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A VISIT AT PICG HEADQUARTERS

AHSAN JAMIL - CEO, PICG HOSTS A VISIT BY DR. SHAMSHAD CHAIRPERSON, PICG & SADIA KHAN - COMMISSIONER, SECP

Chief Executive Officer of the Pakistan Institute of Corporate Governance, Mr. Ahsan Jamil welcomed Dr. Shamshad Akhtar - Chairperson, PICG, and Ms. Sadia Khan - Commissioner, SECP at the PICG office. The distinguished guests met with the PICG Team, with whom they sat down later to discuss the new strategy for the roadmap and the way forward for Corporate Governance in Pakistan. We are grateful to both the accomplished leaders for sharing their valuable insights with us.

#femaleleadership #corporategovernance #team #picg



L to R: Sadia Khan, Dr. Shamshad Akhtar, Sajid Iqbal, Farhan Tariq, M. Asgher, Ahsan Jamil and Shafaq F. Azim. Bottom L to R: Rameen Downneck and Fatima Khawaja.



L to R: M. Asgher, Sajid Iqbal, Shafaq F. Azim, Ahsan Jamil, Dr. Shamshad Akhtar, Sadia Khan, Fatima Khawaja, Rameen Downneck and Farhan Tariq.

CORPORATE GOVERNANCE & ESG

A CONVERSATION WITH KERRIE WARING - CEO, ICGN

Kerrie is the CEO of the International Corporate Governance Network (ICGN), a global governance organization led by investors responsible for assets of around US\$70 trillion, based in over 40 countries. She also serves as a Member of the Japan Financial Services Agency's Council of Experts advising on corporate governance and investor stewardship reforms.



Kerrie:

ICGN (International Corporate Governance Network) was established in the mid 90s at the Watergate Hotel in Washington DC, at the fringes of the national investor body called 'The Council for Institutional Investors'. In 1995 capital was globalizing and the big pension funds all over the world were investing in markets outside of their home markets but were not understanding governance frameworks at a national level. ICGN was established in the spirit of getting a better understanding and to sharing knowledge about how corporate governments were evolving. ICGN is about sharing knowledge and developing knowledge. We are a member led, tiny team of 17 people. ICGN has five committees, and we just added two or three more including The Natural Capital committee, which is focused on climate change and produced a good statement to COP 26 a few weeks ago.

Ahsan:

PICG, in collaboration with the Pakistan Stock Exchange has set up an ESG task force which is rallying a lot of different stakeholders under its umbrella. Our main objective here is to figure out how a country like Pakistan can leapfrog. Is it possible to skip some of the mistakes? There will be green washing, but how do we minimize that?

Kerrie:

As you know, we are governed at a macro level by the policies and plans of our governments. In many markets, including the UK, the onus really is on the market to bring about change expeditiously. Therefore, it is important to harness both the corporate and the investment community, and to make these things happen in practice. Do you have a road map? How up to date is your corporate governance code? The code is your script for investors to engage with companies. To what extent is the code implemented in companies in Pakistan?

Ahsan:

We have remarkably high compliance with listed companies, in the mid to high 90%. For example, a new clause in the code states listed companies must have one woman on their board. Compliance rates on that have climbed extremely fast. In Pakistan, we went from a mandatory to a comply and explain regime, normally it is the other way around. In the case of ESG, we hope to begin gradually with a voluntary approach. To answer your question, it is the compliance levels on certain basic governance pillars, audits, internal audits, and conflict-of-interest matters that are reported on and are fairly complied with. As far as the code is concerned, it is a good code, which is evolving in the right direction.

CORPORATE GOVERNANCE & ESG

A CONVERSATION WITH KERRIE WARING - CEO, ICGN

Kerrie:

For ICGN, one of the most difficult things is knowing what to prioritize and what to leverage. Campaigns we have been focusing on regarding the social in ESG are policies and objectives around Human Capital Management and management processes within the organizations.

Ahsan:

How do we measure intangibles like ESG that impact our business and our societies?

