

**Minutes of 6th Emergent Meeting of the Board of Trustees, EOBI
Held on 13.11.2013 at EOBI Head Office, Karachi.**

The 6th Emergent Meeting of the Board of Trustees of EOBI was held on 13th November, 2013 at 11:00 AM in the Board Room of EOBI Head Office. 190/1/B. Block-II, PECHS, Nursery, Karachi to consider the following Agenda:

Item #	Agenda Items
01.	Presentation on EOBI.
02.	Confirmation of the Minutes of 106 th BOT Meeting.
03	Briefing on Multi Billion Scam. (Suo moto notice by Honourable Supreme Court of Pakistan).
04.	Constitution of Investment Committee of the Board and approval of EOBI (Investment) regulations, 2013.
05.	Constitution of Audit Committee of the Board and approval of EOBI (Audit) regulations, 2013.
06.	Constitution of HR Committee of Board and approval of it's Terms of Reference (TOR).
07.	Capital & Development Budget for Financial Year 2012-13- consideration and decision thereon.
08.	Approval of Capital & Development Budget Estimates for Financial Year 2013-14.
09	Ex-post facto approval of Rs.277,579,662/- paid to contractors/consultants in anticipation of BOT approval to avoid penalties amounting to Rs. 350 million.
10.	Revival of pre-audit.
11.	Pakistan Real Estate Investment & Management Company (PRIMACO). i. Briefing ii. Change of Directors.
12.	Sahara Insurance Company (SIC). a) Briefing b) Change of Directors.
13.	Any other item with permission of the chair.

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2. The meeting was presided over by Secretary, Ministry of Overseas Pakistanis & Human Resource Development/President Board of Trustees. Following attended the meeting:

- i. Mr. Munir Qureshi,
Secretary, Ministry of OPs & HRD. President
- ii. Mr. Muhammad Asif,
Joint Secretary, Ministry of OPs & HRD. Member
- iii. Mr. Muhammad Ayub Shaikh,
Chairman EOBI. Member
- iv. Mr. Fida Muhammad,
Financial Adviser, Ministry of OPs & HRD. Member
- v. Captain (Rtd.) Muhammad Yousaf,
Secretary, Department of Labour, Punjab. Member
- vi. Mr. Wasim Ahmed Ursani,
Secretary, Department of Labour, Sindh. Member
- vii. Choudhary Naseem Iqbal,
Employees' Representative, Punjab. Member
- viii. Mr. Muhammad Tariq Rafi,
Employer's Representative, Sindh. Member
- ix. Mr. Shouket Ali,
Employees' Representative, Sindh Member
- x. Dr. Muhammad Yousaf Sarwar,
Employers' Representative, KPK. Member
- xi. Mr. Muhammad Iqbal,
Employees' Representative, KPK. Member
- xii. Mr. Ghulam Farooq,
Employers' Representative, Baluchistan. Member
- xiii. Mr. Sarzameen Afghani,
Employees' Representative, Baluchistan. Member
- xiv. Dr. Rahinat Ibad Khan Secretary BOT

3. Following were also present in the meeting to assist the Board in its deliberations:

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|-------|-----------------------------|-----------------------|
| i. | Mr. Ghulam Muhammad Memon, | FA/DG/(F&A) |
| ii. | Mr. Shakeel Ahmed Mangnejo, | DG/Investment Advisor |
| iii. | Mr. Farooq Ahmed Khan, | DG (Ops-North) |
| iv. | Mr. Parviz Ahmad, | DG (Audit) |
| v. | Syed Iqbal Haider Zaidi, | DG (Ops-South) |
| vi. | Mr. Ayaz Ahmed Uqaili, | DDG (IT) |
| vii. | Mr. Najeeb Memon, | DDG (F&A) |
| viii. | Mr. Meraj Nizamuddin, | DDG (HR) |
| ix. | Mr. Muhammad Ayub Khan, | DDG (Audit) |
| x. | Mr. Abdur Rauf Chudhary, | CEO PRIMACO |
| xi. | Mr. Shakil Ahmed, | AD (F & A) |

4. Meeting started with recitation of verses from Holy Quran.

5. Chairman, EOBI welcomed the honourable members of the Board of Trustees (BOT). He informed that three members viz. Mr. Jamal-ud-Din, Secretary, Department of Labour, Khyber Pukhtunkhwa, Secretary Labour Balochistan and Malik Tahir Jawaid employer representative from Punjab were not present in the meeting. Malik Tahir Javed was contacted personally by the Chairman but he was out of country and showed his inability to return before BOT meeting. So far Mr. Jamal-ud-Din was concerned he was also contacted but he informed that he was committed in another event at Peshawar. Additional Secretary Labour, Balochistan informed that nobody is holding the charge of Secretary Labour hence he could not attend. The Chairman appreciated the efforts of Ministry of OPs & HRD in taking efforts for re-constitution of the Board.

6. Members of meeting Introduced themselves.

7. Mr. Fida Muhammad pointed out that present agenda was too lengthy to be discussed in one day. President BOT informed that BOT meeting was held after a long gap and only essential and unavoidable items were presented before the Board.

8. The President BOT directed Secretary BOT to take up the agenda. Dr. Rahmat Ibad Khan, requested Chairman EOBI to give presentation on EOBI to BOT members.



