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SECP asks public cos to introduce ESOS for employees

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has asked public companies to introduce Employees Stock Option Scheme (ESOS) for their employees and reserve certain percentage of further issue of shares for its employees as ESOS.

Under SR.O. 1399 (I)/2018 issued by the SECP here on Friday, the SECP has issued Companies (Further Issue of Shares) Regulations, 2018.

Condition for issue of Employee Stock Option Scheme: A public company, may reserve certain percentage of further issue for its employees as Employees Stock Option Scheme subject to the specified conditions.

Firstly, the articles of association of the company expressly provides and authorizes the issue of scheme; only regular or permanent employees who are on the payroll of a company, its holding company or its subsidiary company or directors of a company excluding non-executive directors, working in and out of Pakistan, shall be eligible to participate in a scheme but does not include an employee who is sponsor of a company; or a director who either himself or through his relatives or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company.

Secondly, the company is in operations for the last three years.

Thirdly, the company has not defaulted in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to offer scheme.

Fourthly, the company has not defaulted in the payment of a declared dividend to its members or preference shareholders or in conversion or redemption of its preference shares or debentures that have become due or on payment of interest on such debentures.

Fifthly, the company has not defaulted in payment of any dues of employee to any authority or has not failed to honour its commitments under any previously issued scheme.

Sixthly, the board shall form a compensation committee, comprising of at least two directors not being executive directors, for administration and superintendence of the scheme provided that the chairman of the compensation committee of listed company shall be an independent director.

In case shares are to be issued at discount to the par value, the company shall also obtain approval of shareholders and the Commission under section 82 of the Act.

The company and compensation committee shall ensure that its executive directors and employees in senior management shall not participate in the deliberation or discussion of their own allocation of options under the scheme.

The company shall seek approval of the Commission for issuance of such shares and the company shall ensure compliance with applicable International Financial Reporting Standards.

The SECP said that the company shall not vary the terms of a scheme in any manner which may be detrimental to the interests of its employees: Provided that a company may by special resolution in a general meeting vary the terms of a scheme offered pursuant to an earlier resolution but not yet exercised by its employees provided that such variation is not prejudicial to the interests of the option holders. The provisions of regulation 13 shall apply to such variation of terms as they do to the original grant of option.

The companies granting option to its employees pursuant to the Scheme will have the freedom to determine the exercise price, SECP said.

An employee shall not have right to receive any dividend or to vote or be entitled to rights of members in respect of option granted to him, till shares are issued to such employee on exercise of option.

An option granted to an employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner, SECP added.

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