



**The Institute of
Chartered Accountants
of Pakistan**

D a w n o f a n e w E r a

Survey on Board Practices in Pakistan

Members Information & Education Series

MIES-28



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Chartered Accountants
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**Survey on
Board Practices in Pakistan**

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FOREWORD

I am pleased to present the twenty-eight booklet under the Members' Information and Education Series (MIES-28) on the subject of **"Survey on Board Practices in Pakistan"**.

The Survey aims to provide a snapshot of the corporate governance practices of local listed companies relating to minority shareholders rights protection, information disclosure, transparency and risk management. The survey also provides recommendations for future corporate governance reforms.

I would like to appreciate the efforts of the Pakistan Institute of Corporate Governance (PICG) in carrying out a comprehensive survey, highlighting the practices of the board and the need of developing corporate governance resources, as well as review of the code of corporate governance. This survey provides an effective review of the monitoring and implementation of corporate governance practices in the country and identifies the gaps to be fulfilled. I would also like to appreciate the support provided by with the Institute of Chartered Accountants of Pakistan (ICAP) to PICG during the course of the survey.

I feel it is a matter of utmost importance that PICG and the Institute of Chartered Accountants of Pakistan (ICAP) continue to partner together and develop case studies and other research material for the development and guidance of local business community. In the current times we need to work on making the business community aware of the business case for corporate governance and strengthening the role of regulators, for establishing an attractive investment climate. This is only possible through enactment of the principles good corporate governance where markets are competitive and efficient.

The survey that is presented here follows up on the earlier survey carried out and reproduced as MIES -6 'The Effectiveness of Corporate Boards in Pakistan: An assessment and some views' by Mr. Zafar Khan's in 2006 the then Director of PICG. The ICAP is committed to actively promoting good corporate governance disclosures by publishing informative material and conducting workshops and holding conferences on the subject.

We seek your valuable comments on this booklet.

Rashid Rahman Mir

President

INTRODUCTION

One of the significant developments in corporate governance in Pakistan over the past ten years has been the formulation of a Code of Corporate Governance. A number of institutions in Pakistan have since engaged in awareness and training activities to strengthen corporate governance and disclosure in the country.

Pakistan Institute of Corporate Governance (PICG) is the pioneer in promoting the awareness of corporate governance practices in Pakistan and encouraging professional interaction amongst its members. PICG is involved in conducting training and education, creating awareness, undertaking research, and publishing guidelines and other resource material. It provides a central forum in Pakistan for discussion on corporate governance and provides an enabling environment for the implementation of the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan (SECP).

Corporate governance is crucial to enterprise development. The Board of Directors is entrusted with providing the oversight necessary for such development and therefore PICG encourages all directors to remain current in the knowledge of rules, regulations and best practices. To enable this PICG introduced a Directors Education Program, Board Development Series (BDS) in February 2007. After three successful years of accrediting professionals through its BDS Program and keeping in view upcoming challenges, PICG upgraded the Program and launched Corporate Governance Leadership Skills (CGLS) in September 2010. The CGLS program follows the case study approach, emphasizes the need for participants to relate their own experiences with what is presented with the objective of making participants understand and the value that sound governance practices add to enterprise development.

The financial sector in Pakistan represents around one third of the market capitalization of the listed securities of the country. Multiple reforms in Pakistan have therefore sought to improve the corporate governance practices of banks. The fundamental change targeted by these reforms is the effectiveness of bank boards. State Bank of Pakistan (SBP) has played a particularly strong role in promoting good corporate governance. Being the regulator and supervisor of banks and other financial institutions, SBP has sought to implement a comprehensive corporate governance regime for banks, driven by a robust legal and regulatory framework, risk-based supervision and over-arching banking sector reforms, notably, privatization, liberalization and consolidation. The implementation of 'Fit and Proper' criteria, for example, is aimed at ensuring that board members are well equipped to carryout their responsibilities.

Many lessons have been learnt since the adoption of the Code in 2002 regarding its implementation in Pakistan's business environment. To assist SECP, PICG constituted a task force for conducting a review of the Code in the conceptual context and its implementation in practice. It is intended that the revised Code will address the ground realities of the corporate environment in Pakistan and, in addition to that, facilitate the alignment of

corporate governance practices in Pakistan with global best practices. SECP is currently engaged in the process of reviewing the responses it had received from relevant stakeholders since it placed the revised code on its website for public comments.

The survey that is presented here follows up on the earlier survey carried out by Mr. Zaffar A Khan in 2006 and reproduced as MIES-6 “The Effectiveness of Corporate Boards in Pakistan: An assessment and some views” by The Institute of Chartered Accountants of Pakistan. PICG acknowledges Mr. Zafar Khan’s contribution in assisting in the development of the questionnaire and in carrying out the final review of the response analysis. PICG also acknowledges the cooperation extended by the Institute of Chartered Accountants of Pakistan in compiling the results of the survey.

Fuad Azim Hashimi
President & CEO

EXECUTIVE SUMMARY

Good corporate governance practices establish an attractive investment climate characterized by competitive companies and efficient financial markets. The object of this survey is to provide a brief summary of participants views regarding the existing corporate governance framework in Pakistan and analyse the results of corporate governance practices among leading enterprises in the country.

Adoption of corporate governance takes place when all the stakeholders feel the need and importance of good governance practices in enterprise development. Good corporate governance is a union between the financial and personal success of a corporation. Robust profits and good business practices are concepts integrally related and not disconnected from each other.

The respondents to the survey have expressed their overall satisfaction on the current corporate governance framework as provided by the Code of Corporate Governance, 2002. More than 75% of the respondents believe that the current framework ensures strategic guidance and effective monitoring of risk and related matters and ensures the rights of all stakeholders. At the same time they are apprehensive that the code does not ensure timely and accurate disclosure of all material matters regarding a corporation. General slackness is perceived regarding adoption of global best practices of governance. Some of the respondents are of the view that corporate governance should not be adopted as a mandatory process rather it should be viewed to raise the bar in strategic guidance and effective monitoring of risk.

The area of Board Procedures and Practices received a mix response. The practice of organizing retreat meetings does not seem to be very prevalent as only 25% of the responding companies hold such meetings. While it is usually CEO's privilege to choose the management team but the board should also review such appointments, and the responsibilities assigned to the managers. It was positive to note that almost 75% of the companies give their non executive directors a chance to interact with their employees which is a healthy practice.

Board Evaluation and its needs resulted in receiving the highest positive responses. However, 90 to 95% of the companies were satisfied with the performance, size and mix of their boards. Gender balance is a commonly discussed topic. In the western world conscious efforts are being made to strike this balance but 88% of the respondents either did not feel the presence of women director to be of any additional value or as they did not have any women directors on board were unsure how their presence would make a difference.

The weakest area was that of Shareholders' Rights. Less than 50% of the responding companies have written dividend policies and neither do they have any mechanism to resolve conflict of interest between a major shareholder and the company.

PROJECT METHODOLOGY

The project consists of an extensive survey of 150 listed and unlisted companies carried out over the past years. The companies targeted, comprises those on the KSE 100 Index, member companies of PICG selected private companies and state owned enterprises. The survey participants spanned virtually all business sectors of Pakistan. These include insurance, manufacturing, textile, fertilizer, banks, oil & gas, financial institutions, power & allied, transport & communication, and cement. The companies were further categorized according to their majority shareholding as Multinational Companies (MNC), State Owned Enterprises (SOE), Private (Pvt), and Other Public Listed Companies (PLC). Responses were received from 59 companies (Annexure...)

While all care has been taken to compile the results, the possibility of any unintentional error cannot be ruled out.

LIMITATIONS

The results of this questionnaire should be treated with caution. Good corporate governance is not only a question of having appropriate processes in place but these processes must also be operating effectively. Therefore judgment is required in interpretation of the answers as the questions in the survey largely require answers in **Yes** and **No**. The survey covers a broad range of companies therefore it does not cover all possible issues of corporate governance that should be considered by companies in any particular industry group.

Saira Nasir

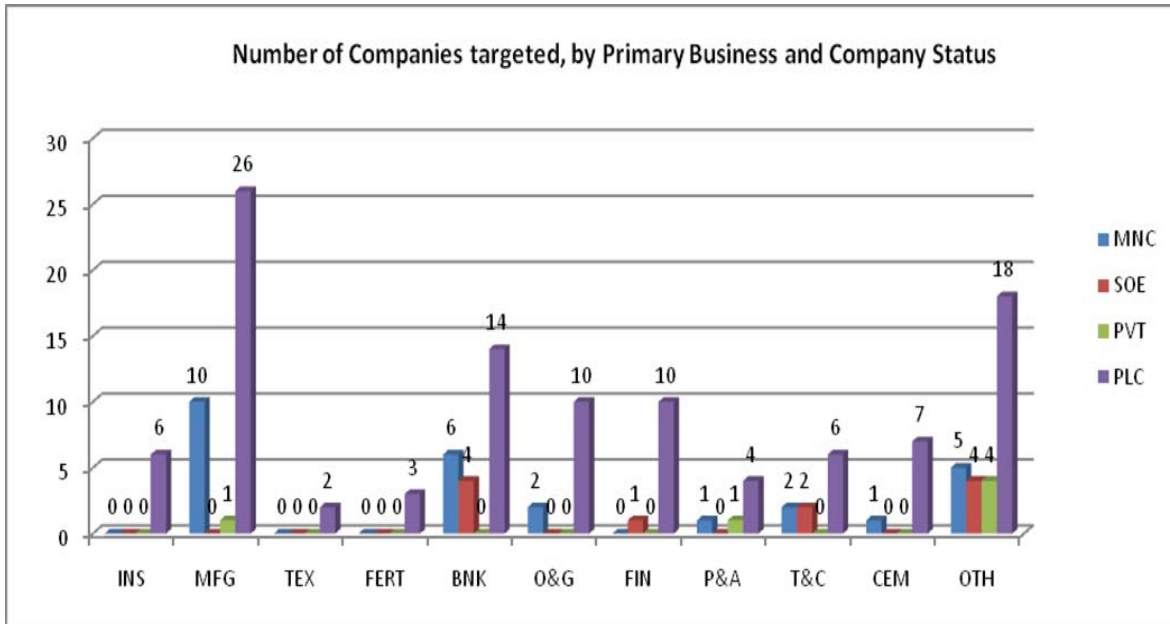
Business Consultant

1.0 ANALYSIS OF THE BASIC FACT SHEET

1.1 ANALYSIS OF COMPANY TARGETED

Table 1: Number of Companies targeted, by Primary Business and Company Status

Company Status \ Primary Business	INS	MFG	TEX	FERT	BNK	O&G	FIN	P&A	T&C	CEM	OTH	TOTAL
MNC	0	10	0	0	6	2	0	1	2	1	5	27
SOE	0	0	0	0	4	0	1	0	2	0	4	11
PVT	0	1	0	0	0	0	0	1	0	0	4	6
PLC	6	26	2	3	14	10	10	4	6	7	18	106
TOTAL	6	37	2	3	24	12	11	6	10	8	31	150



1.2 ANALYSIS OF RESPONDING COMPANIES

Table 2: Number of Companies that responded with response percentage in terms of company status

COMPANY STATUS	COMPANIES RESPONDED	COMPANIES TARGETED	RESPONSE (%)
MNC	16	27	59
SOE	6	11	55
PVT	1	6	17
PLC	36	106	34
TOTAL	59	150	39

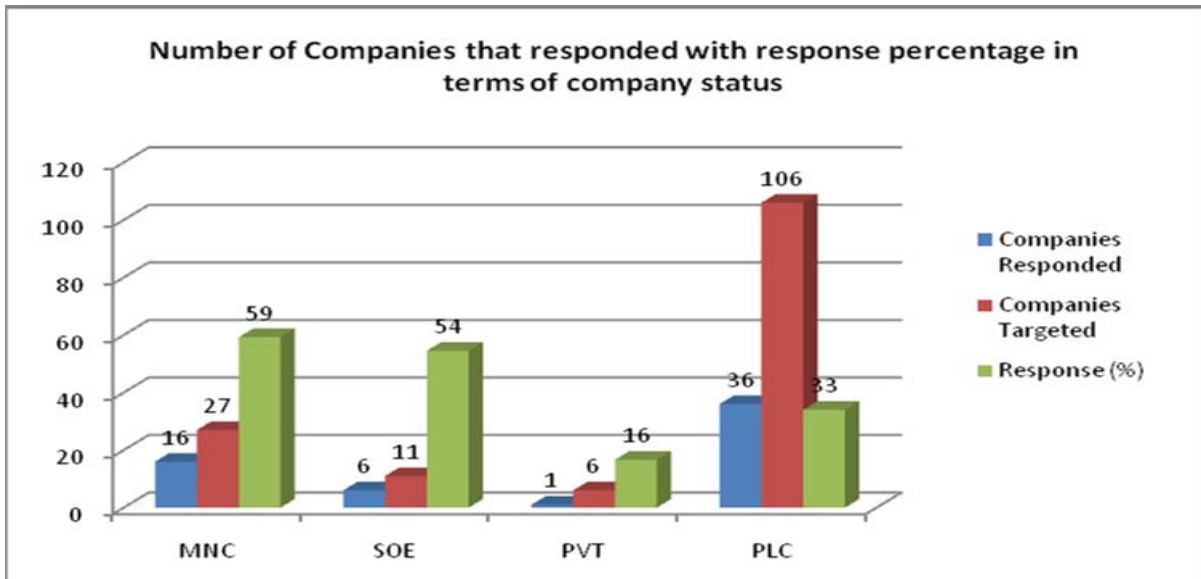
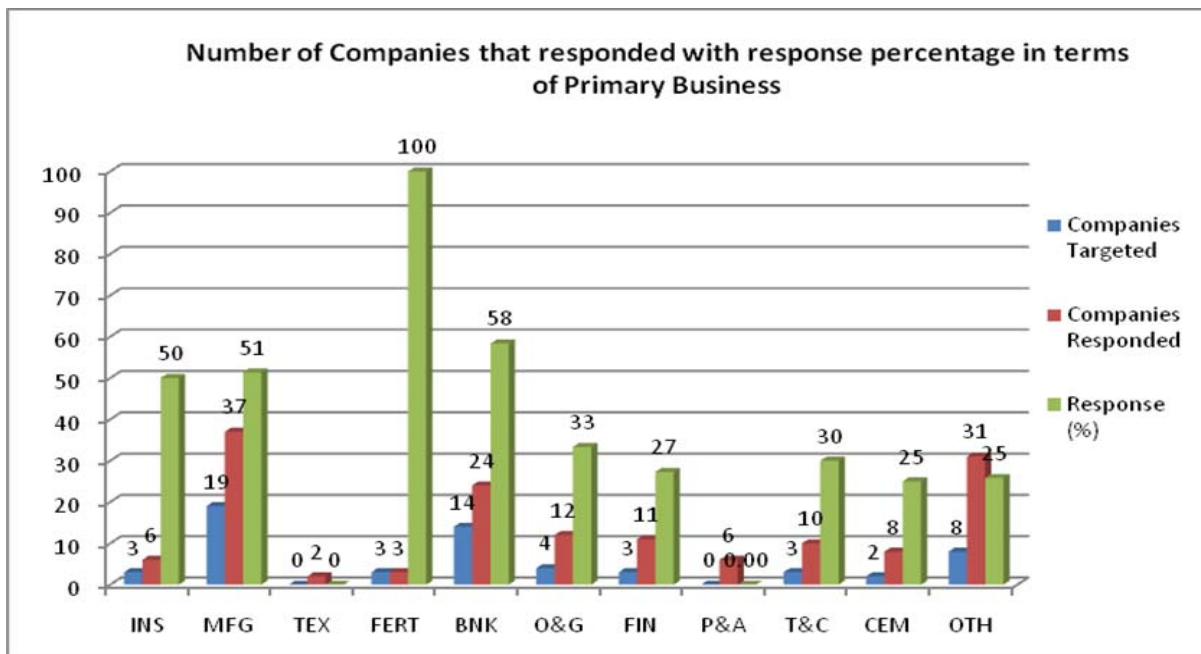


Table 3: Number of Companies that responded with response percentage in terms of Primary Business

PRIMARY BUSINESS	COMPANIES RESPONDED	COMPANIES TARGETED	RESPONSE (%)
INS	3	6	50
MFG	19	37	51
TEX	0	2	0
FERT	3	3	100
BNK	14	24	58
O&G	4	12	33
FIN	3	11	27
P&A	0	6	0.00
T&C	3	10	30
CEM	2	8	25
OTH	8	31	25
TOTAL	59	150	39

