



Inspiring Governance for a Sustainable Tomorrow

02

WHAT IS HOLISTIC GOVERNANCE

Governance factors indicate the rules and procedures for countries and corporations, and allow investors to screen for appropriate governance practices as they would for environmental and social factors.

03

PICG's BOARD OF DIRECTORS

04

PICG's NEW TRAININGS

As part of PICG's growth, three new trainings were introduced.

05

NATIONAL ESG TASKFORCE

06

PICG's RECOMMENDED READING

PICG's Growth

The COVID-19 crisis brought to the forefront a need for a concerted effort towards holistic corporate governance for businesses to achieve sustainability and to be socially responsible. In this regard, PICG took the lead and introduced a number of new trainings encompassing components of ESG (Environment, Social & Governance).

This issue is launched to showcase our organization's growth by introduction of a new board and also through a diversification of trainings ranging from the flagship Director Training Program (DTP) to introduction of ESG.

WHAT IS HOLISTIC GOVERNANCE

What is ESG?

Environmental, Social and Governance (ESG) are three growing areas of concern for company's socially responsible investing. In recent years, there has been an increased focus on these key factors, helping organizations become more conscious of their overall practices.

From a broader perspective, investing into ESG helps create long-term value for stakeholders, while simultaneously improving the climate around us. Being environmentally and socially conscious, coupled with good governance, allows companies to create meaningful change through their work, ensuring that their line of work poses little to no negative externalities and benefits the lives of those it impacts¹.

It is however, significant to distinguish between Corporate Social Responsibility (CSR) and ESG. CSR focuses on how business regulates their own ethics and impact the community.² CSR focuses on a company's values as opposed to ESG, which rather, aims to incorporate a specific set of patterns that companies can use to look for metrics in their outreach efforts.

Why is ESG important for investors?

Apart from the wider consequences of employing ESG, from a purely investment-based perspective, investing into and applying these three non-financial factors into a company's performance and growth analysis can provide greater long-run benefits for investors.

Investors are increasingly considering ESG factors in investment risk mitigation, especially as ESG scores and performance ratings show investors a company's genuine efforts in risk reduction and generating long-term financial returns. Stronger ESG policies can also assist in creating greater business value as they lead to increased social and financial credibility.

As research suggests, ESG stocks are seen to generate superior financial results as compared to non-ESG-focused organizations. In The Journal of Applied Corporate Finance, Dan Hanson and Rohan Dhanuka concluded that 'there seems to be clear evidence that companies with high non-financial indicators of quality seem to perform significantly better on market and accounting-based metrics.' This is further illustrated by research indicating that companies in the top quintile for ESG outperformed those in the bottom quintile by more than 25% between 2014 and 2018. The stock prices of ESG companies were also less volatile.

Furthermore, owing to an increased consciousness of our surroundings, clients have shown greater concern regarding a company's ESG practices. As stated by SoFi and Purview Investments, 'clients are very concerned about environmental and social problems; they want to make sure that they don't invest in firms that exacerbate or contribute to these problems and would rather invest in those that are champions in leading ESG movements.' Resultantly, investing into ESG from an early stage is necessary in maintaining existing clientele and attracting new, diverse investors.

Investing into ESG initiatives also allows companies to perform better against competitors. According to NASDAQ, companies that recognize the need to incorporate ESG considerations in are better positioned to meet competitive challenges. NASDAQ further recalls how through focusing on social considerations (such as offering healthcare), Starbucks was able to not only survive, but thrive in China's competitive market and now has over 2,000 outlets within the region. Similarly, organizations that work proactively to improve labour conditions, support diversity and inclusion and give back to their communities help in strengthening their company's brand.⁵



