



Chairperson's Review

On behalf of the Board of Directors, I am pleased to present to you my review of the performance of Pakistan Institute of Corporate Governance (PICG) for the financial year 2020-21.

We are living in complex times and a stressful socio-economic environment with profound impacts of Covid-19 on lives and livelihoods. Our authorities endeavor to manage vaccinations and impose timely smart lock downs and offer adequate relief to people and industry which has helped mitigate the impact of the virus. The IMF's Covid-19 Policy Tracker reports that the Government has fully vaccinated about 3.0 million people as of July 1, 2021 and has ambitious targets to vaccinate large numbers of people by the end of 2021.

On its part, the State Bank of Pakistan's offered regulatory relaxation to facilitate the import of COVID-19-related medical equipment and medicine as well as refinancing at concessional rates to critical sector through the banks to stimulate economic activity. The Securities and Exchange Commission of Pakistan relaxed regulatory deadlines amid the pandemic allowing companies extension in holding Annual General Meetings (AGMs) and directors' elections. In keeping with global regulatory trends, the Commission also allowed listed companies to hold virtual AGMs giving companies and investors a first round of experience to see how virtual AGMs can best work out. Pakistan Stock Exchange's (PSX) business continuity was well managed respecting the pandemic protocols, and companies and investors' confidence grew as evident from new equity and debt offerings.

At the Pakistan Institute of Corporate Governance (PICG), the Board and Management encouraged pandemic standard operating procedures upholding staff's health and safety. Management switched to a work from home schedule on a needs basis and alternatively implemented a plan to operate with 50% staff from office and 50% from home on weekly rotational basis. The Board has also ensured that PICG adapts itself to managing risks in line with the changing business environment by supporting Management strategy to transition the Institute's entire training portfolio, including the Director Training program, to a virtual platform. Besides its positive impact to keep the virus contained, PICG prudent policies generated costs saving despite enhanced activity that contributed to improvements in financial statements.

Board Change

After the last board introduced the needed legal reform that facilitated effective restructuring of the Board, the New Board took over its role right after PICG's annual general body elections that were held on May 10, 2021. Restructuring of the Board brought in consolidation of the Board achieving healthy balance of renewal and continuity for the organization by way of ensuring that PICG has right sized board that involved a reduction from 15 to 10 members with 5 first time Directors and 5 continuing directors including the CEO; and most of all ensuring PICG takes the first few steps to adopting gender parity. Despite the pandemic challenges, PICG managed good performance supported by the Board and Management's endeavors so as to not lose momentum. The Institute's immediate challenges were recognized and some midcourse adjustments were made to the strategic direction of the Institute. Board diversity is a notable achievement as one-third of the newly elected members of the board are women and the overall enthusiasm of Board members to contribute and served on various subcommittees of the Board is commendable.

Report of the Board Nomination Committee

Last year, the Board constituted a Nomination Committee in line with best practices and the provisions of the Code of Corporate Governance, in order to have a formal procedure to drive a rigorous and transparent Board constitution process, leading to the right Board appointments for a balanced, diverse and independent board. To enable the Nomination Committee's agenda, significant amendments had to be made to the Institute's Articles of Association that were well deliberated and finally approved by the Board and the members at the AGM.

Mr. Mehmood Mandviwalla of Mandviwalla & Zafar and Mr. Badaruddin F. Vellani of Vellani & Vellani reviewed and finalized the proposed amendments in PICG Articles enabling the Institute to move forward on its progressive governance agenda to reduce elected board size to nine, require 1/3rd independent directors as well as an independent Chair, a participatory voting procedure giving all Classes of membership the right to vote – and most significantly the requirement of inducting a minimum of 1/3rd women directors on the Institute's board.

PICG has been at the forefront of driving gender parity on boards with the Institute's Task Forces on the Review of the Code of Corporate Governance recommending the mandatory provision of having one woman director on all publicly listed company boards. By having 1/3rd women inducted on its own board made mandatory, PICG has led the way by example for more women leadership on corporate boards. PICG would be leading on this front.

Business Activity

In response to Covid-19 restrictions, the Institute quickly expanded its range of online programming. The Institute launched three new specialized trainings on anti-money laundering, environmental, social and governance (ESG) issues, and workplace harassment. All three programs are of current relevance to our member as well as non-member companies. PICG recognizes its role in keeping the governance community abreast of latest issues and mega-trends in corporate governance.

Finance

PICG's finances were prudently managed with effective oversight of the Board Audit Committee and the Board Investment Committee as well as both the Institute's internal (BDO) and external auditors (EY) who diligently provide their services. The Board has reviewed the Annual Report and Financial Statements and is pleased to confirm that it considers that the report and financial statements, taken as a whole, are fair, balanced, and understandable.

Future Outlook

Going forward, we are in the process of transforming PICG.

First, Management is focused on developing a new strategy for PICG and will hold multi-stakeholder consultation to solicit industry feedback. Core objective of the strategy will be to promote corporate governance of the membership of PICG by developing modern and upgraded Corporate Governance courses, inducting a competent and experienced new generation of deliverers. Corporate Governance courses and tools and modalities of delivery will be in line with OECD standards and best practices. Among others, PICG will promote awareness and understanding of the rights of minority shareholders within its mandate. At the same time,

PICG will develop special training modules for SMEs. Under PICG's digital transformation plan the Institute will increasingly leverage technology that enhances its reach to SMEs.

Second, PICG will collaborate with the business schools and accounting professional bodies etc. to draw on their research, while encouraging new research, advocacy and capacity building. PICG will strive both in terms of enhancing the number of programs but ensuring diversity and quality of the subject matter under its mandate of Corporate Governance.

Third, in line with international trends, corporate governance agenda will be augmented and enhanced to go beyond shareholders' emphasis on growth and profitability to stakeholders' concerns by assessing their environmental, social, and governance (ESG) agenda and moving forward to be involved in development of ESG rating for companies based on the leading International Rating agencies.

For this purpose, PICG is partnering with PSX, ICAP and other institutions to develop best practice ESG frameworks and will encourage listed companies to mainstream the ESG agenda and in this context PICG will work to develop an approach and methodology for promoting ESG standards at the company level. To this end, PICG and PSX have joined hands to serve as a secretariat for launching technical work of ESG and are engaging Technical Partners.

Our Vision at PICG is to build this Institute as a Center of Excellence for Corporate Governance expanding its purview to mainstream and recognizing the merits of ESG for sustainability of businesses and people.

The Board looks forward with confidence to the year ahead.

A handwritten signature in black ink, appearing to read 'S Akhtar', with a long horizontal line underneath it.

Dr Shamshad Akhtar
Chairperson