



PICG ADVISORY UPDATE- 9

October & November 2017

GOVERNANCE & COMPLIANCE

CORPORATE REPORTING

GOVERNANCE & COMPLIANCE

Corporate governance refers to the way in which corporations are directed, administered, and controlled. It is concerned with both the relationship between internal and external stakeholders as well as the governance processes designed to help a corporation achieve its goals. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies as well as striking a balance between both economic and social goals and between individual and communal goals.

Compliance with applicable laws and regulations is fundamental to good governance, therefore, in this section, you will receive updates on the latest governance-related changes to regulations and practices, both local and international. This section consists of a Summary Table with links to relevant information followed by a Synopsis of the recent changes.

A. Summary Table (Links/ references)

Pakistan

Sr #	Issued by	Reference	Date (2017)	Topic / Update link
1. Regulations/ Rules issued				
a	SECP	SRO 1240(I)/2017	Dec 6 th	Companies(Investment in Associated Co's or Undertakings) Regulations, 2017
b	SECP	SRO1222 (I)/2017	Nov 29 th	Draft Shariah Standards of AAOIFI
c	SECP	SRO1216 (I)/2017	Nov 22 nd	Listed Companies (Code of Corporate Governance) Regulations, 2017 + FAQ's for new Code of Corporate Governance Regulations, 2017
d	SECP	SRO1208 (I)/2017	Nov 22 nd	The Companies (Mediation and Conciliation) Regulations, 2017
e	SECP	SRO1209 (I)/2017	Nov 22 nd	The Foreign Companies Regulations, 2017
f	SECP	SRO1190 (I)/2017	Nov 15 th	Shariah Advisors Regulations, 2017
g	SECP	SRO1177 (I)/2017	Nov 13 th	Securities Manager (Licensing and Operations) Regulations, 2017
h	SECP	SRO1145(1)/2017	Nov 6 th	The Companies (Distribution of Dividend) Regulations, 2017
i	SECP	SRO1069 (I)/2017	Oct 20 th	Valuers Registration and Governance Regulations, 2017
j	SECP	SRO1064 (I)/2017	Oct 19 th	Bond Pricing Agency Rules, 2017
k	SECP	SRO1026 (I)/2017	Oct 10 th	Draft Companies (Compliance and Reporting) Regulations, 2017

Sr #	Issued by	Reference	Date (2017)	Topic / Update link
1	SECP	SRO1013 (I)/2017	Oct 6 th	The Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017
2. Circulars				
a	SECP	Circular No 32 of 2017	Dec 4 th	Compliance with the requirements of section 452 of the Companies Act 2017
b	SECP	Circular No.24 of 2017	Oct 19 th	Transmission of Annual and Quarterly Financial Statements of Listed Companies to the Commission
3. Extension granted				
a	SECP	Circular 32/2017	Dec 4 th	Statement of Beneficial Ownership (Compliance of sec 452 Co.Act 2017)
b	SECP	SRO1008(1) 2017	Oct 5 th	Extension of submission date for Statement of Unclaimed or Unpaid amount (sec 244, Co.Act 2017)
4. Amendments				
a	SECP	SRO1194 (I)/2017	Nov 17 th	Draft Amendments in Securities Brokers (Licensing and Operations) Regulations
b	SECP	SRO1174 (I)/2017	Nov 14 th	Draft amendments to Public Offering Regulations, 2017
c	SECP	SRO1169 (I)/2017	Nov 7 th	Alteration in third, fourth and fifth schedules of Companies Act, 2017
5. Others				
a	SECP	Press release	Dec 15 th	Companies to submit financial statements in PDF, MS Excel formats

International

Topic	Links
OECD Equity Markets Review Asia 2017	http://www.oecd.org/daf/ca/OECD-Equity-Markets-Review-Asia-2017.pdf
OECD Report on Beneficial Ownership Disclosure in Asian Publicly Listed Companies 2017	Beneficial Ownership Disclosure in Asian Publicly Listed Companies 2017

B. Synopsis of changes

Pakistan

1. **Listed Companies (Code of Corporate Governance) Regulations, 2017**

SECP issued the Listed Companies (Code of Corporate Governance) Regulations, 2017 (2017 Code) on November 22, 2017, which will come into effect for periods beginning on January 1, 2018, replacing the Code of Corporate Governance, 2012(2012 Code) that was issued under the PSX listing regulations.