Deforestation



Environment



Social Support



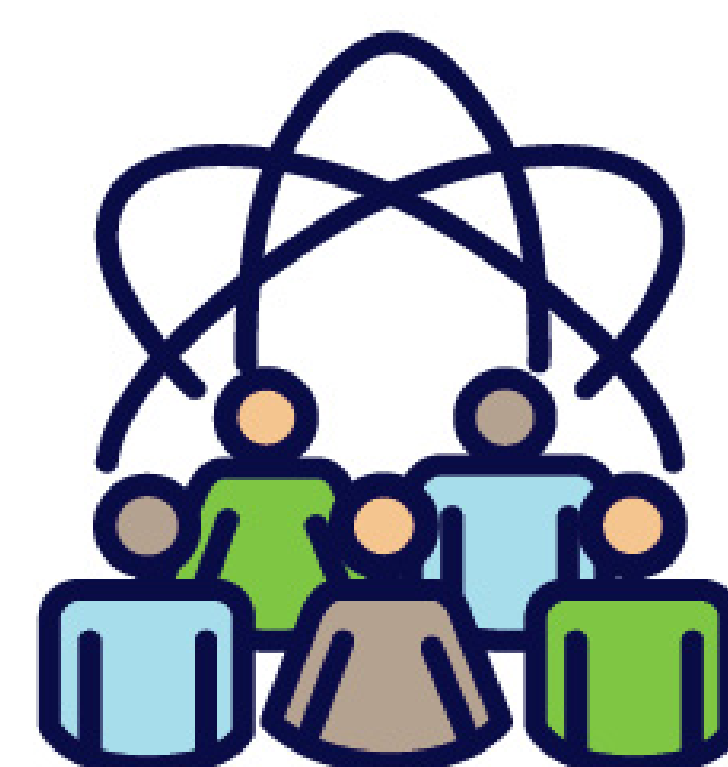
Working Together



Eco-Awareness



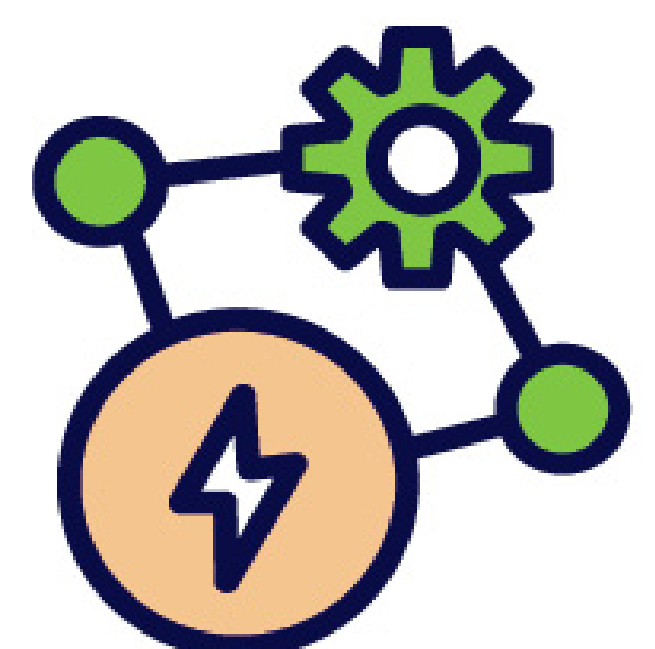
Government



Corporations



Social Ethics



Legal Process

¹CFA Institute: <https://www.cfainstitute.org/en/research/esg-investing/sustainable-investing>

²Millie: <https://blog.milliegiving.com/esg-vs-csr/>

³Sphera: <https://sphera.com/spark/the-importance-of-esg-strategy/#:~:text=Investors%20are%20increasingly%20considering%20ESG,sustainable%20long%20term%20financial%20returns.&text=ESG%20transparency%20is%2C%20therefore%2C%20a,companies%20in%202021%20and%20beyond.>

⁴The Motley Fool: <https://www.fool.com/investing/stock-market/types-of-stocks/esg-investing/#:~:text=ESG%20stocks%20reduce%20portfolio%20risk,risks%20to%20operations%20and%20profitsa>

⁵NASDAQ: <https://www.nasdaq.com/articles/strong-esg-practices-can-benefit-companies-and-investors-2019-03-13>

⁶Plan A: <https://plana.earth/academy/why-esg-important-companies-investors/>

⁷CFA Institute: <https://www.cfainstitute.org/en/research/esg-investing/sustainable-investing>

WHAT IS HOLISTIC GOVERNANCE



The way forward

Across the world, there has been an increase in ESG regulations, compelling companies to factor in ESG into their practices. Interest in sustainable investing continues to grow, and the pressure is on for investment organizations to move towards sustainable investments. It is stipulated that in the near future, abiding by ESG regulations will become compulsory for firms, a failure to comply with which would have legal or reputational consequences. In order for companies to continue thriving in the future, it is essential that they employ such factors into their business practices

from an early stage and anticipate the law.⁶ The next stage of development will depend heavily on industry leadership and innovation in investment thinking, sustainability and practice. If these are present, the future is exceptionally bright.⁷

It is necessary that companies within Pakistan pick up on the growing trends surrounding ESG practices so that they can abide by international standards and keep up with global markets. Only through employing such practices domestically can Pakistani companies expect to keep up with the broader, international sphere.