Agenda Item No. 1.

Presentation on EOBI.

9. Mr. Muhammad Ayub Shaikh, Chairman EOBI gave a detailed briefing on EOBI to the members of BOT. He referred to the Article 38(c) of the Constitution of Islamic Republic of Pakistan, which provides for social security to all employed persons of Pakistan; pursuant to this cause EOBI was created in July 1976. He said EOBI had four core functions to perform including registration of employers and employees, collection of contribution, disbursement of benefits and investment of fund. He further explained that benefits available under EOB scheme include old-age pension, survivor pension, invalidity pension and old-age grant.

10. Chairman informed that Board of Trustees is the apex body of the Institution comprising of 16 members. He presented Organogram of the Institution which was also circulated along with working paper comprising of management at the head office regional and field offices spread all over the country.

11. Pointing out to the management at Head Office, Chairman informed that two of the positions i.e. Director General Audit and Director General Human Resource were temporarily created by former Chairman and are required to be approved as permanent posts by the BOT and this shall be presented in some next meeting as formal agenda item. Chairman also introduced about PRIMACO and SAHARA Insurance, the two subsidiaries of the Institution but detailed presentation shall be given in next BOT meeting.

12. Referring to the human resource, Chairman informed about the need of recruitment and lifting of the embargo on new appointments imposed by honorable Supreme Court of Pakistan for over two years. At present although 691 posts are vacant but these are needed to be rationalized on need basis and only those which are essentially required shall be recruited. Such further agenda item shall also be brought before the Board prior to the start of the process of fresh recruitment is processed.

13. Referring to the coverage under EOB Act, Mr. Muhammad Ayub Shaikh informed about self registration, extended to the private persons otherwise not covered under the scheme, incorporated through Labor Policy 2010, however he pointed out that so far it has no legal protection.

14. The presentation by Mr. Muhammad Ayub Shaikh included progress of the Institution, operational activities, financial highlights and investment portfolio since inception.

15. Referring to strategy of hiring of professionals in Investment Department, Chairman EOBI explained that initially three contract positions out of twelve i.e. Manager/Deputy Manager shall be advertised & hired to remove audit observation relating to the placement of staff essentially required for the treasury management functions in the investment department of EOBI. Two fund management advisers will also be hired through competitive process in near future to meet the audit requirement. Mr. Muhammad Asif, JS (HRD) suggested that O&M study may be carried out to curtail the expenditure. Chaudhry Naseem Iqbal, employees representative Punjab desired to provide designation wise, approved and working strength of employees of the institution which was accordingly complied with, during the course of the meeting.

16. Capt. (Retd) Muhammad Yousaf observed that number of employers registered in Punjab by Social Security Institution is around 65000, whereas the number of employers registered by EOBI appears to be much lower. He further observed that instead of using the term 'inactive' the word non-paying employers might be used. President BOT also observed regarding varying number of employers/employees registered in various labor agencies, involved in the welfare of the employees, and said that it can only be resolved if the federal and provincial agencies have a common key and they share the information with each other. However, it was explained that number of paying employers varies each month and the Institution initiates action against non-paying employers. Chaudhry Naseem Iqbal stated that Labor Force Survey may help in identifying the inter linkages of data of various agencies in respect of workers.

17. Mr. Muhammad Asif informed the participants about introduction of a web-based unique Social Security Card which is at the conceptual stage and blue print is being prepared by Workers Welfare Fund (WWF), which, in future, will be given to each worker as a life long employment card, and would keep the track of service record, as an integrated data base for utilization for federal and provincial Government institutions.

18. Chairman EOBI informed the participants about the performance of the institution for the first quarter of 2013-14 in which collection of contribution was 72% higher, Registration of employers was 18% higher, while Registration of insured persons was 30% higher as compared to last year in the corresponding period. He also

informed the Board that annual target for collection of contribution for the year 2013-14 has been fixed by the Board at Rs. 12,562 million, whereas EOBi management has voluntarily raised the target to Rs. 14,050 million, which is 32% higher than previous year and will INSHALLAH be achieved by introducing good management practices and by providing appropriate motivation/ incentives leading to achievement of end- objectives. The President of the Board informed that he had given directions to EOBi to close the financial year by 30th June of every year instead of the old practice of stretching the year beyond 30th June. Chairman also explained that due to closing of financial year 2011-2012 on 21-July 2012; the corresponding period of first quarter under comparison with previous year has increased by 21 days and actual growth may be around 50% which was also a good sign.

19. Mr. Fida Muhammad enquired about any incentive for officers of the Institution for better collection, it was explained that EOBi Management is considering to introduce an incentive scheme in near future.

20. Chairman EOBi on a query from Mr. Sarzameen Afghani, Ch. Naseem Iqbal and Mr. Muhammad Iqbal employees representative of Balochistan, Punjab and Khyber Paktoonkhwa respectively informed that increase in Pension from Rs. 3600/- p.m. to Rs. 5000/- p.m. can be made only on the basis of mandatory actuarial valuation of the EOB fund which is already underway for the period 2009-2012, after which enhancement in pensions can be considered from January 2014. Chairman EOBi further informed that the Institution also intends for an interim actuarial valuation for the period 2012-2015 after which perhaps more enhancement in pensions could be made. He also informed the Board that previous enhancement of pension in January 2012 from Rs. 3000/- to Rs. 3600/- p.m. has not so far been notified by the Federal Government. President of the Board desired that a request for the same may be forwarded to the Ministry of OPs & HRD for taking appropriate action in this regard.