The regulations are aimed at strengthening governance structures, bringing consistency in corporate practices, promoting transparency through enhanced disclosure requirements and protecting the rights of all investors, particularly minority shareholders.

In 2016, the Pakistan Institute of Corporate Governance (PICG) formed a task force led by Mr. Ebrahim Sidat, comprising of representatives from SECP, PICG, Central Depository Company, Pakistan Stock Exchange (PSX), corporate practitioners and industry representatives, to review the 2012 Code taking into consideration international best practices and thereafter submitted their recommendations to the SECP. Currently, the 2012 Code is applicable to listed companies through the PSX Regulations, however, in view of the fact that section 156 of the new Companies Act 2017 states that SECP may provide a framework to ensure good corporate governance practices, the task force recommendations have been incorporated in the form of the new Regulations. Further, it was ensured that the said regulations are concise, avoid duplication of requirements of Act or any other statutory requirements and retained the best corporate principles as also endorsed by the 2012 Code and task force.

Some salient features of the 2017 Code include:

- i. Decreasing the number of permissible directorships of a director in listed companies from 7 to 5
- ii. Mandating boards to have at least 2 or 1/3rd of directors, whichever is higher, as independent directors. Further, independent directors shall be required to file a declaration of independence with the company
- iii. Requiring one female director on the board of listed companies within one year of from the effective date of the 2017 Code or reconstitution of the board, whichever is later.
- iv. Development of significant policies and calls for a formal and effective mechanism for annual evaluation of the board's own performance and of its committees.
- v. The minimum number of directors required to obtain prescribed certification under any director training program has been accelerated to 100% by 2020 as follows:

Compliance for training by	Minimum percentage of board required to obtain certification
June 30, 2019	At least 50% of the directors
June 30, 2020	At least 75% of the directors
June 30, 2021	100 % of the directors

Note:

- a) Newly appointed directors, however, shall acquire the directors training program certification within a period of 1 year from the date of appointment as a director on the board, unless exempted or already in possession of the required certification.
- b) A director having a minimum of 14 years of education + 15 years of experience on the board of a listed company, shall be exempt from the directors training program requirement.
- vi. Further, it shall be mandatory for every company to arrange the following training requirements under the Directors' Training program:

Training for	From
At least one female executive every year	The year starting June 30, 2019
At least one head of department every year	The year starting June 30, 2021

- vii. The regulations provides additional responsibilities, i.e. overall review of risk, code of conduct, internal controls, whistleblowing mechanism, sustainable business practices, grievance handling and maintaining record of significant policies.
- viii. Directors’ have been mandated to attend general meetings and participate in framing and considering significant policies.
- ix. Formal policy and procedures to determine directors’ remuneration are also mandatory and companies are encouraged to post key features of the same on their website.

The SECP has also placed ‘Frequently Asked Questions (FAQs)’ on their website to provide guidelines with respect to the application of various aspects of the 2017 Code.

2. Regulations/ Rules issued

To provide further understanding of procedures and practices required under the newly enacted Companies Act, 2017 as well as other relevant regulation in the country the SECP has issued a number of notifications, circulars, etc., introducing new Rules and Regulations which have been placed on their website.

These Regulations/ Rules have been notified to streamline procedures and improve governance structures of companies in Pakistan. Following is a summary of the main Regulations / Rules (both drafts issued for public comments and final versions) issued during the past couple of months:-

a. Draft Regulations/ Rules

Sr. no	Name of Regulations / Rules	Public comment deadline	Description
1	Shariah Standards No 17, 18 and 23 of AAOIFI	Dec 13, 2017 (within 14days)	<p>The Standards pertain to: Shariah Standard No 17 - Investment Sukuk, Shariah Standard No 18 - Possession (Qabd) and Shariah Standard No 23 - Agency and the Act of an Un-Commissioned Agent (Fodooli)</p> <p>The standards are aimed at harmonizing business practices of Islamic financial institutions, various Accounting and Shariah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) have been adopted as a benchmark for Islamic financial services while keeping in view the local business context.</p> <p>The Shariah Advisory Board of SECP approved the above Standards for adoption, following which the Islamic Finance Department (IFD) presented them to the Commission for its approval. The Commission has approved them for public consultation.</p>
2	Draft Companies (Mediation and Conciliation) Regulations, 2017	Dec 6, 2017 (within 14days)	<p>In order to resolve disputes of the corporate sector, a panel of mediators or conciliators will be established by SECP for resolution of disputes, claims or controversy arising among company’s management, creditors, members or directors of companies.</p> <p>In this regard, SECP shall maintain a Panel of ‘mediators or conciliators’ eligible to be appointed under these regulations.</p> <p>Certain matters not to be referred to the mediation or conciliation include cases involving serious fraud, fabrication of documents forgery, impersonation, etc; cases involving prosecution for criminal and non-compoundable offences and cases which involve public interest or interest of persons who are not parties before the Commission or the Appellate Bench, as the case may be.</p>

