

Master thesis

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Advisor: Claes Svensson

Authors: Hassan Majeed Cheema

Erik Johansson

Qasim Nasim Mir

International Corporate Governance Comparison – Pakistan and Sweden



LUND UNIVERSITY
School of Economics and Management

Abstract

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Authors: Hassan Majeed Cheema, Erik Johansson, Qasim Nasim Mir

Advisor: Claes Svensson

Key words: Corporate Governance, Pakistan, Sweden, and Comparative study

Purpose: To compare the differences and similarities that apart the corporate governance systems of Pakistan and Sweden by using a research model developed for this purpose. The same model will compare how major companies of the countries are expressing this in information to shareholders.

Conclusion: After conducting the research, mainly three conclusions are drawn. Firstly, it is inappropriate to rate corporate governance mechanism solely based on country level or company level. Secondly, Pakistan seems to bring its corporate governance system closer to best practices in the world by setting down hard rules and explicit laws whereas it is found to be comparatively open and flexible in case of Sweden. Lastly, convergence was observed in situations where either law became closer to each other at country level or voluntary efforts matched at company level.

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1. Introduction

In this chapter the introduction to the thesis is stated. The authors aim to give the reader an initial introduction to corporate governance, which will guide the reader to following problem discussion where the stated problem will evolve. They are finally stated in the research questions and purpose of the study. To end the first chapter is delimitations and a thesis outline.

1.1. Background Introduction to Corporate Governance

Corporate Governance has been a critical feature since the evolution of corporate entities. Over time, the corporations evolved and became more advanced, sophisticated and took more people into service. The need for more capital was the result of such developments¹. So, shareholders provided corporations with capital and consequently became owners but delegated the control to skilled managers². Due to this separation of ownership and control, the relationship between management and shareholders and aligning manager's interests with the shareholders interest has been the core issue of corporate governance³. Even though, the term "Corporate Governance" is in view since 1980's it has not enjoyed the spotlight until very recent⁴. As mentioned not until very recent, corporate governance practices were considered to be unrelated with corporation's performance but lately, it has emerged as an important and sensitive corporate issue especially after the mayhem created by corporate scandals from all over the globe⁵. For over a decade, more and more attention has been gained by this vital system of directing and controlling business as a result of failures of corporate giants like WorldCom, Tyco, Parmalat, Hollinger etc. Especially the legendary collapse of Enron made Corporate Governance more of an issue. Such scandals from all over the world have highlighted how the nonexistence of effective corporate checks and balances that could expose a company and its investors into jeopardy⁶.

¹ Kruk and Nilsson, 2006

² Berle and Means, The Modern Corporations and Private Property, Commerce Clearing House, 1933

³ Monks and Minow, Corporate Governance, 2001

⁴ Kruk and Nilsson, 2006

⁵ Gry, Dual-Class Share Structures and Best Practices in Corporate Governance, 2005

⁶ Ibid

Many definitions of corporate governance are available, which describes it as a mechanism of checks and balances on corporate practices. A more precise explanation is a system through which companies are directed and controlled⁷. The main purpose of corporate governance is to align, to a maximum extent, the interests of corporations, individuals and society⁸. OECD explains it as a mechanism for directing and controlling business organizations. This system suggests the allocation of rights and responsibilities to various participants in the corporation, i.e. the board, management, shareholders and other stakeholders. This system presents the rules and procedures for decision-making on corporate matters, structure for setting company's objectives and the means for fulfilling them and an effective way of monitoring performance⁹. According to Shleifer and Vishny (1997):

"Corporate governance ensures fairness, transparency, accountability, sustainable financial performance, increased shareholder confidence, access to external finance and foreign investment, fair treatment of the stakeholders in a company, maximization of shareholders' value and the enhanced reputation of a company, nation and economy"¹⁰.

This mechanism of controlling and directing aims at providing protection to investors and other stakeholders. Although research show inconsistent results about relationship between corporate governance and firm performance, but it is a general belief that investors protection provided by good corporate governance not only improves the firm value but can also give more depth to capital market and consequently to economy of a country.¹¹ However, countries differ in the way protection is provided to investors or other stakeholders. The difference can be due to cultural aspects or influence of religion on business practices. Variations can also be outcomes of laws and legislation or corporate governance models adopted.

The effect of different corporate governance models is quite visible on the objective of corporations. Corporate Governance systems are often described as a member of different corporate governance models globally. Anglo Saxon model, which is often taken as the dominant global model, focus on serving the shareholder's interest as the primary motive for

⁷ Cadbury, Report of the Committee on the financial aspects of corporate Governance, 1992

⁸ Cadbury, 2000

⁹ OECD, 1999

¹⁰ Shleifer and Vishny, 1997

¹¹ La Porta, R. et al., *Legal Determinants of External Finance*, 52 J. FIN. 1131, 1139 (1997); Levine R., *Law, Finance, and Economic Growth*, 8 J. FIN. INTERMEDIATION 8, 24 (1999)

corporations¹² whereas other stakeholders like creditors, employees, suppliers, customers etc. get protection for their rights through contractual and regulatory means instead of being a participant in the corporate governance.¹³ On the other hand, other models like Germanic attempts to maximize the interests of a wider set of stakeholders. Due to this fact, companies in the Germanic system are conceived as a coalition of various stakeholders¹⁴, which is not the case in the Anglo-Saxon system where management and shareholders are the main entities.

Ownership structure is an important element of corporate governance system as it has implications on issues like separation of ownership and control, minority shareholders' protection etc. This factor is very central in the two above discussed models as it exposes the investors to separate set of strengths and weaknesses. Anglo-Saxon model possesses a widely dispersed equity ownership structure where institutional shareholding is a significant part of it¹⁵. However, studies also talks about the importance of individual investors as these investors provide expansion and liquidity to the stock market¹⁶. On the contrary, bank based system, unlike Anglo Saxon model, is characterized by concentrated ownership¹⁷ where majority or significant amounts of stockholding is kept by few numbers of large investors¹⁸. These large dominating investors can be classified into wealthy individuals and families as the primary stockholders whereas large banks and non-financial firms play a secondary role in both in ownership structure and as disciplinary mechanism. Such large block holders take a more active part in governance of corporations and business matters due to the fact that they are more informed about the matters of corporation¹⁹, which is not the case with the dispersed ownership of Anglo-Saxon system. Here, it is interesting to see that although ownership and control are separated in both the systems but ownership in one system i.e. the Germanic seems to have considerable influence on the management. This is not the case with Anglo-Saxon system where the firm's owners are widely dispersed.

Similarly, Boards are the pivotal element of corporate governance as they are supposed to provide leadership and guidance to the corporate entity. They serve as a link between the

¹² Clarke, International Corporate Governance, A comparative study p.129, 2007

¹³ Hansmaan and Krakmaan, 2002

¹⁴ Moerland, 1995, cited by Weimar and Pape, 1999

¹⁵ Ibid

¹⁶ Aguilera and Jackson, 2003

¹⁷ Coffee, A Theory of Corporate Scandals: Why the USA and Europe Differ, p.198-209, 2005

¹⁸ Clarke, International Corporate Governance, A comparative study p.170-171, 2007

¹⁹ Coffee, A Theory of Corporate Scandals: Why the USA and Europe Differ, p.198-209, 2005

management and owners of the company to ensure harmony between them and safeguard the interests of shareholders mainly and of various stakeholders too.²⁰ Many variations of boards exist among countries such as unitary or two tier boards, separation or non-separation of Chief Executive Officer (CEO) and Chairman, representation of executive and non-executive directors etc. One tier board structure is followed in the Anglo-Saxon model whereby the board contains both independent and executive directors. Germanic countries may have two tier board structures²¹ where the lower tier, called management board, consists of full time executive members or managing directors whereas the upper tier, called supervisory board, consists of non-executive directors only, which are representatives of various stakeholders²². These two boards are independent of each other²³. Asian countries have one tier board consisting mainly of controlling family representatives or other dominant shareholders. Even, if there are separate positions of CEO and chairman, the separation of these roles doesn't exist due to the family relationships exist between management and directors.²⁴ The role of independent or non-executives directors is very important, as they are the ones who are primarily supposed to safeguard the interest of shareholders²⁵. Typically, the role of Chairman and CEO is either combined or they work closely with each other.²⁶ However, in United States of America, the role of chairman and Chief Executive Officer can be seen together in contrast to Germanic and other models²⁷. No matter what region of the world it is, corporate scandals have occurred which make issues like affectivity of board structures, composition, size, processes etc. a matter of continual concern.