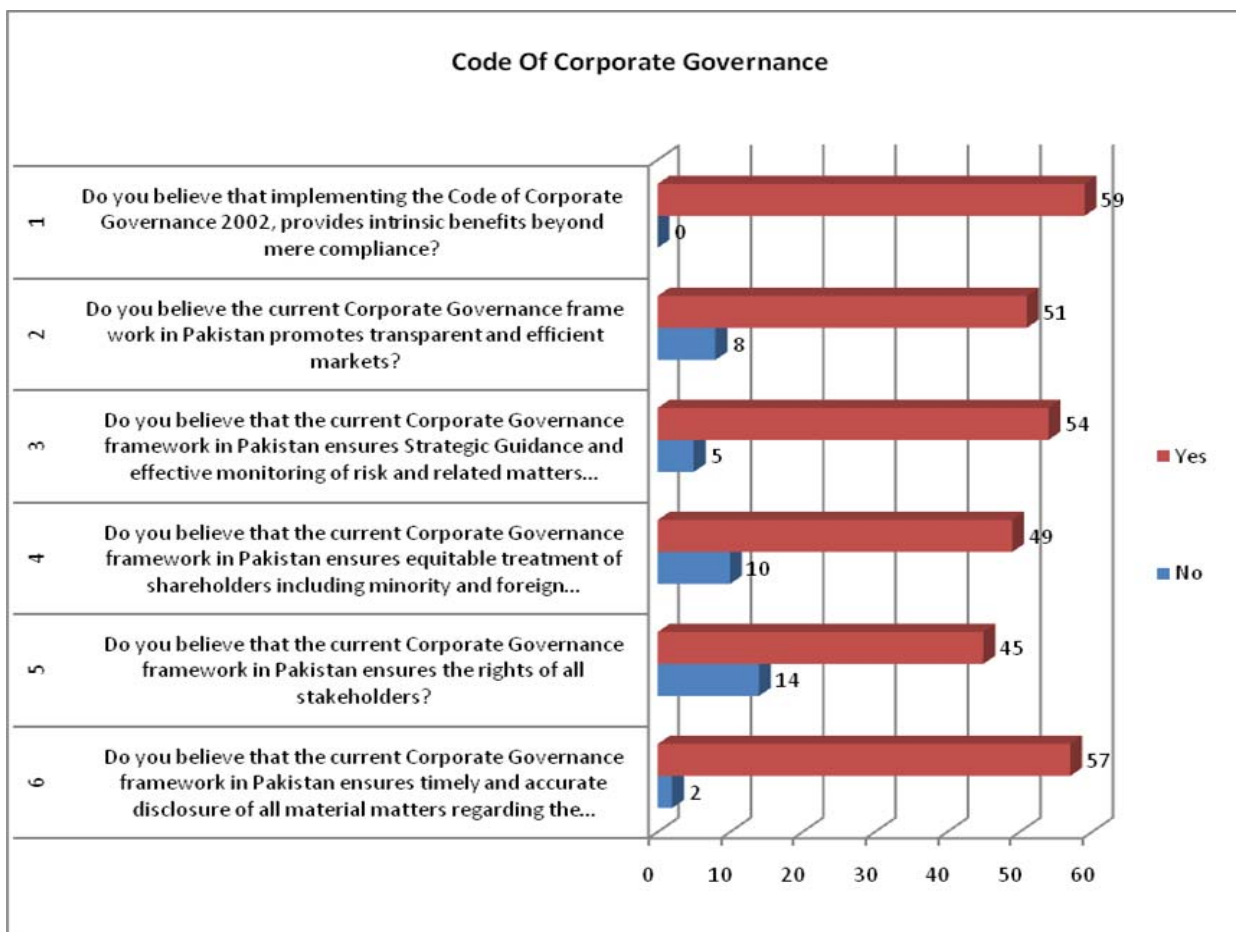


2. ANALYSIS OF THE QUESTIONNAIRE

QUESTIONNAIRE		
Code Of Corporate Governance	Yes	No
1. Do you believe that implementing the Code of Corporate Governance 2002, provides intrinsic benefits beyond Mere compliance?	59	0
2. Do you believe the current Corporate Governance frame work in Pakistan promotes transparent and efficient Markets?	51	8
3. Do you believe that the current Corporate Governance framework in Pakistan ensures Strategic Guidance and Effective monitoring of risk and related matters impacting the corporation?	54	5
4. Do you believe that the current Corporate Governance framework in Pakistan ensures equitable treatment of Shareholders including minority and foreign shareholders?	49	10
5. Do you believe that the current Corporate Governance framework in Pakistan ensures the rights of all Stakeholders?	45	14
6. Do you believe that the current Corporate Governance framework in Pakistan ensures timely and accurate Disclosure of all material matters regarding the corporation?	57	2
Board Procedures and Practices		
7. Are the internal Control Procedures reviewed annually by the Board?	51	8
8. Does the Board engage in succession planning?	34	25
9. Does the Board formally assess the Human Resource?	37	22
10. Does the Board formally review appraisals of positions reporting to the CEO?	32	27
11. Are non executive directors given opportunities to interact with employees?	44	15
12. Do you agree with the separation of Chairman and CEO's position?	54	5
13. Does the Board assess its own performance?	28	31
14. Does the Board have any retreat meetings?	15	44
15. Does the Board have a formal Corporate Social Responsibility (CSR) policy?	47	12
16. Is there a mechanism in place for whistle blowing?	40	19
Board Evaluation		
17. Has the Board taken appropriate measures to implement governance improvement planning?	58	1
18. Are you satisfied with the level of involvement of Directors when formulating key business strategies?	54	5
19. Are Directors on your Board sufficiently oriented to perform effectively?	54	5
20. Are you satisfied with the size of the board?	53	6
21. Are you satisfied with the mix of skills and competencies of Directors on your Board?	56	3
If your answer is 'No', kindly indicate your preference in descending order:-		
22. Has the presence of Independent Directors added value to the Board?	49	10
23. Has the presence of Women Directors added value to the Board?	13	46
24. Are Board meetings of sufficient frequency/duration to complete the Company's Business?	58	1
25. Are Board committees playing a useful role?	58	1
26. In terms of value addition how do you rate your Board?		
	Needs Improvement	Satisfactory
	6	10
		Good
		43
27. List your top three suggestions in descending order to make your Board more effective.*		
1. Initiating a Board Evaluation program		
2. More focus on strategy setting by the Boards		
3. More effective use of Board committees		
4. Reduced interference from the Government		
5. Reduced number of Directorships		
6. Need for more independent directors		
Shareholders' Rights		
28. Is there a written policy relating to minority shareholder rights?	7	52
29. Is there a mechanism in place to resolve conflicts of interest between a major shareholder and the company?	24	35
30. Is there a written Dividend policy in place?	20	39
* Questions have been rearranged for analytical purposes		

2.1 QUESTION WISE ANALYSIS

2.1.1 Compliance to the Code of Corporate Governance



The OECD Principles define Corporate Governance as **“Corporate Governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders.”** One of the key elements of Good corporate governance is **Strong commitment to corporate governance reforms.** The aim of implementing the Code is to establish a system whereby a company is directed and controlled by its directors in compliance with the best practices, so as to safeguard the interest of all stakeholders. Companies with good governance have a better access to capital, command a premium from investors, improve oversight, monitoring, perform better operationally/ financially and ensure effective decision-making

Point to Ponder

Though almost all the companies have responded in affirmative but what is actually to be judged is whether the Boards have come out of the tick- box approach and have implemented the Code in spirit?

The OECD Principles of Corporate Governance encourages transparency in information disclosure. It is imperative that disclosures should be made on all matters regarding the company which includes financial, performance, ownership and governance. Stakeholders' interest involves transparency governance and sustainability. Separation of ownership and management leads to information irregularity between the two. Transparent reporting minimizes the information gap, builds climate of trust and leads investors making conscious investment decisions. It also helps in access to external financing and lowering of cost of capital.

Point to Ponder

Do the systems ensure full, timely disclosure of material information?

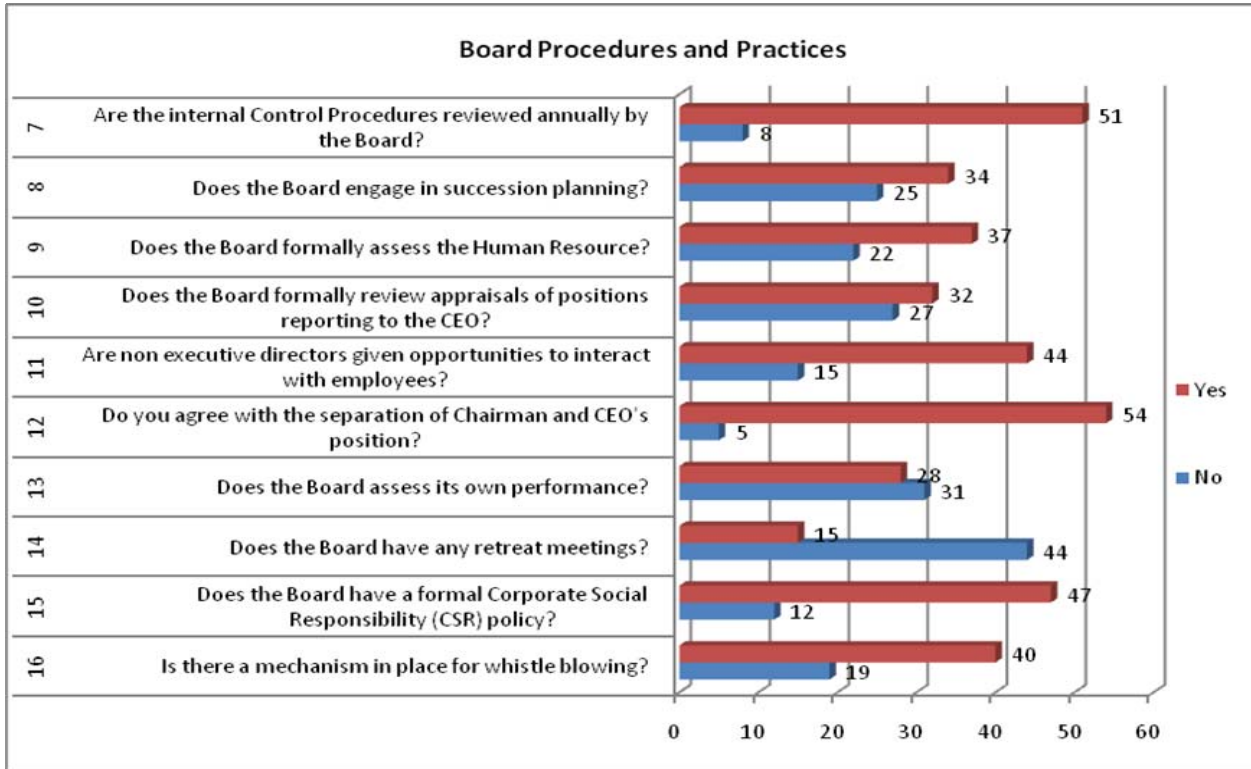
It is vital to note that all the responding companies agree that proper implementation of the Code will provide intrinsic benefit beyond mere compliance. As shown in figure 1 almost 86 % Companies believe that the current Code of Corporate Governance frame work promotes transparency and efficient markets. Of the companies responding in negative believe that since a large number of companies are family owned, they are skeptical about bringing transparency and adequate disclosures. But 88% companies do not believe that the Corporate Governance Framework ensures timely and accurate disclosure of all material matters regarding the company. Of the companies responding in negative believe that since a large number of companies are family owned, they are skeptical about bringing transparency and adequately disclosing information.

Notable Fact

Disclosure does not necessarily achieve transparency. Extent to which disclosure decreases information asymmetry depends on the degree of usefulness of the information being disclosed. Disclosures must be relevant, reliable, timely, material, comprehensive and comparable.

All the companies under survey believe that implementing the Code of Corporate Governance 2002, provides intrinsic benefits beyond mere compliance. Majority of the companies believe the Corporate Governance framework to be effective in monitoring risk and matters impacting corporations. But it is pertinent to note that only 12% of the companies responding to the survey believe that the current Corporate Governance framework in Pakistan ensures timely and accurate disclosure of all material matters regarding the corporation.

2.1.2 Board Procedures and Practices



The vital role of the board is to provide leadership within a framework of controlled environment. The board is required to protect the investment and return. It acts as a bridge between management and ownership. It is a legal entity who can sue and be sued.

The board should be responsible for monitoring the company's governance framework, policies, procedures, and practices. The board is responsible for establishing appropriate controls that work effectively. These include ensuring the integrity of the corporation's financial reporting systems; the independent audit; systems for risk-management, financial and operational controls; and, compliance with the law and relevant standards. In almost 86% of the companies responding to the questionnaire, control procedures are reviewed annually by the board.

Point to Ponder

A review of the annual accounts of all the listed companies reveal that a Statement of Compliance as required by the Code of Corporate Governance duly authenticated by the external auditors is attached. Is such a statement sufficient proof of compliance with best governance practices?

Succession planning is being done in only 58% of the companies surveyed. The board should be involved in selecting, appointing, motivating, overseeing, and, where necessary, replacing key management positions. It is good practice for directors to ensure that

succession plans are in place that enable a company to develop and change leadership in a progressive, planned, and non disruptive manner. These plans should be available for all board and key executive positions.

Out of the surveyed companies 63% of the companies formally assess their human resource and only 54% companies, review appraisals of positions reporting to the CEO. It is positive to note that 75% of the responding companies provide opportunities to their non executive directors to interact with their employees.

The functions of the chairman and CEO are different. CEO looks after the management of the company whereas the Chairman supervises the board. Almost 92% of the companies agree that the position of the Chairman and the CEO should be held by different persons.

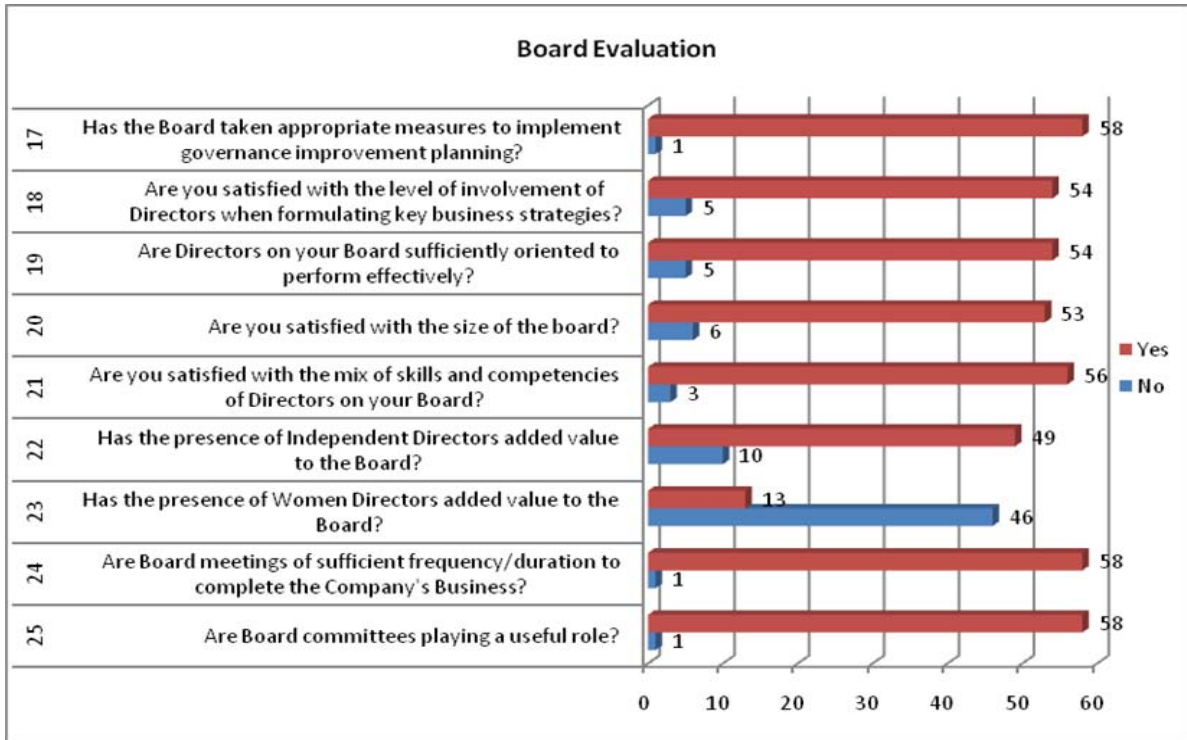
Board Performance 47% companies assess their Board Performance.

Retreat Meetings do not seem to be a common practice among companies, as only 25% of the responding companies hold such meetings.

Corporate responsibility and corporate governance are inextricably entangled, especially in the global context. Other terms for corporate responsibility are corporate social responsibility, sustainable growth, social responsibility and corporate citizenship. Corporate Social Responsibility has been made mandatory for public listed companies through SRO yet out of the total companies responded to the survey 75% of the MNC and xx% of public listed disclose. (Refer to detailed graphs pg. xx)

The concept of whistle blowing is not a very common. 68% of the responding companies have such a mechanism in place. Whistle blowing should be encouraged to curb the unethical practices which are injurious to the image of the company.

2.1.3 Board Evaluation



International corporate governance standards and codes are increasingly emphasizing the need for boards to evaluate their effectiveness. For example, the UK's Combined Code states: "The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors."

The OECD Principle VI states: "The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of the management by the board and the board's accountability to the company and the shareholders"

Strategy is how a company orients itself towards its market and its competitors. The board should develop a vision that is operationally useful, not just mere wishful thinking. The planning must involve knowledgeable participation. Many companies fail to recognize the importance of formulating key business strategies. 91% of the companies responding to the relevant question are satisfied with the level of involvement of directors when formulating business strategies and also believe that their boards are sufficiently oriented to perform effectively.