21. Chairman EOBi explained that minimum wage @ Rs. 10,000/- p.m. is also to be notified under the provisions of Minimum Wages Act 1969 by the Federal Government, which presently has some legal hurdles, however with the dedicated efforts of the President of the Board, it is likely that a notification will be issued by the Federal government in near future.

22. Mr. Sarzameen Afghani was of the view that EOBi Management may only hire the essential human resource and may not indulge in expensive investment deals; instead ways and means may be identified for raising the pension of the poor class.

23. Mr. Shaukat Ali appreciated the efforts of present management in showing better results than the previous year and requested for the revival of Central Advisory Committee for resolution of difficult pension cases.

24. In response to a query on devolution from Mr. Shaukat Ali, employee's representative Sindh, Chairman EOBI informed that matter of devolution under 18th amendment of the Constitution was pending in Intra court appeal before honorable High Court Lahore. Till such time the decision is announced, the court has granted a stay, hence the very existence of EOBI was protected by law.

25. Mr. Sarzameen Afghani informed that coal mine owners do not usually register the mine workers in Baluchistan; as a result a large number of workers remain out of the ambit of the EOB Act. He requested for coverage of all the mineworkers and said that he would like to cover 500-600 mineworkers with EOBI through self registration scheme. President of the Board explained that Prime Minister has recently given the directions for registration of all mineworkers in the four provinces as is for the workers of the other fields therefore any information from members of the Board will be welcomed. Chairman EOBI asked DG (OPs South) to coordinate with Mr. Sarzameen Afghani in this regard and obtain available information from him for better coverage of mineworkers in Baluchistan and also make efforts to do the needful in other provinces in coordination with DG (Ops) North.

26. Mr. Tariq Rafi employers representative Sindh desired that EOBI may make investments in workers related projects and for this purpose he gave the example of China as to how the investments were made from the pension funds in the industrial estates through creation of complexes having residences, transport and other facilities to help the workers in developing better environment for them and he desired to present details of such welfare plans of the Chinese model in next meeting.

Decision:

27. It was decided that the management should look into the revival of the advisory committee and take appropriate steps in this regard.

28. O&M study of the organization to rationalize the human resource requirements.

29. Share information between different institutions in the Provincial Governments and Federal Government about the registration of employers and employees, to bring uniformity.

Minutes of 6th Emergent meeting

Agenda Item No. 2

Confirmation of Minutes of 106th meeting of BOT.

30. Secretary BOT informed that second item on the agenda is regarding confirmation of minutes of previous meeting (106th BOT meeting of the Board). The Secretary BOT informed those minutes of 106th meeting were duly approved by the President of the previous Board and those minutes were accordingly circulated among members of the Board. Secretary Labour Punjab, also member of the present Board, and Mr. Gul Rehman, Employees Representative from Khyber Pakhtoonkhwa had conveyed their views which were not incorporated in the minutes and now have been incorporated.

Decision:

31. After some discussion on suggestions of the two members, Board confirmed the minutes of 106th meeting under consideration after incorporation of the views of the two members.



Agenda Item No. 3.

Briefing on Multi Billion Scam (Suo Moto Notice by Honorable Supreme Court of Pakistan).

32. Investment Advisor, EOBI gave a briefing on the background of the Suo-Moto proceedings and orders passed by the Honorable Supreme Court. He presented a detailed description of the 18 properties and briefed the Board regarding (i) NESPAK valuations, (ii) efforts of the EOBI to facilitate determination of properties to be retained or returned and (iii) the views/recommendations of Transparency International Pakistan communicated to EOBI through TIP letter dated 9th November, 2013.

33. During the course of presentation, the Financial Advisor, Ministry of OPs & HRD inquired as to whether the properties were purchased with the approval of the Board of Trustees. Chairman EOBI informed that the decisions of investment Committee in most cases were not discussed as regular item by the Board of Trustees; instead the minutes of several meetings of investment committee were approved en-bloc while reviewing the performance of the institution. Chairman, EOBI further informed that in some cases, the Ministry of OPs & HRD issued communications that the minutes were not confirmed by the Ministry- the fact finding inquiry in the matter which has also been submitted to the Honorable Supreme Court through a Civil miscellaneous application reveals that five of the nine such communications were never received in EOBI. Out of the four references received in EOBI, one was marked NFA (No further Action) by the then DG (Investment) and the other three were not processed.

34. The Secretary Labour, Sindh asked as to whether PPRA Rules, 2004 were followed in case of properties purchased prior to the 18 properties. It was informed that PPRA rules were framed in 2004 and between 2004 & 2010, apparently properties were purchased from CDA, DHA, Ministry of Defense, SITE Ltd Sindh, Pakistan Railways, LDA, Punjab Cooperative Liquidation Board, Faisalabad Industrial Estate Development and Management Co.

35. The Chairman informed the Board that in case the Honorable Supreme Court is not informed regarding a well considered decision of the Board, the interest of EOBI may suffer.