			Application to the Commission/ Appellate Bench for referring a matter to the Panel, shall be made with mutual consent of parties to the dispute.
3	Draft Foreign Companies Regulations, 2017	Dec 6, 2017 (within 14days)	<p>To provide a regulatory framework for foreign companies operating in Pakistan, including processes of their establishment, registration, conduct of business, maintenance of registers and filing of documents.</p> <p>Any foreign company desirous of establishing a place of business in Pakistan shall obtain prior approval from the Board of Investment.</p>
4	Securities Manager (Licensing and Operations) Regulations, 2017	Nov 29, 2017 (within 15days)	<p>To perform functions of a securities manager, a license must be obtained from the Commission under the Securities Act and these regulations.</p> <p>The draft regulations provide for the licensing conditions and conduct of a securities manager; methods for invitations and advertisements; agreement with the customer and disclosure documents; and risk profiling, accounting and audit matters.</p>
5	Draft Valuers Registration and Governance Regulations, 2017	Nov 7, 2017 (within 14days)	<p>Regulations for registration and providing services of valuations for immovable properties and other goods, plants and machinery. This includes registrations, duties and responsibilities of the valuer, valuation process and report, maintenance of records and functional website, disciplinary proceedings, quality assurance board, etc.</p> <p>No person shall act as a valuer unless such person is registered by the Commission under these regulations once they come into force.</p>
6	Draft Companies (Compliance and Reporting) Regulations, 2017	Oct 25, 2017 (within 14days)	<p>Primarily specify the form and manner of filing of various statutory returns as well as the standardized formats for filing of applications under the various provisions of the Companies Act 2017.</p> <p>The statutory forms pertain to matters such as commencement of business, registration of altered articles of association, change of principal line of business, modification and satisfaction of charge, return for transfer of shares and further allotment of shares, returns pertaining to global register of beneficial ownership, filing of special resolution, consent to act as director etc.</p> <p>The formats of applications include change/ rectification of name, conversion of status of company, alteration in memorandum of association, issue of shares otherwise than right, issue of shares at discount, extension in annual general meeting and laying of financial statements, relaxations concerning financial statements, approval of loan to directors etc. The regulations also specify the particulars for the registers of members, debenture-holders, directors, and officers etc. to be kept by the companies.</p> <p>In addition to that the mechanism of price determination for transfer of shares of a private company, conduct of shareholders in the meeting, qualification of company secretary, manner of selection of independent director on databank, mechanism for easy exit of defunct company and provisions relating to inactive company have been specified in the draft regulations.</p> <p>The regulations will replace the Companies (General Provisions and Forms) Rules, 1985, and Companies (Easy Exit Scheme) Regulations 2014.</p>

