August 2019

PICG ADVISORY UPDATE-26

Pakistan Institute of Corporate Governance

PICG
Pakistan Institute of Corporate Governance

The Update

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. PICG's Advisory Update, therefore, aims at keeping our members updated with regards to the latest local and international governance-related changes to regulations, practices and corporate reporting.

The Update consists of a Summary Table (with links to relevant information) followed by a Synopsis of the changes.

A. Summary Table

Pakistan

Sr #	By	Reference	Date	Topic / Update link
1.	**Regulations/ Rules issued**			
i	SECP	SRO 942(I)/2019	Aug 19, 2019	Public Sector Companies (Appointment of Chief Executive) Regulations, 2019
ii	SECP	Press release	Aug 18, 2019	Shariah Compliant Financing Product-Regulations for Murabaha Share Financing (MSF)
iii	SECP	SRO 890(I)/2019	Jul 31, 2019	Collateral Management Companies Regulations, 2019
2.	**Amendments**			
i	SBP	BPRD Circular No. 03 of 2019	Aug 17, 2019	Remuneration of Board Members of Banks/DFIs-Amendments to Prudential Regulations G-1
3.	**Circular**			
i	SBP	IH&SMEFD Circular No. 12 of 2019	Aug 21, 2019	Islamic Financing Facility for Renewable Energy
ii	SBP	IH&SMEFD Circular No. 11 of 2019	Aug 6, 2019	Islamic Refinance Scheme for 'Small and Low-End Medium' Enterprises

Sr #	Issued by	Reference	Date	Topic / Update link
4.	**Others**			
i	SECP	Press release	Aug 29, 2019	Central Asia Regional Cooperation (CAREC) Inaugural Forum for Capital Market Development
ii	SECP	Press release	Aug 7, 2019	Revocation of Licenses of Not for Profit Companies
iii	SBP	OSED Circular No. 01 of 2019	Aug 6, 2019	Public Disclosure of Enforcement Actions by SBP
iv	SECP	Press release	Aug 1, 2019	Centralized Insurance Repository (CIR) in Pakistan

International

Topic	Links
OECD Corporate Governance Working Paper No.21	The Potential for Blockchain Technology in Corporate Governance
PwC's Report on Crisis Preparedness	PwC's Global Crisis Survey 2019
Cranfield University Report on Number of Women on Boards of FTSE 100 & FTSE250	The Female FTSE Board Report 2019
KMPG's Paper on Lead Director Insights on Board Strategy	Facilitating the Board's Engagement in Strategy
ICSA Report investigating nature of engagement between issuers and investors	Shareholder Engagement - The state of play

By failing to prepare,
you are preparing to fail.

- Benjamin Franklin

B. Synopsis of changes

Pakistan

1. Regulations/ Rules issued bashing

Various regulatory requirements have been notified by the Securities and Exchange Commission of Pakistan (SECP) from time to time to streamline procedures and improve governance processes of companies in Pakistan. As regulations have to evolve over time to facilitate the ease of doing business and account for changes in the overall corporate environment in the country, SECP has made/ proposed a number of changes over the past month, some of which have been summaried below:

a. Draft Regulation – proposed

Draft Public Sector Companies (Appointment of Chief Executive) Regulations, 2019

The SECP has proposed draft regulations underlining the procedure for nomination of Chief Executives by the Government - on the board of those Public Sector Companies (PSCs) where the majority of directors are nominated by the Government.

The proposed regulations have come about as a result of an amendment that was made to the Public Sector Companies (Corporate Governance) Rules 2013, via SRO SRO 275(I)/ 2017 in April 2017, wherein the Government was given the option to directly nominate the Chief Executive of a PSC, as opposed to the previous practice of the board shortlisting 3 candidates and presenting the names to the Government for final selection. The proposed regulations, therefore, state the procedure to be followed in those cases where the Government decides to exercise the option to nominate a Chief Executive on the board of such PSC's, as allowed under Section 186(4) & 187(4) of the Companies Act, 2017.