Kerrie:

Diversity has been embraced by everyone because it is tangible. You can see how many women you have on a board, and you can see what the age range is. In terms of Human Capital Management, companies already have a whole host of information around employee demographics, lost time injury rates and turnover. These indicators give insight into risk management systems, health and safety oversight and supply chain relationships. It is just a matter of publishing that information in a succinct way that will be engaging for investors. In the UK there is a lot of push around ensuring that the CEO pension is the same as the pension for the workforce. CEO pay this year will be very much under the spotlight in terms of how KPI's aligned with sustainability objectives, particularly climate related. How COVID has impacted pay, particularly any unusual changes in pay post COVID, where there might be any changes in the performance measure or whether the CEO has given up his bonus because of the difficult period we have all been through.

Ahsan:

How do we monitor culture in the workplace?

Kerrie:

Corporate culture is led by the personality of the CEO. Some CEOs are direct and strict, while some are a bit more laid back. The CEO engenders a happy workforce, and that goes back to the role of the board in terms of appropriate recruitment processes for that individual and making sure that dynamics are right. There should also be clarification of the role of the board versus the role of the CEO and management, and that should be multi-loculated in a clear board charter. A board charter is separate from your articles of association or your bylaws, it is the internal document which governs the boards' values and purpose. It should articulate the role of the Chair, the Vice Chair, the role of the CEO, the role of the Board. Do you provide board evaluation services at PICG?

Ahsan:

We do provide board evaluation services and the good news is more boards are seeking this service.

Kerrie:

The global standard for board evaluation approaches is that, for two years in a row, a company should do an internal board

evaluation. In the third year it is preferable that it is done by an external board evaluator.

Ahsan:

It is in our corporate governance code, and banks actually must do it externally once every 3 years.

Kerrie:

The most important feature of a board evaluation product is a real reflection of contemporary thinking in what a good board is, and what constitutes a good board. That is where things like diversity, equity, inclusion and effectiveness of the committees come in. The Nomination Committee is the most important one as it is responsible for the employment of the board itself. The board evaluation product must capture what investors think makes an effective board, and that includes the quality of the individuals on the board, the level of independence and how that board makeup links with the long-term strategy and purpose of the company. ICGN advocates for companies and investors to sit side by side, as they have a mutual responsibility to preserve and enhance the long-term value of the company. This ultimately benefits shareholders and the investing public but is also crucial for economic stability and sustainability.

PICG, Leaders of Training Board Members have a special announcement for FY 22

To inspire and promote **Diversity, Equity & Inclusion** in the Board Room, PICG proudly offers all women the **Directors Training Program** at a **50% discount**.



MORE WOMEN ON TOP

SAFEGUARDING THE INTERESTS OF MINORITY SHAREHOLDERS

A CONTRIBUTION BY RANA MUSTANSIR, HEAD OF LEGAL/COMPLIANCE & COMPANY SECRETARY, SALAAM TAKAFUL LIMITED

In 2020, as part of the Asian Development Bank's Capital Market Development Plan 2020-27, the Securities and Exchange Commission of Pakistan commissioned Pakistan Institute of Corporate Governance (PICG) to develop a roadmap for the implementation of minority shareholder rights through a study of shareholder protection models in different jurisdictions. The idea was to enhance PICG's role as a think-tank and resource center for minority shareholder interest and, ultimately, to become a watchdog for minority shareholder rights to initiate collective shareholder activism on questionable practices by management of public listed companies.

Minority shareholders

Shareholders together holding less than 20% of the equity share capital of the company are minority shareholders. They are protected by the same rights as provided under the Companies Act 2017 and receive equitable treatment as other shareholders. Minority shareholders include both retail investors and institutional investors.

As owners of publicly listed companies (PLC) retail investors should proactively exercise their rights which means not just observing share price, but also understanding the fundamentals of the company, its business model, and the capabilities of the management team.

Equally important is studying the role of minority shareholders in private companies as minority shareholders in private companies behave differently than the minority shareholders in public companies.

The most common minority shareholder issues that companies face include:

- reviewing investment agreements and shareholders' agreements to enhance the rights for minority shareholders;
- resolving minority shareholder disputes; and
- preventing abuse of power by directors and/or controlling shareholders.