b. Final Regulations/ Rules issued

Sr. no	Name of Regulations / Rules	Effective date	Description
1	Companies (Distribution of Dividend) Regulations, 2017	Nov 6, 2017	<p>To provide a regulatory framework for distribution of dividends the regulations provides for the time period and manner of payment of dividends by both listed and unlisted companies.</p> <p>Distribution of dividends through electronic mode is mandatory for all listed companies, whereas the shareholders of unlisted companies may opt for any of the provided options, including electronic mode.</p> <p>For electronic payment of cash dividends directly into designated bank accounts of entitled shareholders, a company may appoint any bank or central depository, and shall obtain the International Bank Account Number (IBAN) from shareholders of listed companies.</p> <p>Note: the regulations are not applicable on those companies that have announced cash dividends before the commencement of these regulations</p>
2	Shariah Advisors Regulations, 2017	Nov 30, 2017 (ie. 15 days from date of notification)	<p>Framed under the Companies Act, 2017 to enhance the credibility of the Islamic Financial Services sector by providing a framework to discipline and professionalize Shariah advisory in Pakistan.</p> <p>Hence, only the Shariah Advisors registered with the SECP shall be engaged by companies and entities for such services. In this regard, Shariah Advisors will need to meet the required fit and proper criteria and abide by a code of professional behavior.</p> <p>These regulations shall be applicable on:</p> <ul style="list-style-type: none"> (a) every person providing Shariah advisory services to a company or an entity registered, licensed, and/or regulated by the Commission; (b) every company claiming to be a Shariah compliant company except: <ul style="list-style-type: none"> (i) an insurance or a takaful company; and (ii) a banking company or any other company which is regulated by the State Bank of Pakistan; and (c) every company or entity claiming its securities to be Shariah compliant securities.
3	Bond Pricing Agency Rules, 2017 ¹	Oct 19, 2017	<p>To make it mandatory for bond pricing agencies to seek approval of the Commission for carrying out on a business as a bond pricing agency or hold out as carrying on such a business.</p> <p>The Rules provide the licensing requirements such as eligibility criteria for a bond pricing agency; duties and responsibilities; disciplinary proceedings including cancellation of license; and formation, constitution and responsibility of the advisory committee. The schedules include information on fees + fit and proper criteria for the applicant and its sponsors, lead investor, directors and senior management officers.</p> <p>The SECP may constitute an advisory committee comprising SECP, State Bank of Pakistan (SBP) and market experts to formulate methodology for pricing of government securities. (The arrangement for pricing of government securities</p>

¹ "Bond" means any debt security, government and public debt security, participation term certificate or term finance certificate and a company that regularly provides fair prices for bonds on an independent and objective basis, and is licensed with the Commission in accordance with the rules shall be known as a "bond pricing agency".

			at the time of commencement of these rules shall continue till such time the SECP with the approval of the SBP, requires a bond pricing agency licensed under these rules to provide fair prices for government securities)
4	Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017	Dec 6, 2017	<p>The regulations require directors of investing companies to present a special resolution for making investment in an associated company and to certify to the members of the investing company that they have carried out necessary due diligence for the proposed investment before recommending it for members' approval.</p> <p>Also, in case of investment through loans, advances, etc, directors shall further certify that the financial health of the associated company or associated undertaking is such that it has the ability to repay the loans, advances, etc, as per the agreement.</p> <p>The regulations cover areas such as information to be disclosed to members, restrictions and conditions applicable to the company making the investment, maintenance of records such as the register of investments in associated company or associated undertakings as per section 199 of the Companies Act 2017</p> <p>These Regulations shall apply to all companies except and to the extent those specifically exempted by the Commission</p>
5	Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017	Oct 6, 2017	<p>Provides a regulatory framework for the deposit of unclaimed shares, dividends and other instruments, their process of sale, claiming of refunds and filling of annual returns.</p> <p>Term Finance Certificates (TFCs), Sukuks and profit or interest due on these instruments, which remain unclaimed or unpaid for a period of three years from the date of maturity, shall be considered as unclaimed instruments or amounts by the SECP.</p> <p>Where no claim is made before the company by the shareholder, certificate holder /owner, the company (after expiry of notice period) shall deposit any unclaimed or unpaid amount to the credit of the federal government in the account and provide relevant information in this regard to the SECP. The company shall also inform the Central Depository Company (CDC) for unclaimed physical shares or certificates or instruments to convert the share or certificates or instruments into book entry form, and to deposit these securities in the Commission's CDC Account.</p> <p>Every company shall submit a year-wise return of unclaimed shares, Modaraba certificates, dividend and other instruments to the SECP within 30 days of the close of each financial year, along with the auditor certificate authenticating the year-wise amount of shares, Modaraba certificates, the instruments or dividend.</p> <p>The company shall also upload on its own website, a searchable claimant wise statement having year-wise breakup of unclaimed shares, Modaraba certificates, dividends and other instruments containing information including names and last known addresses of the persons entitled to receive the sum; nature of amount; the amount to which each person is entitled; due date for transfer into the investor education and protection fund etc.</p>

6	Listed Companies (Code of Corporate Governance) Regulations, 2017	For periods starting after Dec 31, 2017 except where otherwise stated	These Regulations apply to listed companies and to such other entities where the statutes and underlying licensing requirements require them to comply. Please see Para B.1 for details.
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3. Circulars

a) Compliance & Extension in filing - Section 452 of the Companies Act 2017

Every **substantial shareholder or officer** of a company who is citizen of Pakistan, including dual citizenship holder (residing in Pakistan or not) having shareholding in a foreign company shall report to the company his/her shareholding or any other interest within thirty days of holding such position or interest.