Short term and long term orientation of managers is also a matter of concern for shareholders who are having different investment and risk profiles. For the purpose of meeting the expectations of the company's shareholders, the Anglo-Saxon firms generally seek short-term profitability and efficiency instead of long-term growth, survival and growth²⁸, which is in general the case with Germanic firms. For the purpose of aligning the management's interest towards above-mentioned motive, often the executive remuneration is attached with the

²⁰ Clarke, International Corporate Governance, A comparative Study, p.33-36, 2007

²¹ Ibid

²² Clarke, International Corporate Governance, A comparative Study, p.48-49, 2007

²³ International Chamber of Commerce

²⁴ ibidClarke, International Corporate Governance, A comparative Study, p.48-49, 2007

²⁵ Lorsch and McIver, 1989

²⁶ International Chamber of Commerce

²⁷ Clarke, International Corporate Governance, A comparative Study, p.48-49, 2007

²⁸ International Chamber of Commerce

performance of firm²⁹. The most well known form is stock options; the result is often in the form of increased focus on keeping the share price high as per expectations of shareholders. For this, Anglo-Saxon firms maintain high levels of transparency and disclosures whereas Germanic firms comparatively lag behind a bit.³⁰

The strength and efficiency of the stock market is also important as a strong stock market acts as a protective mechanism over corporate activities. Due to the dispersed ownership and short-term business approach, Anglo-Saxon countries may also have a strong external takeover market, which serves as a protective mechanism for investor³¹. In contrast, Germanic countries have relatively smaller and under-developed securities market³². Consequent to this fact, the Germanic corporations are more reliant on the debt financing which banks in the form of loans provide³³. Because of developing securities market in Germanic countries, its role as active market for corporate control is minimized and is substituted by financial institutions. Much emphasis is also paid on the safety of interests of minority shareholder through codes, company and security laws³⁴. Whether, it is stock market or the financial institutions serving as protective mechanism over firms, both have failed to avoid corporate scandals that points out the presence of inefficiencies in them.

Apart from governance model's related attributes, a general worldwide phenomenon i.e. globalization is of supreme importance. Globalization has affected the business in several different ways whereby corporate governance is one such issue. The technological advances, liberalization of capital markets and more shifts of production factors are the underlying aspects of globalization.³⁵ Also, poor performance by a previously protected local firm is more visible and will result in loss of market to competitors.³⁶ Due to the ease of capital mobility around the globe, the global investors are willing to invest in good cross-border business opportunities and earn some money. But investing in a company across the border is not similar to investing in local company. Even investing in local-based Multi National Companies (MNCs) that are set up and listed at some other country's stock exchange, is altogether a different situation as they are subject to different rules and regulations. The legal,

²⁹ Weimar and Pape, A Taxonomy of Systems of Corporate Governance, 1999

³⁰ Coffee, A Theory of Corporate Scandals: Why the USA and Europe Differ, p.198-209, 2005

³¹ Franks and Mayer, 1990 cited by Grahovar and Ackssen, 2004

³² Aguilera and Jackson, 2003

³³ Ibid

³⁴ Clarke, International corporate governance, A comparative study, p.129, 2005

³⁵ OECD, 1996: 9

³⁶ Gordon and Roe, 2004: 2

economic, and cultural circumstances prevailing in a country affects the governance practices in a country to which many investors are unsure and conscious of. Not only the differences exist at country level but also various governance practices and level of compliance varies at company level among countries. The level of protection that a country's laws and regulations provide to investors from mismanagement of managers or expropriation by controlling owners differs among countries. Here, the affectivity of enforcement of such laws and regulations also remains to be an issue³⁷ especially when it comes to emerging markets. Along with this, governance practices at firm level also vary due to many factors including ownership structure, cross share holdings etc. The developed as well as emerging economies carries their own strengths and weaknesses.

Firms aiming at penetrating new emerging markets prefer offering stocks to local investors as entrance costs. So, to make them buy and hold stock, firms have to adapt to local governance standards as local investors favor them.³⁸ Also, investors who are new to a governance system often believe that the governance system, which they have been subject to if better one and by adopting that system, the local firm can improve their stock value.³⁹ Likewise, local investors can also demand new reforms in existing governance system, as they feel more protected and optimistic if some new global practices are adopted.⁴⁰ The importance that investors give to good governance can be understood by the findings of McKinsey's survey conducted in Asia, Europe and Unites states and South America. According to the survey, 75% of the investors stated that they do pay equal importance to good governance and investment performance while choosing a firm⁴¹. One other finding disclosed that 80% of investors preferred to invest in firms having more effective boards with comparable financial value.⁴² In case of Asia and Latin America where reporting standards are relatively narrow, the survey showed that investors from all over the globe felt their investments to be safer with better governed firms.⁴³ McKinsey's survey concludes that firms that fail to reform their governance standards in this global environment will face a competitive disadvantage against their global ambitions.⁴⁴ Such level of importance given to corporate governance practices by global and

³⁷ La Porta, Rafael, Lopez de Silanes, Florencio, Shleifer, Andrei and Vishny, Robert W., Investor Protection and Corporate Governance, June 1999

³⁸ Gordon and Roe, 2004: 2

³⁹ Ibid

⁴⁰ Ibid

⁴¹ Coombes and Watson, p.74-76, 2000

⁴² Ibid

⁴³ Ibid

⁴⁴ Coombes and Watson, p.74-76, 2000

local investors, increasing role of institutional investors shows the need to improve corporate governance standard to be more competitiveness.

Such issues have opened the debate for the need for a global corporate governance system and various dominating corporate governance systems are contested for being the most optimal system. Although, OECD, World Bank, IMF and other international agencies have not kept the one-size-fits-all approach but still they have often favored the Anglo-Saxon's dispersed ownership system due to its ability of being more competitive and attracting more investment.⁴⁵ During 1990s, world experienced a shift towards market-based Anglo-American system. It seemed more dynamic and successful due to many factors like huge financial flows that provided Anglo-Saxon countries and firms with liquid markets that could maintain certain acceptable governance levels, growing impact of New York Stock Exchange (NYSE), NASDAQ and LSE (London Stock Exchange) due to the listing of world's biggest firms irrespective of their home country, amplified investing by Anglo-American based institutional investors, huge revenue growth and market capitalization of many Anglo-American corporations etc.⁴⁶ Due to adoption and increased convergence of accounting and auditing standards, and the development of possible international codes and standards of corporate governance added up to the convergence debate.

OECD, supported by World Bank, IMF, Asian Development Bank, UN and other international bodies, has been at forefront for issuing global corporate governance best practices. Various rating agencies like ISS, FTSE, and S&P also rate corporate governance practices of companies from all over the world using a standard set of variables for all to keep the global investors informed. The world has seen a move towards a global governance system but possibility of adoption of those practices that are alien to a system due to cultural, religious and regional beliefs remains to be a grey zone⁴⁷. But it can be assumed that the system that will provide better protection and value to investors with low adoption cost for corporations will be the winner of this governance models contest.⁴⁸

⁴⁵ Clarke, *International Corporate Governance, A comparative Study*, p.229-231, 2007

⁴⁶ Clarke, *International Corporate Governance, A comparative Study*, p.228-229, 2007

⁴⁷ Dignam and Gilanis, 1999: 399

⁴⁸ Ibid

1.2. Problem discussion

The first motive to conduct this study is to compare the Pakistani and Swedish corporate governance systems. This is to understand the country-level set-up of corporate governance in each presented country. To extend the scope and not limit the study as Jackson and Moerke and many other studies, to only country-level comparison, this study will engage as second component, a pilot study to examine the corporate governance at company-level⁴⁹. The company-level will focus on the extent to which companies follow the national corporate governance related legislation based solely on information disclosed in their annual reports and websites. Additionally, inferences will be drawn for possibility of convergence or divergence based on the findings of the underlying study. As an extension to country level study, the company-level will give extra understanding to the research.

Much has been written on developed countries like comparative studies of UK and USA, UK and Europe, Japan and Europe⁵⁰. A lot of studies on corporate governance of Sweden along with its comparison with other developed countries have been conducted such as comparison study of Sweden and Germany, Sweden and France, Sweden and UK but very few studies compare the corporate governance systems in developed and developing countries⁵¹. The situation of corporate governance varies between countries and this fluctuation is even higher when it comes to emerging markets, which can be seen, by corporate governance surveys conducted by international bodies like World Bank, IMF etc. With the rise of China, India, Malaysia, Singapore etc. as huge potential markets, more Foreign Direct Investments (FDI) is expected to flow towards them, which makes it necessary to examine the business situation of this region. Major emerging economies like China or India would have been selected as a comparative country to Sweden but the reason for selecting Pakistan is the World Bank's corporate governance survey of the South-East-Asian region that declares Pakistan as the winner of the region.⁵² Motivation of this study is to compare corporate governance practices in a developed country and its comparison with the corporate governance practices in a developing country. At the latest, Governance Metrics International (GMI) prepared a rating of countries, where Sweden scored 5.46 on a scale of ten whereas Pakistan, included into the

⁵⁰Jackson & Moerke, *Continuity and Change in Corporate Governance*, Volume 13:3, 2005

⁵⁰Jackson & Moerke (2005); La Porta et al. 2000; Mintz 2005; Weimer & Pape 1999

⁵¹ Zhou and Panbunyuen, 2008, Kruk and Nilsson, 2006, Grahovar and Akesson, 2004

⁵² World Bank Publication, 2009

emerging markets, scored 4.09 by their research model⁵³. Comparing the corporate governance of a developed country which is ranked higher in global ratings (Sweden) with the top-ranked developing country of the emerging region will help understand the relative situation of corporate governance in the two regions.