36. Mr. Ghulam Farooq suggested that since the properties were purchased in a non-transparent manner and in contravention of Rules, these shall be returned for a consideration amount equal to purchase price plus mark up. The President BOT, however, explained that there may be some properties whose value has appreciated and it may be beneficial for EOBI to retain such properties.

37. Mr. Fida Muhammad stated that reversal or undoing the decision of the previous Board may create a precedence of reversal of the decisions of a Board by subsequent Boards. Dr. Muhammad Yousaf Sarwar employee's representative Khyber Pukhtoonkhwa maintained that there is nothing unusual in reversal of a Board decision which is not in accordance with the Rules.

38. On a query by members regarding views of EOBI on valuation conducted by the NESPAK, Chairman EOBI informed that EOBI agrees to the view point of FIA. The reports are primarily based on market survey and even the sources/references contacted during the survey and prices quoted by them have not been annexed to the reports. The reports also do not make use of other valuation techniques such as discounted cash flow/income approach etc. The Chairman EOBI was of the view that NESPAK reports having been questioned by FIA and containing flaws can not be relied upon while making a decision regarding retention or return of the properties.

39. President BOT maintained that the Board needs to consider present day values, as the prices at the time of purchase may not be relevant for decision making regarding retention or return of the properties. He explained that in the wake of disputed reports of the NESPAK and the fact that no one in the Board has expertise to value the properties; the only option presently left is to retain or return the properties.

40. On a query regarding legal counsel defending the interest of EOBI before the Honorable Court, Chairman informed that earlier Mr. Bilal Ahmed Sr. ASC was engaged to represent the EOBI. However, keeping in view the urgency of the matter, the high profile nature of the case, the amount of public money at stake and the interest of the institution, it was deemed imperative that experienced counsel with strong credentials be engaged to defend the EOBI's interest as the case was at a critical stage.

41. Chairman EOBI informed that Secretary, Law Division was consulted in the matter and Hafiz S. A. Rehman, Sr. ASC was considered appropriate for appointment as the counsel for EOBI and expressed his satisfaction with the performance of the new counsel.

42. Capt. (Retd.) Muhammad Yousaf enquired that in case the properties were retained what would be the usage of the properties. He also asked if the EOBI will be able to sell the properties. He suggested that all properties may be returned as these were purchased in violation of PPRA Rules. On a query by Mr. Fida Muhammad, Financial Advisor, Ministry of OPs&HRD, Secretary Labour Punjab informed that during his incumbency as member of previous Board, the Board was not informed regarding disposal of properties to be purchased.

43. The Director General Operations, North Zone informed that he has visited some of the properties situated in Lahore and Faisalabad. He was of the view that barring one or two, the properties were not worth their purchase price. He also explained that the plots in Eden Housing Schemes and the likes are in the shape of undeveloped agricultural land; besides, the number of commercial plots purchased by EOBI is in such a large proportion to the number of residential plots in the housing scheme that it makes little economic sense to invest in these commercial plots. Similarly, the property Faqir Plaza Lahore is inaccessible. He emphasized that in case of retention of properties, their future usage may also be considered by the Board.

44. Dr. Muhammad Yousaf Sarwar stated that the rationale for purchasing residential plots was not understandable. Mr. Ghulam Farooq described the suo-moto proceedings as a good luck of EOBI and suggested that EOBI may benefit from this opportunity by returning all the properties. His views were endorsed by Mr. Muhammad Iqbal.

45. Capt. (Retd.) Muhammad Yousaf suggested that the properties were not purchased through bonafide transactions and are of no use to EOBI, therefore, the properties shall be returned. The President BOI agreed that in majority cases the transactions may not be compliant with Rules but some of the properties have appreciated in value and one such property has enhanced from Rs1.5 billion to over 2.5 billion as per NESPAK valuation; as such, the Board shall deliberate further to reach a rational decision.

46. Chairman EOBI observed that there is little doubt that all properties were mis-procured and this provides the basis for return of properties. Besides, the Board may not have sufficient time in view of next hearing of the case before the Honorable Supreme Court. He informed that under Para 15.2.2 of the EOBI operating manual, valuation can only be carried out through a Government controlled valuator i.e. NESPAK, PEPAC, REMEC etc. He observed that the EOBI will be able to get the

mark up amount in addition to purchase price as the Honorable Supreme Court has allowed mark up in the case of Evacuee Trust Property Board case recently.

47. Mr. Muhammad Asif informed that the opportunity cost of EOBI includes principal amount paid plus mark up plus acquisition cost and there were two possible options available to the EOBI - either the properties be returned en-bloc or the 18 properties be put to open auction to determine their fair price. He suggested that the reserve price may be fixed equal to the purchase price of EOBI plus mark up plus transaction costs. He further suggested that the properties which fetch a price exceeding the reserve price may be disposed off and the properties which fetch a price which is less than the reserve price may have to be returned to the original seller in consideration of amount equal to reserve price.

48. Dr. Muhammad Yousaf Sarwar questioned the rationale of such lengthy process when EOBI can get purchase price plus mark up plus acquisition cost through the Honorable Supreme Court. Mr. Muhammad Asif maintained that the process of auction is necessary as this way EOBI can fetch a better price. He elaborated that NESPAK valuations are a matter of public record and it has worked out higher prices in some cases and EOBI must avail the opportunity of better prices if possible through auction.