An effective board should regularly review its composition. The evaluation can identify the areas of knowledge and skills that the board should possess in the coming years. It can then be determine whether the board currently includes individuals with the relevant backgrounds and, if not, what skills or experience would be valuable to seek in new directors when vacancies occur. Almost 90% to 95% of the companies responding are

satisfied with the size, mix of skill and competencies of their directors. They are also satisfied as to their directors' involvement in formulating key business strategy.

The Code of Corporate Governance 2002 encourages effective representation of independent non executive directors. It is the board's responsibility to determine whether the director is independent or not. The purpose of this is to ensure that the board includes individuals who can exercise impartial judgment for the benefit of the company.

Around 83% of the companies responding feel that the presence of Independent Directors adds value to the board. Independent directors contribute greater impartiality in their judgments. They can provide the board with additional external experience and knowledge, and may have useful contacts that can be used for the company's benefit.

Notable Fact
Only 22% companies responding feel that presence of women on the board of directors adds value to the board.

It is at the board meetings that the decisions are taken. In line with best practice, six to ten meetings are likely to be an appropriate number. As per the Companies Ordinance, 1984 the directors of a public company must meet at least four times in a year.

With an increase in market globalization regulations become more complex, therefore the need to delegate oversight to specialist committees become unavoidable. Board delegate responsibility to a committee but the board remains the ultimate decision making authority and retains responsibility for all board decisions. It is pertinent to note that 98% of the companies responding to the survey feel that their board committees are playing a useful role.

26. In terms of value addition how do you rate your Board?		
Needs Improvement	Satisfactory	Good
6	10	43
27. List your top three suggestions in descending order to make your Board more effective		
1. More effective use of Board committees		
2. More focus on strategy setting by the Boards		
3. Initiating a Board Evaluation program		
4. Need for more independent directors		
5. Reduced interference from the Government		
6. Reduced number of Directorships		

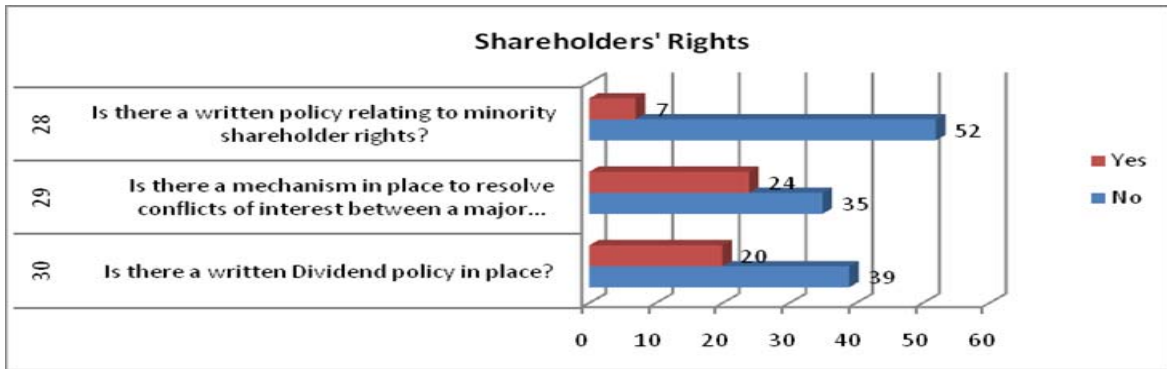
*Rearrange as per priority options exercised

Almost 73% companies under survey rate their boards as Good and only 10% of the companies feel their boards Needs Improvement in terms of value addition.

From among the suggestions the top three suggestions in descending order to make boards effective are:

1. More effective use of Board committees
2. More focus on strategy setting by the Boards
3. Initiating a Board Evaluation program

2.1.4 Shareholders' Rights



“An effective system of corporate governance must strive to channel the self- interest of managers, directors and the advisors upon whom they rely into alignment with the corporate shareholders and public interest”

Shareholders hold an exclusive right on the residual profits of the company. They are not only benefited by way of receiving dividend but also an increase in share price reflects positively on their share sale.

Point to Ponder: Is shareholder mapping carried out? Are there procedures in place to ensure that shareowners rights are respected?

As per the results displayed this area reflects extremely low rate of response. Almost 88% companies surveyed do not have a written policy relating to minority shareholders. Some of the responding companies are of the view that the code does not provide adequate framework to protect minority shareholders and representations of Non- Executive Independent Directors need to be strengthen to protect minority shareholders.

34% of the companies have a written dividend policy. Whereas, only 41% of the companies have mechanism in place to resolve conflicts of interest between a major shareholder and the company.

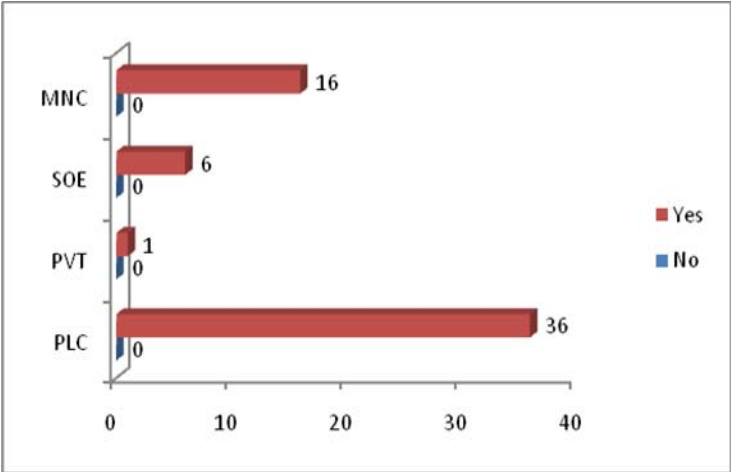
Notable Fact: Mutual Funds under NBFC Rules-2008 are required to distribute 90% of their profit to nit holders.

2.2 ANALYSIS OF THE QUESTIONNAIRE BY STATUS AND SECTOR

2.2.1 Do you believe that implementing the Code of Corporate Governance 2002, provides intrinsic benefits beyond mere compliance?

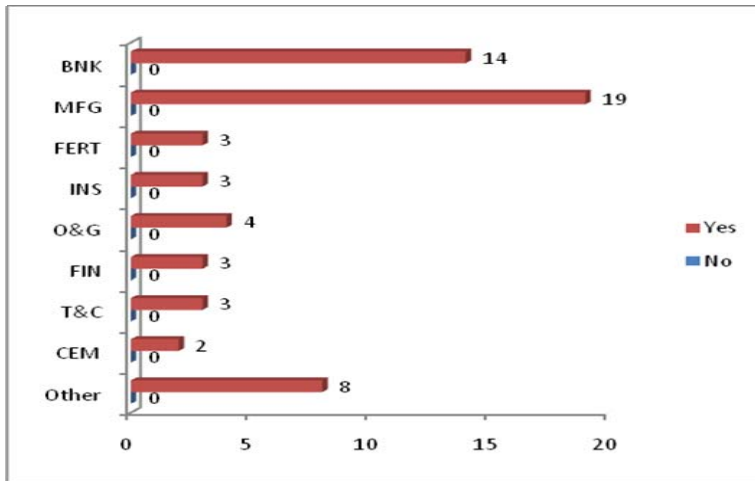
By Company Status

COMPANY STATUS	YES	NO
MNC	16	0
SOE	6	0
PVT	1	0
PLC	36	0
TOTAL	59	0



By Primary business

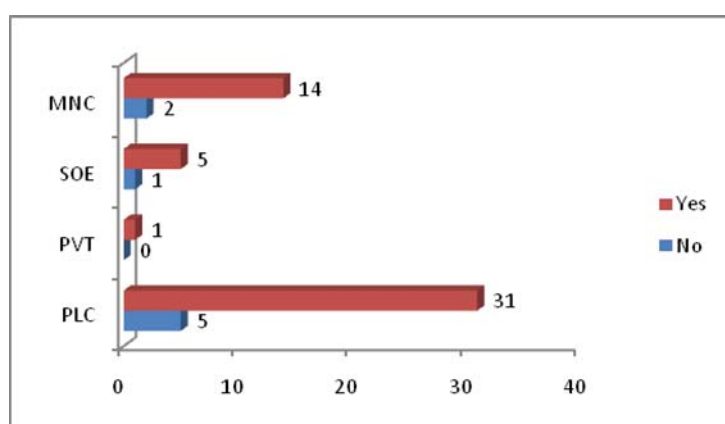
PRIMARY BUSINESS	YES	NO
BNK	14	0
MFG	19	0
FERT	3	0
INS	3	0
O&G	4	0
FIN	3	0
T&C	3	0
CEM	2	0
Other	8	0
Total	59	0



2.2.2 Do you believe the current Corporate Governance frame work in Pakistan promotes transparent and efficient markets?

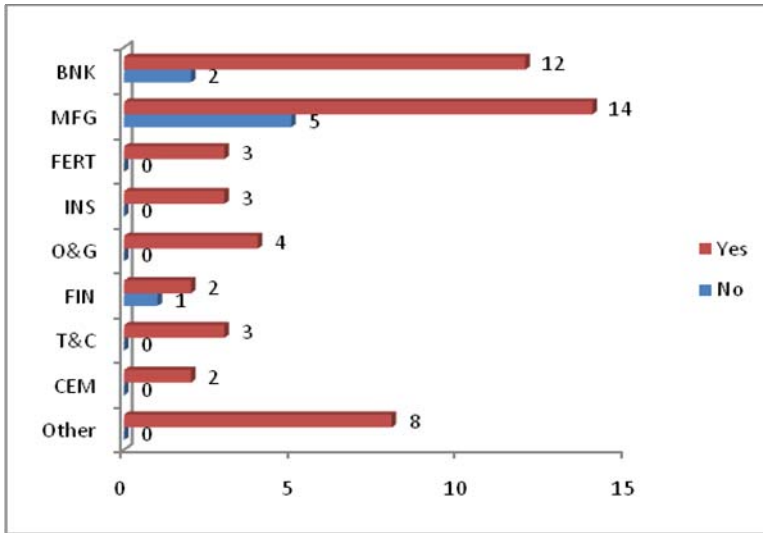
By Company Status

COMPANY STATUS	YES	NO
MNC	14	2
SOE	5	1
PVT	1	0
PLC	31	5
TOTAL	51	8



By Primary business

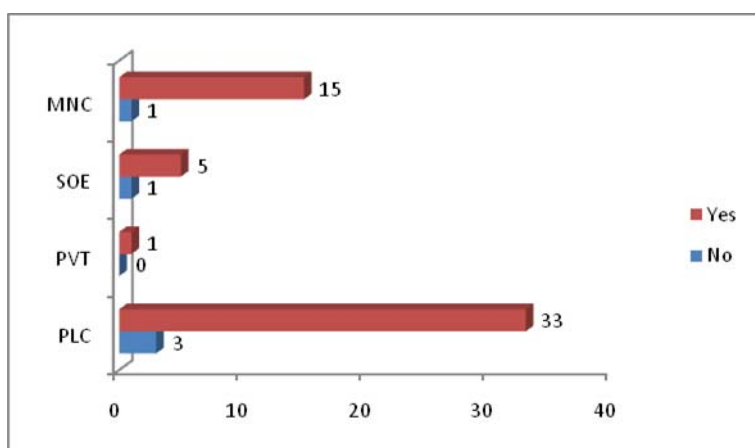
PRIMARY BUSINESS	YES	NO
BNK	12	2
MFG	14	5
FERT	3	0
INS	3	0
O&G	4	0
FIN	2	1
T&C	3	0
CEM	2	0
Other	8	0
Total	51	8



2.2.3 Do you believe that the current Corporate Governance framework in Pakistan ensures Strategic Guidance and effective monitoring of risk and related matters impacting the corporation?

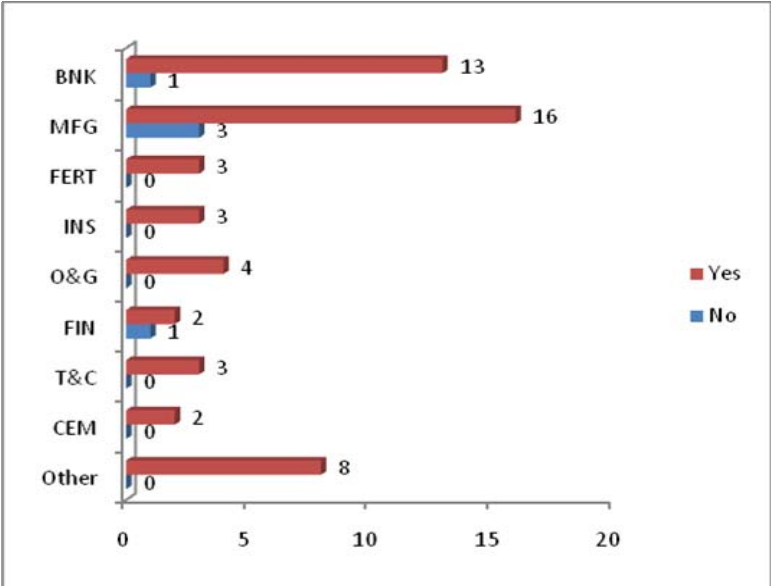
By Company Status

COMPANY STATUS	YES	NO
MNC	15	1
SOE	5	1
PVT	1	0
PLC	33	3
TOTAL	54	5



By Primary business

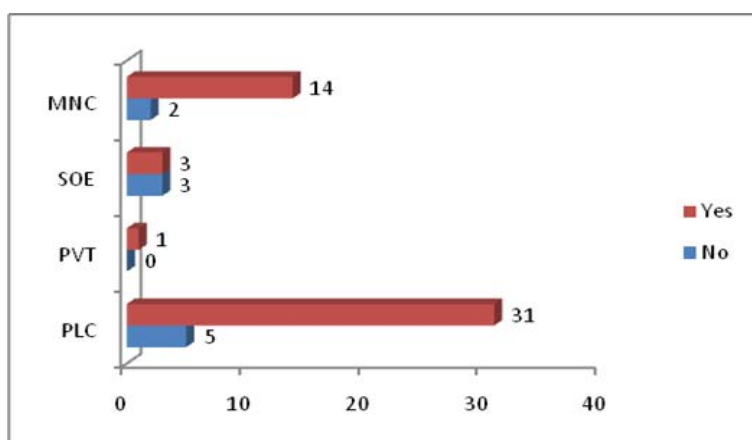
PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	16	3
FERT	3	0
INS	3	0
O&G	4	0
FIN	2	1
T&C	3	0
CEM	2	0
Other	8	0
Total	54	5



2.2.4 Do you believe that the current Corporate Governance framework in Pakistan ensures equitable treatment of shareholders including minority and foreign shareholders?

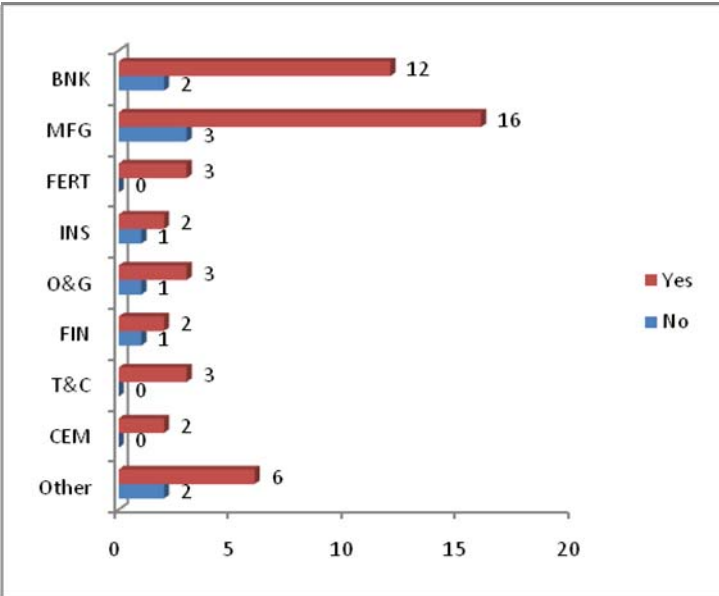
By Company Status

COMPANY STATUS	YES	NO
MNC	14	2
SOE	3	3
PVT	1	0
PLC	31	5
TOTAL	49	10



By Primary business

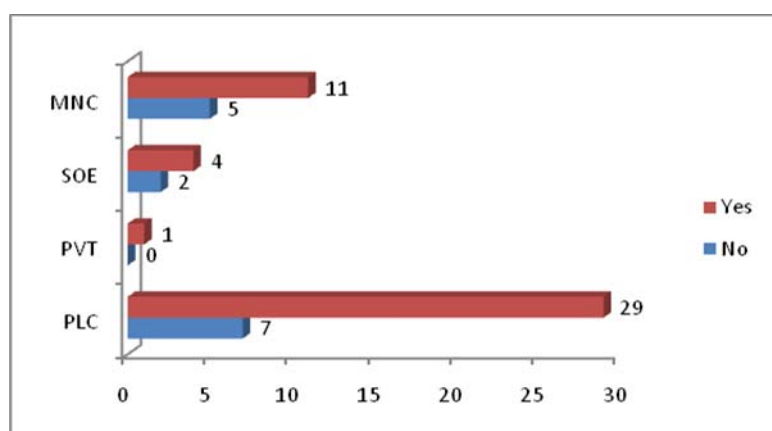
PRIMARY BUSINESS	YES	NO
BNK	12	2
MFG	16	3
FERT	3	0
INS	2	1
O&G	3	1
FIN	2	1
T&C	3	0
CEM	2	0
Other	6	2
Total	49	10



