

Leadership Change  
at PICG

Seek and you shall find

PICG and ICAP jointly  
conduct seminar on  
“Amendments in Corporate  
Governance Reporting in  
Pakistan: Comply or Explain”

COVID-19:  
A Call For Companies  
To Prioritize ESG Risks

Training Update  
Tributes



# QUORUM

March' 2020 Edition  
Catalyst for Change

## Editor's Note

Dear Readers,

Welcome to the March 2020 issue of PICG's Quorum. We hope you are all keeping safe and healthy in these unprecedented times. This issue of Quorum is being circulated as a soft copy so that you may enjoy reading it in case you are not at your official premises.

It is always encouraging when professionals show their support of corporate governance best practices by engaging with PICG as members. We would like to welcome the following new members:

Mr. Arshad Mirza  
Mr. Ali Akbar Abdullah

Our association with reputed individuals makes us proud and we continually strive to deliver excellence to all our corporate and individual members.

Inside this issue of the Quorum you will find several interesting articles. Ms. Arjumand A Shah, PICG's acting President and Chief Executive Officer, discusses the gender divide in organizations. Ms. Rana Mustansir, our Company Secretary, discusses the importance of environmental, social and

governance (ESG) risks in light of the current global pandemic. Our stakeholders shared their experience of using our services in “Tributes”. During the quarter, PICG collaborated with the Institute of Chartered Accountants Pakistan (ICAP) to deliver a seminar on “Amendments in Corporate Governance Reporting in Pakistan: Comply or Explain”. Insights from the event are inside.

We are happy to announce that this quarter, the total participants of our Director's Training Program has crossed 1,400 participants. The continued interest of participants in Corporate Governance is an indication of awareness and highlights the importance of self-regulation in today's corporate environment. The training update section shares details of PICGs' training programs.

This quarter saw a strong interest in PICGs' board evaluation services as well as in house training programs. The PICG director databank remains a popular product and we are pleased to see it benefiting organizations and individuals alike.

We hope you enjoy reading our regular correspondences. Feedback and contributions are always welcome.



Najia Ansari

## Tips to stay safe during COVID-19

A few basic protective measures shared by the World Health Organization (WHO) on how to protect yourself and others from the virus.

Wash hands with soap regularly  
Maintain social distancing  
Avoid touching eyes, nose and mouth

If you have fever, cough and difficulty breathing,  
seek medical care early  
Stay informed and follow advice given by your healthcare provide

# Leadership Change at PICG

We are pleased to announce that Ms. Arjumand Ahmed Shah has been appointed as Acting President & CEO of the Institute. Our outgoing President & CEO, Ms. Sadia Khan, has joined the Securities and Exchange Commission of Pakistan (SECP) as a Commissioner. We wish Ms. Khan all the best in her future endeavors.

We are also pleased to welcome Dr. Shamshad Akhter, who has joined the PICG Board of Directors as an Independent Director. We look forward to her knowledge and experience contributing towards the leadership of the Institute.

## Seek and you shall find

**Arjumand Ahmed Shah,**  
Acting President & CEO PICG

Increasing diversity at board and senior management level is acknowledged as a priority by business, government and regulators as well as by many shareholders. Research suggests that more diverse boards are associated with improved financial performance, enables good corporate governance and facilitate better decision making by bringing different perspectives to support constructive and challenging dialogue. However, there still exists a stark gender divide at the top of corporate businesses.

Companies with diverse workforce operate more effectively and innovatively by understanding their customers, being more open to change and recruiting the best talent. Yet a gap remains when it comes to corporate boards.

What are some of the barriers that prevent women reaching the boardroom? and what can organizations do in order to overcome these?

Given below are some practical steps organisations can take when making board appointments to improve diversity and ensure that the best candidates for non-executive and executive director roles are appointed on merit:

### 1. Lay down selection criteria in terms of measurable skills, experience, knowledge and personal qualities.

Ideally the nomination committee leads the process for board appointments and makes recommendations to the board. Board evaluation can be a useful tool in this regard, to assess the current balance of skills, experience and knowledge on the board. Clearly identified objectives enable the board to set specific goals for the evaluation and, in light of this prepare a role description for each appointment. Identifying demonstrable skills or personal qualities required for an effective board member will ensure appointments are made on merit. Unspecified criteria such as chemistry or fit must be avoided which may sometimes result in a board recruiting its own image.

### 2. Reaching the wide candidate pool

Publicizing a role widely, using advertising and different channels such as social media and Institute of director education helps widen the pool of potential applicants. This further ensures you reach a diverse range of good candidates to assess through a competitive process so you can increase the likelihood of finding the best person for the role. Using an executive search firm with a track record of delivering a diverse range of suitable candidates can be useful.