49. President BOT supported the option of putting the properties to open auction. He suggested that the properties where the bid price is higher than the reserve price may be placed before the Board for decision.

Decision:

50. The Board noted that the NESPAK was engaged for valuation of properties. However, the valuations of properties carried out by the NESPAK are disputed by the FIA and the EOBI also does not agree to these valuations. Because of unsatisfactory process, the Board further observed that the EOBI initiated the process for appointment of independent valuator. The first such process was discarded due to lack of sufficient participation. The second round of procurement process led to the technical qualification of a single bidder. As such, the process may not lead to a viable outcome.



51. Keeping in view the above constraints and the fact that the EOBI does not have adequate in-house expertise for of valuation of real estate, the Board after detailed deliberation decided as under:

- (I) The 18 properties purchased by the EOBI that are subject matter of the Suo Moto proceedings before the Honorable Supreme Court shall be put to open auction individually (18 packages) with a reserve price equal to the purchase price of EOBI plus upto date mark up plus transaction costs plus amount spent on additional works (where applicable).
- (ii). The properties which fetch a price exceeding the reserve price shall be placed before the Board for final decision.
- (iii). The properties which fetch a price which is equal to or less then the reserve price shall be returned to the original seller in consideration of amount equal to reserve price.
- (iv). The Chairman, EOBI, shall request the Honorable Supreme Court of Pakistan on the next date of hearing to allow reasonable time to implement the above decision of the Board of Trustees.
- (v). The Chairman, EOBI shall further place the above decision of the Board of Trustees before the Honorable Supreme Court of Pakistan on the next date of hearing i.e. 18th November 2013.



Agenda Item No.4.

Constitution of the Investment Committee of the Board and the approval of EOBI (Investment) Regulations, 2013.

52. The Investment Advisor EOBI presented the agenda item before the Board. He informed that Section 18 of the EOB Act, 1976 provides for investment of surplus funds by the institution and the EOBI (Investments) Rules, 1979 prescribe the permissible investments, limits on each class of investment and safe custody thereof. He further informed that Chapter 14 of the EOBI's Operating Manual discusses the constitution of the Investment Committee and enumerates the Investment Procedure. He, however, explained that the operating manual is silent on many issues such as proxy voting, conflict of interest, disclosure of interest, opening of accounts etc. Besides, procedure for managing and holding trading portfolio is also not separately covered in the operating manual.

53. Investment Advisor informed that keeping in view the deficiencies in the operating manual, draft EOBI Investment Regulations 2013 have been prepared in terms of Section 45 of the EOB Act, 1976 through an in-house effort to provide a well defined institutional framework and structured processes for investment in different asset classes as well as clearly delineate the roles and responsibilities of different departments of EOBI.

54. Chairman EOBI explained that since investment committee is not a body or authority sub-ordinate to the institution, it cannot be delegated the powers of the Board to sanction investments in different asset classes in terms of Section 43 of the EOB Act, 1976. He observed that the powers of the Board can only be delegated to officers or authority sub-ordinate to the institution, therefore, the provisions of the Manual need to be amended to the extent that the investment committee may recommend investment proposals which may be approved by a delegate of the Board. The Chairman EOBI also observed that the management of *Held for Trading* equity portfolio as well as placement of funds in bank deposits require day to day decision making and may be delegated to the executive functionaries of the institution for sake of efficiency and practical considerations subject to oversight of the investment committee.

55. Mr. Muhammad Asif proposed that the draft regulations shall contain a definition of the term 'Conflict of Interest'; besides, the investment in real estate shall be restricted to public sector properties only. However, Board may procure Private

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properties for its core functions and in case of appointment of proxies, there shall be a preference for public sector entities.

56. Chairman EOBI agreed that these proposals will be incorporated in the final draft. He, however, observed that due to absence of investment committee and necessary delegations, the equity investment operations of the institution have been dysfunctional for the last more than four months and as a result the institution has suffered impairment in its equity portfolio. He suggested that until the draft Regulations are approved by the Board, Para 5 (b) of the working paper may be approved so as to enable the institution to actively manage its investment portfolio.

Decision:

57. Keeping in view the justification, the Board after deliberation decided as under:

(a) The Draft EOBI Investment Regulations 2013 be submitted in the next meeting of the Board for its consideration. In the meanwhile, the members of the Board shall examine the draft and come up with their suggestions/comments in the next meeting;

(b) Until the regulations are finalized and notified:

L. The Investment Committee is constituted comprising the following members:

- i. Employer Representative on the Board, Mr. Muhammad Tariq Rafi, who shall be the Convener;
- ii. Employee Representative on the Board, Mr. Shouket Ali;
- iii. Capt. (Retd.) Muhammad Yousaf, Secretary, Labour Department, Punjab;
- iv. Representative of the Ministry of Overseas Pakistanis and Human Resource Development Mr. Muhammad Asif, Joint Secretary, OPs & HRD;
- v. Director General F&A, EOBI
- vi. Director General Investment/Investment Advisor, EOBI
- vii. Deputy Director General Investment or Director Investment EOBI who shall be Secretary to the Committee.

