Postal Ballot) Regulations, 2018 to bring in line with category based voting.*

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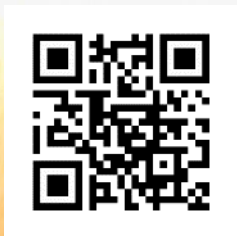
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