An interesting phenomenon behind the selection of these two countries is the legislative systems in both countries. As Pakistan is an Islamic Republic and there is a strong influence of religion on the laws of country while Sweden is considered as an open system. Also, the two countries have differences in culture and development level of corporate governance phenomenon. Additionally, Pakistan's corporate governance system has major influence of Anglo Saxon Model whereas Swedish corporate governance system is skewed more towards Germanic Model. It will be very interesting to observe the development of corporate governance practices and the possibility of convergence between countries that are very apart due to above mentioned reasons. Additionally, it will be very interesting to put side by side the very open Swedish corporate governance system, which is considered to be among the better in the region and the Pakistani corporate governance system which has been declared best in the whole south Asia by the World Bank.⁵⁴

In the presentation of the two countries, it is described that they differ both in origin and on other aspects; the differences of the countries make it harder to conduct research as no prior study is found to fit Pakistan and Sweden in character. How do you compare the corporate governance systems of Pakistan and Sweden? With prior knowledge of the different development stages, is it alright to believe that a general research could be adopted to conduct the research, probably not. Skewness could occur to the study if prior research model would be used without consideration to the mentioned problem. The problem would probably not only occur on country-level, the companies might also differ i.e. information disclosure etc. making a comparison hard to conduct. The kind of research model to be used needs to be colored by the characteristics of the two countries. A new model for this purpose is required that could accommodate both the country level and company level scenario in an unbiased manner.

⁵³ Governance Metrics International, country rankings as of September 23, 2008

⁵⁴ World Bank Publication, 2009

The second aspect of the study is the company-level compliance of corporate governance part just mentioned above. The annual reports and websites of the sample companies will act as the primary sources of data to the company-level as these sources might be considered as representative of the companies' governance practices and reveal how the company wants to portray its image for all the stakeholders like creditors, employees, customers etc. and especially the shareholders⁵⁵. As annual report is a public document, so, all stakeholders have readily access to it. Therefore, due to the convenient availability of this detailed document, all stakeholders especially investors, both domestic and foreign, uses it as a fundamental starting place for investigating a company⁵⁶. The annual report's level of compatibility between the sample companies of the selected countries will be observed and the various forms of information available will be focused on to examine the research questions of the study. The stated corporate governance system of countries and discovered differences and similarities is one aspect to the study. Is what discovered at country-level a direct reflection of the corporate governance application of companies? A not so bold statement is to say; no. Thereby remains the issue of whether or not companies' annual reports and website content are reflections of the nation's corporate governance system? Do the differences and similarities vary between Pakistan and Sweden more or less on company-level than on country-level?

Cultural and religious aspects will also be taken into account while discussing the differences present in the two systems. Like many previous comparative studies of corporate governance systems of different countries, the possibility for convergence between the basic corporate governance models (i.e. Anglo Saxon and Germanic Model) adopted and adapted by the two concerned countries will also be looked upon. The mutual convergence could be plausible within the represented countries, however, the country specific social and religious aspects and the convergence of two systems will not be the core points of argumentation for this study.

1.3. Research Question

How is corporate governance systems compared in two national systems with different development stages? What are the differences and similarities in Pakistan and Sweden on

⁵⁵ Zhou and Panbunyuen, The association between board composition and different types of voluntary disclosure p.7-9 2008

⁵⁶ Canadian Investor Relation Institute and Precision IR- Survey of Investor Research Trends, 2005

country-level and on company-level? What research model should be used to make such comparisons?

1.4. Research purpose

To compare the differences and similarities that apart the corporate governance systems of Pakistan and Sweden by using a research model developed for this purpose. The same model will compare how major companies of the countries are expressing this in information to shareholders.

1.5. Delimitation

The numbers of companies that have been studied are not viewed as representative for the stock exchanges in each country, instead a sample of carefully chosen major companies are examined for this pilot study. All further listed companies have been disregarded due to the time limit.

1.6. Thesis Outline

The thesis will direct the reader with an introduction, further on to the problem discussion, which results in the chosen research question and purpose. Next section presents how the thesis will be made, methodology of the qualitative approach, which is the base for the theoretical framework. Here the two corporate governance systems will be defined and earlier studies explaining important dimensions of corporate governance. To sum up the thesis chapter four and five will explain the findings of the study, here, the interpretation of the literature will take place and define the whole thesis.

Chapter one, withholds the introduction and problem discussion where it's defined why research is important for fulfillment of research gap and to understand the situation. The main research question and purpose of the thesis will conclude the discussion, guide and prepare the reader to following chapters.

Chapter two is presentation of theoretical framework and empirical foundation, which are used as basis for this thesis and to provide understanding to readers. The two corporate governance systems' theoretical framework is presented, and the importance of prior research of the chosen method dimensions.

Chapter three contains the research model introduction in detailed manner. All five key dimensions: ownership structure, board, disclosures and internal control, shareholder's right, and corporate social responsibility. The five dimensions will be sub-categorized with more specific variables.

Chapter four, states the research methodology of this thesis, which is foundational of qualitative approach. To conduct this type of research main dimensions are chosen to best reflect the purpose of the thesis.

Chapter five is presentation of the findings and results of collected data in order. Differences and similarities are presented among the two systems and the sample companies.

Chapter six is continuation to chapter five where collected results and findings are analyzed in order of country-level and company-level.

Chapter seven is the concluding chapter of the thesis. All conclusions found through analysis will be stated with considerations for further research.

2. Theoretical Framework and Empirical Foundation

To better understand the concept of this research study, the chapter of theoretical framework and empirical foundation will present a picture of corporate governance models that national corporate governance systems are related to. Pakistan and Sweden are presented in the sense of their systems to understand the current situation and view of regulations that form the system. To sum up the chapter, the issue of convergence is presented, which might hold the future of corporate governance and at last the construction of research model is presented.

2.1. Theoretical Framework

Corporate governance systems of nations are categorized into main larger models of systems e.g. Anglo Saxon, Germanic, Network-oriented etc.⁵⁷. Another classic distinction to make is the market-based UK/US corporate governance system and the bank-based Continental Europe and Japan.⁵⁸ However behind the mentioned systems different theories lays, i.e. agency theory, institutional theory, and stakeholder theory. Below is the discussion of two models which influence the governance regimes of the selected countries.

2.1.1. Anglo Saxon Corporate Governance Model

The Anglo Saxon model has been established for quite some time and is considered to be the most influential one. Major economies like United States of America and United Kingdom have adopted this corporate governance model and due to the strong capital markets of these countries, it has proven to be very dominant and various other countries like Australia and New Zealand have adopted this system⁵⁹. The Anglo-Saxon system, also called outsider or market-based system, has profoundly affected the purpose of corporations worldwide by emphasizing on the fulfillment of shareholder's interest⁶⁰. This model is branded by the maximization of shareholder's value and protecting their interests⁶¹ whereas other

⁵⁷ Clarke, International Corporate Governance, A comparative study, 2007

⁵⁸ Thomsen Steen, European Business Organization Law Review, 2003

⁵⁹ Clarke, International Corporate Governance, A comparative study p.129, 2007

⁶⁰ ibid

⁶¹ International Chamber of Commerce

stakeholders like creditors, employees, suppliers, customers etc. gets protection for their rights through contractual and regulatory means instead of being a participant in the corporate governance⁶². As discussed before, that the shareholders are the key stakeholders, so, this model is heavily subject to agency theory⁶³.

One of a key attribute of this system is its widely dispersed equity ownership structure where institutional shareholding is a significant part of ownership structure⁶⁴. Initially there used to be more individual investors who invested in a company and used to develop emotional ties with the company but over time, the institutional investors have become more considerable than before. Institutional investors might include mutual funds, hedge funds, investor's blocks, insurance companies, bankers etc. However, studies also talks about the importance of individual investors as these investors provide expansion and liquidity to the stock market⁶⁵.

For the purpose of meeting the expectations of company's shareholders, the firm generally seeks short-term profitability and efficiency instead of long-term profitability, survival and growth⁶⁶. For the purpose of aligning the management's interest towards above-mentioned motive, often the executive remuneration is attached with the performance of firm⁶⁷. The most famous being stock options. The result is often in the form of increased focus on keeping the share price high as per expectations of shareholders. High levels of continuous disclosure and transparency requirements are supposed to be met to keep the market informed⁶⁸. Disclosures regarding strategic, financial and non-financial information are disclosed by companies for investor's awareness and as per demands of respective codes for countries.