2.2.5 Do you believe that the current Corporate Governance framework in Pakistan ensures the rights of all stakeholders?

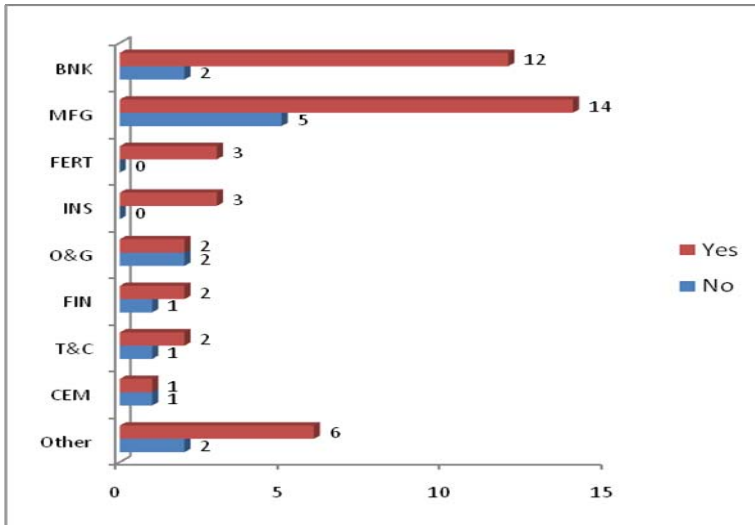
By Company Status

COMPANY STATUS	YES	NO
MNC	11	5
SOE	4	2
PVT	1	0
PLC	29	7
TOTAL	45	14



By Primary business

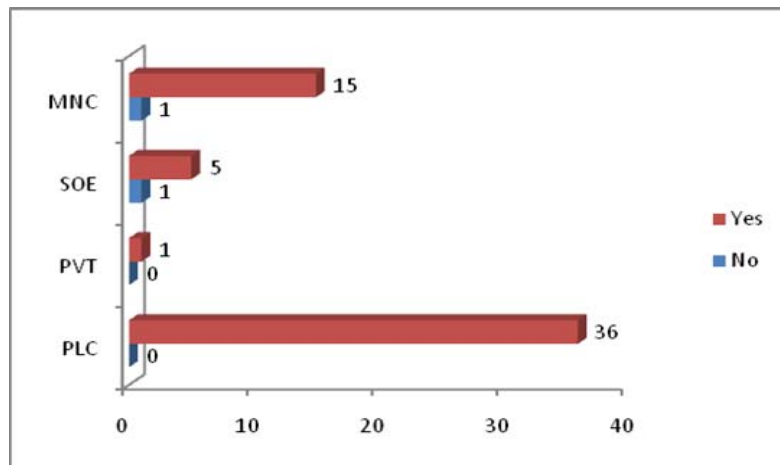
PRIMARY BUSINESS	YES	NO
BNK	12	2
MFG	14	5
FERT	3	0
INS	3	0
O&G	2	2
FIN	2	1
T&C	2	1
CEM	1	1
Other	6	2
Total	45	14



2.2.6 Do you believe that the current Corporate Governance framework in Pakistan ensures timely and accurate disclosure of all material matters regarding the corporation?

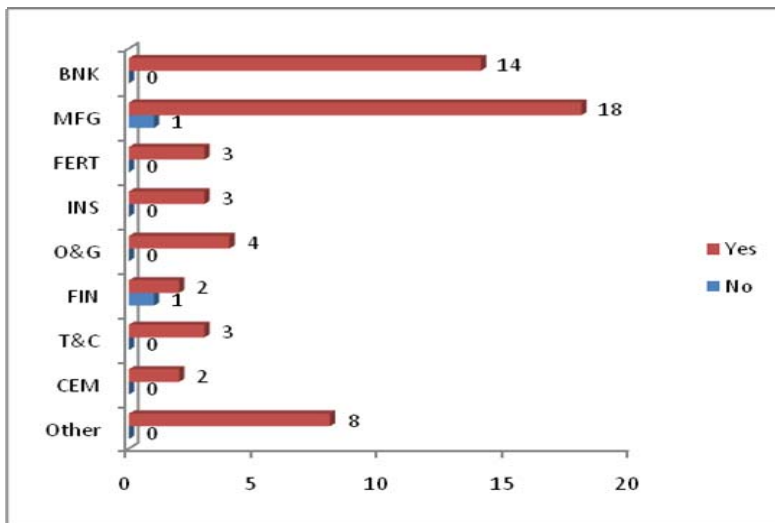
By Company Status

COMPANY STATUS	YES	NO
MNC	15	1
SOE	5	1
PVT	1	0
PLC	36	0
TOTAL	57	2



By Primary business

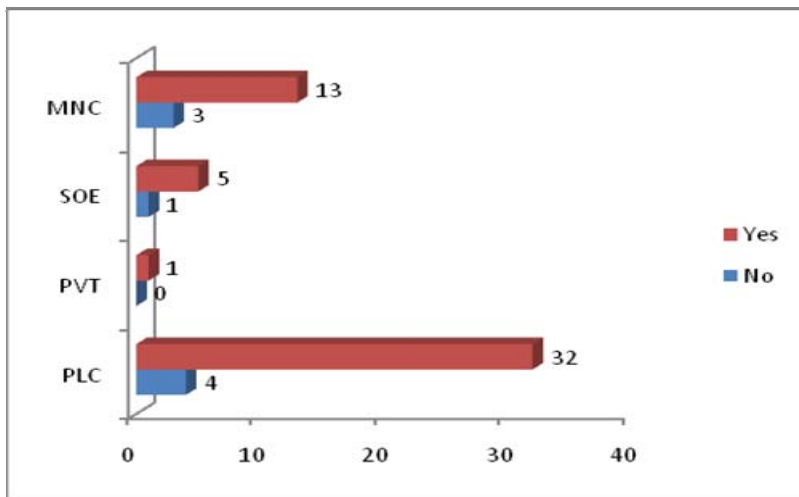
PRIMARY BUSINESS	YES	NO
BNK	14	0
MFG	18	1
FERT	3	0
INS	3	0
O&G	4	0
FIN	2	1
T&C	3	0
CEM	2	0
Other	8	0
Total	57	2



2.2.7 Are the internal Control Procedures reviewed annually by the Board?

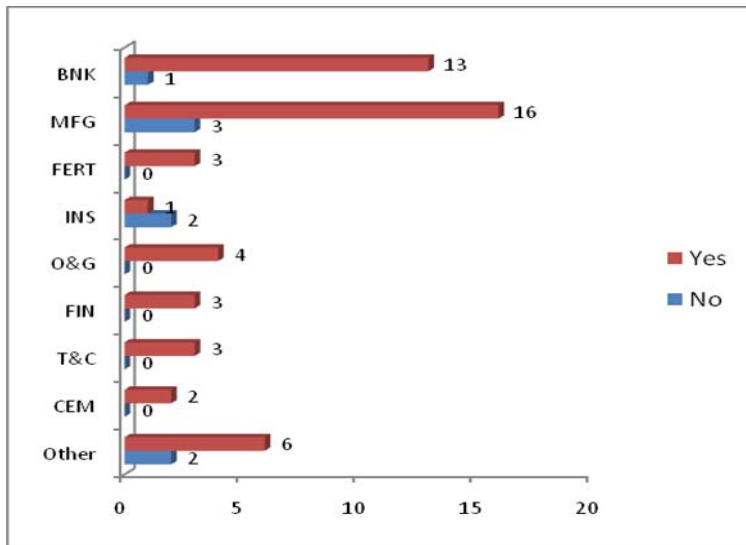
By Company Status

COMPANY STATUS	YES	NO
MNC	13	3
SOE	5	1
PVT	2	0
PLC	32	4
TOTAL	52	8



By Primary business

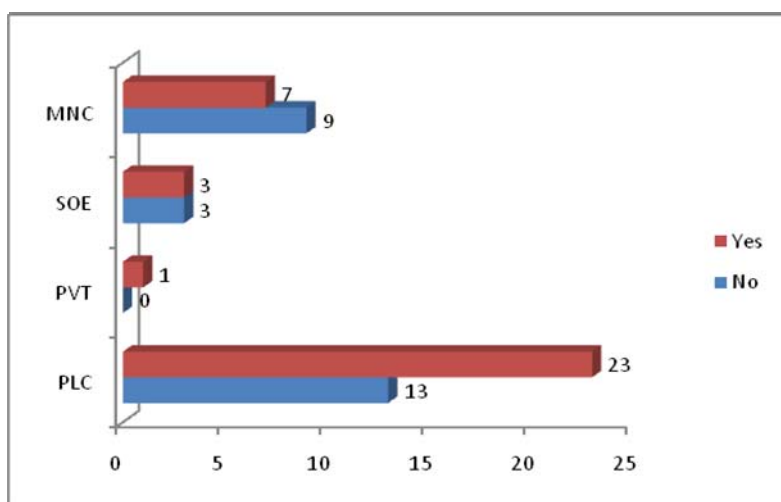
PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	16	3
FERT	3	0
INS	1	2
O&G	4	0
FIN	3	0
T&C	3	0
CEM	2	0
Other	6	2
Total	51	8



2.2.8 Does the Board engage in succession planning?

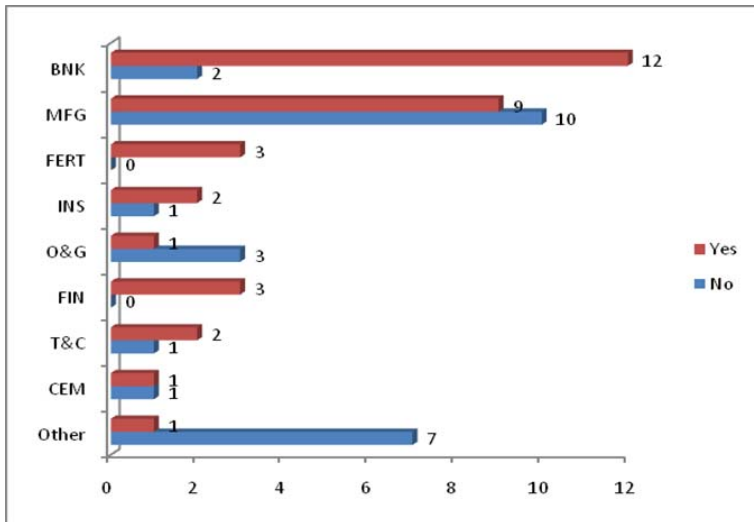
By Company Status

COMPANY STATUS	YES	NO
MNC	7	9
SOE	3	3
PVT	1	0
PLC	23	13
TOTAL	34	25



By Primary business

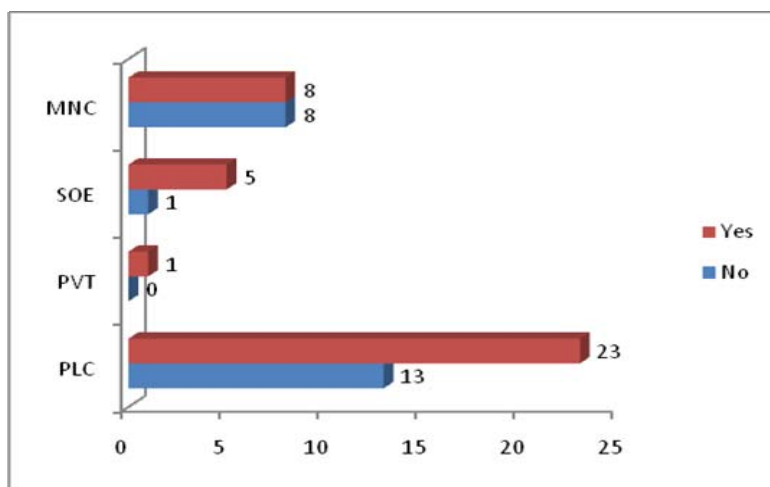
PRIMARY BUSINESS	YES	NO
BNK	12	2
MFG	9	10
FERT	3	0
INS	2	1
O&G	1	3
FIN	3	0
T&C	2	1
CEM	1	1
Other	1	7
Total	34	25



2.2.9 Does the Board formally assess the Human Resource?

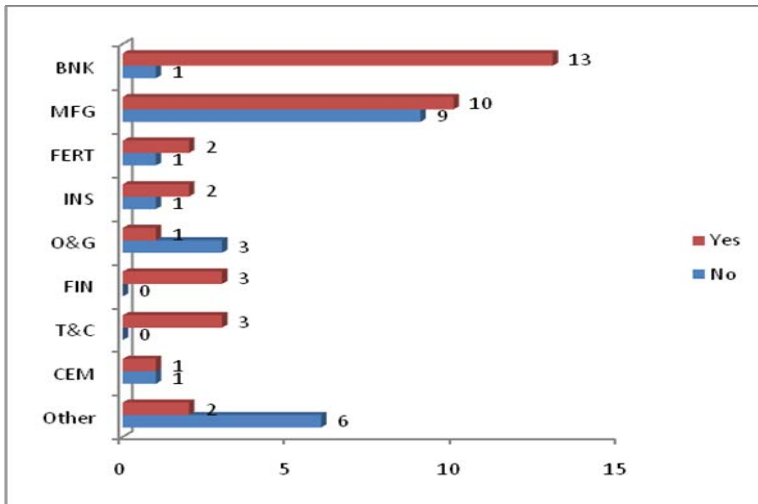
By Company Status

COMPANY STATUS	YES	NO
MNC	8	8
SOE	5	1
PVT	1	0
PLC	23	13
TOTAL	37	22



By Primary business

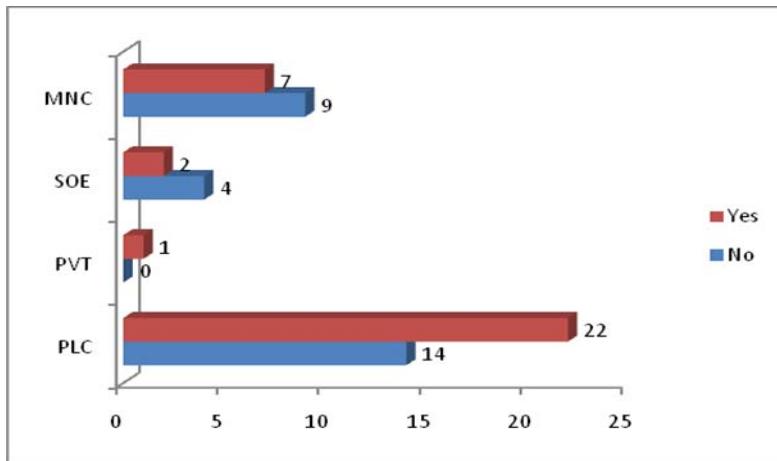
PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	10	9
FERT	2	1
INS	2	1
O&G	1	3
FIN	3	0
T&C	3	0
CEM	1	1
Other	2	6
Total	37	22



2.2.10 Does the Board formally review appraisals of positions reporting to the CEO?

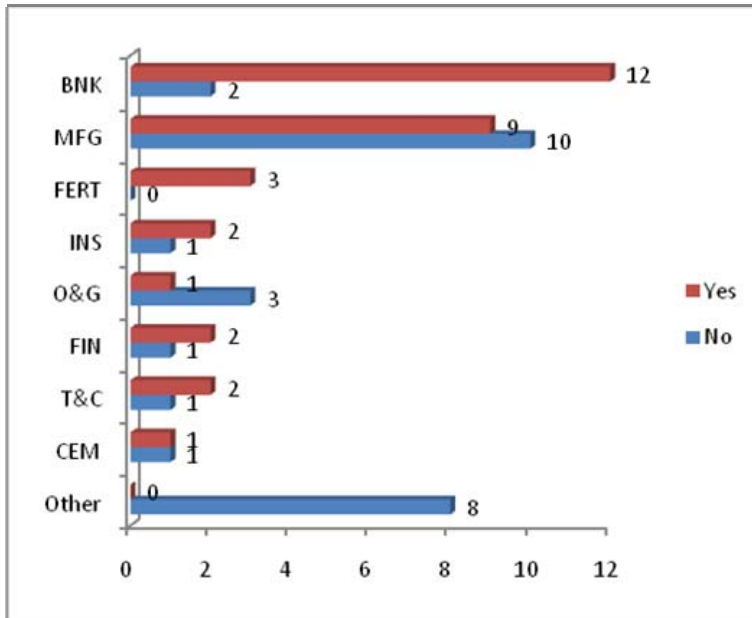
By Company Status

COMPANY STATUS	YES	NO
MNC	7	9
SOE	2	4
PVT	1	0
PLC	22	14
TOTAL	32	27



By Primary business

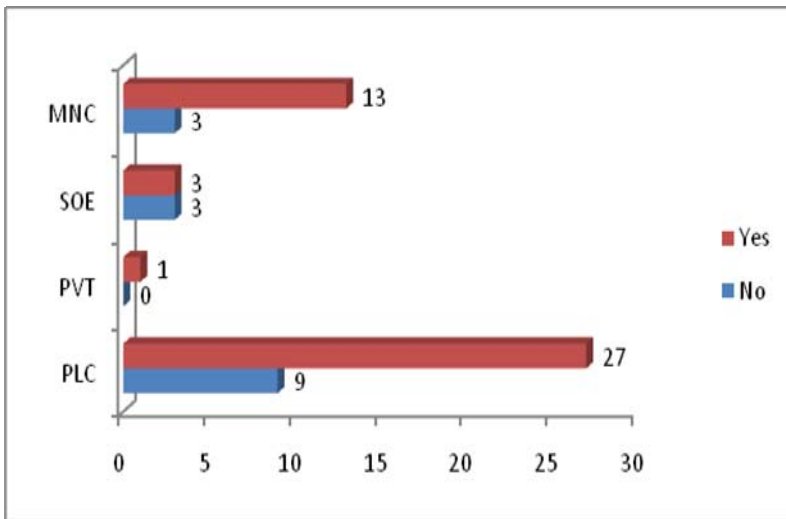
PRIMARY BUSINESS	YES	NO
BNK	12	2
MFG	9	10
FERT	3	0
INS	2	1
O&G	1	3
FIN	2	1
T&C	2	1
CEM	1	1
Other	0	8
Total	32	27