Fraud on the Minority Shareholders

In the landmark English case of *Foss v Harbottle* (1843) 67 ER 189, the two shareholders Richard Foss and Edward Turton took legal action against the promoters and directors of the company alleging that they had improperly mortgaged company property and had misapplied and wasted the company's assets. The Court rejected the plaintiffs' claim and held that a breach of duty by the directors of the company was a wrong done to the company for which the company alone could sue. This became commonly known as the rule in *Foss v Harbottle*. However, where there has been conduct amounting to a 'fraud on the minority', an exception may be made to the rule. For example, where there has been an expropriation of company property or dishonest behaviour by controlling directors, minority shareholder may bring an action to enforce the company's rights. Fraud on the minority occurs when the majority shareholders

on the part of the majority where the majority sees to benefit from such negligence. In Pakistan, the Securities and Exchange Commission has been the bastion of minority shareholder protection.

In *Zahur Ahmed v The Commissioner* 2016 CLD 2252 [SECP] a group of shareholders acquired a majority shareholding in a company through another company named Consolidated Overseas Investment and Finance (COIF) purportedly incorporated in Switzerland. On further investigation Swiss officials revealed that COIF was not registered in any commercial register in Switzerland. The SECP ruled that the appellants were in violation of the Takeover Ordinance 2002 as they had deprived the minority shareholders of the company of their right to participate in the public offer on change of control of the company. This decision is a good example of the SECP acting to protect the interests of the minority shareholders. It is evident in this case that the tactic used by the majority group to pass the liabilities to another company was detrimental to the minority shareholders. Therefore, SECP decided in favour of the latter.

Under the Companies Act 2017 shareholders are given the right to subscribe for shares under any new share issue. In privately held companies this right is disappplied so that block shareholders may use this power to drown out minorities by fixing artificially high subscription prices. As a result, the minority shareholders may not be able to subscribe and hence suffer dilution.

At Salaam Takaful Limited, the majority shareholders believe that they owe a fiduciary duty to the corporation and its minority shareholders to act in the interests of the company; most importantly, the minority shareholders' right to purchase new shares that the company issues and the fair valuation of these shares. Minority shareholders are encouraged to engage in active monitoring of the managers by keeping them informed on the substantive operations of the business and the strategic issues that they have the right to vote on, including:

- how directors and officers are elected or appointed;
- the right to vote on major decisions and election of directors;
- the right to participate in meetings;
- the right to receive dividends; and
- the right to inspect company records that are relevant to the shareholders' interests.

Furthermore, the majority shareholders avoid self-dealing and act in compliance with the law and the corporation's governing documents.

The law in Pakistan has amply guaranteed the protection of minority shareholder interest. The Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2019 ensure adequate transparency and disclosure with the objective of providing minority shareholders comprehensive information about director remuneration and related party transactions to make informed decisions. The enforcement of these rights will require dedicated commitment on the part of the majority shareholders.

ACCA PAKISTAN AND SEED VENTURES EVENT

ENVIRONMENT, SOCIAL, GOVERNANCE (ESG) BUSINESS INTEGRATION, PUBLIC TRUST & BRAND ASSET

ACCA Pakistan & SEED Ventures had organized the event "Environment, Social, Governance (ESG) Business Integration, Public Trust & Brand Asset" supported by CFA Society Pakistan and InfraZamin Pakistan.

PICG Chairperson, Dr. Shamshad Akhtar was the key note speaker and PICG President & CEO, Ahsan Jamil was a panelist. The event revolved around promoting the growing importance of ESG in enhancing public trust and corporate brand reputation - as well as the adoption of best sustainable business practices. The guest speakers of the event were:

1. Helen Brand – Chief Executive - ACCA.
2. Dr. Shamshad Akhtar - Chairperson – PICG & PSX.
3. Mr. Mike Nithavrianakis – British Deputy High Commissioner.
4. Shahzad Dada - President & CEO – UBL.
5. Maheen Rahman - CEO – InfraZamin Pakistan.
6. Ahsan Jamil - CEO – PICG.
7. Amir Paracha – Chairman & CEO - Unilever Pakistan.
8. Farrukh H. Khan - CEO & MD - PSX.
9. Shaista Ayesha – CEO – Seed Ventures.
10. Faraz Khan - Founder & Director – Seed Ventures.
11. Sajjeed Aslam - Head of ACCA Pakistan.