One tier board structure is followed in the Anglo Saxon model whereby the board contains both independent and executive directors. The role of independent or non-executives directors is very important as they are the ones who are primarily supposed to safeguard the interest of shareholders⁶⁹. Chairman works closely with the Chief Executive Officer (CEO) and board has board committees for the purposes of audit, remuneration and nomination⁷⁰. However, in

⁶² Hansmaan and Krakmaan, 2002

⁶³ Clarke, International Corporate Governance, A comparative study, p.129, 2007

⁶⁴ *ibid*

⁶⁵ Aguilera and Jackson, 2003

⁶⁶ International Chamber of Commerce

⁶⁷ Weimar and Pape, A Taxonomy of Systems of Corporate Governance, 1999

⁶⁸ Coffee, A Theory of Corporate Scandals: Why the USA and Europe Differ, p.198-209, 2005

⁶⁹ Lorsch and McIver, 1989

⁷⁰ International Chamber of Commerce

United State of America, the role of chairman and Chief Executive Officer can be seen together in contrast to Germanic and other models⁷¹. A strong stock market is also a feature of this model and plays an important role in respective countries and countries with such models may also have strong external takeover market, which serves as a protective mechanism for investor⁷². Much emphasis is also paid on the safety of interests of minority shareholder through codes, company laws and security laws⁷³.

2.1.2. Germanic Corporate Governance Model

This system can be observed in countries like Germany, Netherlands, Sweden, Austria, Norway, Finland etc.⁷⁴ whereby focus is not only the interest of share holder, rather, a wider array of stakeholders like creditors, employees, suppliers, customers, society etc. are considered (stakeholder theory). Due to this fact, the philosophy is not only to keep the share price sky high. Instead, working in the best interests of all stakeholders and firm is the ultimate goal⁷⁵. Consequently, companies in Germanic system are conceived as a coalition of various stakeholders⁷⁶, which is not the case in Anglo American system where management and shareholders are the main entities.

This Bank based system, unlike Anglo Saxon model, is characterized by concentrated ownership⁷⁷ where a majority or significant amount of stockholding is kept by few numbers of large investors⁷⁸. These large dominating investors can be classified into wealthy individuals and families as the primary stockholders whereas large banks and non-financial firms play a secondary role in ownership structure. These large banks and block holders of a corporation play a substitutionary role in the disciplinary mechanism in regard to Anglo Saxon Model. Such large block holders take a more active part in governance of corporations and business matters due to the fact that they are more informed about the matters of

⁷¹ Clarke, International Corporate Governance, A comparative Study, p.48-49, 2007

⁷² Franks and Mayer, 1990 cited by Grahovar and Ackssen, 2004

⁷³ Clarke, International corporate governance, A comparative study, p.129, 2005

⁷⁴ Weimar and Pape, A Taxonomy of Systems of Corporate Governance, 1999

⁷⁵ Moerland, 1995, cited by Weimar and Pape, 1999

⁷⁶ ibid

⁷⁷ Coffee, A Theory of Corporate Scandals: Why the USA and Europe Differ, p.198-209, 2005

⁷⁸ Braten and McCahery, 2002

corporation⁷⁹, which is not as often the case with the dispersed ownership of Anglo Saxon system.

As shareholders are not the only stakeholders to be considered, therefore, sole focus on short-term profitability and efficiency is not the case with this governance model. Here, in general management's focus is on long-term survival, growth and stability of corporate entity⁸⁰. Consequent to this philosophy of long-termism towards business and block holding of shares by wealthy individuals, families and banks, the stock turnover is low which is in contrast with the Anglo Saxon model that is characterized by short term business philosophy and dispersed ownership⁸¹.

In contrast to the presence of strong securities markets in Anglo-Saxon countries⁸², Germanic countries have relatively smaller and under-developed securities market⁸³. Consequent to this fact, the Germanic corporations are more reliant on the debt financing which banks in the form of loans provide⁸⁴. Because of embryonic securities market in Germanic countries, its role as active market for corporate control is minimized while the otherwise case is true for Anglo-Saxon countries⁸⁵. Germanic countries have in general two tier board structures in contrast to Anglo Saxon one tier board⁸⁶. The lower tier for Germanic corporations that is called management board consists of full time executive members or managing directors whereas the upper tier, called supervisory board, consists of non-executive directors only, which are representatives of various stakeholders⁸⁷. These two boards are independent of each other⁸⁸ and make certain the avoidance of nose-to-nose accountability of executive on management board⁸⁹. When it comes to disclosure and transparency, Germanic model is believed to lag behind a bit compared to Anglo Saxon model where company presents more detailed information for investors⁹⁰.

⁷⁹ Coffee, A Theory of Corporate Scandals: Why the USA and Europe Differ, p.198-209, 2005

⁸⁰ International Chamber Commerce

⁸¹ *ibid*

⁸² Coffee, A Theory of Corporate Scandals: Why the USA and Europe Differ, p.198-209, 2005

⁸³ Aguilera and Jackson, 2003

⁸⁴ *ibid*

⁸⁵ Weimar and Pape, A Taxonomy of Systems of Corporate Governance, 1999

⁸⁶ *ibid*

⁸⁷ Clarke, International Corporate Governance, A comparative Study, p.48-49, 2007

⁸⁸ International Chamber of Commerce

⁸⁹ Clarke, International Corporate Governance, A comparative Study, p.8-49, 2007

⁹⁰ Coffee, A Theory of Corporate Scandals: Why the USA and Europe Differ, p.198-209, 2005

2.2. Convergence of Corporate Governance Systems

In particular, there has been discussion on whether the outcome of the globalization process will lead to the global dominance of the Anglo-Saxon “outsider” model, with its emphasis on shareholder rights and transparency over the Continental “insider” model, with typically fewer listed companies and a remarkable concentration of ownership either in families or other companies^{91,92}. Steen Thomsen argues in his article “The Convergence of Corporate Governance Systems to European and Anglo-American Standards” that convergence is happening to UK/US corporate governance systems that are getting closer to European corporate governance systems. This is in contrast to the common perception that European corporate governance systems are converging into UK/US corporate governance systems. It’s important to state that US/UK systems are also converging; it’s not a one-sided issue. UK/US systems through ownership concentration, increasing insider ownership, greater separation of ownership and management and insider control. Thomsen finds support for the mutual convergence hypothesis in his article⁹³.

2.3. National Corporate Governance Systems

Pakistan and Sweden both have national codes of corporate governance shaping their systems, colored by Anglo Saxon and Germanic corporate governance systems mentioned above. The national directions of each code will be presented below with other aspects that are of relevance to this study.

2.3.1. Pakistani Corporate Governance System

Historically, Pakistani companies have been family-controlled and many still remain in the same manner, in general, through pyramid structures and cross-holdings. Financial support have in general relied on debt financing, hence is the equity market not developing rapidly. However, there are three stock exchanges in Pakistan, Karachi Stock Exchange (KSE) as the largest with Islamabad and Lahore stock exchanges⁹⁴ to follow. The issue of corporate

⁹¹ Franks and Mayer, 1996; Moerland, 1995

⁹² Lorsch and McIver, 1989

⁹³ Thomsen Steen, European Business Organization Law Review, p.31-50, 2003

⁹⁴ Hamid and Kozhich, Corporate Governance in a Emerging Market, A perspective on Pakistan, 2006

governance has recently been discussed with new light. Major reforms in shaping the best practices (according to Pakistani legislation) for companies in relation to corporate governance have been taken by Securities and Exchange Commission of Pakistan (SECP) in 2002. SECP is a regulatory authority on companies in Pakistan. It has exercised its power under clause 34(4) of the securities and exchange ordinance⁹⁵. SECP has developed a code of corporate governance in cooperation with the Institute of Chartered Accountants Pakistan (ICAP). SECP further issued directions to Karachi, Lahore and Islamabad stock exchanges to incorporate the provisions of the code in their listing regulations. As a result, the listing regulations were suitably modified by the stock exchanges⁹⁶. While the legal frame works to run a company in Pakistan is addressed through Companies Ordinance 1984. SECP has made some key aspects of code of corporate governance, a legal binding on companies by incorporating them in the Companies Ordinance 1984. Thus, by the modification of listing regulations for companies on stock exchanges and Companies Ordinance 1984, bigger chunk of the practices defined in code of corporate governance has become mandatory for listed companies.

According to the laws, the minimum number of board of directors for listed company is seven⁹⁷. The representation of independent non-executive directors and minority shareholders is encouraged and maximum limit for executive directors on board is seventy five percent of total number of board of directors including the chief executive officer⁹⁸. The board must have one independent director representing institutional equity interest⁹⁹. The directors should be selected through election as it is prescribed in detail in Companies Ordinance 1984 under section 178¹⁰⁰. If a person acquires 12.5% or more of voting shares of company then he may apply for new elections of board of directors in the coming annual general meeting under section 178A of Companies Ordinance¹⁰¹. If a person takes such action after acquiring 12.5% or more of voting shares then he must hold those shares at least for one year after the date of new elections¹⁰². A director should not be a director in more than ten listed companies¹⁰³.