PICG's BOARD OF DIRECTORS

FY21 saw the completion of very important and progressive amendments to the Institutes Articles of Association under which the election of a new right sized board of nine elected (down from 14) members with one third mandatory women members, was held in early May 2021.

A proud first for the institute was electing its first woman Chair of the Board in the person of Dr. Shamshad Akhtar.

Near the outset of the year (mid – July 2020) also saw the induction by the board of Ahsan Jamil as the new President & CEO of PICG after a thorough and rigorous hiring process.

Dr. Shamshad Akhtar Chairperson & Independent director Chairperson Pakistan Stock Exchange	Mr. Yousuf Hussain Non-Executive director President and CEO of Faysal Bank Limited
Mr. Muhammad Ashraf Bawany Independent Director President Ghani Global Group	Dr. Fakhara Rizwan Non-Executive director Company Secretary and Head of legal & Corporate Affairs Pakistan Stock Exchange
Mr. Wasif Rizvi Independent Director President Habib University	Mr. Saleem Ullah Non-Executive Director ED and CFO State Bank of Pakistan
Mr. Ahsan Iqbal Independent Director CFO Rupali Polyester Limited	Mr. Faisal Akhtar Non-Executive Director MD BASF Pakistan
Ms. Musarat Jabeen Non-Executive director ED Securities & exchange Commission of Pakistan	Mr. Ahsan Jamil President & CEO Pakistan Institute of Corporate Governance

PICG's NEW TRAININGS

1) Anti-Money Laundering & Countering Financing of Terrorism (AML/CFT) Series Workshops Not for Profits (NPOs) & Oversight & General Compliance for all Companies

A number of amendments have been made to the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) laws in Pakistan over the past few years in order to ensure compliance with the recommendations of the Financial Action Task Force (FATF). As a result Board members & Executives, have had to be more conscious and remain up to date on the changes taking place to ensure oversight & implementation of policies, procedures and controls for the prevention of Money Laundering and Terrorism Financing (ML/TF) are effectively taking place to avoid any risks in this regard.

Constant update and timely submission of accurate data / returns as required under applicable laws to avoid any penal provisions becoming applicable as a result of non-compliance. PICG is therefore pleased to introduce these workshops to help increase awareness amongst Board members & Executives of Companies with regard to



