

SLD #: 8941**From: 1971-08-20 To: 0000-00-00****Companies Profits (Workers Participation) Rules, 1971**20th August. 1971

In exercise of the powers conferred by Section 9 of the Companies Profits (Workers' Participation) Act, 1968 (XII of 1968) the Federal Government is pleased to make the following rules, namely:

1. Short title and commencement. (1) These rules may be called the Companies Profits (Workers' Participation) Rules, 1971

(2) They shall come into force at once.

2. Definitions. In these rules, unless there is anything repugnant in the subject or context.-

(a) **Act'** means the Companies Profits (Workers' Participation) Act, 1968 (XII of 1968);

(b) **'collective bargaining agent'** has the same meaning as in the Industrial Relations Ordinance, 1969 (XXIII of 1969);

(c) **'section'** means section of the Act.

3. Establishment of Board of Trustees. (1) As soon as possible [but not later than two months] after the establishment of Fund by a company the company shall, --

(a) intimate to the Federal Government the names, addresses and other particulars of the two persons nominated by the company to represent the management on the Board to be constituted for the administration of the Fund; and

(b) where there is no collective bargaining agent in relation to the company, hold elections amongst the workers to elect two of them to the Board by the method of single non-transferable vote:

Provided that, if a collective bargaining agent in relation to the company comes into existence subsequent to the elections, the elected representatives of workers shall cease to be trustees as soon as such agent has nominated two persons to represent the workers on the Board.

(2) As soon as possible after the result of the elections held under sub-rule (1) is available, the company shall intimate to the Federal Government the names, addresses and other particulars of the workers elected to the Board.

(3) Subject to the provisions of sub-section (3) of Section 4, a trustee shall hold office for two years unless he earlier resigns or, in the case of trustee nominated by the company, his nomination is withdrawn by the company.

(4) The nominees of the company from the Accounts Branch or where both the nominees are from the Accounts Branch, the one designated by the company shall act as the Secretary to the Fund.

(5) To assist the Board in the performance of its functions, the company shall, at its own expense, provide it with such office accommodation and secretarial staff as the Chairman of the Board may, in accordance with any general or special instruction of the Federal Government in this behalf, require.

(6) Omitted by the S.R.O. 252(1) 77, dated 22nd March, 1977.

(7) A vacancy in the office of a trustee arising on resignation, death or otherwise shall be filled as soon as possible by the workers or the company, as the case may be, in accordance with the provisions of sub-rule (1).

4. Functions of the Board. (1) The Board shall meet as soon as practicable after it is constituted and frame regulations governing its procedure:
Provided that any regulation framed by the Board shall, to the extent it is repugnant to any of the provisions of the act or these rules or any directions of the Federal Government given thereunder, be void;

(2) The regulations framed by the Board under rule (1) may, in particular prescribe--

- (a) the manner of holding annual meeting of the Board after the working results of the company have been made available to determine the allocation of shares in the Fund to individual workers;
- (b) the procedure for holding extraordinary meetings to consider individual cases of the shares of workers in the Fund;
- (c) the appointment of an Executive Committee, consisting of an equal number of members representing respectively the workers and the management of the company, to transit all the day-to-day business of the Board, including the receipt and disbursement of moneys and securities and entering into any proceedings on behalf of the Board, subject to such conditions and limitations as the Board may decide;
- (d) the procedure for decision on any question through circulation of papers to all trustees where it is not convenient or practicable to hold a meeting of the Board;
- (e) the quorum and requirement of notice for the meeting of the Board; and
- (f) the entrustment to the Secretary of the functions relating to maintenance of the office and records of the Board.

(3) The trustees shall not be entitled to any remuneration for their services as such but the reasonable cost of their travel for attending meetings of the Board shall be borne by the company.

4-A. Duties of the Secretary to the Fund. It shall be the duty of the Secretary to the Fund--

- (a) to hold the meeting of the Board for the allocation of the Fund as soon as practicable, but not later than thirty days after the constitution of the Board;
- (b) to prepare a list of the workers eligible to the benefits of the scheme showing their average monthly wages computed in the manner set forth in paragraph 4 of the Schedule to the Act;
- (c) to keep the record of the proceedings of the meetings of the Board;
- (d) to furnish information to the Federal Government in the proforma as at Annexure III, within one month of the annual allocation of the Fund; and
- (e) to transfer any amount, left out of the annual allocation, to the Fund constituted under Section 3 of the Workers Welfare Fund Ordinance 1971 (XXXV of 1971), within fifteen days after the annual allocation as required under paragraph 4 (d) of the Schedule to the Act, and furnish to the Federal Government a photostat copy of the treasure challan showing the transfer of the said amount.