The following are some of the salient changes proposed:

- Selection Committee to be set up to shortlist candidates, comprising of:

Chairman	Minister-in-Charge of the Administrative Division under which the PSC falls[1]
Members	Secretary of the same Division,
	1-3 experts nominated by the concerned Minister-in Charge
	Chairman of the Board/ Senior Member of the Board of the PSC (OR a person to be nominated by the Minister-in-Charge in case such Board does not exist)

- Concerned Ministry/Division to carry out secretarial functions including preparation of record of candidates eligible for interview, recording and circulating the minutes of the Committee meeting and preparing the short list approved by the Committee.
- 3-5 candidates to be recommended by the Selection Committee.

[1] Where the charge of a Ministry/Division is held by the Prime Minister, the Selection Committee shall be headed by a Minister-in-Charge/ Minister of State/ Advisor/Special Assistant to the Prime Minister, as nominated by the Prime Minister;

- Final decision to be taken by the "Appointing Authority"[2], who may request fresh recommendations, if not satisfied with the candidates recommended by the Committee.
- The appointing authority may hire the services of an executive search agency for assistance in the appointment process, including issuance of the advertisement.
- In case an officer working in the Government or Armed Forces is selected, he/she would have to seek premature retirement or resign from his position.
- Appointment contract between the appointee and appointing authority to be prepared specifying terms and conditions of appointment such as tenure, remuneration,responsibilities, code of conduct, removal or separation and performance evaluation.
- Parameters to judge financial integrity of the candidates have been stipulated, such as whether:
  - such person's financial statements or record including wealth statements or income tax returns or assessment orders are available
  - the latest Credit Information Bureau report of the person shows no overdue payments or default to a financial institution.
  - the person has been and will be able to fulfil his financial obligations, whether in Pakistan or elsewhere, as and when they fall due
  - the person has been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Pakistan or elsewhere

  (Note: The fact that a person may be of limited financial means does not in itself, affect the person's ability to satisfy the financial integrity criteria.)
- Performance evaluation of the Chief Executive to carried out by the Government based on annual assessment of the Board.

It is to be ensured that the principles of transparency, merit and equal opportunity are followed and the appointment of chief executive is finalised at least 30 days before the date of expiry of the term of the existing chief executive so that the appointment is made by the appointing authority within the period stipulated under sections 186 and 187 of the Act.

The draft regulations will supersede the previous 'Public Sector Companies (Appointment of Chief Executive) Guidelines, 2015'.

[22] Not defined in the regulations.

b. Regulations - issued

Sr. no	Name	Description
1	Regulations for Murabaha Share Financing (MSF)	To introduce Murabaha Share Financing (MSF) to develop and strengthen the capital market, promote Shariah complaint financing and to stimulate liquidity in the securities market. MSF is primarily a sale transaction which is used to finance the purchase requirements of investors in a Shariah compliant manner and has been prepared under the guidance of the Shariah Advisory Board of SECP and Shariah scholars representing reputed Islamic banks. The product will allow financing only in Shariah compliant securities which fall under the PSX-KMI All Share Islamic Index. In order to launch the MSF product, SECP has directed the National Clearing Company of Pakistan Limited (NCCPL) to provide a platform to extend credit for share financing in compliance with Shariah principles and make necessary arrangements for system development and integration with CDC and PSX by September 2, 2019.
	Collateral Management Companies Regulations, 2019	To promote electronic trading and warehouse receipt financing of agricultural commodities. Under the regulations, any public limited company with a minimum paid-up capital of Rs. 200 million will be eligible to seek permission of SECP to register as a Collateral Management Company (CMC). CMC's are registered Agricultural Promotion Companies whose principal line of business is: • the management of Produce as collateral, or • any other activity connected with or related to any Produce, or • any other activity as may be notified by the Commission; A Collateral Management Company may carry out stock audits, as well as accreditations and inspections of warehouses. Further, through its accredited warehouses, CMC's may provide storage and preservation services for a range of agricultural commodities. The Regulations set out the procedure for establishment, duties and responsibilities of CMC's as well as accreditation of warehouses, disciplinary proceedings, etc. A well-designed collateral management system is expected to improve access to credit for farmers and reduce post-harvest losses thereby leading to enhanced profitability for farmers, and reduced risks for creditors through secured collateral.