⁹⁵ Manual of Code of Corporate Governance of Pakistan: p 1

⁹⁶ *ibid.*

⁹⁷ Companies Ordinance 1984 (XLVII 1984), amended in 2008. (p 123-124)

⁹⁸ Code of Corporate Governance p: 1, 5

⁹⁹ *ibid.*

¹⁰⁰ Companies Ordinance 1984 (XLVII 1984), amended in 2008. (p 123-124)

¹⁰¹ *ibid.*

¹⁰² *ibid.*

¹⁰³ Code of Corporate Governance p: 1-5

Director should be a registered taxpayer, he should not be a defaulter in payment of any loan and he or his spouse should not be involved in stock exchange brokerage business¹⁰⁴. Directors, once elected, should not hold the office for more than three years and if any casual vacancy occurs during that period then the new director should be appointed within thirty days and he should hold the office for the remaining period¹⁰⁵.

Directors should file a declaration with SECP that they are directors of particular company and they are aware of their powers, duties and responsibilities. This declaration should be made within fourteen days after the appointment of directors¹⁰⁶. While it is mandatory for board of directors to prepare and circulate “statement of ethics and business practices” duly signed by them to establish a standard of conduct in companies¹⁰⁷. Board of directors should also disclose in the annual reports, the vision and mission statements of company along with the formulation of corporate strategies and policies of material nature¹⁰⁸. The chairman of board should preferably be non-executive¹⁰⁹. It is mandatory for board of directors to meet once in each quarter of the financial year¹¹⁰. Appointment and removal of chief financial officer and company secretary should be done by the chief executive officer along with the approval of board of directors¹¹¹. Chief financial officer and company secretary should be either a member of recognized body of professional accountants, or a bachelor from a recognized university along with a five year or more experience in a corporate sector specifically in the listed companies. Lawyers are also eligible to be a company secretary¹¹². Director’s report to shareholders should be a part of annual reports of companies, in which directors testify that the annual reports present fair view of company, books of accounts are properly maintained, appropriate accounting standards and policies are applied, appropriate internal control system is developed, belief about the company that it is a going concern or not and company is in line with the best practices of code of corporate governance as described in the code of corporate governance¹¹³. Directors should also make sure that key financial figures of last six year are disclosed in annual reports, strategic decisions regarding

¹⁰⁴ *ibid.*

¹⁰⁵ Code of Corporate Governance p: 1-5

¹⁰⁶ *ibid.*

¹⁰⁷ *ibid.*

¹⁰⁸ *ibid.*

¹⁰⁹ *ibid.*

¹¹⁰ *ibid.*

¹¹¹ *ibid.*

¹¹² Code of Corporate Governance p: 5-6

¹¹³ *ibid.*

any restructuring, divestiture or expansion, dividend announcements or in case of non payment of dividends the reasons for such action by the company, number of board meetings held during the year including attendance from each director, pattern of share holding and trade of shares held by directors, CEO, CFO and company secretary during the financial year¹¹⁴. The board of directors should approve all the statements circulated in the year¹¹⁵. The external auditors should not hold any share in the company, directly or indirectly¹¹⁶. Board of directors should establish audit committee. Committee should include at least three members including chairman and it is preferable if they are non-executive members of board¹¹⁷. Members of audit committee should meet at least once in a quarter of year. The audit committee should decide for external auditors, their appointment, removal and remuneration in particular and give their recommendations to the board of directors.¹¹⁸ Committee is also responsible for all the relevant issues and decision as for as internal and external audit of the company is concerned¹¹⁹. All listed companies should change their external auditors after five years¹²⁰. It is required from all companies to include the statement of compliance with corporate governance report in their annual reports, and this statement should be examined and verified by the external auditors¹²¹.

2.3.2. Swedish Corporate Governance System

The content of the Swedish corporate governance model is defined with characteristics i.e. in general concentrated ownership, only few listed companies misses a controlling owner. Take-over activity is skewed more to the Anglo-Saxon model than Germanic with high activity¹²². It's said that corporate governance has been put high on the agenda for a longer time in Sweden. In the 1980's, an evaluation was made by the owner investigation focusing on issues that today is discussed in corporate governance and in the 1990's, there was a revision of the Company act in 2003. A concluding statement was presented about best practices of the board

¹¹⁴ *ibid.*

¹¹⁵ Code of Corporate Governance p: 6, 9

¹¹⁶ *ibid.*

¹¹⁷ *ibid.*

¹¹⁸ *ibid.*

¹¹⁹ *ibid.*

¹²⁰ Code of Corporate Governance p: 8, 12

¹²¹ Code of Corporate Governance p: 12

¹²² SOU, 2004:46

work in Swedish limited companies¹²³. The Swedish Corporate Governance Board implemented the Swedish code of corporate governance July 2005, covering listed companies with market capitalization exceeding 3 billion SEK. When implemented, approximately 100 companies were covered. From the first of July 2008, the code was revised, all listed companies traded on the Swedish stock market, should comply with the code¹²⁴. The code should be regarded as a complement to the Swedish law and act as an alternative to the law, so called self-regulation¹²⁵. The code of corporate governance is one part of Swedish corporate governance rules including the Companies act, stock exchange listing requirements and statements by the Swedish Securities Council, as rules set minimum limitations and “the code” a norm of good corporate governance. Companies may choose either to comply with the code or explain the occurred deviations¹²⁶.

Ownership of Swedish companies relative to Great Britain and US companies are represented by fewer and larger shareholders with higher active participation and even board representation. There’s positive reaction to this, but also other voice that such strong power should not be misused and hurt other shareholders¹²⁷. That’s why the law is enforcing minority rights during circumstances creating an undue advantage to a shareholder¹²⁸. The general meeting is the highest deciding organ of the company where every single shareholder has voting rights and if they can’t participate they can pass on their rights to a council. The general meeting decides remuneration level to the board of directors and the auditors. The board should set up an extra general meeting if a minority shareholder with at least ten percent of outstanding shares demands it. The auditors and the board itself can also demand extra general meetings. The voting rights of shareholders can have different power, but no share can have more than ten times higher voting rights than an ordinary share. At the general meeting the nomination committee should propose the chairman of the board¹²⁹. The board of directors should consist of at least three representatives where one of them should be announced as chair of the board, which will be responsible that the board fulfill their obligated demands and lead the work of the board. According to the stock exchange’s listing

¹²³ SOU, 2004:46

¹²⁴ The Swedish Corporate Governance Board 1.2, 2008

¹²⁵ The Swedish Corporate Governance Board 1.4, 2008

¹²⁶ The Swedish Corporate Governance Board 1.5, 2008

¹²⁷ The Swedish Corporate Governance Board 2.1, 2008

¹²⁸ Swedish Companies Act, 2005:551

¹²⁹ The Swedish Corporate Governance Board 2.2, 2008

requirements¹³⁰, only one of the elected board directors is allowed to be a part of the company's management or the management of a subsidiary. Usually this is the CEO, however it's usual that no company representative is board director within the own company. The board of directors should consist with a good majority of non-executive directors. In further extent should the majority of the board directors be independent in relation to the company and the management of the company, and at least two of these should be independent in relation to the major shareholders of the company¹³¹. The board may not alter its own size, which is up to the general meeting to decide. The board should consist of two employee representatives with equal number of alternates and three if the company exceeds 1000 employees. However, the number of employee representatives may not exceed the number of directors on board. The CEO is subordinated to the board of directors, and should prepare questions for the board that are outside the jurisdiction of the CEO. The CEO can never be the same person as the chair of the board¹³². The board shall give the CEO directions on how to run the operations of the company. The CEO can be board director but not the chair of the board. Whether or not the CEO is a board member, the CEO can always participate and interact at a board meeting as long as the board doesn't oppose¹³³.

The nomination committee should propose election of the chair of the board and board members and remuneration and other compensation to the board and each of the members of the board, as it is autonomous of the board¹³⁴. The same process is followed with the election of auditors. The general meeting should elect the nomination committee or direct how the board members should be elected. The nomination committee should consist of at least three members, where one shall be elected as chair. The CEO or the company management may not be a member of the nomination committee. The board members may not be of majority of the nomination committee and neither chairman of the committee. At least one of the members of the nomination committee should be independent in relation to majority shareholders. At the election or reelection of the board members, the nomination committee should disclose information about the nominated. The information should consist of age, main education, work experience, position in the company or other company, his/her or close person's shareholdings or other financial instruments of the company, independence status of the

¹³⁰ OMX Nordic Stock exchange

¹³¹ The Swedish Corporate Governance Board 2.3, 2008

¹³² Swedish Company Act, 2005:551

¹³³ The Swedish Corporate Governance Board 2.4, 2008

¹³⁴ The Swedish Corporate Governance Board 3.2, 2008

person in regard to the company or any major shareholder of the company¹³⁵. The board size and composition should be structured in regards of business, development stage to fit with representation of female, diversity, competence and background. Equal gender representation shall be emphasized. No suppliants should be elected and a board member should not be elected for longer than to the next annual general meeting¹³⁶. The chairman of the board should be elected at the general meeting¹³⁷.