The meetings of the Committee shall be presided by the Convener and in his absence, by a member elected by the members present in

the meeting. Five members of the Committee shall constitute a quorum and the decisions shall be taken by the majority of the members present. The minutes of decisions of the Committee shall be signed by the Convener and circulated within three working days of the meeting.

II. The investments or divestments in real estate exceeding Rs 5 million shall be subject to the recommendations of Investment Committee and approval of the Board. The investment or divestment in 'available for sale' equity portfolio shall be subject to the recommendations of investment committee and approval of the Chairman EOBI.

In case of Held for trading equity portfolio, the execution of trades shall be undertaken by the Investment Department with the approval of the Chairman EOBI within the broad parameters stipulated by the Investment Committee. The details of trades undertaken shall be communicated to the members of Investment Committee after the trades have been executed and shall be placed before the Investment Committee in its next meeting for its information.

Investment or divestment in fixed income securities including bank deposits and Government securities shall be undertaken on the recommendations of a committee comprising Director General Investment, Director General F & A and Director General/Deputy Director General HR/GA. A member of BoT stationed at Karachi who is not part of investment committee be co-opted in this committee meeting. Placement of funds in bank deposits shall be through competitive bidding among the eligible banks. The details of transactions shall be placed before the investment committee in its next meeting for its information.

The operating manual shall stand appropriately amended to facilitate the above arrangement.

III. Chairman EOBI on behalf of the institution shall have the power to authorize such person or persons to act as proxies for the purpose of attending any meeting of the shareholders or creditors of companies of which the institution is a shareholder or creditor and for such

purpose execute and file such instruments of proxy and do all other acts as may be necessary or incidental to such authorization. The Government organizations including the Public sector entities and corporations shall be given preference while authorizing proxies;

IV. Chairman EOBI or an officer of the institution not below the rank of Director General duly authorized by him shall have powers on behalf of the institution to open accounts with the brokerage firms including on-line trading accounts. The Chairman EOBI may further authorize any officer or officers of the Investment Department to execute equity transactions on behalf of Institution.

58. Due to time constraints, the Board deferred agenda Items No. 5, 6 & 7, and took up agenda Item No.8.

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Agenda Item No.08

Consideration and Approval of the Capital & Development Budget Estimates for the Financial Year 2013-14.

59. FA/DG (Finance & Accounts) presented the Agenda Item No. 08. He apprised the Board that the 106th Regular Board meeting had not approved the Capital & Development Budget estimates of the Annual Budget for 2013-14. The F&A department presented the proposed Estimates for Capital/Development Budget as under:

S. No.	TITLE OF ACCOUNT	Budget Estimate	Note No.
1	Investment in Real Estate	9,908,527	1
1	Furniture & Fixture	10,000	1
2	Office Machines & Equipment	12,180	2
3	Cooling & Heating Appliances	2,000	3
4	Computers Hardware & Accessories	20,625	4
5	EOBI FICF G2P Project	79,125	5
6	Additions / Alterations Buildings	60,000	6
TOTAL		10,092,457	

60. At the outset, Mr. Sarzameen Afghani showed concern regarding non-approval of the Annual Capital and Development Budget in time as the same should have been approved prior to the commencement of the current financial year. President of the Board informed the members that the budget could not be approved due to the inability of the previous Board to convene its meeting for past several months.

61. Regarding the budget estimates on Developmental Expenditures for 2013-14, Chairman EOBI apprised the Board about the faulty approvals in respect of the development projects. For example, approvals of the development budgets, approval of design and subsequent procurement of contractors had been treated as approval of the projects. He further suggested constitution of a committee to give suggestions for cost rationalization of projects which are in advance stage of completion; and possibility of abandoning the projects which are not financially viable.

62. Chairman EOBI mentioned that per a safety construction cost of the projects was on very higher side and required to be looked into for reducing the same as far as possible. CEO of PRIMACO said that the high cost was due to the reason that the contracts encompass all phases of projects right from designing to their finishing.

63. President requested Mr. Tariq Rafi, who has been one of the pioneers in the construction industry, for his views. Mr. Rafi informed the Board that he had constructed the Ocean Tower building at less than half of the cost that was given by PRIMACO. Chairman also mentioned that some contracts envisage the use of imported granite which could be substituted for local or Chinese one for reducing the cost. He also referred to European standard lifts which could also be looked into to rationalize the cost besides other items like solar panels etc.

64. Although President accepted the cost cutting strategy, he suggested that some projects such as Serena Hotel, Lahore may not be subjected to undue cost cutting measures to avoid issues of quality and safety in the projects. Further, he said that projects which already are in advance stage and/or they are for operational purposes such as construction of EOBI field offices may not be rolled back. Nevertheless, he accepted the proposal of making a committee for deliberations on these projects.

65. Chairman also requested the board that some contractual payments have become overdue and unless paid, these may result in adverse consequences for the EOBI such as extension of time, extension with cost implications, additional cost due to escalation, damages, arbitration, litigations and additional cost of consultancy services. Hence, some amount of development budget may be approved in order to enable the EOBI to avoid such consequences.