Companies and executive search firms must encourage and provide a platform for creating networks for executive women who aspire to non-executive board positions, and using these to identify potential candidates for specified board roles. Relying only on personal networks recruitment significantly restricts the pool of applicants and risks ruling out good candidates with diverse skills and experience. Few organizations also consider having external independent experts on the selection panel to ensure it is balanced and provides for external perspectives.

### 3. Strategic oversight of diversity

The board must satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management. Having a strategic oversight of diversity across the organisation and seek frequent assurances from the executive team on performance in meeting set diversity targets can be extremely beneficial.

### 4. Widen diversity in senior leadership talent pool

This ties in to the earlier point – organisations must regularly review diversity in the organisation's development and retention strategy. Monitoring can help detect barriers preventing employees from progressing to senior roles and identify when and at what stage employees at senior levels are lost.

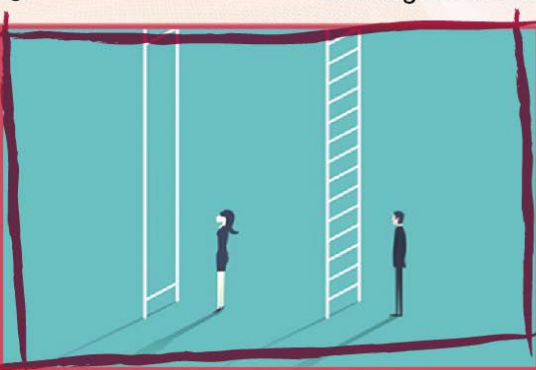
There are a number of measures that can be taken to encourage individuals to apply for roles or to help them gain skills which will enable them to compete on merit and an equal footing with others such as:

- Reserving places on leadership and training courses to prepare individuals to apply for leadership roles
- Providing programmes for people to help individuals manage the specific barriers faced by them
- Offering flexible working and flexible career paths to help retain people.

Governance will only be effective if we move away from box-ticking approach and recognise the value it adds to the businesses. The important thing is for every company to have a clear plan of action and continually measure progress towards diversity not only to harness the different perspectives and strong skillsets of women, but also to address the significant loss of their skills to business and the economy in general.

“Most women face traditional challenges at an early age, which in a way nurtures their problem-solving skills. With a positive attitude, we can turn around these challenges as stepping-stones to building a fulfilling career and a life we can live on our own terms.”

**Saima Kamila Khan**  
Chief Legal Officer Jazz



# PICG and ICAP jointly conduct seminar on "Amendments in Corporate Governance Reporting in Pakistan: Comply or Explain"

Pakistan Institute of Corporate Governance (PICG) collaborated with the Southern Regional Committee (SRC) of the Institute of Chartered Accountants Pakistan (ICAP) to conduct a seminar titled "Amendments in Corporate Governance Reporting in Pakistan: Comply or Explain" on January 16, 2020 at a local hotel. The event was well attended by around 250 professionals from the corporate world and was highly appreciated by the audience as timely and pertinent.

change in approach and cited the findings of a survey conducted by the IFC in 2007.

The presentations laid ground for a panel discussion, moderated by Ms Sadia Khan, on the rationale behind the new regulatory changes as well as the practical implementation issues that may be faced by the corporate sector. Panellists discussing the topic were Mr. Fuad A. Hashimi, Executive Director of CERB, Ms. Naz Khan from the PSX Board, Mr. Samad Dawood representing Engro Corp, Ms. Nausheen Ahmed, General Counsel and Company Secretary of ICI Pakistan Limited and Mr Asad Ali Shah. Panellists debated whether the local corporates were prepared for self-regulation and how not just listed entities,



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"Comply or Explain" has created a regulatory change in the corporate governance reporting requirements laid out by the regulator for businesses and is premised on the readiness of the local corporate world to voluntarily apply global best practices.

The seminar was commenced with a recitation from the Holy Quran and a brief welcome address by Mr. Adnan Rizvi, CPD Convener SRC ICAP followed by the opening presentation by Ms. Sadia Khan, CEO of PICG who discussed PICG's latest survey and its results. The survey highlighted major changes in Pakistan's corporate governance structure over the past three years and current local trends in board practices, composition and remuneration as well as views of the respondents on implementation and effect of corporate governance.

Mr. Asad Ali Shah, member of the Policy Board of SECP then discussed the reasoning of the regulator behind the implementation of the "Comply or Explain" approach and the way forward. He gave a historical perspective leading to the



but unlisted entities as well should practice best governance procedures. The discussion was closed with a question and answer session where the audience had the opportunity to gain insight from the panelist of their views. Collaboration between all stakeholders and a review of what is needed to improve capital market functioning and investor interest as well as promote the SME industry were key takeaways from the discussion.