For remuneration of leading positions, the board shall initiate a remuneration committee that will prepare and provide the remuneration and other employment conditions to the company management. The chairman is allowed to lead the remuneration committee as well. The general meeting shall decide and approve share related compensation to the company management where board members should not participate in such remuneration. It is left to general meeting to decide such remuneration¹³⁸. The board shall institute an audit committee that should include at least three members of the board where the majority of the members should be independent in relation to the management of the company and major shareholder. The board shall at least once a year meet with the company's auditor. The audit committee should evaluate companies that do not have a separate internal function, whether or not there is a need for it.¹³⁹ The company shall create a corporate governance report, posted in the annual report. Any deviation to the code should there be noted and explained if deviated. Following aspects should be included: the composition of the nomination committee, if a board member has been appointed by an owner, where also the name of the owner should be disclosed. The work distribution, how the work is done, number of board meetings and the representation by specific board members should be included in the report. Composition, work tasks, decision rights in eventual board committees, the participation of specific board member, CEO's age, main education, and work experience, relevant tasks outside the company, own or close related person shareholding or company's with close business relations are other required statements. Certain section, where the boards description of internal control and risk assessment regarding the financial report. On the company's website,

¹³⁵ The Swedish Corporate Governance Board 3.2, 2008

¹³⁶ The Swedish Corporate Governance Board 3.4, 2008

¹³⁷ The Swedish Corporate Governance Board 3.6, 2008

¹³⁸ The Swedish Corporate Governance Board 3.9, 2008

¹³⁹ The Swedish Corporate Governance Board 3.10, 2008

there should be a devoted section to corporate governance issues where the corporate governance report and current code could be found¹⁴⁰.

2.4. Corporate Governance Ranking Institutes

Currently, various corporate governance-rating agencies are operating in this field with own rating criteria to rank companies globally. In this regard, Governance Metric International's¹⁴¹ (GMI) corporate governance index, Institutional Shareholder Services'¹⁴² (ISS) Corporate Governance Quotient (CGQ) and Standard and Poor's¹⁴³ (S&P) Gamma criteria are notable ones. The comparative dimensions are the most crucial part of this study. The rating schemes of above-mentioned rating agencies have been taken into consideration for construction of analytical tool. A brief overview for these ratings seems reasonable.

2.4.1. ISS Rating Institute

Institutional Shareholder Services (ISS) is an independent corporate governance rating agency¹⁴⁴. ISS is facilitating investors in making their decisions regarding their investments. To facilitate investors in this regard ISS has developed a standard governance matrix to monitor and compare corporate governance practices of American companies initially and later for non-American firms too¹⁴⁵. This matrix is named as Corporate Governance Quotient (CGQ)¹⁴⁶. The key dimensions of ISS used in their standard model of ranking are board, audit, charter/by laws, state of incorporation, executive and director compensation, qualitative factors, director ownership and director education¹⁴⁷. ISS has further subcategorized these key dimensions into sixty-four variables¹⁴⁸. ISS has developed an electronic platform (proxymaster.com), which is used by investors, companies and researchers to view Corporate

¹⁴⁰ The Swedish Corporate Governance Board 3.11, 2008

¹⁴¹ Governance Metrics (GMI): International Pioneering Accountability Ratings, <http://www.gmiratings.com/> accessed on May 2, 2009.

¹⁴² ISS: Corporate Governance Quotient, <http://www.isscgq.com/abouttheratings.htm> accessed on May 2, 2009.

¹⁴³ Standard and Poor's, <http://www2.standardandpoors.com/> accessed on May 2, 2009.

¹⁴⁴ ISS: Corporate Governance Quotient, <http://www.isscgq.com/abouttheratings.htm> accessed on May 2, 2009.

¹⁴⁵ Ibid.

¹⁴⁶ Ibid.

¹⁴⁷ Ibid.

¹⁴⁸ Ibid.

Governance Quotient ratings of companies¹⁴⁹. ISS has two separate Corporate Governance Quotient rating criteria for US and non-US firms¹⁵⁰. ISS utilizes first Corporate Governance Quotient for US companies that include sixty-five sub dimensions¹⁵¹. The second Corporate Governance Quotient is for non-US companies that contain fifty-five sub dimensions¹⁵².

2.4.2. GMI Rating Institute

Governance Metrics International (GMI) is a corporate governance research and rating institute¹⁵³. Key expertise of GMI is to rate the companies' world wide on the basis of their corporate practices. Like this study is focusing on corporate governance issue from an investor's perspective, GMI also rates companies all over the world from an investor's perspective¹⁵⁴. For this purpose, GMI has designed a standard corporate governance index for rating companies worldwide. Six dimensions are the most critical to define corporate governance practices in a company from GMI viewpoint which are board accountability, financial disclosure and internal controls, shareholder rights, executive compensation, market for control and ownership base and corporate behavior and CSR Issues¹⁵⁵. GMI has further subcategorized these dimensions to make a detailed assessment structure¹⁵⁶. GMI assigns score to each company after the analysis of its corporate governance practices in which score of one represents the lowest corporate governance rating while the score of ten represents the highest corporate governance rating¹⁵⁷. GMI assign ratings to the companies relative to other rated companies in the same region or relative to company's home market rating¹⁵⁸. For the

¹⁴⁹ Matthew S Brown, The ratings game: corporate governance ratings and why you should care http://www.globalcorporategovernance.com/n_namericas/080_093.htm accessed on May 2, 2009.

¹⁵⁰ Risk Metrics Group: Corporate Governance Quotient, Corporate Governance Ratings to evaluate Risk. <http://www.riskmetrics.com/cgq> accessed on May 2, 2009.

¹⁵¹ Risk Metrics Group: Summary:CGQ, Ratings Criteria for U.S Companies. http://www.riskmetrics.com/sites/default/files/CGQ_Criteria_US.pdf accessed on May 2, 2009.

¹⁵² Risk Metrics Group: Summary:CGQ, Ratings Criteria for Non U.S Companies. http://www.riskmetrics.com/sites/default/files/CGQ_Criteria_exUS.pdf accessed on May 2, 2009.

¹⁵³ Governance Metrics (GMI): International Pioneering Accountability Ratings [http://www.gmiratings.com/\(4kn3ze453rlenbv0ivilb3ae\)/Products.aspx#top](http://www.gmiratings.com/(4kn3ze453rlenbv0ivilb3ae)/Products.aspx#top) accessed on May 2, 2009.

¹⁵⁴ Ibid.

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

¹⁵⁷ Ibid.

¹⁵⁸ Ibid.

global rating of companies, GMI rate companies relative to 4200 companies rated by GMI worldwide¹⁵⁹.

2.4.3. Standard and Poor (S&P)

Standards and Poor's has designed a research tool namely "Gamma", which reflects the approach towards the company's corporate governance practices with focus on investor's protection against inadequate governance related losses¹⁶⁰. S&P conducts its analysis both at country level and company level¹⁶¹. For specifically country level approach, this study is consistent, with few modifications, with the method adopted by Standard and Poor's. For country level analysis, it focuses on four key dimensions, which are market infrastructure, legal infrastructure, regulatory infrastructure and informational infrastructure¹⁶². While, for company level analysis, Gamma concentrates on ownership influences, shareholder rights, transparency, audit and enterprise risk management, board effectiveness, strategic process, and compensation practices¹⁶³.

¹⁵⁹ Governance Metrics (GMI): International Pioneering Accountability Ratings, Sample Report of Low Rated Corporation. [http://www.gmiratings.com/\(4kn3ze453rlenbv0ivilb3ae\)/Images/SampleReport.PDF](http://www.gmiratings.com/(4kn3ze453rlenbv0ivilb3ae)/Images/SampleReport.PDF) accessed on May 2, 2009.

¹⁶⁰ Standard and Poor's Governance, Accountability, Management Metrics & Analysis http://www2.standardandpoors.com/portal/site/sp/en/us/page.product/equityresearch_gamma/2,5,13,0,0,0,0,0,0,1,1,0,0,0,0,0.html accessed on May 2, 2009.

¹⁶¹ Standard and Poor's Criteria and Definitions: (GAMMA) Governance, Accountability, Management Metrics & Analysis, http://www2.standardandpoors.com/spf/pdf/equity/GAMMA_Criteria_3.pdf accessed on May 2, 2009.

¹⁶² Ibid.

¹⁶³ Ibid.

3. Research Model

The actual research model will be presented here, which has been used for the data collection of the research. The five key dimensions of the research are described with sub variables to all dimensions. At the end of chapter, the newly constructed model for country and company level research along with all dimensions and variables is presented.