In this regard, the definition of "officer" in the Companies Act 2017 includes any director, chief executive, chief financial officer, company secretary or "**other authorised officer**" of a company. Companies have been facing difficulty in complying with the above requirement of section 452 of the Act owing to the fact that the term "**other authorised officer**" is quite broad in nature, due to which SECP has clarified that for the purposes of section 452, the said term implies an officer authorized by the company to perform such similar functions as carried out by the director, chief executive, chief financial officer and company secretary of the company.

Further, all companies who have not submitted information required under sub-section (2), (3) or (4) of section 452 of the Act, have been granted extension and shall now submit the same by December 31, 2017, and such form shall contain information as available on the day preceding the date of filing.

b) Transmission of Annual and Quarterly Financial Statements of Listed Companies to the Commission

As a result of the promulgation of the Companies Act, 2017, every listed company is required to send a copy of the annual financial statements along with the auditors' report, directors' report and chairman's review to SECP electronically, in addition to through post, via SECP's designated email address for this purpose, (i.e. financial.statements@secp.gov.pk). Further, SECP has advised all listed companies to strictly ensure that annual and quarterly financial statements are transmitted both in 'PDF' and 'MS Excel' formats through email.

This provision has been added to the Act to ensure effective compliance by listed companies at a reduced cost.

4. Extension granted

As per Section 244 of the Companies Act 2017, every company shall submit to the SECP a return of all unclaimed shares, modaraba certificates, the instruments or dividend in its books, within thirty days of the close of each financial year (in the manner specified by SECP). The deadline for submission of the required statement was previously extended from August 6th 2017 to October 5, 2017 and SECP has now allowed further extension of submission through the eServices portal till 31st December, 2017.

5. Amendments

a) Draft Amendments in Securities Brokers (Licensing and Operations) Regulations, 2016

SECP has recommended a detailed procedure for renewal of licences of securities brokers through draft amendments proposed in the Securities Brokers (Licensing and Operations) Regulations, 2016, and placed on the website for public comments.

According to the draft regulations, a securities broker or futures broker applying for renewal of licence shall submit its application along with supporting documents through the securities exchange or futures exchange to the SECP. The securities exchange or futures exchange upon scrutinizing the same, shall submit the relevant documents to the SECP along with a letter of recommendation stating that it has reviewed the contents of the

application and the supporting documents and has found the same to be in conformity with the Act or Futures Act, and the regulations.

Further, along with the recommendation letter, the securities exchange or futures exchange shall submit a confirmation to the SECP that it has visited the premises of the securities broker or futures broker and is satisfied with the infrastructure and human resources deployed by the securities broker or futures broker to ensure ongoing compliance with these regulations.

The Commission upon being satisfied that the applicant continues to meet the requirements for licensing, shall renew the licence for one year and issue a certificate of renewal of licence to the applicant.

b) Draft amendments to Public Offering Regulations, 2017

SECP has issued draft amendments to the Public Offering Regulations, 2017 and issued a comparative sheet of the existing Public Offering Regulations, 2017 and draft amendments to the Regulations, for providing comments thereon within 14 days.

SECP has proposed new conditions for companies, special purpose vehicles or body corporate for making public offering of securities. The regulations are applicable to public limited companies or body corporates proposing to issue securities to the general public; an offeror who intends to offer securities to the general public and sponsors of the public limited company or body corporate and others.

Amendments include the requirement of National Tax Number and appearance on the Active Taxpayers List (ATL) of the Federal Board of Revenue (FBR) for an investor for subscription of shares in the book building process as well as having a net worth of at least Rs5 million as per the previous years tax return; and being registered with the National Clearing Company of Pakistan Limited.

c) SECP amends third, fourth and fifth schedules of Companies Act 2017

The SECP made amendments to the third, fourth and fifth schedules of the Companies Act, 2017 due to practical difficulties faced by various stakeholders in complying with some of the additional disclosure requirements of the respective schedules which were brought about with the promulgation of the Act on May 30, 2017. Disclosure requirements of fourth and fifth schedules became applicable to various classes of companies for preparation of the financial statements, in addition to the applicable financial reporting frameworks prescribed for each class under the third schedule.