The closing remarks were delivered by Mr. Amir Khan, Chairman, SECP. Mr. Khan discussed the regulators' perspective of the Code of Corporate Governance and its revisions over the years and how the current practices that are being implemented came into existence. He thanked both PICG and ICAP for

arranging the seminar and agreed that it was time to take things forward in a collaborative environment.

To conclude the seminar Mr. Arslan Khalid, Chairman SRC ICAP gave a vote of thanks and mementos were given to the speakers and panelists.

This was the first event organized as a collaborative partnership by PICG and ICAP and was the first of many events both institutions plan to collaborate and organize in the future.



## SEMINAR ON Amendments in Corporate Governance Reporting in Pakistan "Comply or Explain"



# COVID-19: A Call For Companies To Prioritize ESG Risks

By **Rana Mustansir**  
Pakistan Institute of Corporate Governance

The COVID-19 crisis has elevated the importance of environmental, social and governance (ESG) risks for companies, investors, and governments.

In Feb. 2020, before COVID-19 hit Pakistan, the IMF mission had expressed concern over its impact on Pakistan's GDP as a spillover effect of the slowing down of the Chinese economy, projecting GDP growth at 2.4 percent and inflation around 11 to 12 percent for current fiscal year. In the wake of the outbreak, the initial blow to our economy has been estimated at Rs.1.3 trillion on account of losses in the services sector, imports and exports, reduction in remittances, disruption in food supplies, and revenue loss to the FBR.

To develop thinking on what the COVID-19 crisis means for investors, companies and governments, the United Nations Principles for Responsible Investment (PRI) forum is establishing two signatory participation groups. These groups will support action on the highest priority areas focusing on:

- short-term responses, and ensuring responsible ESG approaches remain at the forefront of investor activities;
- a future economic recovery phase, considering how the financial system should function to ensure sustainable outcomes.

PRI is recommending that its signatories support sustainable companies through this crisis. PRI has listed 7 Immediate Investor Actions, of which Action 1 is that investors should engage with companies that are failing in their crisis management and prioritizing executive pay and short-term returns to shareholders over workers' safety and their financial security.

the business, and reviewing the short term sustainability of their companies, as well as seeking guidance from regulators.

With the AGM season underway around the world for companies with December 31 year-ends, including in Pakistan, many companies are contemplating their contingency plans; from delaying or postponing the AGM, to moving to a hybrid - part physical, part virtual - AGM, to a virtual online only AGM where legally permitted. Regulatory guidance is starting to emerge. The Securities and Exchange Commission of Pakistan has disseminated Circular 10 of 2020 - Regulatory Relief to Dilute Impact of Coronavirus (COVID-19) for Corporate Sector, granting a 30-day extension to all companies in holding the AGM, and to listed companies to lay their annual financials in the AGM.

## Board level attention on ESG

Identifying Board priorities for 2020, the EY Center for Board Matters lists 'embracing ESG as a business imperative' that requires Boards to deepen their understanding of ESG. In doing so, Boards must consider the following questions:

- Does the company and the Board sufficiently engage with stakeholders, including investors, consumers, employees and regulators, to understand their ESG concerns?
- Does the company regularly assess which ESG factors are material to the business, and how those factors can be managed to minimize risk and maximize opportunity?
- Do corporate disclosures explain how ESG is integrated into the company's strategic plan and risk management processes?

A prudent way to go about managing ESG would be to nominate a Board level sub-committee dedicated to ESG and sustainability that encourages the management team to bring material ESG matters to the committee for review. The committee must consider these ESG issues each quarter, and present them to the full Board for review.

## Addressing ESG risks

The coronavirus pandemic has highlighted the importance of identifying, assessing, and mitigating ESG risks. The Board and its Risk Committee must address ESG issues as part of their core risk oversight role through:

- Risk identification
- Risk assessment
- Risk mitigation

Risk identification entails that the company must have the right mechanisms to surface the most material ESG risks. Risk assessment involves identifying which risks do the Board and Risk Committee assess and prioritize as critical to organizational strategy and long-term value creation. Risk mitigation requires the Board and Risk Committee, working with management, to position the company to be resilient in the face of ESG risks. Most importantly, ESG risks should be considered part of the overall enterprise-wide risk management.

In 2018, COSO partnered with the World Business Council for Sustainable Development (WBCSD) to release a guidance Applying Enterprise Risk Management (ERM) to Environmental, Social and Governance (ESG)-Related Risks on how companies could integrate ESG factors within their ERM systems.

Given the global economic impact of the coronavirus pandemic, the ESG risk oversight role has become particularly challenging for corporate boards. Where these ESG impacts could be material, as in the current environment, boards need to consider the oversight of these impacts as part of their risk oversight responsibility.