5. Maintenance of accounts. The procedure for maintenance of accounts and determination of annual and long-term benefits to the workers shall be as far as possible, in accordance with the Model Procedure set out in Annex I appended to these rules.

6. Limitation as to the power of the trustees. No trustee shall have any right to vote or take a decision as such trustee upon any matter relating solely to himself or to any of his rights or benefits under the Scheme.

7. Miscellaneous. (1) All actions and determinations of the Board affecting workers shall be uniform in nature as to all workers similarly situated and nothing shall be done or omitted in the administration of the scheme which may unreasonably discriminate in favour of, or against, workers who are officers, shareholders or supervisors.

(2) Neither any income of, nor benefits due to, the workers under the Scheme may be assigned, hypothecated, exchanged or sold:

Provided that anything in this sub-rule shall be deemed to prevent-

(a) a worker from nominating any person to receive, in the event of the worker's death while in the employment of the company, the net asset value of the units standing in the worker's name, or

(b) a person so nominated from in any way transferring any interest in the Fund developing upon him by virtue of such nomination.

(3) A worker shall, as soon as may be after he has become eligible to the benefits of the Scheme, send to the Board a nomination in writing conferring on one or more persons the right to receive, in the event of the worker's death while in the employment of the company, the net asset value of the units standing in his name.

(4) If a worker nominates more than one person under sub-rule (3), he shall specify in the nomination the share payable to each of the nominees in such manner as to cover the entire net asset value of the units standing in the worker's name.

(5) A worker may at any time cancel a nomination by sending a notice in writing to the Board;

Provided that the worker shall along with such notice send a fresh nomination made in accordance with the provisions of sub-rules (3) and (4).

(6) Units shall be transferable only by the Board under the provisions of the Scheme relating to issuance, forfeiture and cancellation of Units.

(7) If the Scheme is, for any reason, discontinued with respect to a company, the Fund shall be distributed among the workers in accordance with the net asset value of the Units credited as on the date of termination, in cash or in securities as the Board may determine.

8. Repeal. The Companies Profit (Workers' Participation) Rules, 1969, are hereby repealed.

ANNEXURE

MODEL PROCEDURE FOR THE MAINTENANCE OF ACCOUNTS OF WORKERS' PARTICIPATION FUND

1. Company's allocation. Company's allocation to the Fund at two and a half per cent. of annual profits before tax (computed on the same basis as for computing the Managing Agency Commission) shall be made as soon as audited accounts are available. The allocation shall, however, be deemed to have been made on the first day of the account year next succeeding the one to which such profits pertain.

2. Valuation of Units. Units out of the company's allocation shall in first year of the application of the scheme be valued at Rs. 10 each and in subsequent years at the net asset value defined in paragraph 3.

3. The net asset value of the Fund shall be compared as at the close of each year of account (after the first) in the following manner:

(i) For listed securities, the last reported sale price on a stock exchange shall be used and for unlisted securities break-up value shall be used.

(ii) Securities purchased and awaiting payment against delivery shall be included as assets of the Fund and the cash account adjusted.

(iii) Securities sold but not delivered pending receipt of precedes shall be excluded and the account adjusted.

(iv) Cash in hand and with banks is to be valued at face amount. However, company's allocation out of the profits pertaining to such year of account shall not be included but worker's voluntary contributions received during the year shall be included as if received on the last day of that account year. (Please see example C in Annex II).

4. the valuation of units shall be obtained by dividing the net asset value of the fund as obtained in paragraph 3 by the number of units existing at the commencement of the year of account (without inclusion of number of units to be issued in respect of company's allocation out of profits for that year or units to be issued in respect of worker's voluntary contributions received during the course of the year). (Please see example D in Annex II).

5. Allocation of compulsory units. Compulsory units to be allocated each year out of company' allocation from profits shall be computed as on the last day of each year of account in the manner laid down in paragraph 6 and shall be deemed to exist from the first day of the year of account next succeeding such year.

6. The mode of allocation shall be to divide company's allocation first into units at the current net asset value (Rupees ten in the first year) and then distribution of the units thus becoming available amongst the workers in such a manner that each worker in the first wage-slab (drawing monthly wages not exceeding Rs. 300 p.m.) gets three units for each two units that the worker in the next higher wage-slab (drawing monthly wages not exceeding Rs. 600 p.m.) gets and for each one units that the worker in the highest wage-slab (drawing monthly wages exceeding Rs. 600 p.m.) gets. (Please see Example A in Annex ID.