Disclosure of related party information, irrespective of any transactions with such related parties, based on a very broad definition of related parties in the new Act, resulted in practical issues in compiling and presenting information in the financial statements for companies. The definition given in the Act includes directors, managers, key managerial personnel, their relatives, spouse, siblings, lineal ascendants and descendants etc.

Further, the schedules contained requirements for disclosing beneficial ownership of foreign shareholders, other than natural persons, which should be part of the prescribed pattern of shareholding of the companies instead of the financial statements.

Consequently, after consultation with stakeholders (corporate sector and accounting and audit fraternity etc), the SECP made amendments to the schedules to facilitate implementation and ensure consistency in definitions, applicable financial reporting frameworks as well as the text.

For disclosures in the financial statements, companies have to follow the requirements of the applicable financial reporting framework, therefore the definition of related party prescribed in the respective financial reporting frameworks for accounting and financial disclosures shall now be used. Further, disclosures would now be required only if there are transactions or arrangements with related parties. However, in order to comply with legal requirements of section 208 of the Act, i.e. for entering into related party transactions or arrangements, approvals and record keeping, the definition given in the said section shall prevail.

Likewise, the requirements for disclosing beneficial ownership of the companies held by foreign shareholders, other than natural persons, shall now be made part of the pattern of shareholding instead of financial disclosures.

1. OECD Equity Markets Review Asia 2017²

The OECD Equity Markets Review Asia 2017 was launched at the OECD Asian Roundtable between OECD countries, policy makers, practitioners, experts on corporate governance and relevant international institutions took place in October 2017 in Tokyo, Japan.

This is a new report aimed at analyzing trends in Asian public equity markets to provide policy makers, regulators, corporations and other market participants with a comprehensive and comparable picture of the use and functioning of public equity markets in Asia.

The report covers the following main aspects:

Section	Topic	Overview
Part I	The Use of Primary Equity Markets by Asian Companies	How and to what extent Asian companies use public equity markets to raise equity capital, including data on both initial public offerings and secondary public offering. Also provides an account of the sectoral distribution of the companies that raise money.
Part II	Growth Companies' Use of Public Equity Financing	Use of public equity markets by growth companies, including their size and sectoral distribution
Part III	The Structure of the Secondary Public Equity Markets	Describes and analyses the stock exchange landscape in Asia, including developments over time and their relative size.
Part IV	Ownership Landscape and Investors	Examines the corporate ownership landscape. It provides information about who the shareholders are and how they own. Special attention is given to the government as an owner of publicly listed companies.
Part V	Investment Banks and Underwriting in Asian Public Equity	Developments to investment banking activities such as equity underwritings, corporate bond transactions and mergers and acquisitions. This section describes the emergence of the regional investment banking industry and the shifts in market shares between Asian and non-Asian banks since the turn of the century.

According to the report, despite their recent dynamism, Asian equity markets differ significantly in terms of their level of institutional development and investment practices and these variations highlight the potential for further improvement in the capital market ecosystem. Such further improvements would include that corporations make sure to implement corporate governance practices that meet the expectations of domestic as well as foreign investors. It will also be important for policy makers and regulators to provide investors and other service providers throughout the investment chain - including stock exchanges - with the right incentives to carry out their key function of effectively allocating and monitoring the use of capital in the real sector.

2. OECD Report on Beneficial Ownership Disclosure in Asian Publicly Listed Companies 2017

The OECD Asian Roundtable³ on Corporate Governance developed a report³ reviewing company practices regarding disclosure of beneficial ownership and control in Asia, in line with Chapter 5 of the G20/OECD Principles of Corporate Governance concerning the development of frameworks for disclosure and transparency. The need for an adequate regulatory framework for disclosure of beneficial ownership and control in Asian jurisdictions was discussed by representatives from 14 Asian jurisdictions at the 2016 meeting of the Asian Roundtable in Seoul,

² Reference: OECD (2017), OECD Equity Markets Review: Asia 2017 www.oecd.org/corporate/OECD-Equity-Markets-Review-Asia-2017.pdf

³ Established in 1999, the Asian Roundtable serves as a regional platform for exchanging experiences and advancing the reform agenda on corporate governance while promoting awareness and use of the G20/OECD Principles of Corporate Governance in Asia. It brings together policy makers, practitioners and experts on corporate governance from the Asian region, OECD countries and relevant international organizations.