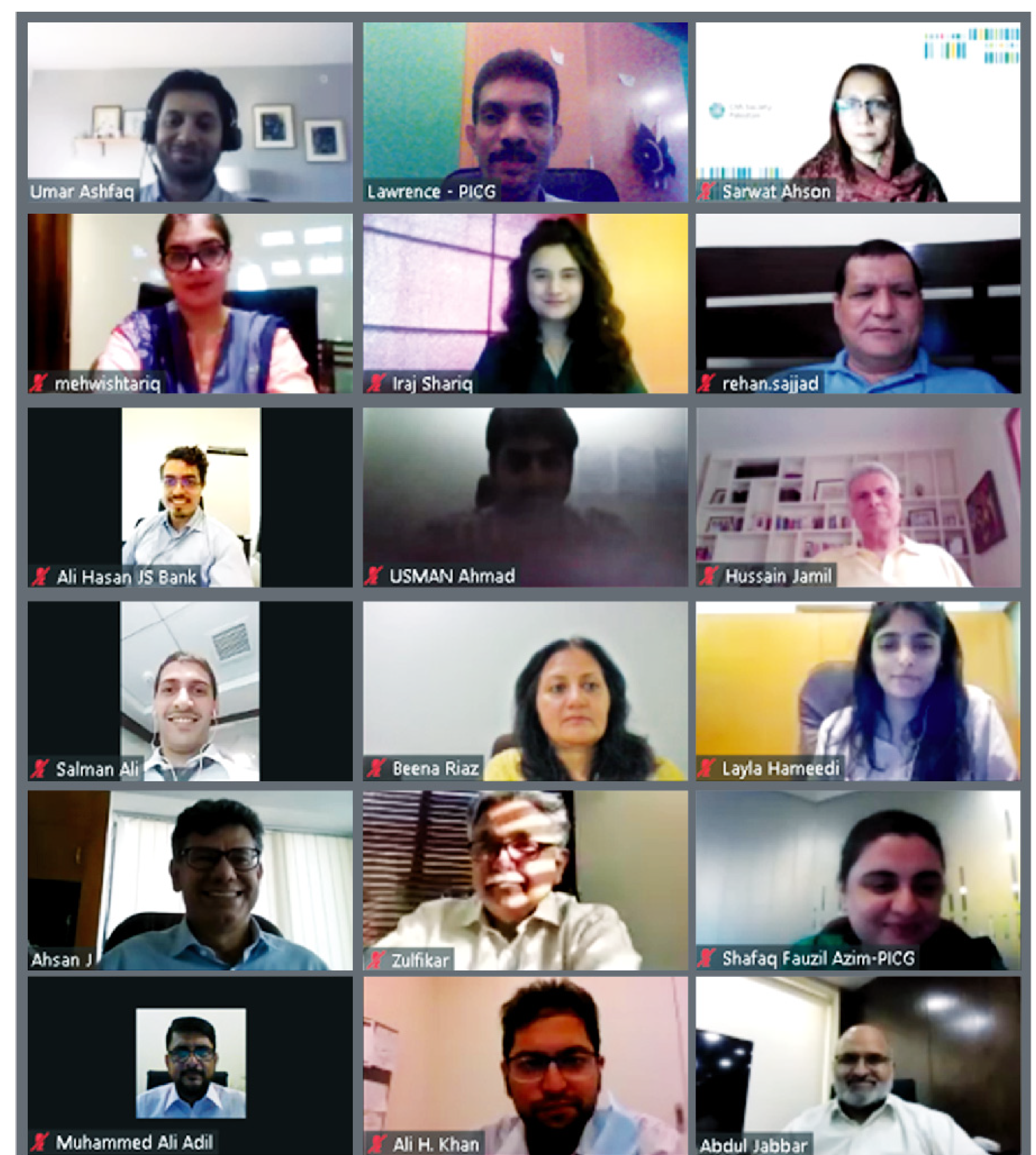
their AML oversight roles and liabilities to enable them to effectively implement the statutory requirements within their respective organizations, ultimately benefitting such organizations by lowering risk and avoiding any related punitive liability. The first session is specifically for the NPO Sector and the second one is our 2nd workshop on general compliances applicable to all companies.



2) ESG 101- ENVIRONMENTAL, SOCIAL & GOVERNANCE Discover why ESG is increasingly becoming a critical topic of discussion in board rooms.

Environmental, Social, and Governance (ESG) has gained increasing attention over the past few years, with many institutional investors investing only in those companies that

provide ESG performance reporting. In fact, the reporting of ESG factors has become relevant to all stakeholders, including analysts and investors, consumers and employees, civil society and regulators. The rising influence of ESG factors in corporate decision making is why board members must understand how they affect their risk oversight roles. Therefore, this workshop aims to introduce you to ESG and provide insights into how it is in fact good for business. Why and how companies should act as stewards of nature, manage stakeholder relationships and act ethically whilst improving their bottom lines and overall long term sustainability.



3) Addressing Sexual Harassment in the Workplace How to develop frameworks to ensure a conducive work environment

In recent times, corporates have displayed progress in the development of policies on various aspects of human capital management; however, workplace harassment remains a sensitive area which is not being formally addressed by many corporates as part of effective workplace management. Sexual harassment, abuse and discrimination of women in workplaces, are quite widespread, mostly unreported and many a times ignored by Senior Management.

Consequently, recognizing this fact, the Securities and Exchange Commission of Pakistan (SECP) recently advised Boards of listed companies to oversee the implementation of gender diversity policies to attract and retain talented women, and also introduce measures for a conducive work environment including robust anti- harassment and speak-up policies. Further, Boards have been directed to form diverse committees overseeing the complaints pertaining to harassment etc.