COP26 - CLIMATE SUMMIT AT GLASGLOW

HIGHLIGHTS OF WHAT HAPPENED AT THE CLIMATE CONFERENCE

The COP26 international climate conference took place in Glasgow from 31st October to 12th November 2021. The summit was attended by almost 200 countries, and stretched over 13 days. The main objectives of COP26 were to create plans to:

- 1) Achieve global Net-Zero carbon emissions
- 2) Ensure a maximum warming of 1.5-°C
- 3) Curtail deforestation
- 4) Phase-out coal usage
- 5) Protect and restore natural environments
- 6) Generate \$100bn in climate finance
- 7) Investment in renewable energy
- 8) Move toward electric vehicles
- 9) Finalize the Paris Rulebook

Some key outcomes of the climate conference are as follows:

- 1) Pledges made by countries would bring a warming of 2.4 °C, which is well above temperatures needed to avoid a climate catastrophe.
- 2) Countries agreed upon an explicit plan to 'phase down', not 'phase-out' coal usage.



UN CLIMATE CHANGE CONFERENCE UK 2021

IN PARTNERSHIP WITH ITALY

- 3) There was an agreement to phase-out fossil fuel subsidies.
- 4) 100 countries vowed to stop deforestation by 2030.

While the above initiatives are significant steps toward a greener future, they are not enough to curtail a climate disaster. Additionally, the agreements made at Glasglow are not legally binding, and therefore there is doubt about whether nations will follow through with their commitments or simply 'greenwash.'

WELLBEING & MENTAL HEALTH AT THE WORKPLACE

AN EXCLUSIVE INTERVIEW WITH CHRIS UNDERHILL

Chris Underhill, MBE, is a social entrepreneur working with marginalized people. He is a leading systems entrepreneur on global mental health & wellbeing practice and is a professional mentor. He is currently co-founder, the Elders Council for Social Entrepreneurs



When and how did you realize mental health provision was an important matter to you?

I was very lucky that I had support growing up. I rapidly came out of a crisis that I had as a child, and I've never really gone back into any kind of mental illness. It makes you a bit more sympathetic because you realize it could happen to anybody. That is the first thing. The second thing is that my awareness grew as I set up various organizations. I am a social entrepreneur, which means I have employed people. I became aware as I placed employees under pressure that sometimes it seemed perfectly justified. Other times, in retrospect, perhaps it was less justified. It became clear that as opposed to just getting on their nerves as a boss, I was affecting their mental wellbeing, and so I had to realize how serious this was. I realized that I could do quite a lot to moderate my behavior and my requirements of people and still get great productivity and, in fact, even greater productivity. And then finally, I became aware of mental illness in the population as I began to put together several organizations which have worked with people in low resource settings, including Pakistan. So that is the simple history.

World Health Organization shared Statistics that showed that 450 million people suffer from "weak mental health" which is a loss of productivity of worth upto \$2.5 trillion. Are the two scenarios linked and how do we bring greater attention to it?

I think you are right to quote these baseline statistics. However, we have to recognize that in reality, these statistics are probably conservative because the reporting structures in many countries are low. A lot of people work hard and perfectly legitimately, but they work in informal settings and do not usually make reports to the government and are therefore not included in these statistics. India and Pakistan would be examples where quite a lot of people work in the informal sector. Additionally, there is a simple, straightforward relationship between well-being, the mental resilience of your workforce, and the amount of time that people take off. It can also be difficult for employers because people may take time to return. Some people may not even know that they have a mental health problem, but if they presented to a psychologist or psychiatrist and got help, they could improve greatly. So that is one of the challenges that a good employer faces as they try to support their staff.

The behavior of a CEO or leader of an organization has such an impact on people's well-being and mental health. What could one say about that now on a more collective basis post COVID?

I think, first of all, all of us who have leadership positions need to generally understand that the populations we work with and serve are our customers, and they have been through quite a frightening experience. There are particular stories of families who have, so there is no question that your work population has been quite bruised. Leaders can create real satisfaction, harmony, and motivation by the way they lead. Equally, they can create

undue pressure, which is unproductive for the whole company. We need to study the impact that individuals have on the collective workforce. We cannot demand more production out of the same human resource without showing we understand the pressure that people are under and that we are prepared to mitigate that one way or another. At the very least, appreciate it; and saying genuinely thank you can make a big difference. If we are talking about a factory situation, we could give people a slightly longer break or another break in the production cycle and let them know that it is not something to worry about, just a thank you to signify that this extra work is appreciated, as everyone is trying to catch up with productivity after covid. If the instructions for higher production are coming down through supervisor ranks, supervisors often feel a particular pressure and will push if they feel under pressure. They have to be trained; they can be brought together and trained in batches depending on the size of the company we are talking about. They should have some basic training around mental health awareness. It can make a big difference to themselves and also to others.