2. Amendments

Prudential Regulations G-1 - Remuneration of Board Members of Banks/DFIs

State Bank of Pakistan (SBP) has issued amendments to Para 2 of Section 'C' of the Prudential Regulation G-1, which relates to the remuneration of Board members of banks/DFIs. The amendments further clarify factors that need to be considered while formulating a remuneration policy and setting of remuneration levels for the members of the board:

The following parameters for banks /DFIs have been mentioned:

a) Board's remuneration committee to formulate a comprehensive and transparent remuneration policy for the Chairman and other Directors, with a clear mandate and charter keeping in view the ownership structure, governance mechanism, risk profile, scope of operations, performance of the bank/DFI, etc.; and shall be approved by the shareholders of the bank/DFI in the annual general meeting

b) Remuneration to be fixed in Pakistani rupees (PKR) , however, payment can be made to foreign Directors in equivalent foreign currency(ies), where necessary.

c) While determining remuneration of a Board member (including the Chairman) for attending a Board and/or its committee meeting(s), following maximum limits shall be observed:

Category	Parameters to Determine Category	Maximum Limits for a Board/ Committee Meeting
First	Those banks/DFIs which have: Above Rs. 500 billion Assets Size OR Above Rs. 1 billion after tax profit (As per last audited annual accounts)	Up to Rs. 800,000
Second	All other banks/DFIs which do not fall in the first category	Up to Rs. 500,000

d) Banks/DFIs may determine remuneration taking into consideration their own governance structure and the level of responsibility & expertise of the concerned directors while remaining within the maximum limits. The above mentioned limits along with thresholds for assets size and profitability will be reviewed by SBP after every 3 years.

e) The remuneration of a director for performing extra services, including the holding of the office of Chairman, may additionally be determined with the approval of the shareholders, up to 20% of the remuneration set for him/her, with proper justification in the remuneration policy.

f) Traveling, boarding and lodging expenses of a Director for attending Board and/or its committee meeting(s) shall be paid by the bank/DFI at actuals. In this regard, the remuneration policy should clearly specify the parameters for such expenses whereas any additional costs should be borne by the concerned Director.

g) Banks/DFIs shall also ensure that no additional payments or perquisites are paid to the Non-Executive Directors and Chairman except as mentioned in above clauses.

h) No such remuneration should be paid to the Executive Directors except usual TA/DA as per the bank/DFI's standard rules and regulations.

i) The remuneration policy of a bank/DFI should also include the provisions to deal with the remuneration of underperforming Director(s) based on their performance evaluation conducted as per guidelines issued vide BPRD Circular No. 11 of 2016.

j) The remuneration policy should adequately envisage provisions for accountability of the Directors for their conduct according to the scope of their responsibilities and scale of remuneration.

k) No consultancy or allied work shall be awarded to a Director or to the firm(s), institution(s) or company(ies) etc. in which he individually and/or in concert with other Directors of the same bank, holds substantial interest.

l) The administrative expenses pertaining to the office, staff and security allocated to the Chairman of the Board should be determined rationally.

m) Proper and transparent disclosure of remuneration and other benefit/facility provided to the Board members, shall be made in the annual financial statements of the bank/DFI.

All banks/DFIs have been advised to ensure compliance with the above within 6 months of the issuance of the Circular. Non-compliance shall attract punitive action under relevant provisions of the Banking Companies Ordinance, 1962.

3. Circulars

a. Islamic Financing Facility for Renewable Energy (IFRE)

The State Bank of Pakistan has issued an updated Mudarabah-based 'Islamic Financing Facility for Renewable Energy (IFRE)' for Islamic Banking Institutions (IBIs) and Islamic Development Financial Institutions (Islamic DFIs), which will replace the facility that was issued in February 2019.

SBP shall make Mudarabah investment in a general pool of Participating Islamic Financial Institutions under IFRE, and financing under IFRE shall be available to customers under the following 3 categories:

Category I: Prospective sponsors desirous of setting up renewable energy power projects with a capacity ranging from 1 MW - 50 MW for their own use, selling electricity to the national grid (including distribution companies) or a combination of both.

Category II: Prospective sponsors desirous of installing renewable energy source based projects/ solutions for generation of electricity up-to 1 MW.

Category III: Vendors and suppliers certified under AEDB Certification Regulation 2018 for installation of wind and solar systems on lease basis or selling of electricity to ultimate owners/users.

