

# PRESS RELEASE

## **Pakistan Institute of Corporate Governance Established**

**ISLAMABAD – 2 December 2004:** The Pakistan Institute of Corporate Governance has been established as a not-for-profit company aimed at promoting awareness and encouraging good corporate governance practices in Pakistan. The Institute will have its offices in Karachi, Lahore and Islamabad.

This was announced by Dr. Tariq Hassan, Chairman, Securities and Exchange Commission of Pakistan (SEC) in Islamabad on Thursday. Dr. Hassan said that although governments play a central role in shaping the legal, institutional and regulatory climate within which individual corporate governance systems are developed, major responsibility still lies with the corporate sector itself. “Fair participation and collective will of all major stakeholders is required to improve the corporate governance culture of any country”, he added.

The Institute has nineteen founder members which represent the regulatory bodies of the financial sector, professional institutions, stock exchanges, corporate sector, financial sector and academia. The first ten-member Board of the Institute will be formed by the representatives of the founding members.

The main objective of the Institute is to engender sound corporate governance practices and provide an enabling environment for implementation of the Code of Corporate Governance issued by SEC. This would be achieved through creation of awareness about corporate governance through conferences, seminars, lectures and exhibitions. The Institute will also encourage compliance with socially responsible corporate practices, including socially responsible investing.

The Institute will also provide a platform for research and development work and in this regard will make available key knowledge tools such as a well equipped library and connectivity and network with other institutions involved in this area. It will act as a forum for participation of all concerned to contribute towards developing a balanced corporate governance framework and will issue guidelines on matters of corporate governance to the directors, management, auditors, secretaries and general investors.

Sound corporate governance has emerged as an essential success factor in national and international markets. Developed nations are now knowledge based and are more conscious of ethics related issues. Countries all over the world are keen to encourage good corporate governance to ensure fairness, transparency and accountability in the corporate sector and safeguard the interest of all stakeholders especially the minority shareholders. It is also empirically tested that jurisdictions that have implemented good governance measures are able to attract more capital.

The establishment of the Institute fulfills the need for an institutional arrangement where all major stakeholders jointly study governance practices and identify the problems, remain responsive to the external environment and come up with a combination of legislation, facilitation, cultural change, social values and changes in their respective roles where necessary. Such institutional arrangements around the world are now clearly leading the way to a more focused and diligent approach in creating a governance responsible corporate

culture in developed world and also in the developing world countries like Malaysia, India, Korea etc.

In March 2002 the SEC issued the Code for Corporate Governance which became part of the listing regulations of the three stock exchanges. Subsequently, a similar but separate Code was announced for the Insurance sector. Extension of the Code to state-owned enterprises is also under consideration.

Since its inception, the SEC has been particularly keen to encourage good corporate governance to ensure transparency and accountability in the corporate sector and safeguard the interest of all stakeholders especially the minority shareholders. As part of these efforts, the SEC took the lead in establishing the Institute as a company under Section 42 of the Companies Ordinance, 1984.

The founding members of the Institute include:

- The Securities and Exchange Commission of Pakistan;
- The State Bank of Pakistan;
- Pakistan Banks Association;
- Overseas Investors Chambers of Commerce and Industry;
- Federation of Pakistan Chamber of Commerce and Industry;
- Investment Banks Association of Pakistan;
- Leasing Association of Pakistan;
- Modaraba Association of Pakistan;
- Mutual Funds Association of Pakistan;
- Institute of Business Administration;
- Lahore University of Management Sciences;
- Institute of Chartered Accountants of Pakistan;
- Management Association of Pakistan;
- Institute of Corporate Secretaries;
- Institute of Chartered Secretaries and Managers;
- Institute of Cost and Management Accountants of Pakistan;
- Karachi Stock Exchange;
- Lahore Stock Exchange; and
- Islamabad Stock Exchange.