66. President and Financial Advisor of the Ministry again asked about the extent of completion of on-going development projects before taking any decision. The CEO of PRIMACO apprised the Board regarding the progress/status of on-going projects as under.



S. #.	Project Name	Progress of Projects in % as on 31-10-2013	Proposed Budget 2013-14
1	EOBI Hotel Lahore.	44%	4,500.000
2	EOBI House, Sector G-10/4, Mauve Area Islamabad.	98% (Substantially Completed)	218.000
3	EOBI Office Building, Nazimabad, Karachi.	99% (Substantially Completed)	13.000
4	EOBI Office Building, Malir, Karachi.	95% (Substantially Completed)	13.000
5	Residential Bldg. 7-N, PECHS, Karachi.	52%	38.097
6	EOBI Commercial Complex at Sector I-8, Islamabad. (Construction of 4 Cineplex, Play Land, Shopping Mall, Restaurants, Offices etc.)	37%	1,800.000
7	OEI Office Building at Plot # 10, Sector G-9/4, Mauve Area Islamabad.	55%	825.000
8	Mixed Development Complex at Plot # 63 - A, M.A. Johar Town, Trade Centre, Phase - II, Lahore.	55%	500.000
9	Office cum Commercial Complex at Plot # 81 - C, Satellite Town, Rawalpindi.	90%	36.785
10	Office cum Commercial Complex at Lahore North Region, 105 - A, Allama Iqbal Road, Lahore.	60%	89.000
11	Regional Office / Commercial Complex, Susan Road, Madina Town, Faisalabad.	3%	280/-
12	EOBI Bulg. Plot # 59A & 59B, Sabir Kamal Road, Stalkot.	35%	48.645
13	EOBI Bulg., Plot # 25, Street # 1, Sector G-6/3, Islamabad.	40%	100.000
14	EOBI Bldg. / Mix Used Development, Hasanabdial.	40%	100.000
15	Educational Institution, Block-16, Gulistan-e-Jauhar, Karachi.	Pipeline Project	15.000
16	The EOBI Mall, Lahore.	10%	1,200.000
17	Repair & Maintenance & Misc. Projects	-	15.000
18	EOBI Regional Office, Khewat 612, Sahiwal.	Pipeline Project	60.000
19	Mix Used Development Korangi Karachi.	Pipeline Project	35.000
20	Hotel Operator EOBI Hotel Lahore (Fee for Technical Service Assistance providing by Operator M/s. Serena Tourism Promotion Services (STPS));	-	32.000
Total Proposed Budget			9,908.527

Decision:

67. In view of the deliberations on Development Budget, the Board unanimously agreed that the projects which are more than 30% complete and others which are for the purpose of carrying out operations of EOBI may not be rolled back. The Board members in order to avoid consequences related to delayed payments approved the Development Expenditure Budget to the extent of 25% of the proposed estimates. Remaining budget for viable projects has to be approved later by the Board on the recommendation of the committee. The summary of development budgets for each project, as approved by the Board, is given as under.

S. #.	Project Name	Progress of Projects in % as on 31-10-2013	Proposed Budget 2013-14	Budget Approved
1	EOBI Hotel Lahore.	44%	4,500,000	1125,000
2	EOBI House, Sector G-10/4, Mauve Area Islamabad.	98% (Substantially Completed)	218,000	54,500
3	EOBI Office Building, Nazimabad, Karachi.	99% (Substantially Completed)	13,000	3,250
4	EOBI Office Building, Malir, Karachi.	95% (Substantially Completed)	13,000	3,250
5	Residential Bldg, 7-N, PECHS, Karachi.	52%	28,097	7,024
6	EOBI Commercial Complex at Sector I-8, Islamabad. (Construction of 4 Cineplex, Play Land, Shopping Mall, Restaurants, Offices etc.)	37%	1,800,000	450,000
7	OEFC Office Building at Plot # 10, Sector G-9/4, Mauve Area Islamabad.	55%	825,000	206,250
8	Mixed Development Complex at Plot # 63 - A, M.A. Johar Town, Trade Centre, Phase - II, Lahore.	35%	500,000	125,000
9	Office cum Commercial Complex at Plot # 81 - C, Satellite Town, Rawalpindi.	90%	36,785	9,196
10	Office cum Commercial Complex at Lahore North Region, 105 - A, Ahlana Iqbal Road, Lahore.	50%	89,000	22,250
11	EOBI Bldg. Plot # 59A & 59B, Sabir Kamal Road, Sialkot.	35%	48,645	12,161
12	EOBI Bldg., Plot # 25, Street # 1, Sector G-6/1, Islamabad.	40%	100,000	25,000
13	EOBI Bldg. / Mix Used Development, Hasanabdal.	40%	100,000	25,000
	Total Proposed Budget		8271.527	2,067.881

68. On the other hand, Board of Trustees decided not to approve any budget for the following projects, which are either in the starting stage or those are included in the suo moto proceeding until the findings of the committee.