## The Universe of Risks

Economic risks	Financial risks
Political risks	Network failure and catastrophic risks
Regulatory and litigation risks	Talent management risks
Competitive risks	Electromagnetic energy risks
Expansion risks	Climate change risks
Project risks	
	New business risks
Pandemic risks	Technology risks
	Vendor/supply chain risks
	Information technology risks
	Cybersecurity risks
	Data protection and privacy risks

## Boards are not prioritizing ESG risks

The 2019 World Economic Forum Global Risk Report identified that ESG risks are now the most globally significant threats — with profound financial consequences. However, ESG risks are largely not discussed in the Boardroom.

According to a November 2019 Ceres report Running the risk: How corporate boards can oversee environmental, social and governance (ESG) risks, boards are generally not prioritizing ESG risks. Three main barriers prevent corporate boards from prioritizing ESG risks in the boardroom:

- a misunderstanding of how ESG issues present business risks;
- a misperception that these risks will only materialize in the long-term; and
- a lack of clarity on how the board's traditional risk oversight role can evolve to include risks posed by ESG issues.

## Impact of COVID-19 on companies

As companies struggle to navigate the COVID-19 crisis, corporate directors face key issues regarding the safety and wellbeing of the company's employees and its clients, understanding the risks to



**Participants of the PICG Director Training Program held in Karachi on January 20 – 23, 2020**

## Tributes

**We asked a few of our stakeholders to share a few words about PICG. The appreciation was overwhelming!**

### Remuneration policy

"PICG has formulated a very comprehensive Board Remuneration Policy for the Bank, which is absolutely in line with the relevant regulatory requirements & best governance practices. The said Policy will be presented to the shareholders in an upcoming annual general meeting of the Bank".

- **Faiz Hashmi**, *Company Secretary*, Silk Bank

### Board evaluation services

"On behalf of HUBCO, I would like to appreciate PICG for their board evaluation services. The entire process of Board Evaluation Survey conducted was transparent, swift and meets all our requirements. The additional work and time put into this Survey are distinct. Keep up the good work!"

- **Umer Shahzad Yousf**, *Corporate Governance*  
The Hub Power Company Ltd.

"We have received Board evaluation services from PICG to evaluate the Boards of two of our listed companies. Our directors went through it smoothly, PICG team worked quite transparently within the agreed timeline and the outcome was really helpful to improve the effectiveness of our Boards."

- **Salman Ali**, *Manager, Corporate & Legal Affairs*  
Descon Engineering Limited

### Director Training Program

"This is the best course I have ever attended, which is truly focusing on director training"

- **Kamran Butt**, *Director*, Summit Bank Limited

"Being a totally new subject to me, I learned a lot"

- **Brig Asrat Mahmood (Retd)**, *Senior Manager*  
Corporate Affairs, Fauji Fertilizer Company Limited

"The Directors' training course with PICG has reawakened the urgency to focus on strategy and separation of business and oversight. Most participants would already know the concepts taught at this course. But old concepts gather dust and

do not drive our daily thought process. The course is a great learning opportunity for young executives in highly specialised / boutique firms like Magnus. We will make sure all of our senior executives attend this course."

- **Nadeem Jedly**, *Chief Executive Officer*,  
Magnus Investment Advisors Limited

"Wonderful trainers and great effort in such a short duration course. Received great insight"

- **Rabia Ahmed**, *Security Papers*

### PICG Faculty

"PICG was set up with the prime purpose of enhancing the understanding and practice of good corporate governance in Pakistan. It had the support of the regulators and received content input from IFC and local corporate leaders. PICG pioneered Director Training in Pakistan which has positively impacted the working of corporate boards. PICG actively assists SECP in upgrading the Code to up the bar on Corporate Governance in Pakistan."

- **Zaffar A. Khan**

"Effective and timely Governance is the heart of success, may it be at home or in enterprise management. As I have observed over the last many years, PICG's efforts in facilitating excellence in governance is not only the need of the hour but also progressively making a significant difference. In my view, at the heart of PICG's success is its highly experienced, recognized and passionate faculty. Based on their decades of practical experience and examples are able to convince their audience of the short and long term benefits of concepts of governance. I wish PICG continued success and acknowledge the valuable contribution being made to the socio economic progress of Pakistan."

- **Tariq Ikram**

### PICG's Board

"PICG is working hard to maintain its leadership in Director Training as well as seeking new and innovative ways to enhance corporate governance practices in Pakistan."

- **Maheen Rahman**, *PICG board Member*

## Feedback & Suggestions

You have looked through this issue of 'QUORUM'. We await your feedback and suggestions as to how to make it more useful, relevant and interesting. Write to us at: [najia.ansari@picg.org.pk](mailto:najia.ansari@picg.org.pk)

## Contact Us

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