It seems like productivity and human values drum two ends of the spectrum. One is very much linked with the economics of business and the other is linked to human consciousness. But what about the stuff in between?

I think that's a really important question because most of us who work for somebody else are in that in-between place. Some programs are already in place where loyalty is rewarded, and so that should be reinforced and maintained. Additionally, 'health productivity' is rewarded which has to do with best practice. Loyalty to the company can also be described as best practice in terms of productivity and also in terms of not cutting of corners and so on and so forth. One of the things we might want to interpose here as a thought is, what would a good mental health workplace program look like? It would be very significant in terms of this question of the important middle. Let us imagine a large company, it doesn't matter whether it is in primary production like a factory, or whether it is in secondary production like an insurance or finance house, either case it's the same. What's really important is that you take your middle officer level, supervisor level, or your executive officer level, and you basically develop your staff in regard to mental health awareness as it applies to the workplace. Your supervisors can then notice the workers in the workforce who are not performing well, and who seem to have become introverted, or seem to have lost their sense of fun in the workplace. This is not to say there are some people who are quieter than others, that's a different thing. But you're talking about people who are acting abnormally, or differently. They should not be bullied at that point; you shouldn't attack them and say "you are depressed therefore are wrong." The leader has to first of all make it clear that nobody will be booted out for something like that. When you show understanding you will be amazed at the difference – now there's loyalty, because the worry was recognized by the employer through the supervisor who was very sympathetic and helpful. Problem solving is very important in

WELLBEING WITH MENTAL HEALTH PROVISION

AN EXCLUSIVE INTERVIEW WITH CHRIS UNDERHILL

the workplace. And you know, many of our workplace leaders are problem solvers.

In regard to investors and consumers, how, in this post covid and global warming world, can they be a force for good and for change in the right direction?

If you don't mind, I'll answer that question on a global basis. As we know, in bigger companies in Pakistan for example, investors may be from other countries, they may not necessarily be from Pakistan. Investors are becoming increasingly aware of the triple bottom line; what is referred to as ESG. So, there's a governance part and most investors now are interested in the way that companies are governed and managed, and they will not invest if companies are poorly managed. Then there is the S part, which is the social aspect, and certainly health and safety fits comfortably into that. Then there is the E Part, the environmental part. Of course, it is still possible to find an investor who is just interested in being red in tooth and claw. There is always going to be that kind of investor, And there is not a lot you can say about that, they will be wrong in the end.

So, Chris, I know that you sit on the World Economic Forums committees on mental health in the workplace, the Global Futures Council of the WEF. What is happening on the global level of these platforms? What is their thinking and what is their ambition?

To have conversations is very helpful. I think what is happening is with the tremendous leadership of the World Economic Forum

itself, leaders at a world level are beginning to understand that mental illness not only has these detrimental effects on productivity, which you mentioned at the beginning of our session, but also has a real effect on the quality of life, and we as leaders should be aware and do something about it. And it goes alongside other concerns about quality of life, of which climate change is an example. And finally, but not least, you now get a situation where young people in particular worry about climate change; the way in which the climate is deteriorating the quality of life and that worry itself can lead to mental health problems.

We just got done with COP 26, and there has been a lot of talk around how global warming is happening at this faster rate than is committed to solve for it. What do you see as a big catalyst that might get us to act with the urgency of now?

So far, we have talked about the pressures of the marketplace, and we've referred to it as productivity, so that's one area. The other area we've referred to is values, and what you might call the soft power of consumers and so on and so forth. This is the second area. Now the third area is (and itself can produce mental illness) a concern that the world atmosphere is actually right on the pivot point, it is actually teetering. And we have lots of supporting examples; floods, droughts, high wind, and so on and so forth. Unless we do something, the world in which we live will be so damaged that we will not be able to reverse the climate change spiral. There is a real anxiety and fear, and that induces mental illness, of course.