IFRE is effective immediately and financing is available for projects achieving financial close under Category I and new sanctions under Category II or III - till June 30, 2022 only.

PICG
Pakistan Institute of Corporate Governance

b. Islamic Refinance Scheme for 'Small and Low-End Medium' Enterprises

An Islamic Refinance Scheme for ‘Working Capital financing of Small and Low-End Medium Enterprises (IWCF)’ has been offered to IBIs and Islamic DFIs; collectively referred to as Participating Islamic Financial Institutions (PIFIs).

SBP will act as ‘Rab-ul-Maal’ by providing mudarabah investment facility to the PIFIs, in the form of investment in a PIFI’s general pool, and the PIFI shall act as the ‘Mudarib’ of the general pool.

Details of the scheme such as: scope and eligibility criteria, Shariah structure, period of investment and payments, assigning financing limits, disbursement of funds, risk assessment, and disclosure in annual audited accounts have been provided by SBP.

Initially, financing shall be available to meet the working capital requirements of the following SME sectors:

- Information Technology (IT)
- Gems and jewelry
- Furniture
- Leather industry
- Surgical goods
- Fruits, vegetables and food processing & packaging
- Dates processing
- Printing & packaging

4. Others

a. The inaugural session of ‘CAREC First Capital Market Regulator’s Forum’ was recently held in Islamabad. The session was organized by the SECP, the Asian Development Bank (ADB), Central Depository of Pakistan (CDC), and the National Clearing Company of Pakistan Limited (NCCPL) to provide a platform for development leaders and industry experts to discuss solutions to global challenges faced by capital market regulators for better capital markets development in the Central Asia Regional Cooperation (CAREC) region.

CAREC Program, set up in 2001, is a partnership of 11 countries—Afghanistan, Azerbaijan, the People’s Republic of China, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan—to promote economic growth and development through regional cooperation. Several international development partners, including ADB, the International Monetary Fund, the United Nations Development Program, and the World Bank support the activities of CAREC.

In 2017, a new long-term strategy—CAREC 2030—was adopted to strengthen economic and financial stability, including promoting cooperation among capital markets and strengthening the investment climate in Central Asia. The forum also promotes better coordination between regulators of the capital markets in the region.

The overall objective of the CAREC program is to: strengthen regional cooperation and integration, develop a strong network of capital market regulators to exchange ideas and share best practices, accelerate development of capital markets, improve people and businesses’ access to finance, support private sector development, besides promoting an inclusive reform agenda for attracting private capital for development and growth across the region.

The following key needs of the region, that the participating countries must collectively address, were highlighted at the forum:

i. Integration as an engine for growth.
ii. Embracing technology as an enabler.
iii. Linkage of capital markets with real economy.
iv. Improving ease of doing business and breaking down regulatory barriers.

Better capital markets mean better prospects for inclusive growth and sustainable development to countries.

b. Public Disclosure of Enforcement Actions by SBP

In order to bring more transparency and strengthen market discipline, SBP has decided to publicly disclose significant enforcement actions taken by it from time to time on its official website.

Enforcement actions against institutions and individuals for violations of laws, rules, regulations, guidelines or directives issued by SBP, as part of its role as a regulatory body to ensure applicable standards and policies are adhered to, may involve the imposition of monetary penalties and other actions as deemed appropriate by SBP.

The enforcement actions will be placed on the website stating:

i. Date of Action
ii. Name of Institution
iii. Nature of offence
iv. Action Taken
v. Monetary Penalty
vi. Remarks (if any)

However, SBP may choose not to publish a particular action or delay publication under exceptional circumstances.

c. Revocation of Licenses of Not for Profit Companies

In its drive against non compliant companies, SECP has revoked the licenses of 13 not for profit companies (NPO's) during the quarter ended June 30, 2019, in pursuance of section 42 of the Companies Act, 2017.

The main reason for the revocation of licenses was non-compliance with statutory requirements, i.e. filing of accounts and annual returns, whereas some licenses were revoked on account of the NPO's being dormant since incorporation.