2.2.11 Are non executive directors given opportunities to interact with employees?

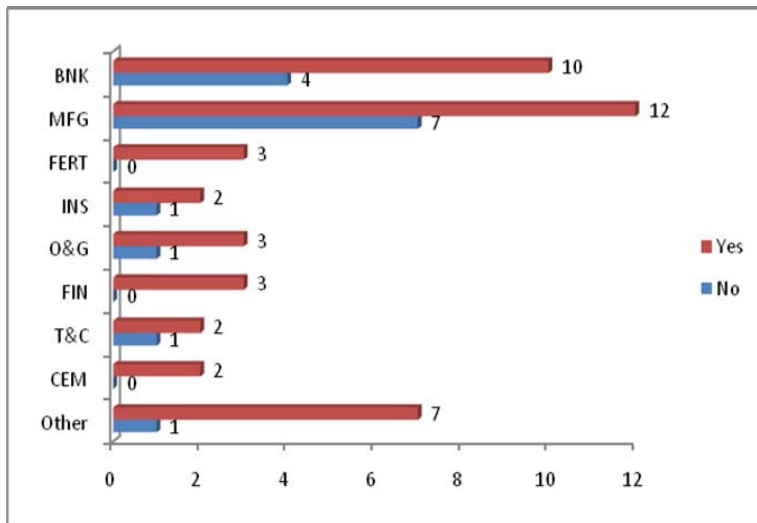
By Company Status

COMPANY STATUS	YES	NO
MNC	13	3
SOE	3	3
PVT	1	0
PLC	27	9
TOTAL	44	15



By Primary business

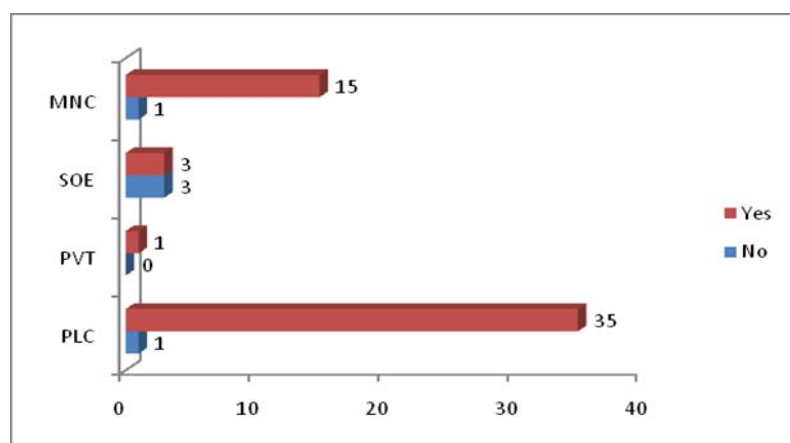
PRIMARY BUSINESS	YES	NO
BNK	10	4
MFG	12	7
FERT	3	0
INS	2	1
O&G	3	1
FIN	3	0
T&C	2	1
CEM	2	0
Other	7	1
Total	44	15



2.2.12 Do you agree with the separation of Chairman and CEO's position?

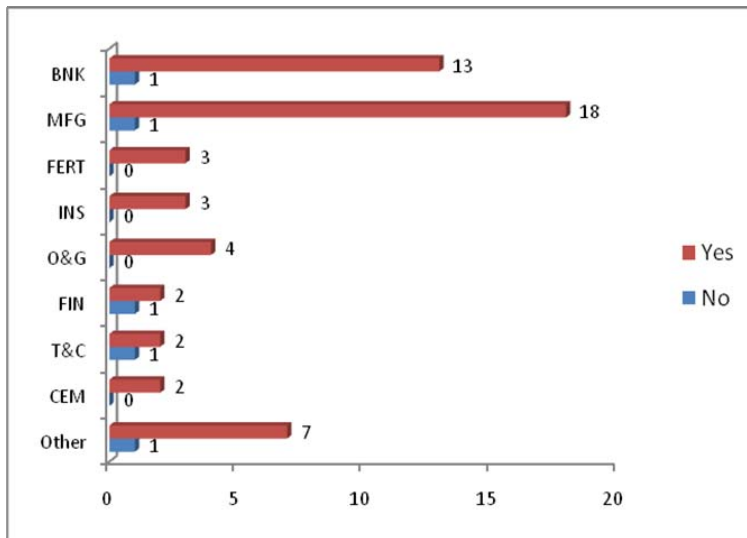
By Company Status

COMPANY STATUS	YES	NO
MNC	15	1
SOE	3	3
PVT	1	0
PLC	35	1
TOTAL	54	5



By Primary business

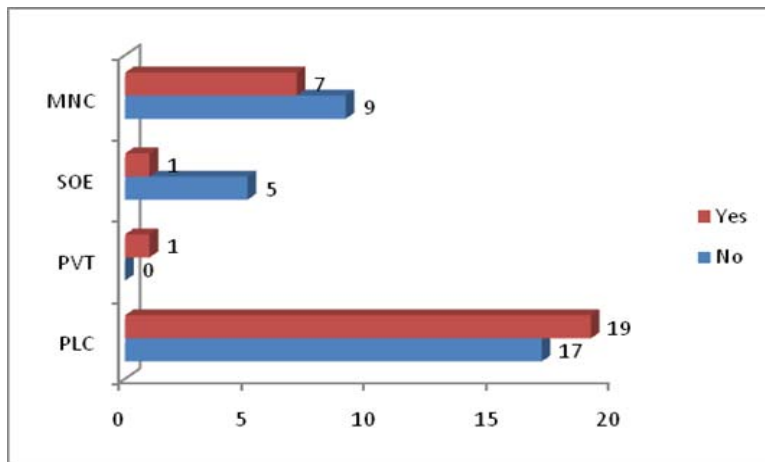
PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	18	1
FERT	3	0
INS	3	0
O&G	4	0
FIN	2	1
T&C	2	1
CEM	2	0
Other	7	1
Total	54	5



2.2.13 Does the Board assess its own performance?

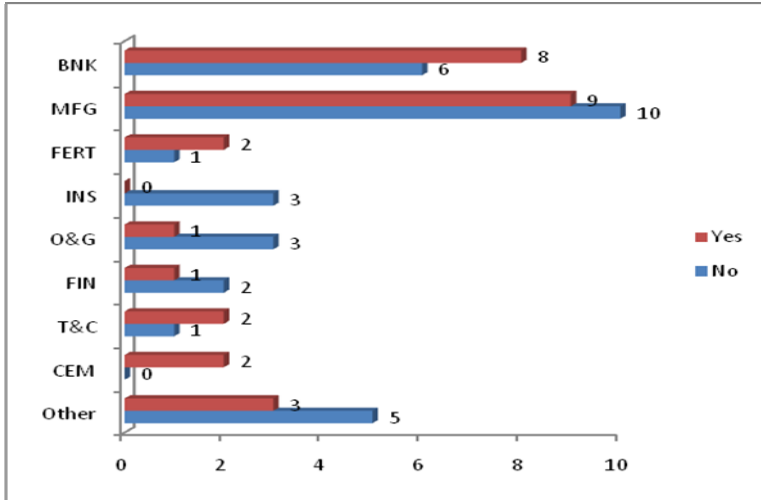
By Company Status

COMPANY STATUS	YES	NO
MNC	7	9
SOE	1	5
PVT	1	0
PLC	19	17
TOTAL	28	31



By Primary business

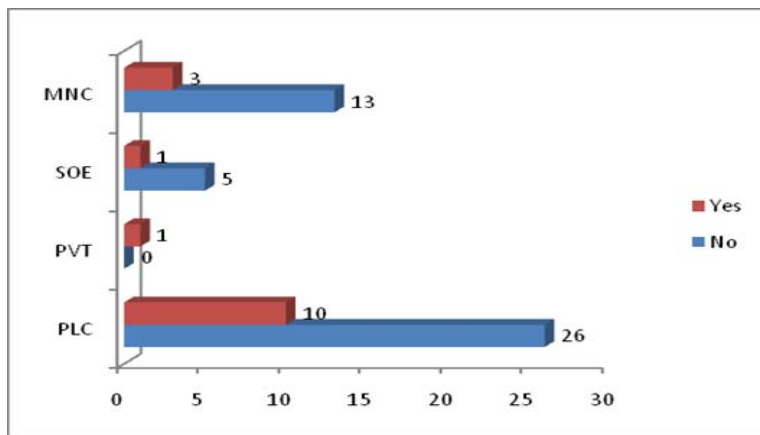
PRIMARY BUSINESS	YES	NO
BNK	8	6
MFG	9	10
FERT	2	1
INS	0	3
O&G	1	3
FIN	1	2
T&C	2	1
CEM	2	0
Other	3	5
Total	28	31



2.2.14 Does the Board have any retreat meetings?

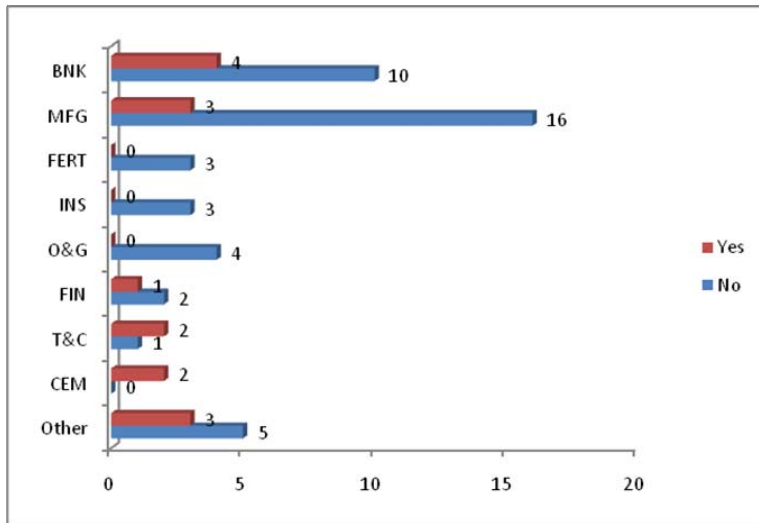
By Company Status

COMPANY STATUS	YES	NO
MNC	3	13
SOE	1	5
PVT	1	0
PLC	10	26
TOTAL	15	44



By Primary business

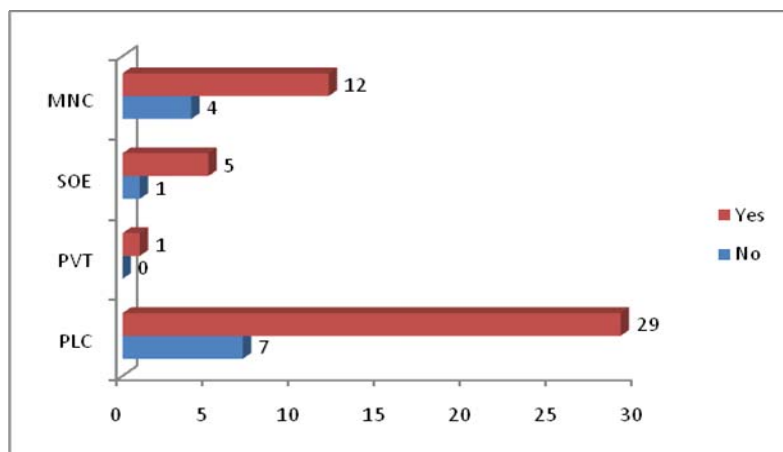
PRIMARY BUSINESS	YES	NO
BNK	4	10
MFG	3	16
FERT	0	3
INS	0	3
O&G	0	4
FIN	1	2
T&C	2	1
CEM	2	0
Other	3	5
Total	15	44



2.2.15 Does the Board have a formal Corporate Social Responsibility (CSR) policy?

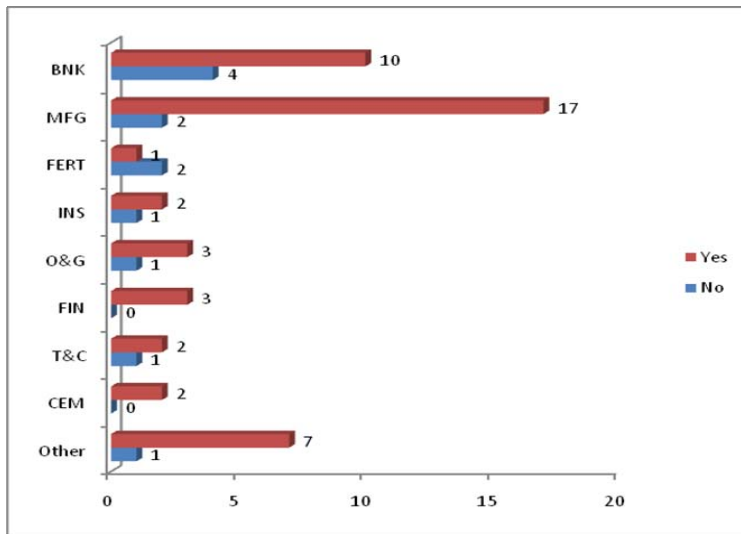
By Company Status

COMPANY STATUS	YES	NO
MNC	12	4
SOE	5	1
PVT	1	0
PLC	29	7
TOTAL	47	12



By Primary business

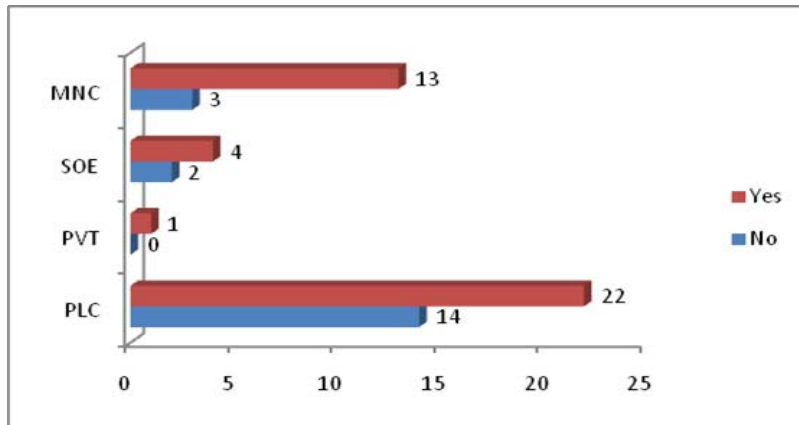
PRIMARY BUSINESS	YES	NO
BNK	10	4
MFG	17	2
FERT	1	2
INS	2	1
O&G	3	1
FIN	3	0
T&C	2	1
CEM	2	0
Other	7	1
Total	47	12



2.2.16 Is there a mechanism in place for whistle blowing?

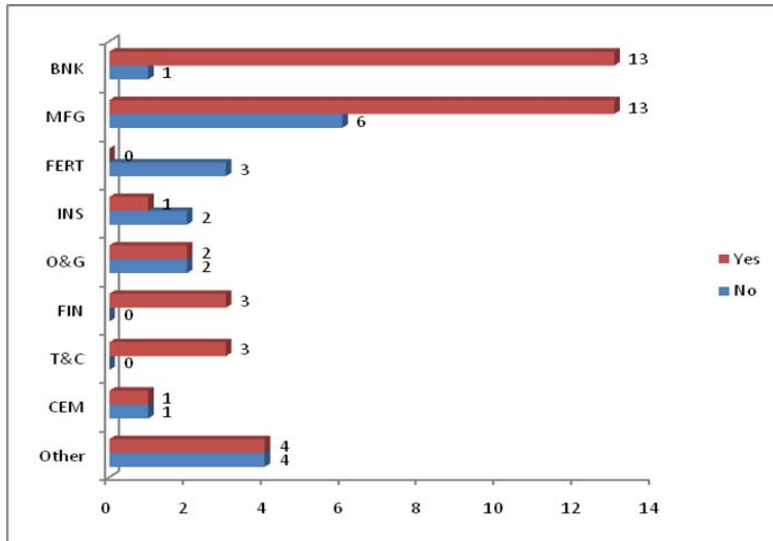
By Company Status

COMPANY STATUS	YES	NO
MNC	13	3
SOE	4	2
PVT	1	0
PLC	22	14
TOTAL	40	19



By Primary business

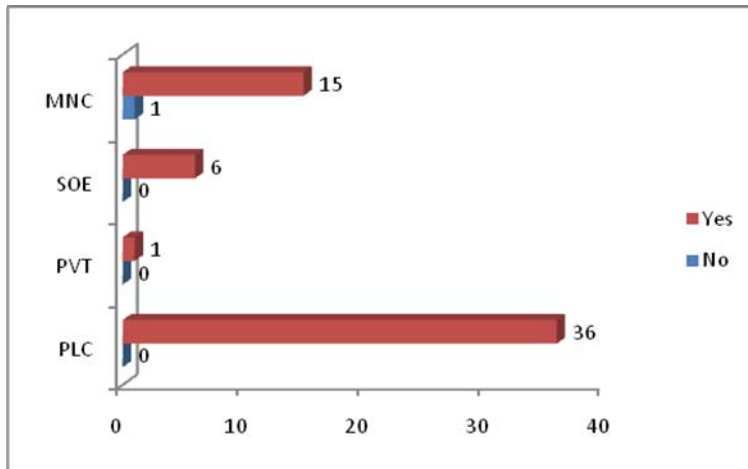
PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	13	6
FERT	0	3
INS	1	2
O&G	2	2
FIN	3	0
T&C	3	0
CEM	1	1
Other	4	4
Total	40	19