THE 5G'S - A HEALTHY ROUTINE FOR A PRODUCTIVE DAY

COMPOSED BY LAWRENCE ANTHONY - MANAGER TRAINING FOR GOVERNANCE WORKSHOPS, PICG.

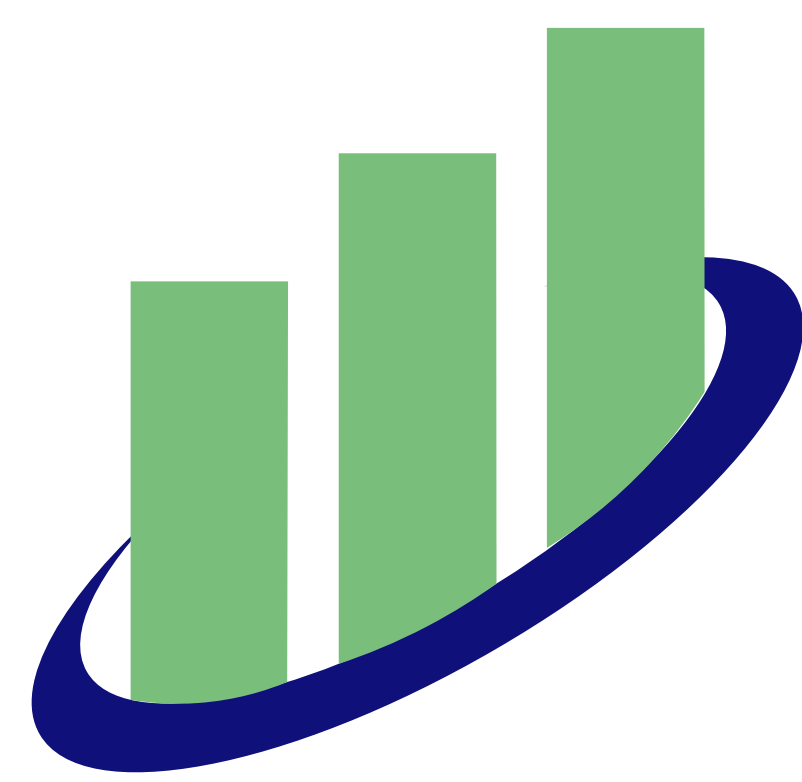
1G Get Moving: Join the gym or start a sustainable exercise routine, or else we are back to the unhealthy pavilion. Numerous studies, living, and passed-away examples echo that for a healthy body and mind, exercise is an important option. Before a medical report startles us, some exercise is better than no exercise.

2G Groom: Impression is very important. We have all learned this in the prime of our lives. Well-trimmed hair and nails would make us stand out among others. Dressing for the occasion is important.

5G Give Thanks: It goes without saying that because we are here and reading this, we owe a thank you to someone. If we can say thanks to the security guard who opens the door for us, how much more do we owe to the one who has given us unlimited blessings? Thanking daily and appreciating the author of our existence would go a long way to being happy, healthy and most likely heavy in our bank accounts.

3G Grow: Let's not be selfish but realize that the more we share the more it grows. Therefore, let's not be too engrossed in clogging our hard drives but also be generous in letting go of what we have, for others to grow too. Let us surrender to the development of others around us and be an active player in that.

4G Go Connect: We need to have a personal ecosystem of people with whom we can exchange love and where there could be mutual encouragement, building and exchange of learning. Some studies outline that being sociable is one of the factors.