PICG's NEW TRAININGS

PICG has therefore joined hands with Aahung to introduce this new workshop to create awareness and improve understanding amongst corporate Board members and Executives on the elements that constitute workplace



harassment, the legal framework that exists in Pakistan in this regard, preventative measures that need to be taken and the role of the Board, Board Committees and Executives in the establishment of the required policies and procedures in this regard. Aahung is a non-profit organization that works to improve and advocate an enabling environment where every individual's sexual health and rights are respected, protected, and fulfilled. Aahung values respect, diversity, and equality for all people and takes a rights-based approach towards sexual health and well-being.



NATIONAL ESG TASK FORCE

CO-FOUNDED BY PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE & PAKISTAN STOCK EXCHANGE

The Pakistan Stock Exchange (PSX) and the Pakistan Institute of Corporate Governance (PICG) have joined hands to co-found the National ESG Task Force chaired by Dr. Shamshad Akhtar who also chairs the boards of PICG and PSX.

The objective of the Task Force is to partner with stakeholders from the corporate and banking sectors, regulators, professional institutions, and academia partners to solicit their views on how to develop an ESG reporting and disclosure regime in Pakistan and a roadmap for the adoption of ESG Guidelines for publicly listed companies in line with global best practices.

A Memorandum of Understanding has been signed between PSX and PICG to collaborate on ESG capacity development, guideline issuance, and ratings mechanism for index development with KPMG Pakistan as the Knowledge Partner.

The ESG Task Force has held two meetings to develop and launch a coherent, systematic and realistic framework backed by regulations and tools, instruments and incentives, to encourage companies and financial institutions to voluntarily adopt ESG standards and guidelines.

KPMG has created the first draft of the Pakistan ESG Reporting Guide based on the Model Guidance on Reporting ESG Information to Investors prepared by the United Nations Sustainable Stock Exchanges (SSE) Initiative.

PICG's Recommended Reading

McKinsey:

Banking imperatives for managing climate risk

Link:<https://www.mckinsey.com/business-functions/risk/our-insights/banking-imperatives-for-managing-climate-risk>

Date: June 2021

More than regulatory pressure is driving banks to manage climate risk. Financing a green agenda is also a commercial imperative—but specialized skills are needed to protect balance sheets.

Harvard Business Review:

Your company pledged to reduce its carbon footprint: now what?

Link:<https://hbr.org/2021/06/your-company-pledged-to-reduce-its-carbon-footprint-now-what>

Date: June 2021

Many companies are making ambitious pledges about getting to net-zero, meaning that by 2050 they will produce close to zero emissions and will offset the remaining. But while such ambitious targets are important, they can leave leaders unsure of where to even start. The good news is that nature already can act as a carbon sink to remove emissions from the atmosphere. Companies can take five steps: reduce deforestation; invest in land restoration; support the shift to more plant-intensive diets; invest in sustainable agricultural projects; and advocate for a nature-friendly policy from governments.

Stanford Social Innovation Review:

A series of podcasts on various social issues around the globe

Link:https://ssir.org/Topics/category/social_issues/P2580

Date: June 2021

Podcasts related to relevant social issues, for example, 'Environmentally Sustainability in Walking Cities' by Dan Burden. He has studied and defined what makes for a pedestrian-friendly community. Even more important, he knows why such places are so valuable for everyone—walkers and drivers alike. In this audio lecture, Burden discusses why walkability is crucial to the sustainability of communities, and what they can do to encourage it.

PWC:

Beyond compliance: consumers and employees want business to do more on ESG

Link:<https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/consumer-and-employee-esg-expectations.html>

Date: June 2021

PwC designed a survey to give you and your company a finer understanding of evolving consumer expectations around ESG. Their findings indicate that consumers have different perceptions than business leaders about where ESG investments are flowing, and they're looking for information about ESG in different places than where businesses are currently reporting.

YEAR-END SNAPSHOT (FY21)

Director
Training
Program:

11

1637

Total Certified Directors to Date

176

Number of
Participants

Contact Us

Pakistan Institute of Corporate Governance, Suite # 316,
The Forum, Khayaban-e-Jami, Block-9, Clifton, Karachi-75600.
Phone: (92-21) 35306673-74 | **Website:** www.picg.org.pk