3.1. Structure of the Research Model

The above-discussed rating agencies have designed criterion for comparing companies globally. Using similar comparative mechanism for this study does not fit fully. ISS is only rating at company's level by categorizing them as US and non-US companies and uses separate Corporate Governance Quotients (CGQ)¹⁶⁴ for this purpose. These CGQs measure company's governance rankings compared to its industry or it is compared with the companies in the index in which company is registered. This study not only conducts company level analysis but country level analysis too. So, utilizing the ISS designed matrices cannot fulfill the need of this study as ISS, in its rating, only focuses on the micro level attributes of the corporate governance systems. Likewise, GMI has designed its rating index for companies but it does not consider macro level dimensions in their study. Although, countries are assigned scores but the basis for such rating is not country level factors but company level conformance with governance requirements. As mentioned, the aim of this study is two fold, so this approach also doesn't fully serve the purpose of this study. A comparison is required at the country level to focus on the macro factors to assess corporate governance practices in the country. Effective/ineffective legal and regulatory environment is an important factor to investors' decision making. A country providing better legal protection to shareholders' rights and having effective enforcing mechanism for avoiding abuse of investors' rights might bias an investors' investment decision towards that country. This becomes even more important in the case of emerging markets where many variations exist in this regard¹⁶⁵. These mechanisms are important to assess, as legal and regulatory frameworks go hand in hand as an effective regulatory mechanism may do no good if there are no

¹⁶⁴ Risk Metrics Group: Corporate Governance Quotient, Corporate Governance Ratings to evaluate Risk. <http://www.riskmetrics.com/cgq>

¹⁶⁵ Clarke, International Corporate Governance, A comparative Study, p.48-49, 2007

effective laws. Similarly, if regulatory mechanism doesn't provide practical sense to laws, then good laws can serve no purpose to investors. Additionally, if country level governance environment is weak, this can come down to company level governance settings. The research model utilized for this comparative study conducts country level analysis and looks only to the protection provided to investors by legal and regulatory framework designed for the corporate governance practices in both countries. Market functionality might be a useful dimension as it may help understand the overall environment of a country's equity market¹⁶⁶. It may also provide insights about factors like liquidity/ breadth of stock market, role of various players like institutional investors and the extent to which it serves as mechanism for corporate control. Similarly, informational infrastructure might become handy as it contains information about varying accounting standards, the usefulness and effectiveness of disclosures etc.¹⁶⁷ Such dimensions would have been useful for this kind of studies but this study follows an archival research approach while real time information through surveys or interview approach better suits such analysis, which is not probable for this particular study due to time and resource limitations. In regard to country level corporate governance, company law and stock exchange listing regulations are the main legal documents as they cover all basic issues ranging from company formation to setting rights and responsibilities of directors and management. Additionally, for regulatory framework, the study examines it by looking only at the level of compliance by companies with respective legal requirements.

For the company level analysis, the study utilizes underlying variables of ISS, GMI and S&P. Each rating considers certain variables to be more important while others follow different approach. This study tries to reconcile the above ratings to narrow down the gap between them by keeping investor's perspective in view. While constructing the research model for this study, those variables like company responses given for providing additional information on investor's demand, anti-takeover measures (poison pill arrangements) etc. have been disregarded that required first hand information from interviews, surveys etc. Variables regarding ownership structure have been modified and extended a bit that fits to this study for examining the highly ownership concentrated firms from both countries. This study focuses on five key dimensions, which are ownership structure, board and board committees, disclosures and internal control, shareholders' rights and corporate social responsibility.

¹⁶⁶ Standard and Poor's Criteria and Definitions: (GAMMA) Governance, Accountability, Management Metrics & Analysis, http://www2.standardandpoors.com/spf/pdf/equity/GAMMA_Criteria_3.pdf accessed on May 2, 2009.

¹⁶⁷ Ibid.

The research model is designed to study the sample countries and companies in qualitative manner that, in the author's view will provide a deeper understanding of the given issue. For comparative studies like this, especially, in regard to countries where governance system is evolving, a qualitative model like this will not limit the research findings in the sense of a pre-approved framework thereby enabling superior inferences to be drawn. Since this is a pilot study aimed at determining differences and similarities among diverse governance systems, utilizing a pre-determined quantitative scale for assessing undetermined nature of qualitative results might affect the quality of research findings. Unlike traditional comparison models like discussed above, this model will not give a predefined rating to any variable in each country. Rather, its focal point is to benchmark the sample countries and companies' governance practice with the OECD defined global best practices. Based on that, a qualitative comparative judgment will be drawn.

The significance of the key dimensions of model is discussed below:

3.1.1. Ownership Structure

If everything is owned by an individual entity, the matter of direct and indirect ownership becomes meaningless¹⁶⁸. Understanding the ownership structure is an important element while assessing a company's governance footing. It is essential to look at the existence of majority shareholders; institutional shareholding, cross-shareholding by associated companies etc. as concentration of power in hands of few expose minority shareholders to expropriation risk like transfer pricing etc. Such observation becomes more important for economies where family or business group dominance on business exists. Similarly, dispersed ownership exposes shareholders to management risk. However, for this study, variables aiming at existence of ownership concentration are more relevant as both the sample countries have dominating family and business group entities, cross shareholdings and pyramid structures¹⁶⁹.

¹⁶⁸ Monks and Minow, Corporate Governance, p.87-88, 1995

¹⁶⁹ Attiya and Rubina, The relationship between Corporate Governance Indicators and Firm Value, p.9-12, 2007

When shares of a corporation are issued to the general public, the control of the founders to their corporation is diluted that many founders do not want to happen¹⁷⁰. Offering different classes of shares with differing voting rights is one such way of maintaining control over organization¹⁷¹. Such different classes of shares are known as dual-class share structures or also restricted- or subordinate-voting share structures¹⁷². These dual-class share structures add new dimensions to the normally “one share, one vote” rule as superior shares can have disproportionate multiple voting rights while inferior with no voting rights¹⁷³. These superior shares enjoy special voting rights like power to elect a specific number of board members, right to decide and approve executive compensation plans etc¹⁷⁴.

A study suggests that such share structures are common in family dominated businesses where these shares are used to maintain family control over business¹⁷⁵. Controlling shareholders argue that dual-class shares serve as a protection against takeover threats and short-termism thereby paving way for long term sustainable position¹⁷⁶. Also, founders who are not fond of debt use this mechanism that enables them to acquire capital needed without sharing their controlling power¹⁷⁷. In contrast, many investors, especially institutional investors, oppose these share structures and argue that dual-class share structures are against public shareholders and contribute to overall poor corporate governance¹⁷⁸. A Scandinavian study concludes that firms with dual class shares systematically perform inferior and over invest whereas firms with single-class shares performs better and invests efficiently¹⁷⁹. This mechanism is also accused for many other reasons like expropriation of shareholder’s right with restricted shares by controlling shareholders with superior shares by, for example, flowing company cash towards their personal projects not related to core business, sky-high executive pays, bonuses and stock options¹⁸⁰.

¹⁷⁰ Gry, Dual-Class Share Structures and Best Practices in Corporate Governance, 2005

¹⁷¹ Ibid

¹⁷² Ibid

¹⁷³ Ibid

¹⁷⁴ Ibid

¹⁷⁵ Ibid

¹⁷⁶ Gry, Dual-Class Share Structures and Best Practices in Corporate Governance, 2005

¹⁷⁷ Ibid

¹⁷⁸ Ibid

¹⁷⁹ Eklind, Corporate Governance and Investments in Scandinavia-Ownership Concentration and Dual-Class Equity Structure, p.28-29, 2007

¹⁸⁰ Gry, Dual-Class Share Structures and Best Practices in Corporate Governance, 2005

This study considers single class/ dual class shares issue for the company analysis. S&P uses a similar variable for company ratings but in a more general sense. It is addressed explicitly in this study due to its role in Swedish corporations. This study also takes an additional variable for assessing ownership concentration by looking at the percentage shares held by top ten shareholders of company. This will be useful in relating to minority shareholder protection and representation given to them on board. By looking at top ten shareholders of company, it will provide a comparative view about which country has more ownership concentration. For detailed list of variables selected for this dimension, see tables 3.1 at the end of the chapter.

3.1.2. Board and Board Committees

Board is one of the crucial factors in the governance of company as it is supposed to provide strategic direction to the company and keep an independent check on management's practices, thus, acting as a safeguard layer for investors.¹⁸¹ Board is responsible for creating trust between management and shareholders while assisting in the day-to-day activities of the company¹⁸². Key roles of the board are monitoring the management, checking the accountability, approval and monitoring of strategic decisions, advising the management and executives on the crucial matters and relationship building with stakeholders¹⁸³. Such responsibilities can be served best if the board composition is effective. That is the reason why investors focus on issue of board structure and composition; specifically they consider non-executive representation and independence as a proxy for board effectiveness¹⁸⁴. Non-executives directors play a vital role in the effectiveness of board and their representation act as a source of confidence to investors¹⁸⁵. Companies with major shareholder(s) can have boards, which are highly populated with management or majority shareholders, thereby making such boards less accountable to minority shareholders. Research of boards tells that markets reward firms for appointing outside directors¹⁸⁶. The study focuses on the board composition and disclosures regarding them. It will be interesting to see the dimension about non-executive directors in concentrated ownership set up as both relates to the control mechanism over firm.