7. Allocation of contributory units. In respect of voluntary contribution received during the course of a year, workers shall get credit for 1 1/4 units for each one unit of contribution but at the close of such year and such contributory units shall be deemed to exist only on the first day of the year next succeeding the one during which contribution was made.

8. Allocation of contributory units shall be made out of the total number of units available as a result to allocation from company's profits for the year and amount received in contributions from workers prior to the allocation of compulsory units. ((Please see Example A in Annex II).

9. Distribution of income. Income of the Fund through interest dividend or realized capital gains during the course of a year shall be divided amongst all workers at the end of the year in proportion to the number of units they hold as at the commencement of such year. (Please see Example B in Annex ID.

10. Distribution of principal out of the Fund. On retirement, leaving employment, death, disability, termination of employment, etc., or at the end of the period prescribed in paragraph 5 of the scheme (please see the Schedule to the Act), the net asset value of the units held by the worker as at the commencement of the year during which such event occurs shall, subject to forfeiture provisions of the Act, be paid out to the worker or his nominee, as the case may be. (Please see Example E in Annex ID.

ANNEXURE II**ILLUSTRATION OF THE METHODS OF COMPUTATION****(A) ALLOCATION OF COMPULSORY UNITS IN THE FIRST YEAR**

If the profits of the company during the previous year are Rs. 8 lacs, its contribution to the Fund @ 2½ % shall be Rs. 20,000 i.e. 2,000 units which shall be divided amongst workers as follows:

- (1) Number of workers drawing average monthly wages not exceeding Rs. 300 = 100
- (2) Number of workers drawing wages exceeding Rs. 300 but not exceeding Rs. 600 = 40

(3) Number of workers drawing average wage exceeding Rs. 600 but not exceeding Rs. 1,000 = 20
Units to be divided on the basis of $100 \times 3 + 40 \times 2 + 20 \times 1 = 400$

Each worker in the first category shall; therefore, get 15 units $2000 \times 3/400$
in the second category 10 units $(2000 \times 2 / 400)$ and in the third units,
 $(2000 \times 1 / 400) = 5$

(B) DISTRIBUTION OF DIVIDEND AND INTEREST INCOME

Income of the Fund shall be divided in the beginning of the second year as follows:
Say income from interest on Rs. 10,000 = 750.00
and dividend income on balance = 1,250.00
Rs. 10,000 invested in shares = 2,000.00
Total income Rs. 2,000 or .Re. 1 per unit.

(C) NET ASSET VALUE OF THE UNITS IN SECOND AND SUBSEQUENT YEARS

The position of net assets as at the beginning of the second year may be, say

Rs. 10,000 loan to the company = Rs. 10,000.
Rs. 10,000 in shares of the company with market value of Rs. 14 per share of Rs. 10 = Rs. 14,000
Total = 24,000
Unit value = $24,000 / 2,000 = \text{Rs. } 12$

If the profits of the company in the previous year, i.e. 1st year are Rs. 12 lacs, its contribution to the Fund @ 2½% shall be Rs. 30,000 divided 12 i.e. 2,500 units.

(D) CONTRIBUTORY UNITS

If the workers have voluntarily subscribed in the first year an amount of Rs. 4,800, i.e., equivalent to 400 units bringing to total number of additional units available for distribution to 2,900 the contributory workers will get credit for 500 units, i.e.,
 $(400 \times 5 / 4) = 500$ as Contributory Units. The remaining 2,400 units shall be compulsory units and distributed as shown at A above.

(E) RETIREMENT BENEFITS

Current unit value x (number of units held by the retiring workers-forfeiture, if any, under paragraph 5).

Amounting year

Total net profit declared under Section 87-C of the Companies Act, 1913

Amount allocated to the Workers' Participation Fund.

1st Category (upto Rs. 300/-)

2nd Category (Rs. 301 to 600)

3rd Category Rs. 601 to 1,000

Total of all categories.

1st category Rs.

2nd category

3rd category

Total amount distributed.

Amount, if any transferred to the Workers Welfare Fund under paragraph 4(d) of the Schedule to the Act.

ANNEXURE - III

- (a) Name and complete address of the Company.....
- (b) Date of establishment of the company.....
- (c) Company engaged in.....industry.....

Note: I. If the company incurs loss during a certain year it should invariably give the following information;

- (a) Total amount of loss incurred in column 2.
- (b) Complete information in columns 4 to 7.