NPO's must follow the procedure for winding up voluntarily upon revocation of license, and in case of those having no assets and liabilities they shall apply for striking their names off the register of companies, in terms of Section 43 of the Companies Act, 2017 read with the 'Associations with Charitable and Not for Profit Objects Regulations, 2018'. SECP has stated that the latest list of revoked licenses is available on the website of the Commission.

d. Launch of e- Repository for Insurance

SECP facilitated the signing of an MoU between the Central Depository Company (CDC) of Pakistan and Life Insurance Companies for Launch of an e- Repository for Insurance, to provide policyholders a facility to hold insurance policies in electronic form and to undertake changes in insurance policy with speed and accuracy.

The MoU aims to pave the way for the life insurance industry to enter into a new phase of digitalization and centralization of policyholder information through development of Centralized Insurance Repository (CIR) in Pakistan, with the technological support of the CDC Pakistan.

Moreover, the e-Repository is expected to not only bring transparency, speed, convenience and cost efficiency, but is also expected to complement the objectives of Ease of Doing Business (EODB) and enhanced consumer protection in a multi-pronged manner.

Furthermore, the issues around automatic claim intimation to multiple insurers, non-financial endorsements, curbing the policy churning malpractice, and complementing the financial underwriting are few of the expected benefits of the proposed Repository system.

Besides, serving as a central point for critical policyholder related information, the e-Repository may also serve as Regulatory Technology (RegTech) which can help insurance companies in improving compliance with the applicable AML regime.

Items for boards to consider as they focus their 2019 agendas on the critical challenges ahead:

- Take a hard look at the **board's composition**: Is the talent in the boardroom **diverse** and aligned with the company's strategy and future needs?
- Recognize that connecting **digital disruption with risk management and strategy** is more important—and more challenging—than ever.
- Help focus the company on **long-term value creation** and understand the views of all key **stakeholders.**
- Make **CEO succession** and **talent development** throughout the organzation a priority.
- Assess, monitor, and reinforce culture as a **strategic asset and critical risk**.
- Continue to refine boardroom discussions about **cybersecurity and data privacy** as risk management issues.
- Reassess the company's **crisis prevention and readiness**.

\- KPMG Board Leadership Center

International

a. The Potential for Blockchain Technology in Corporate Governance[3]

OECD Corporate Governance Working Papers provide timely analysis and information on national and international corporate governance issues and developments, including state ownership and privatisation policies. The working paper series is designed to make select studies by the OECD Corporate Governance Committee, OECD staff members and outside consultants available to a broad audience.

Paper No.21, 'The Potential for Blockchain Technology in Corporate Governance', explores the recent applications of blockchain technology in financial services, as blockchain stands out as a disruptive technology that will change a number of processes in financial services and could in turn impact corporate governance.

The paper identifies blockchain technology as a powerful tool for stakeholder engagement which is a much desired aspect of corporate governance.

In particular, the paper states that blockchain enables:

i. Greater transparency of ownership and changes in ownership:
   - All users on the network can see trading by managers, activists and corporate raiders.
   - Legal insider trading channels are redundant.
   - Disguised derivatives hedging, backdating and similar undesirable actions are almost impossible on a blockchain network.

ii. Efficient and fair shareholders meetings:
   - An AGM under a blockchain design will have several material benefits such as easier voting, certainty in tabulation of votes and harder to manipulate board elections.
   - Proxy firms may be disintermediated, or they will have to assume more of an advisory role rather than simple "vote collecting".

iii. Real-time accounting:
   - Distributed ledger technology.
   - Blockchain accounting systems will significantly reduce the need for traditional auditing and hence audit firms will have to redefine their roles.
   - With proper implementation of smart contracts, the need for litigation and expected costs of financial stress will be reduced.

[3] Akgiray, V. (2019), "The Potential for Blockchain Technology in Corporate Governance", *OECD Corporate Governance Working Papers*, No. 21, OECD Publishing, Paris, https://doi.org/10.1787/ef4eba4c-en

b. Survey Report on Crisis Preparedness - PwC

PwC conducted a 'Global Crisis Survey', a comprehensive repository of corporate crisis data, by obtaining feedback from 2,084 senior executives in organisations of all sizes, in 25 industries, and across 43 countries — 1,430 of which had experienced at least 1 crisis in the past 5 years, for a total of 4,515 crises analysed overall. The report also compares companies that have emerged stronger from their worst crisis with those who did not fare as well. The report is intended to be used to reverse-engineer a successful crisis response.