2.2.17 Has the Board taken appropriate measures to implement governance improvement planning?

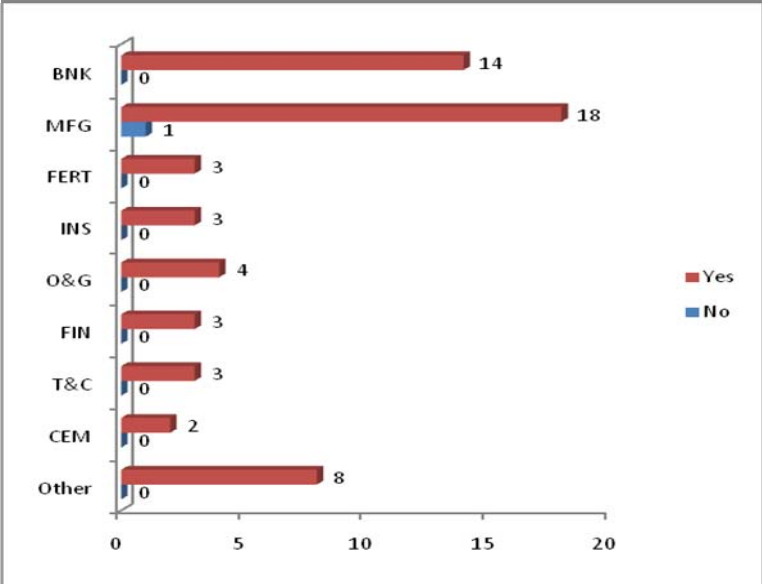
By Company Status

COMPANY STATUS	YES	NO
MNC	15	1
SOE	6	0
PVT	1	0
PLC	36	0
TOTAL	58	1



By Primary business

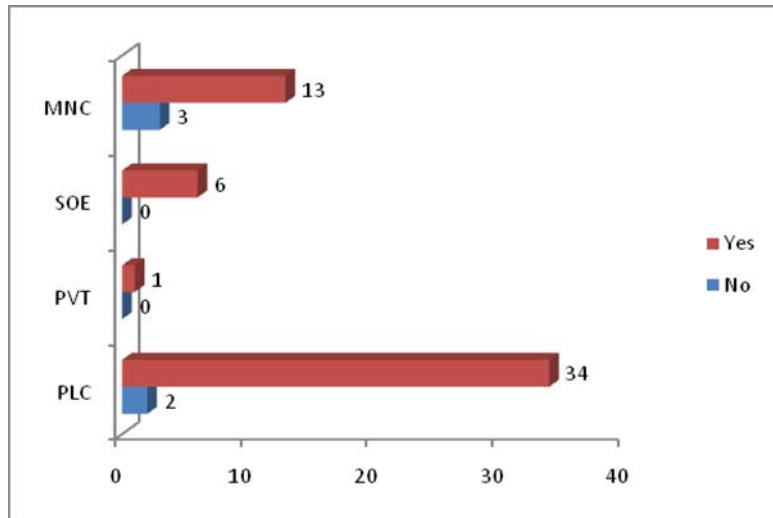
PRIMARY BUSINESS	YES	NO
BNK	14	0
MFG	18	1
FERT	3	0
INS	3	0
O&G	4	0
FIN	3	0
T&C	3	0
CEM	2	0
Other	8	0
Total	58	1



2.2.18 Are you satisfied with the level of involvement of Directors when formulating key business strategies?

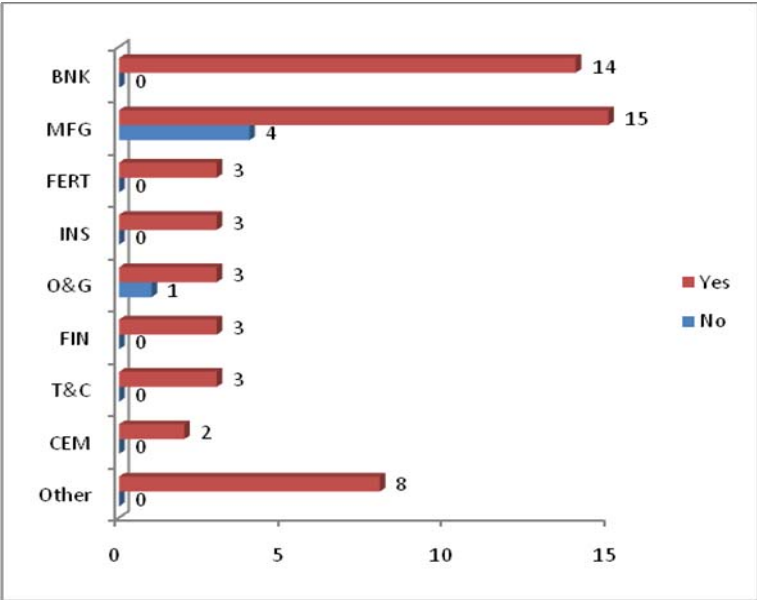
By Company Status

COMPANY STATUS	YES	NO
MNC	13	3
SOE	6	0
PVT	1	0
PLC	34	2
TOTAL	54	5



By Primary business

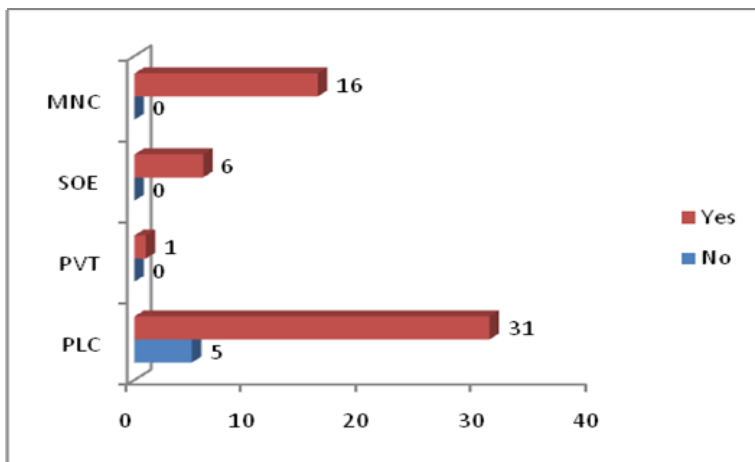
PRIMARY BUSINESS	YES	NO
BNK	14	0
MFG	15	4
FERT	3	0
INS	3	0
O&G	3	1
FIN	3	0
T&C	3	0
CEM	2	0
Other	8	0
Total	54	5



2.2.19 Are Directors on your Board sufficiently oriented to perform effectively?

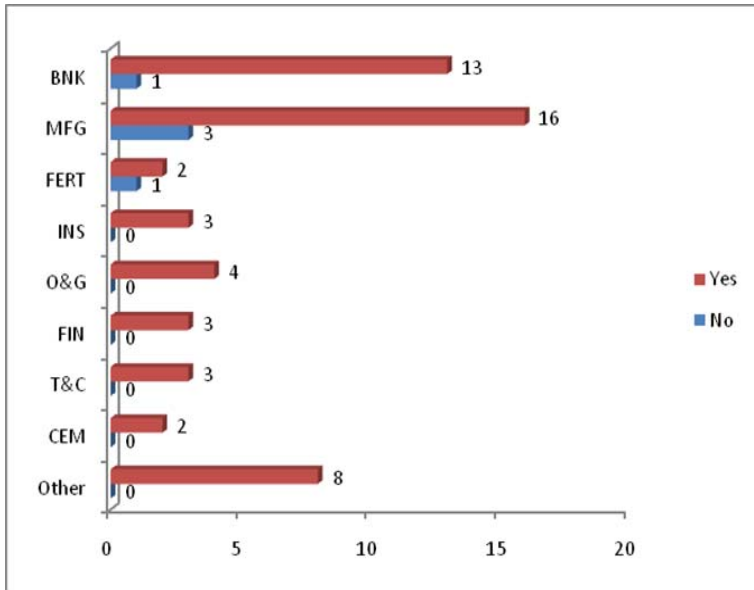
By Company Status

COMPANY STATUS	YES	NO
MNC	16	0
SOE	6	0
PVT	1	0
PLC	31	5
TOTAL	54	5



By Primary business

PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	16	3
FERT	2	1
INS	3	0
O&G	4	0
FIN	3	0
T&C	3	0
CEM	2	0
Other	8	0
Total	54	5



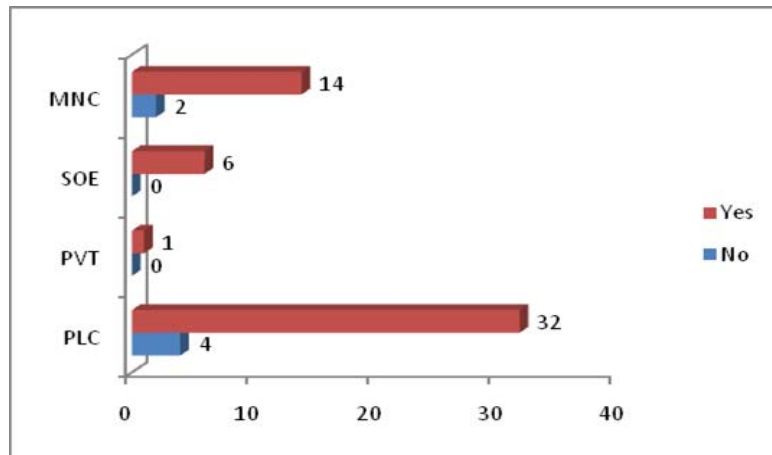
2.2.20 Are you satisfied with the size of the board?

If your answer is 'No', what of the following in your opinion would be the appropriate size?

- i) 7-9
- ii) 9-11
- iii) 11-13
- iv) 13 & more

By Company Status

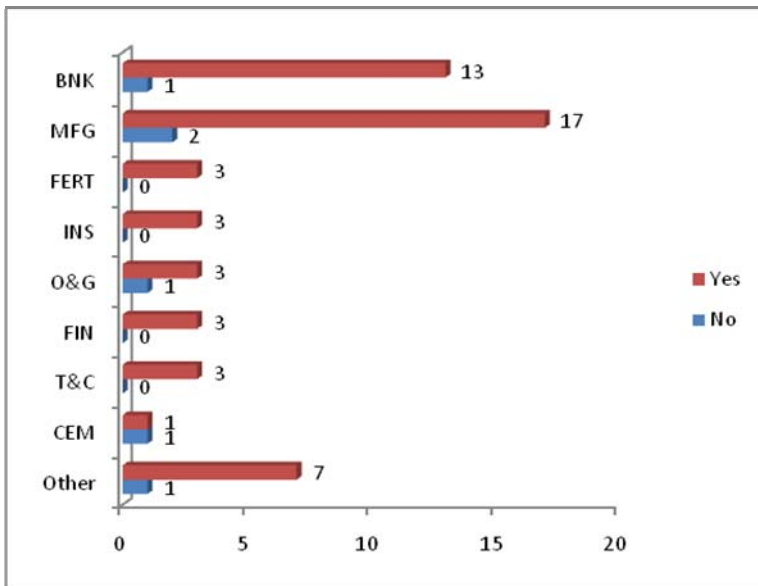
COMPANY STATUS	YES	NO
MNC	14	2
SOE	6	0
PVT	1	0
PLC	32	4
TOTAL	53	6



Those responding in negative feel that an appropriate size would be 7-9 or 9-11.

By Primary business

PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	17	2
FERT	3	0
INS	3	0
O&G	3	1
FIN	3	0
T&C	3	0
CEM	1	1
Other	7	1
Total	53	6



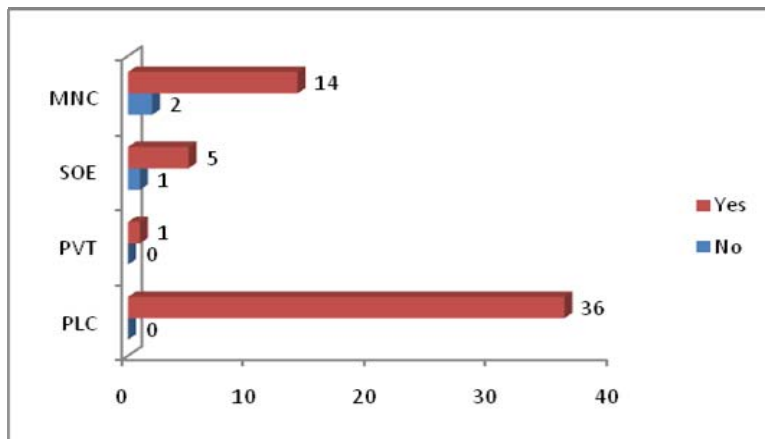
2.2.21 Are you satisfied with the mix of skills and competencies of Directors on your Board?

If your answer is 'No', kindly indicate your preference in descending order:

- i) Financial**
- ii) Legal**
- iii) Entrepreneurial**
- iv) Project/Technical**
- v) Industry Related**

By Company Status

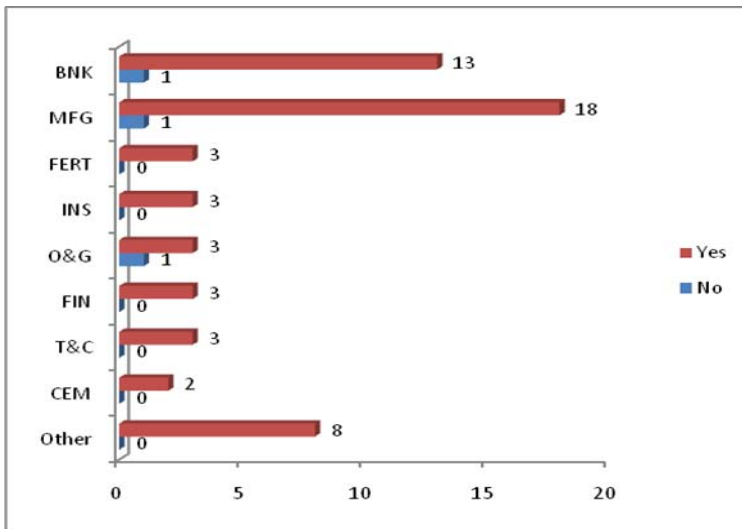
COMPANY STATUS	YES	NO
MNC	14	2
SOE	5	1
PVT	1	0
PLC	36	0
TOTAL	56	3



Those answering in negative have preferred financial, project/technical and industry related.