- i. The EOBI Mall Lahore;
- ii. EOBI Commercial Complex Susan Road Madina Town Faisalabad Projects;
- iii. Educational Institute Gulistan-e-Jauhar Karachi.
- iv. EOBI Regional Office Khewat 612, Sahiwal.
- v. Mix Use Development Korangi Karachi.
- vi. Repairs & Maintenance and Miscellaneous Projects
- vii. Hotel Operator EOBI Hotel Lahore

69. Regarding Capital Budget Estimates for 2013-14, it was unanimously agreed upon by the Board that this part of the estimated budget pertains to day to day capital expenses for carrying out operations of EOBI, hence, the same should be approved. Consequently, the Board approved the same to the tune of Rs. 183.930 Million.

70. Lastly, the Board decided to form a committee to check the viability and rationalization of cost of ongoing projects which are at advance stage without compromising on Performance, Quality and Safety of the projects. The committee may also make fresh financial appraisals of those projects and propose actions where the projects are not commercially/financially viable such as to temporarily stop or modify the scope or permanently abandon the same and put up recommendations accordingly for approval and final decision of the Board of Trustees. The committee constituted by the Board will comprise of following members:

- | | | |
|-------|--|----------|
| i. | Dr. Muhammad Yousuf Sarwar
Employers Representative KPK | Convener |
| ii. | Mr. Muhammad Tariq Rafi
Employers Representative Sindh | Member |
| iii. | Chaudhry Naseem Iqbal
Employees Representative Punjab | Member |
| iv. | Mr. Muhammad Asif
Joint Secretary Ministry of HRD | Member |
| v. | Capt.(R) Muhammad Yousuf
Secretary Labour Punjab | Member |
| vi. | Mr. Abdur Rauf Chaudhry
CEO PRIMACO | Member |
| vii. | Syed Mussarat Hussain | Member |
| viii. | Sr. Manager Contracts PRIMACO | |

71. Following Terms of Reference of the committee were unanimously approved by the Board.

- 1) Suggest on cost cutting measures without compromising of safety/quality and performance of the projects.
- 2) Recommend financial viability of each project and to suggest change in the scope, modification or completely abandoning of the project where project is at the initial stage and is financially/commercially not viable.
- 3) The venue/schedule of site visits and work plan shall be decided by the committee itself.
- 4) The committee shall submit its report within 6 weeks.

P

Agenda Item No. 9

Ex-post facto approval of Rs.277,579,662/- paid to contractors/consultants in anticipation of BOT approval to avoid penalties amounting to Rs 350 million.

72. President of the Board informed that payments on EOBI projects managed by PRIMACO were stopped, due to non-availability of BOT and any further decision on releases of budget for development, the situation was ripping for imposition of penalty of the amount which exceeded the actual payment involved. The contractors served notices for invoking relevant contract clauses for suspension of works and subsequent financial claims. The received Bills of the contractors and consultants were amounting to Rs. 241 million on 30.08.2013 which rose to Rs. 324 Million as on 05.09.2013. The financial loss claims due to non payments of pending bills and invoking of penalty clauses were estimated to be at Rs. 350 Million. In order to avoid imposition of penalty and to save the Institution from such unwarranted losses, the ministry allowed to make payment of the projects managed by PRIMACO subject to bringing the matter for consideration of approval of the paid amount.

Decision:

73. Members of the Board after threadbare discussion, unanimously accorded ex-post facto approval of the budgetary provision of Rs.277,579,662/- relating to PRIMACO projects.



Agenda Item No. 10.

Revival of Pre-audit.

74. The Board was informed that the internal audit remained dormant during the last three years in EOBI. Pre-audit functions were explicitly stopped by the then management and the post audit, performance audit, special audit etc were implicitly abandoned by moving all Finance/Audit Cadre officials, from Audit Department. Few non-cadre officials were posted for filling in the blanks and as a result, no appropriate post audit of any payment/pension/receipt was performed. Similarly, quarterly reports were not prepared, on regular basis.

75. Chairman EOBI apprised the Board that during hearing of multi-billion scam, the Ministry of OPs & HRD and EOBI management made commitment before the Honorable Supreme Court for immediate activation of pre-audit. The pre-audit function was accordingly activated with effect from 13.8.2013. Now every payment and approval of competent authority (chairman/DGs) on any matter is subjected to pre-audit.

76. Mr. Muhammad Fida, appreciated the compliance of Supreme Court's observation and steps taken for internal audit.

77. Chairman, EOBI recognized/appreciated the performance of Mr. M. Ayub Khan, Deputy DG (Internal Audit) before the Board. He also informed that saving of millions of rupees and significant improvement in the internal control system of EOBI was made possible due to the capability and integrity of this officer and he added that he felt satisfied while approving the files verified by internal audit.

78. Chairman requested the Board for approval of annexed organogram of Internal Audit Department. Mr. Muhammad Asif, Joint Secretary observed that external resources will be required in this regard. The Chairman assured that the needs of internal audit will be fulfilled from internal resources and no external resources were required for the time being.

79. President Board of Trustees was also of the view that the irregularities done in the past, will not be repeated after revival of internal audit. Dr. Muhammad Yousaf Sarwar encouraged the efforts of EOBI's management for internal control and good governance.

Decision:

80. The Board approved the revival of pre-audit along with organogram of Internal Audit Department at Annex-A. The staffing requirement as per organogram shall be fulfilled from existing human resource.

81. Due to time constraints the Board deferred Agenda Item no.11 and 12.

82. Being no other item, the meeting ended with vote of thanks to the President of the Board.