For purposes of the survey, PwC defined 'crisis' as a situation that:

i. Is triggered by significant internal and/or external factors or escalation of smaller incident(s)
ii. Has an enterprise-wide, multi-functional impact
iii. Creates disruption in normal business operations
iv. Has the potential for reputational harm/damage

The key findings of the report are as follows:

i. No one is immune.
   The average number of crises experienced by corporate leaders was 3, with 69% experiencing at least 1 event in the last 5 years.

ii. The types of crises remain diverse.
   PwC sorted 19 triggers into 7 broad categories for their survey. The categories included:
   - Operational – ops failure, competitive/marketplace disruption, supply chain, product failure, product integrity
   - Technological – technology failure, cyber-crime
   - Humanitarian – natural disaster, geopolitical disruption, humanitarian, terrorism
   - Financial – financial/liquidity, shareholder activism
   - Legal – legal/regulatory, ethical misconduct
   - Human capital – leadership transition, workplace violence
   - Reputational – leadership misconduct, viral social media

iii. Disruptive cases are not always the ones you expect.
   The media tends to sensationalize certain crises more than others such as huge data leaks by major companies or ethical misconduct. The survey thus determined that companies are predisposed to create policies and procedures to combat crises they are familiar with (which they gain from those that are newsworthy) which creates a blind spot in their risk plans.

iv. Crises management responsibilities aren't so straightforward.

   There is no standard for who is responsible for what role within a crisis. PwC's study suggests that the C-suite claims more responsibility compared to non-C-suite roles for preparedness, response, and communication; and that "the "ownership map" clearly highlights the overlapping of roles and responsibilities, which should cause some concern given the importance of efficient coordination, communication, and decisions in crisis.

Being able to manage crisis, communicate quickly and effectively, and position your company to brace for the effects is no longer an option—it is a competitive advantage.

c. The Female FTSE Board Report 2019

The Female FTSE Board Report 2019 is Cranfield University's report on the number of women on the boards of top companies on the Financial Times Stock Exchange 100 (FTSE 100) Index, and FTSE 250 Index[4]. The report, sponsored by the Financial Reporting Council, includes an analysis of the wider diversity characteristics and tenures of female directors compared to their male colleagues.

The report states that although the proportion of women on boards is increasing and the FTSE 250 is starting to catch up with the FTSE100, however, only a quarter of FTSE100 companies have women in Executive roles. The report further recommends that board appointments and succession plans should be based on merit and objective criteria, and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The annual board evaluation should also consider diversity and, in describing the activity of the nomination committee, the policy on diversity and inclusion, its objectives and linkage to company strategy, should be reported on, as well as progress in achieving those objectives.

An analysis of financial qualifications and experience of women directors was also carried out as it is often a requirement for non-executive appointments and therefore an important thing to monitor. The results show that here is a high degree of financial literacy amongst the women directors on FTSE 100 boards.

d. Paper on Lead Director Insights on Board Strategy - KPMG

KPMG's Board Leadership Center has launched the Lead Director Initiative to tap into the experiences and insights of lead directors and independent chairs. Under the initiative, a series of white papers shall be issued exploring critical boardroom challenges and priorities through the lead director/independent chair lens. Conducted under the Chatham House Rule, the conversations are intended to share experiences and spark boardroom conversations that help elevate board leadership and effectiveness.

The topic of the first white paper under the intiative is "Facilitating the Boards Engagement in Strategy" wherein insights from Lead Directors have been shared regarding the strategy forming process.The paper stresses that devoting quality time to strategy and thinking about the future have never been more challenging or important- as technology, innovation, and other forces disrupt and undermine business models and strategic assumptions with startling speed and impact.

The paper claims that the long-held view that the board's role is limited to reviewing and concurring with strategy formulated by management is giving way to deeper engagement by the board. Increasingly complex and disruptive business conditions demand it, and investors and other stakeholders expect it.