Korea. The report aims to enhance the effectiveness of regulators and contribute to a culture of transparency by companies, in the interest of protecting investors and creating confidence in markets.

The report examines information disclosure strategies among the largest listed firms in 10 Asian jurisdictions by gathering information on ownership from annual reports, company websites, security exchange and “securities and exchange commission” websites and English language wikipages etc and questioning how easy is it for a foreign investor to quickly collect information on beneficial ownership in a listed company from these publicly available sources.

The report concludes that regulators should acknowledge the limits of the current regulatory models based on mandatory disclosures as analysis seems to suggest that these mandatory rules are usually not enough, since they support a legalistic and minimal style of disclosure that does not achieve the intended regulatory objectives.

The reports recommends/ highlights:

- That regulatory regimes should require additional description of who the ultimate beneficial owners are and how the ultimate beneficial owners own the shares of the company to make information useful for investors
- Accurate and accessible figures and charts of shareholdings of the ultimate beneficial owners should be provided in order to give a feel for what is going on within the company.
- Enforcing disclosure of ownership information encouraging firms to embrace open communication by providing meaningful guidance and communication best practices, as is being done by a few firms that have recognized the financial and strategic benefits that an ‘open approach’ to disclosure can create.



Public Sector Governance Workshop

Location	Date
Islamabad	January 23, 2017
Karachi	January 30, 2017

In view of the recent amendments to the Public Sector Companies (Corporate Governance) Rules, 2013 (PSC Rules) and the promulgation of the new Companies Act 2017, PICG is conducting this workshop to acquaint Directors and Senior Managers with corporate laws and practices as applicable to PSC’s to enable them to accelerate compliance and conformance to good corporate governance principles within their organizations.

This workshop also aims to fulfill training needs of directors required by the PSC Rules to enable them to discharge their statutory obligations as well as to appreciate the wider scope of their responsibilities, the regulatory environment of PSCs and how to improve overall public sector governance.

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CORPORATE REPORTING

Corporate reporting is evolving from mere financial reporting to include non-financial disclosures in order to address the needs of a wider stakeholder audience. Investors are looking for more data in annual reports to devise their investment and valuation strategies.

In this section, you will find updates on global and regional trends and policy initiatives on corporate reporting and non-financial information disclosure.

1. New FRC Report Highlights Investor Confidence in External Reporting by Audit Committees

The UK Financial Reporting Council's (FRC) Audit and Assurance Lab has released a new report titled Audit Committee Reporting which looks at external reporting by audit committees, and highlights that investors look to the Audit Committee Report to give them confidence in the committee's work in important areas, such as the appointment of the external auditor and monitoring the auditor's independence and objectivity.

Further, investors expect cross-references in the Audit Committee Report to other areas of the annual report where internal control and risk management are covered. Some investors regard the content of the Audit Committee Report as providing valuable insight into the quality and rigor of the audit committee. This creates trust and provides investors with confidence that the audit committee is effective.

The report is the first part of a two phase project to explore how investors' confidence in audit is enhanced by:

- the external reporting by audit committees in the annual report (Phase 1); and
- auditors' reports to audit committees (Phase 2).

The FRC's Audit & Assurance (A&A) Lab seeks to promote best practice on audit related issues by engaging with stakeholders, including audit committees, companies, investors and auditors.

Audit Committee Reporting is available@ https://www.frc.org.uk/getattachment/7f97f065-d912-4ca0-a96b-1f2fd4b0a565/LAB_Final.pdf

2. COSO Issues New Enterprise Risk Management (ERM) Framework

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has released its highly anticipated new *ERM Framework: Enterprise Risk Management—Integrating with Strategy and Performance*. This new document builds on its predecessor, *Enterprise Risk Management—Integrated Framework*, one of the most widely recognized and applied risk management frameworks in the world. The updated edition is designed to help organizations create, preserve, and realize value while improving their approach to managing risk.

The Framework, developed by PwC under the direction of the COSO Board, highlights the importance of enterprise risk management in strategic planning. It also emphasizes embedding ERM throughout an organization. The Framework is organized into five easy-to-understand components that accommodate different viewpoints and operating structures to enhance strategies and decision-making.