By Primary business

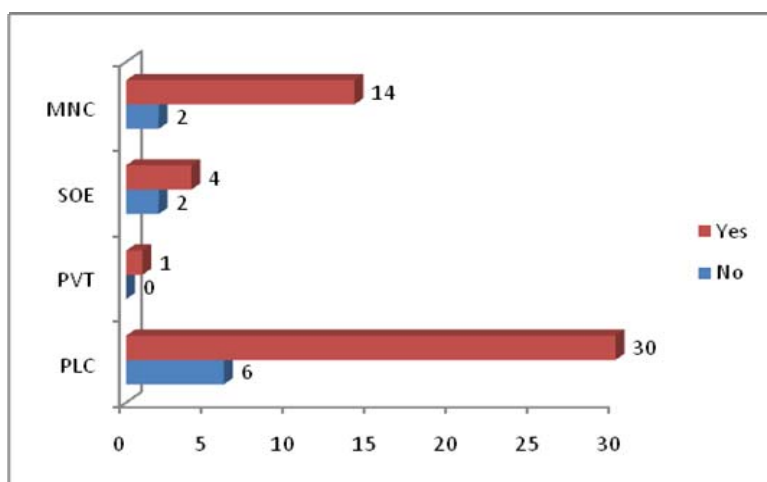
PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	18	1
FERT	3	0
INS	3	0
O&G	3	1
FIN	3	0
T&C	3	0
CEM	2	0
Other	8	0
Total	56	3



2.2.22 Has the presence of Independent Directors added value to the Board?

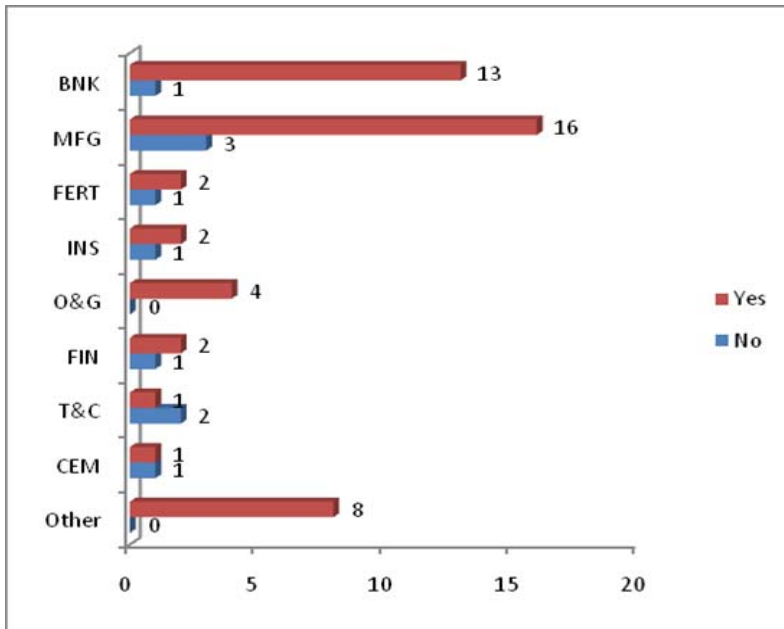
By Company Status

COMPANY STATUS	YES	NO
MNC	14	2
SOE	4	2
PVT	1	0
PLC	30	6
TOTAL	49	10



By Primary business

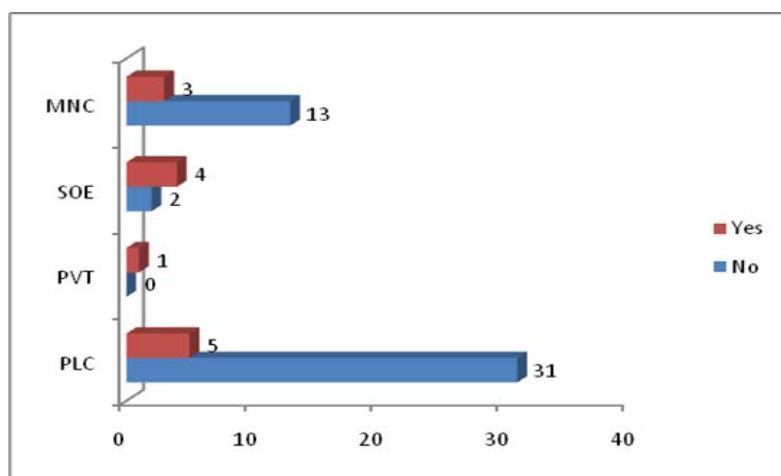
PRIMARY BUSINESS	YES	NO
BNK	13	1
MFG	16	3
FERT	2	1
INS	2	1
O&G	4	0
FIN	2	1
T&C	1	2
CEM	1	1
Other	8	0
Total	49	10



2.2.23 Has the presence of Women Directors added value to the Board?

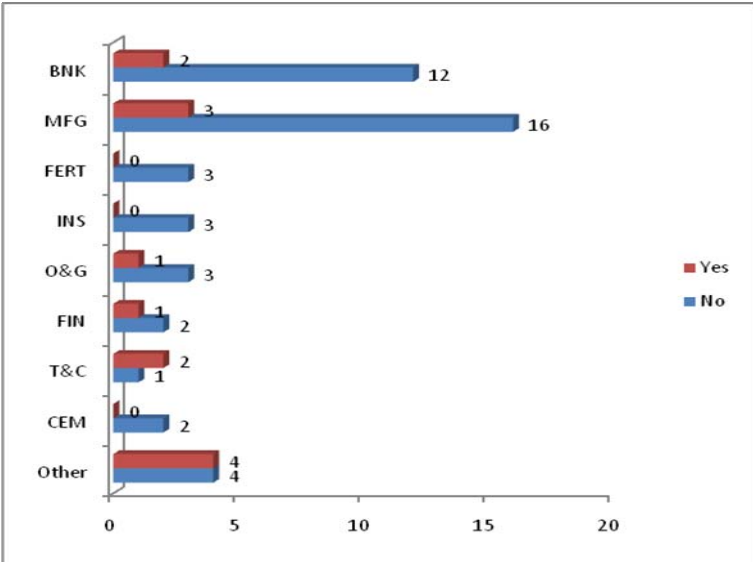
By Company Status

COMPANY STATUS	YES	NO
MNC	3	13
SOE	4	2
PVT	1	0
PLC	5	31
TOTAL	13	46



By Primary business

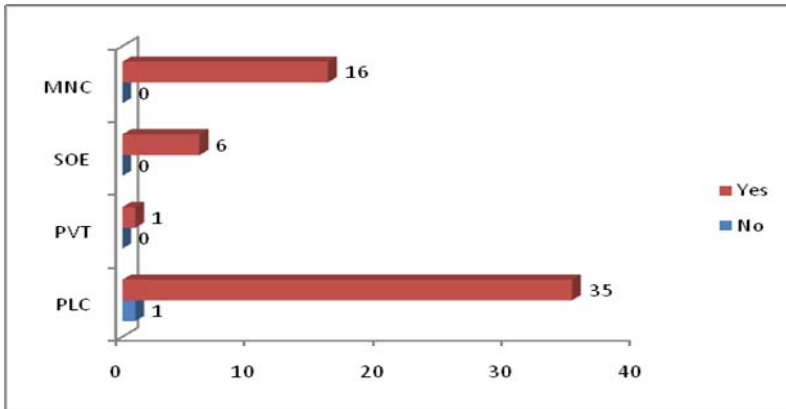
PRIMARY BUSINESS	YES	NO
BNK	2	12
MFG	3	16
FERT	0	3
INS	0	3
O&G	1	3
FIN	1	2
T&C	2	1
CEM	0	2
Other	4	4
Total	13	46



2.2.24 Are Board meetings of sufficient frequency/duration to complete the Company's Business?

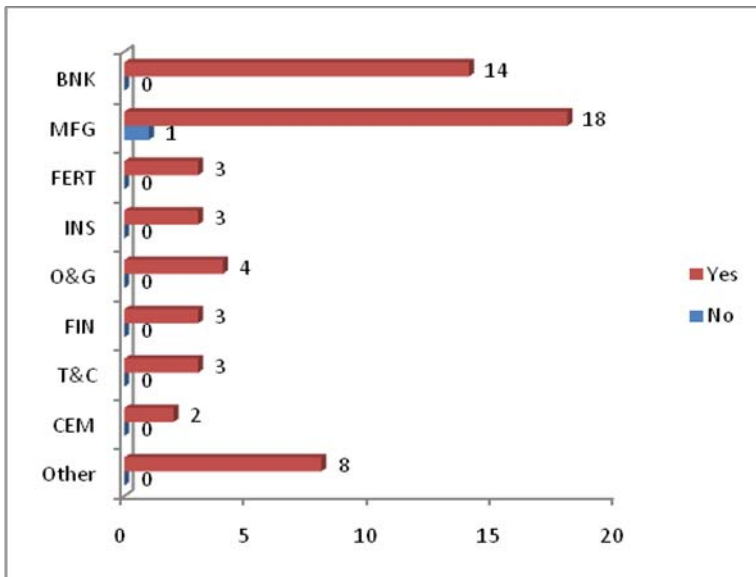
By Company Status

COMPANY STATUS	YES	NO
MNC	16	0
SOE	6	0
PVT	1	0
PLC	35	1
TOTAL	58	1



By Primary business

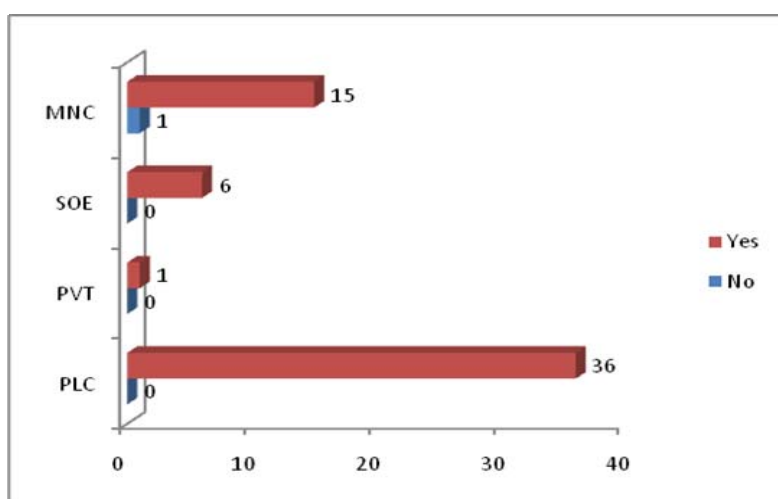
PRIMARY BUSINESS	YES	NO
BNK	14	0
MFG	18	1
FERT	3	0
INS	3	0
O&G	4	0
FIN	3	0
T&C	3	0
CEM	2	0
Other	8	0
Total	58	1



2.2.25 Are Board committees playing a useful role?

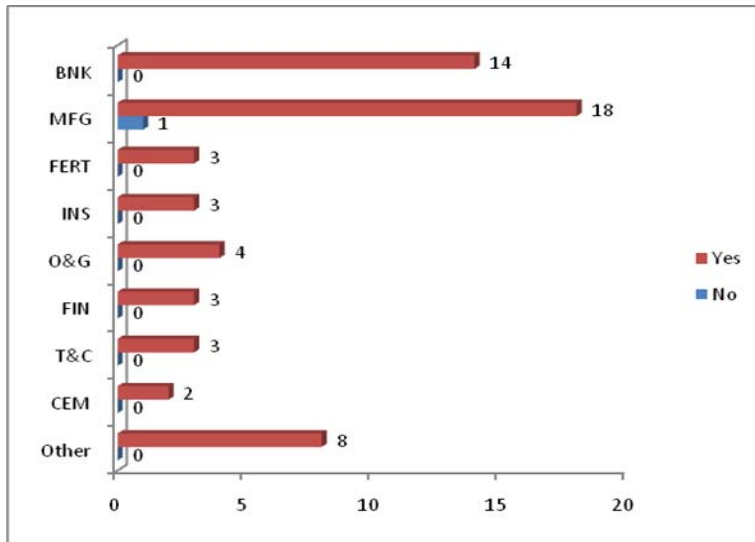
By Company Status

COMPANY STATUS	YES	NO
MNC	15	1
SOE	6	0
PVT	1	0
PLC	36	0
TOTAL	58	1



By Primary business

PRIMARY BUSINESS	YES	NO
BNK	14	0
MFG	18	1
FERT	3	0
INS	3	0
O&G	4	0
FIN	3	0
T&C	3	0
CEM	2	0
Other	8	0
Total	58	1



2.2.26 In terms of value addition how do you rate your Board?

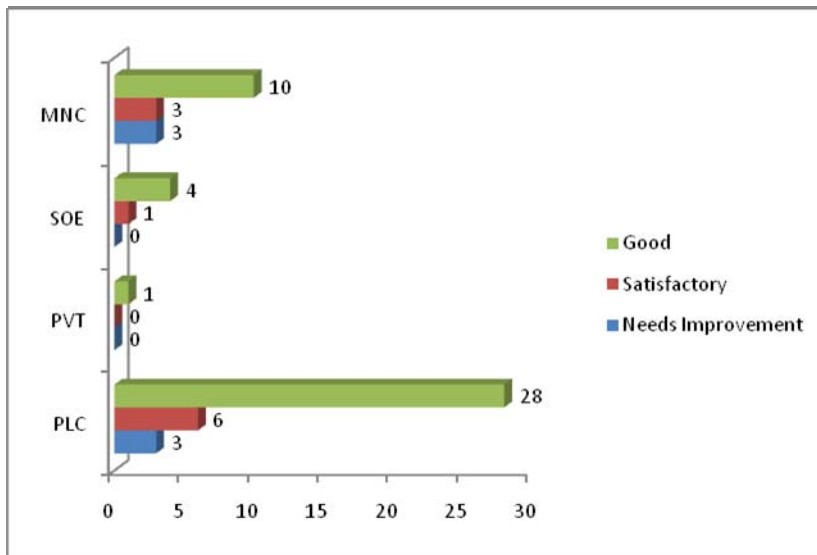
Needs improvement

Satisfactory

Good

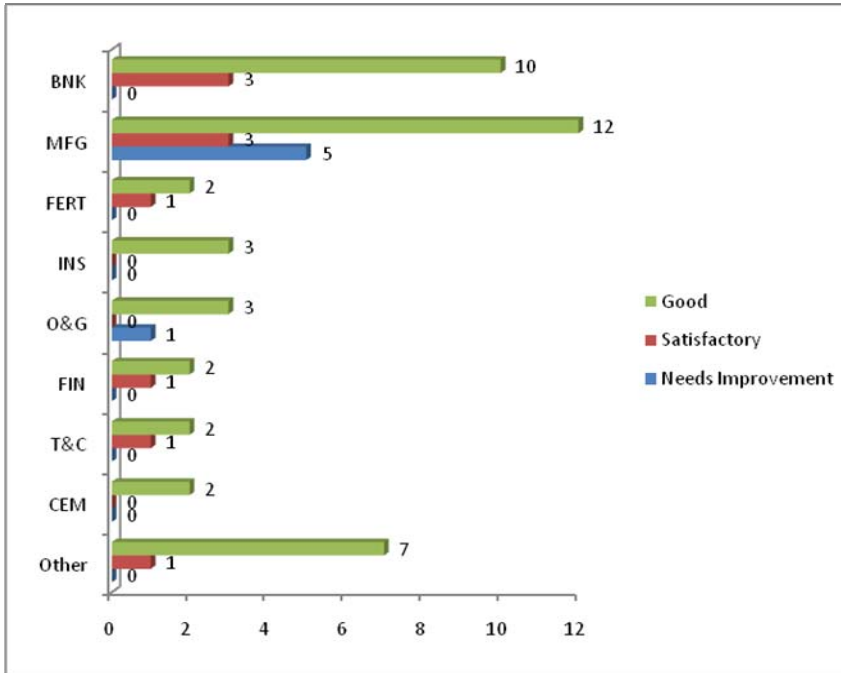
By Company Status

COMPANY STATUS	Needs Improvement	Satisfactory	Good
MNC	3	3	10
SOE	0	1	4
PVT	0	0	2
PLC	3	6	27
TOTAL	6	10	43



By Primary business

PRIMARY BUSINESS	Needs Improvement	Satisfactory	Good
BNK	0	3	10
MFG	5	3	12
FERT	0	1	2
INS	0	0	3
O&G	1	0	3
FIN	0	1	2
T&C	0	1	2
CEM	0	0	2
Other	0	1	7
Total	6	10	43

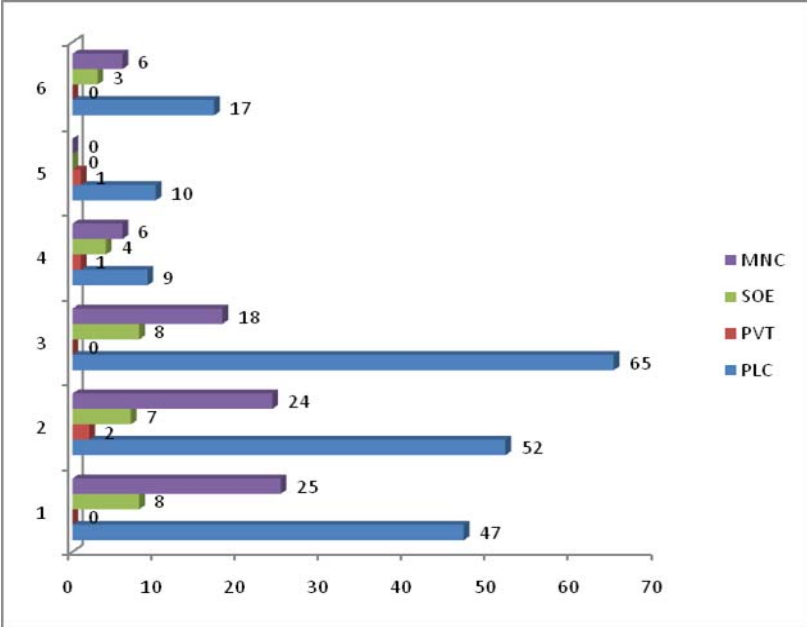


2.2.27 List your top three suggestions in descending order to make your Board more effective.*

- 1. Initiating a Board Evaluation program**
- 2. More focus on strategy setting by the Boards**
- 3. More effective use of Board committees**
- 4. Reduced interference from the Government**
- 5. Reduced number of Directorships**
- 6. Need for more independent directors**