PICG

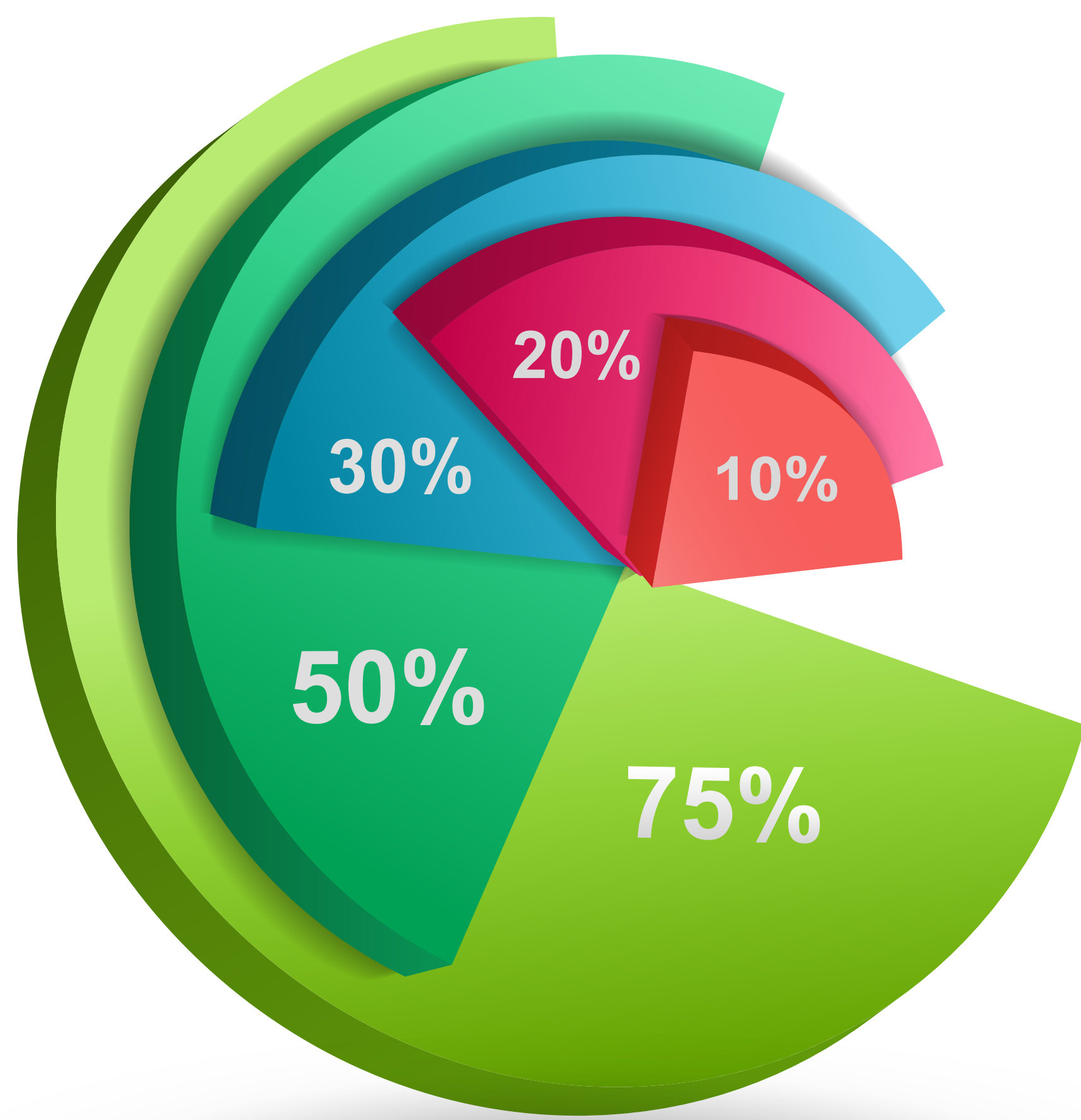
Pakistan Institute of Corporate Governance

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REPRESENTATION OF MINORITY SHAREHOLDERS ON COMPANY BOARDS

Corporate Governance Workshops for Directors, C-Suite and Action Leaders

8th Jun

Effective Minute
Taking

Online
9am - 12:30pm

10th Jun

CG Framework
for Public Sector

Online
9am - 12:30pm

15th Jun

Board Audit
Committee

Online
9am - 1pm

16th Jun

Board HR
Committee

Online
9am - 1pm

20th Jun

Board Strategy
Committee

Online
2pm - 6pm

21st Jun

Board Risk
Committee

Online
9am - 1pm

**14th-16th &
20th-21st Jun**

Directors
Training Program

In-Person
9am - 5pm

**22nd-24th &
27th-28th Jun**

Directors
Training Program

Online
9am - 5pm

QUORUM

CATALYST FOR CHANGE

JULY 21 - DEC 21 EDITION