Executive Summary of Enterprise Risk Management—Integrating with Strategy and Performance is available@ <https://www.coso.org/Documents/2017-COSO-ERM-Integrating-with-Strategy-and-Performance-Executive-Summary.pdf>

3. IFRS Foundation Releases IFRS Taxonomy Guide

The IFRS Foundation has released *Using the IFRS Taxonomy – A Preparer’s Guide* to help companies, regulators worldwide, and other users of financial information understand the content of IFRS Taxonomy.

The IFRS Taxonomy facilitates the digital creation and consumption of financial information and improves investors’ access to financial information by listing and defining specific codes, or elements, that can be used to tag items of data.

The IFRS Taxonomy is part of the IASB’s 2017-2021 theme, ‘Better Communication’, which also includes the primary financial statements project and the disclosure initiative.

***Using the IFRS Taxonomy – A Preparer’s Guide* is available@ <http://www.ifrs.org/-/media/feature/resources-for/preparers/xbrl-using-the-ifrs-taxonomy-a-preparers-guide-december-2017.pdf?la=en&hash=7461998CAD6471029999E671B7B9E61958379753>**

What is the IFRS Taxonomy

The IFRS Taxonomy is published by the International Accounting Standards Board (Board) and the IFRS Foundation (Foundation) to facilitate electronic reporting of financial statements prepared in accordance with IFRS Standards.

It includes:

- a) the full IFRS Taxonomy, which applies to financial statements prepared in accordance with the full IFRS Standards;
- b) the IFRS Taxonomy for SMEs, which applies to financial statements prepared in accordance with the IFRS for SMEs® Standard; and
- c) the IFRS Taxonomy for Management Commentary, which applies to IFRS Practice Statement Management Commentary

What is the purpose of publishing the IFRS Taxonomy Guide

The IFRS Taxonomy lists and defines the specific codes (elements) that preparers can use to identify (tag) the information disclosed within IFRS financial statements. Tagging information makes it easier for users to find a particular disclosure within a set of IFRS financial statements, for example, by searching for specific elements.

This Guide is part of a set of documents aimed at supporting the use and adoption of the IFRS Taxonomy around the world by regulators, preparers and users of financial information.

How does the Guide assist preparers

A preparer can express information related to an IFRS disclosure in a computer-readable format. For example: (a) the IFRS Taxonomy includes elements for tagging narrative explanations or accounting policies; and (b) XBRL calculations can be used to express a disaggregation.

Preparers can register for email updates to keep up to date with changes and news relating to the IFRS Taxonomy by clicking on the ‘Follow’ button at the top of the IFRS Taxonomy page on the Foundation’s website@ <http://www.ifrs.org/issued-standards/ifrs-taxonomy/>

4. IAASB and WBCSD Collaborate to Incorporate Sustainability into Mainstream Reporting

The International Auditing and Assurance Standards Board (IAASB) has agreed to collaborate with the World Business Council for Sustainable Development (WBCSD) - to incorporate sustainability reporting within mainstream reporting through strengthening international assurance standards on sustainability.

Assurance of sustainability information continues to be an issue for preparers and assurance providers. Investors have consistently stated that external assurance is important for building confidence in sustainability information. Since companies are usually at different stages of maturity in combining their financial and nonfinancial information, they face various barriers in applying external assurance.

The collaboration supports WBCSD's *Redefining Value* program with its objective to ensure that external reporting follows the applicable IAASB international assurance standards, or their national equivalents.

Work on the assurance standards has begun in December 2017 and draft guidance is expected to be published in Q4 2018.

5. London Stock Exchange Group Issues Guide to ESG Reporting

London Stock Exchange Group has issued guidance, setting out recommendations for good practice in environmental, social and governance (ESG) reporting. The global guide, titled *Your Guide to ESG Reporting*, responds to demand from investors for a more consistent approach to ESG reporting, which is now a core part of the investment decision process. This guide is available on-line to both issuers and investors globally. The guide is intended to help companies gain a clear understanding of what ESG information investors would like to see provided by companies.

Your Guide to ESG Reporting is available @

https://www.lseg.com/sites/default/files/content/images/Green_Finance/ESG_Guidance_Report_LSEG.pdf