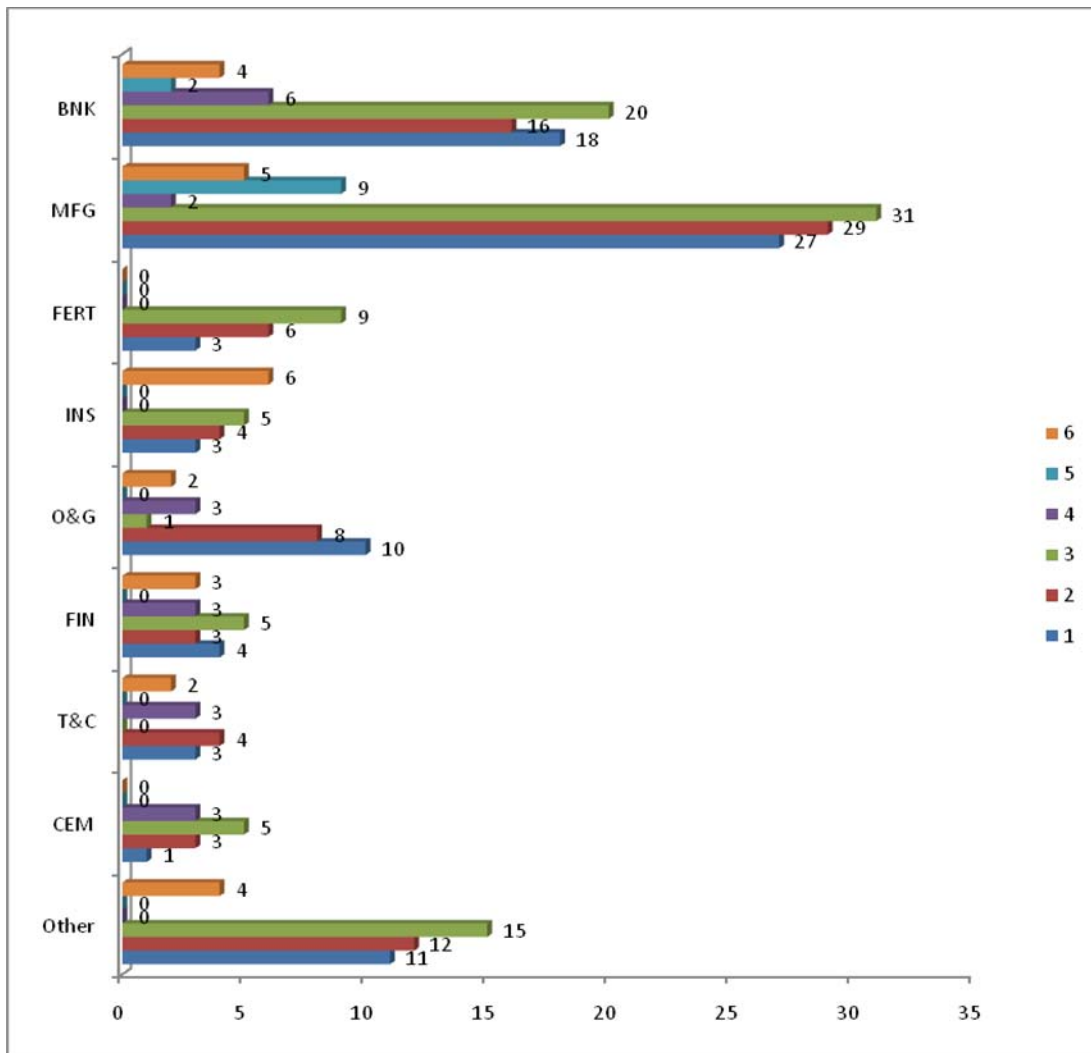
By Company Status

COMPANY STATUS	1	2	3	4		
MNC	25	24	18	6		
SOE	8	7	8	4		
PVT	0	3	2	1		
PLC	47	51	63	9		
TOTAL	80	85	91	20		



By Primary business

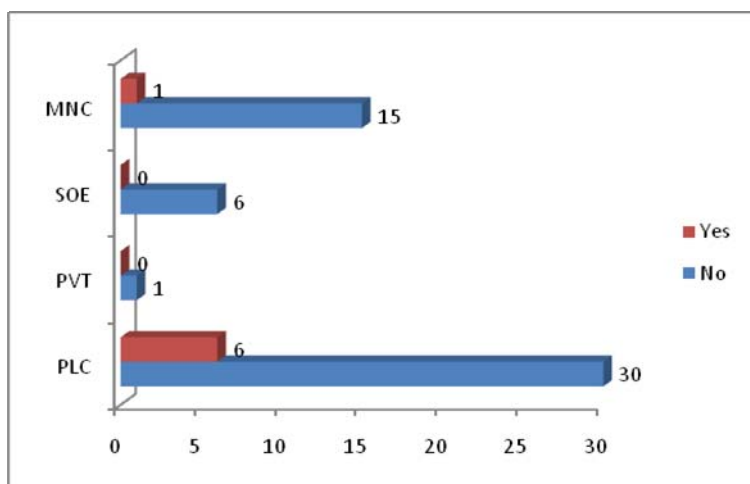
PRIMARY BUSINESS	1	2	3	4	5	6
BNK	18	16	20	6	2	4
MFG	27	29	31	2	9	5
FERT	3	6	9	0	0	0
INS	3	4	5	0	0	6
O&G	10	8	1	3	0	2
FIN	4	3	5	3	0	3
T&C	3	4	0	3	0	2
CEM	1	3	5	3	0	0
Other	11	12	15	0	0	4
Total	80	85	91	20	11	26



2.2.28 Is there a written policy relating to minority shareholder rights?

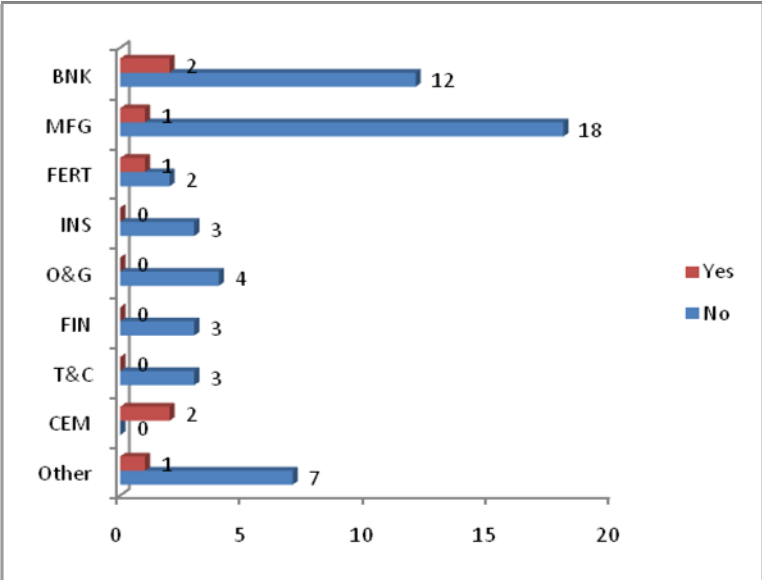
By Company Status

COMPANY STATUS	YES	NO
MNC	1	15
SOE	0	6
PVT	0	1
PLC	6	30
TOTAL	7	52



By Primary business

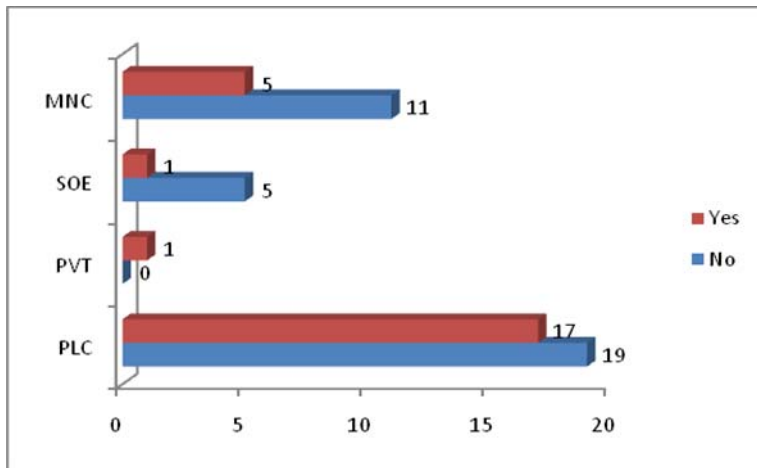
PRIMARY BUSINESS	YES	NO
BNK	2	12
MFG	1	18
FERT	1	2
INS	0	3
O&G	0	4
FIN	0	3
T&C	0	3
CEM	2	0
Other	1	7
Total	7	52



2.2.29 Is there a mechanism in place to resolve conflicts of interest between a major shareholder and the company?

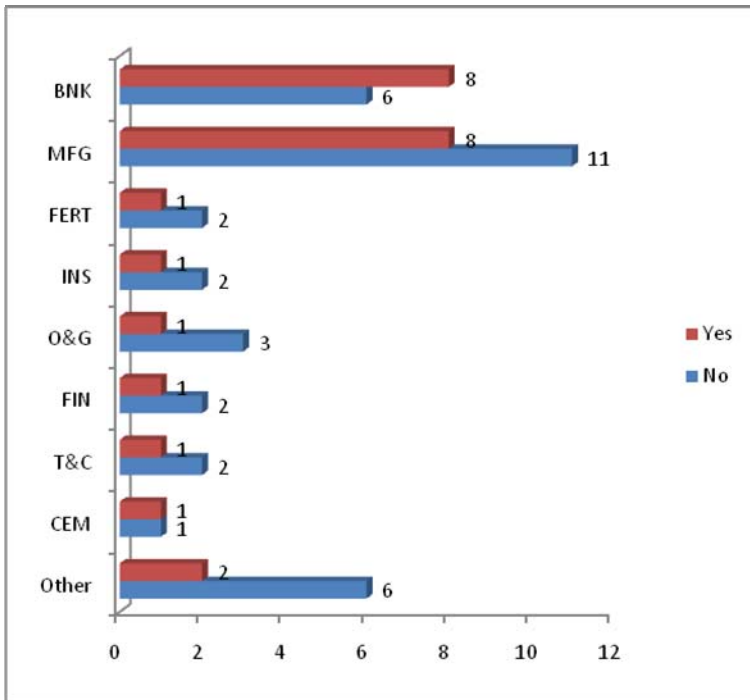
By Company Status

COMPANY STATUS	YES	NO
MNC	5	11
SOE	1	5
PVT	1	0
PLC	17	19
TOTAL	24	35



By Primary business

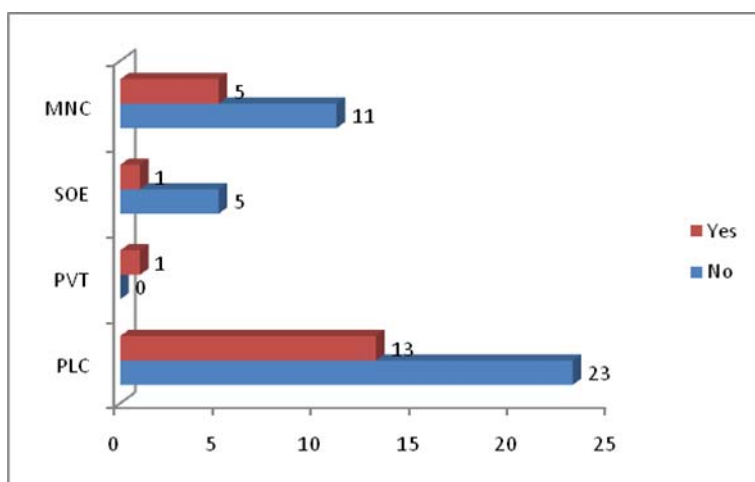
PRIMARY BUSINESS	YES	NO
BNK	8	6
MFG	8	11
FERT	1	2
INS	1	2
O&G	1	3
FIN	1	2
T&C	1	2
CEM	1	1
Other	2	6
Total	24	35



2.2.30 Is there a written Dividend policy in place?

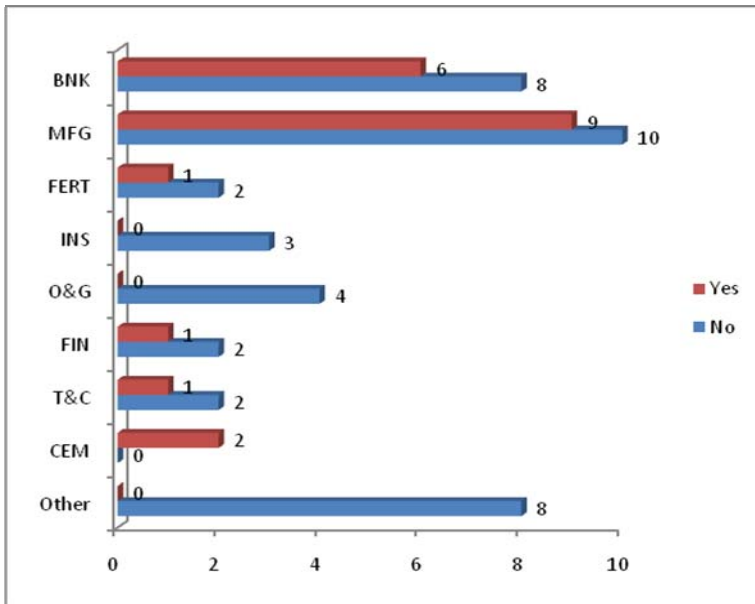
By Company Status

COMPANY STATUS	YES	NO
MNC	5	11
SOE	1	5
PVT	1	0
PLC	13	23
TOTAL	20	39



By Primary business

PRIMARY BUSINESS	YES	NO
BNK	6	8
MFG	9	10
FERT	1	2
INS	0	3
O&G	0	4
FIN	1	2
T&C	1	2
CEM	2	0
Other	0	8
Total	20	39



Names of the Respondents

Mr. Asif Jooma
Mr. Pervaiz Ali
Mr. Khalid A. Sherwani
Mr. Muhammad Amin Bhoori
Mr. Zeeshan
Mr. Tahir Iqbal
Mr. M. A. Ghazali Marghoob
Mr. Muhammad Iqbal
Mr. Sadaqat Ai Hussain
Mr. Rashid Amin
Mr. M. Adil Khattak
Mr. Raza Saeed
Mr. Khurram Nagori
Mr. Kaleem Ashraf
Mr. S. Ayaz Bokhari
Mr. Amir Baheed A. Ahmed
Mr. Kamran Ahmed Qazi
Mr. Abid A. Vazir
Mr. Abid A. Vazir
Mr. M. Viqar Arif
Mr. Muhammad Saad Thaniana
Mr. Aftab Ahmed Qaiser
Mr. Pervaiz Said
Mr. Altaf Qamardin Gokal
Syed Shahid Abbas
Mr. Andalib Alavi
Brig Javed Nasir Khan
Brig Khalid Kibriya
Mr. Adnan Thanwey
Mr. M. Salman Burney
Ms. Nausheen Ahmed
Sardar Abid ali Khan
Mr. M. J. Jaffer
Mr. Jalis Ahmed Siddiqi
Mr. Pervez Ghias
Mr. Towfiq Chinoy
Mr. Ahmed Noman
Mr. Mohammad Yousuf Ammanullah
Mr. Salman Hameed
Mr. Ali Aamir
Mr. Shabbir Hamza Khandwala
Mr. Tariq Faruque
Mr. Muhammad Irfan Zafar
Syed Ali Raza
Mr. Abrar Hasan
Ms. Neelofar Hameed
Mr. Ali Sadozai
Mr. Atiq Amwer Mahmudi
Ms. Yasmeen Kerai
Mr. Sajjad Iftikhar
Mr. Kamal Chinoy
Mr. Ijaz Ali Khan
Ms. Farah Qamar
Ms. Zainab Suleman
Mrs. Naiyer Muzafar Husain
Syed Liaquat Ali
Mr. Mohammad altaf Butt
Mr. Rahim Panjwani
Mr. Rashid A. Lone

List of Responding Companies

Abbot Laboratories (Pakistan)Limited	Honda Atlas Cars (Pakistan) Limited
AL-Ghazi Tractors Limited	ICI Pakistan Limited
Allied Bank Limited	IGI Insurance Limited
Arif Habib Bank Limited	Indus Motor Company Limited
Arif Habib Investments Limited	International Industries Limited
Arif Habib Securities Limited	Islamabad Stock Exchange
Askari Bank Limited	JS Bank Limited
Atlas Battery Limited	Lakson Tobacco Company Limited
Atlas Engineering Limited	LOTTE Pakistan PTA Limited
Atlas Honda Limited	Meezan Bank Limited
Attock Refinery Limited	Mirpurkhas Sugar Mills Limited
BASF Pakistan (Private) Limited	Mybank Limited
Bestway Cement Limited	National Bank of Paksitan
BOC Pakistan Limited	National Foods Limited
Byco Petroleum Pakistan Limited	National Investment Trust Limited
Central Depository Company of Pakistan Limited	Nestle Pakistan Limited
Cherat Cement Company Limited	New Jubilee Insurance Company Limited
Cherat Papersack Limited	NIB Bank Limited
Clariant Pakistan Limited.	Packages Limited.
Crescent Steel and Allied Products Limited	Pakistan Cables Limited
Dawood Hercules Chemicals Limited	Pakistan Refinery Limited
Dawood Islamic Bank Limited	Pakistan Telecommunication Company Limited
EFU General Insurance Limited	Pakistan National Shipping Corporation
EFU Life Assurance Limited	Security Papers Limited
Engro Corporation Limited	Silk Bank Limited
Fauji Fertilizer Bin Qasim Limited	Soneri Bank Limited
Fauji Fertilizer Company Limited	Standard Chartered Bank (Pakistan) Limited
First Habib Modaraba	Sui Northern Gas Pipelines Limited
GlaxoSmithKline Pakistan Limited	Bank of Punjab
Habib Bank Limited	