3 key areas of focus were pointed out by the lead directors as they facilitated their board's engagement in the strategy process, from strategy development and evaluation to monitoring strategic execution and recalibrating strategy as necessary:

i. Setting expectations with the CEO and directors for the board's engagement in strategy
ii. Planning the setup and staging of board strategy discussions and providing the backdrop to drive the right focus and dynamics
iii. Building consensus about the proposed direction of the strategy—the fifty-thousand-foot view

[4] Index of 100/ 250 companies listed on the London Stock Exchange with the highest market capitalization.

e. Shareholder Engagement - The State of Play

The Institute of Chartered Secretaries and Administrators has issued a report based on its survey regarding the nature of engagement between issuers and investors, and the extent to which it has changed in the last 5 years. The report discusses shareholder engagement and its frequency, the form it takes, the organisations and individuals involved or the subjects being discussed.

The report is based on a survey of company secretaries or equivalent corporate representatives in listed companies of 10 different markets (Australia,Brazil, Chile, Italy, Japan, Hong Kong, South Africa, Sweden, United Kingdom, and United States) and across 8 business sectors. The markets and sectors selected represent different regions, levels of development, regulatory frameworks and company ownership structures.

The research maintains that there is clear evidence that the quantity of engagement has increased in the last 5 years, and that this is true for companies of all sizes and in both developed and emerging markets. In total, over 60 % of respondents reported increased engagement, with only a handful reporting that it had reduced. The majority of respondents also reported that they devote more resources to engagement than in the past. Further, responses suggested that specific engagements are initiated fairly equally by issuers and investors in most markets. When issuers initiate engagement, they most frequently target investors with the largest current or potential holdings in the company and those they believe might take a hostile position; while for investors the main considerations are the value of their investment and whether they have concerns about the performance or governance of the company.

The major reasons for increased engagement given were:

- 1/3rd of large issuers and issuers in developed markets pointed to international trends, which may reflect the nature of their ownership base.
- The next most frequently cited reasons were changes in the issuer's ownership base and changes in the issuer's approach to engagement.
- Less than 20 % of issuers identifed regulatory change or political pressure as a reason for changes in the quantity or nature of engagement, which suggests that many policy interventions of recent years are not perceived by issuers to have had a direct effect. However, in the interviews, some issuers stated that these interventions may have had an indirect impact by acting as a catalyst for change.

FAMILY BUSINESS AND INTRAPRENEURSHIP FORUM

BROUGHT TO YOU BY

Pakistan Institute of Corporate Governance

AND

INSEAD Alumni Association Pakistan

ON OCTOBER 5, 2019 (09.00 AM - 04.00 PM)

AT CRYSTAL BALLROOM, MARRIOTT HOTEL KARACHI

AGENDA

09.00 am - 09:30 am
Registration

09.30 am - 11.30 am
Empowering the Next Generation

11.30 am – 12.30 pm
Panel discussion with Family Businesses in transition

12.30 pm - 1.30 pm
Lunch

1.30 pm - 4.00 pm
Corporate Entrepreneurship Training

Paul Kewene-Hite
Affiliate Professor of Entrepreneurship and Family Enterprise, INSEAD

Paul is a multiple time winner of the INSEAD Dean's Award for Excellence in Teaching. He teaches entrepreneurship courses and is the lead professor on INSEAD's popular elective which teaches students how to turn around a failing company.

He was a Technology Evangelist at Apple, and Director of Strategic Planning and New Business Development at NEC Computers. He was a venture capitalist and has served as VP, President and CEO of technology startups.

He has vast experience in building and restructuring technology companies around the world and also built strategic plans for various government initiatives. He has also been intimately involved in raising millions in venture capital for multiple ventures. He has performed extensive business planning from full P&Ls to operations to market launches.

At INSEAD he is an Affiliate Professor of Entrepreneurship and Family Enterprise He continues to consult for companies around the world.

Paul is a graduate of Harvard University.

PARTICIPANT FEE: RS. 15,000/- + 5% SST
DISCOUNTED FEE FOR PICG MEMBERS AND INSEAD ALUMNI: RS. 10,000 + 5% SST
REGISTRATION LINK: HTTPS://FORMS.GLE/VXCIHVMUXFVDRZHFA
FOR MORE DETAILS, PLEASE CONTACT: PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
021-35306673 - 4 (EXT: 104)
E: FARHAN@PICG.ORG.PK, USAMA.SAJID@PICG.ORG.PK

To view previous Advisory Updates, please click on the following link:
http://picg.org.pk/publications/