¹⁸¹ Clarke: International Corporate Governance, A Comparative Approach, p.33, 2007

¹⁸² Stiles and Taylor Boards at work: How Directors view their Roles and Responsibilities, 2002

¹⁸³ Clarke: International Corporate Governance, A Comparative Approach 2007 p.33

¹⁸⁴ Mc Nulty, Roberts, and Stiles, Creating Accountability within the Boardroom, 2003

¹⁸⁵ Clarke, International Corporate Governance, A Comparative Approach, p.56, 2007

¹⁸⁶ Baysinger, and Butler, Corporate Governance and Board of Directors, p.101–124, 1985

Rosenstein and Wyatt, Outside Directors: Board Independence and Shareholder Wealth, p.175–191, 1990

Separation of chairman and CEO seat is an important governance factor as unification of such powers can be an element affecting investors' confidence. Where the chairman is also a chief executive, a strong and sovereign board is very essential¹⁸⁷. When the CEO also is the chairman, it can increase the agency costs of the firm, which exposes shareholders to considerable risk¹⁸⁸.

Executive remuneration has been a sensitive issue in regard to board's practices. In family dominated businesses or majority shareholders existence, where management can be controlled through keeping direct control from dominating shareholder. It is interesting to follow how effectively the management is compensated, and whether such compensation aligns management's interest with shareholder's interest in a short term or long term perspective? Also, in situations where boards are heavily represented by management, executive compensation schemes become issues of greater concern. Board's remuneration and audit committees' and the nomination committee independence is an issue of concern for shareholders as they deal in matters like executive compensation schemes, key appointments to company etc.

Factors like board size, directors' expertise and education, board committees' autonomy, AGM/ EGM attendance, and relevant disclosures etc. are also other areas of focus for this study. For more detailed factors building this broader dimension, see tables 3.1 at the end of this chapter.

3.1.3. Disclosures and Internal Control

Transparency of managements' practices is an important issue for investors because this explains exactly what is going on in company. The timely availability of firm's financial and non-financial information is important for existing and potential investors as this can allow them to keep a check on management's performance as they present it. It is an important responsibility to the board of directors to provide high quality disclosures on the financial and operating performance of the company, so that shareholders can make informed and accurate

¹⁸⁷ Cadbury, Report of the Committee on the financial aspects of Corporate Governance, 1992

¹⁸⁸ Kyereboah-Coleman, Osei, Outreach and profitability of micro finance Institutions, 2008

decisions regarding their investments¹⁸⁹. Board of directors may discuss material issues in management and analysis sections of the annual report to enhance the quality of reporting standards. It increases investor's understanding regarding risks inherent to the company¹⁹⁰. This study looks at this variable in regard to majority shareholding influence on company practices and the relevant disclosures. Also, in concentrated ownership structures, the availability or non-availability of disclosures regarding associated party holdings, cross shareholdings, institutional share holdings are important concerns for investors. Disclosures regarding ownership structure, board composition, executive remuneration, internal control and audit, accounting policies adoption, auditor's independence and appointment etc. are key issues of interest for current and potential investors¹⁹¹. Regulators and markets now demand continuous disclosures on all the significant matters such as mergers and takeovers from the board of directors¹⁹².

As aftermath of the Enron collapse, Sarbanes-Oxley Act (2002) has taken vital steps to enhance internal control by imposing that CFOs and CEOs are to implement internal control practices¹⁹³. A sound system ensures a safeguard to investor's investment and company's assets. Investors benefit from a sound internal control as it enhances efficiency and effectiveness of operations and helps in complying with laws and regulations. An effective internal control system helps identifying the changing environment around company and thus helps in management and control of the risks in an appropriate manner¹⁹⁴. Irrespective of validity of the pre-conception that Swedish code of corporate governance has explained internal control in a limited manner¹⁹⁵, it is interesting to find that how companies within Sweden disclose explanation of internal control in their annual reports, and importantly to compare it with Pakistani code of corporate governance. The study specifically focuses on internal audit function disclosures in annual reports, disclosure regarding internal control policies and practices formulated by companies in their annual reports.

3.1.4. Shareholder's Rights

¹⁸⁹ Clarke, International Corporate Governance, A Comparative Approach, p. 64-65, 2007

¹⁹⁰ UNCTAD, Guidance on Good Practice in Corporate Governance Disclosure, Geneva: UNEP, 2006

¹⁹¹ UNCTAD, Guidance on Good Practice in Corporate Governance Disclosure, Geneva: UNEP, 2006

¹⁹² Clarke, International Corporate Governance, A Comparative Approach, p.65, 2007

¹⁹³ Clarke, International Corporate Governance, A Comparative Approach, p.62, 2007

¹⁹⁴ FRC, Revised Guidance on Internal Controls, p.3, 2005

¹⁹⁵ Internal control in corporate governance codes: A comparative study, 2005 Uppsala University

It is very crucial for investors the level of protection a country provides to them. It is even more crucial how company treats the shareholders rights. Different countries have different level of legal protection for investors. The way company governance practices relating to shareholders rights lag behind, match or exceed the legal requirements will be a useful aspect of this study for determining how companies in comparison with each other and then with countries differ in this regard.

Issues regarding rules, requirements and related processes for general meetings and voting procedures are key factors for his study. For detailed list of variables selected for this dimension, see table 3.1.

3.1.5. Corporate Social Responsibility

Corporations are becoming more and more socially responsible and there are apparent signs that they are taking their social responsibilities more seriously¹⁹⁶. A KPMG survey in 2005 shows the similar trend, and shows that increasing number of companies are now issuing separate Annual Reports for CSR¹⁹⁷. OECD and European Union are also promoting socially responsible practices and investments, especially in regard to the operations of multinational companies, which is quite obvious from their guidelines¹⁹⁸. Although, the way different corporations view CSR varies a lot as some view it as an unwanted cost whereas other perceive it as an effective way of presenting the corporate entity as a socially responsible due to their social contributions which help firms gain competitive advantage¹⁹⁹.

Research has also shown that there is a relationship between environmental management and firm performance. Study by Klassen and McLaughlin demonstrates that positive returns were observed for environmental management whereas negative returns were produced for weak environmental management. However, mix results have been found by researchers as work by Teoh et. al.²⁰⁰ claims no relationship, Wright and Ferris²⁰¹ found negative relationship and

¹⁹⁶ Clarke, International Corporate Governance, A comparative Study, p.276-279, 2007

¹⁹⁷ KPMG CSR Surveys (1993-2005), KPMG International Surveys of Corporate Social Responsibility Reporting, 2005

¹⁹⁸ OECD Guidelines for Multinational Enterprises, 1976; 2000

¹⁹⁹ Ahmed and Uchida, Corporate Social Responsibility and Financial Performance Linkage, 2009

²⁰⁰ Teoh, Welch, and Wazzan, The Effect of Socially Activist Investment Policies on the Financial Markets, 1995

²⁰¹ Wright and Ferris, Agency conflict and corporate strategy: The effect of divestment on corporate value, 1997

Posnikoff observed a positive relationship²⁰² between CSR and financial performance. This study incorporates this factor as a benchmark dimension due to the growing awareness of CSR in business community and globally in general. In regard to this study, disclosures regarding the health, safety and environment policy will be observed to compare corporate behavior.

3.2. Country-level matrix

Country level analysis is conducted by answering the questions mentioned below. The questions relate to five key dimensions, as mentioned above, and data is gathered in matrix form. To clarify, first step will investigate country level situation for which national laws and regulation will be examined across various dimensions relating to investor protection. National set up will be bench marked against global best practices (OECD) so analysis will be built on benchmark findings. Answers to these questions have been gathered in matrix form presented in the Appendix 1 Table 4.1.

The dimensions addressed are as follows:

What are the relevant laws prevailing in the country regarding corporate governance practices?

Laws and guidelines related to break down of Shareholdings?

Laws and guidelines related to Directors and executives shareholdings?

Laws and guidelines related shareholding concentration?

Laws and guidelines related to Composition of board?

Laws and guidelines related to Directors Duties and Responsibilities?

Laws and guidelines related to Meetings and attendance of board?

Laws and guidelines related to director's biography?

Laws and guidelines related to Minority Shareholders?

Laws and guidelines related to chairman/ CEO?

Laws and guidelines related to Committees?

Laws and guidelines related to Election, voting procedures and proxies?

Laws and guidelines related to Executive non executive directors?

²⁰² Posnikoff, Disinvestment from South Africa: They did well by doing good. p.76-86, 1997

- Laws and guidelines related to board committees?
- Laws and guidelines related to External Audit?
- Laws and guidelines related to Auditor’s rotation?
- Laws and guidelines related to Auditor’s independence and job description?
- Laws and guidelines related to Internal Audit and Internal Control Policy?
- Laws and guidelines related to Disclosures of information?
- Laws and guidelines related to environmental and social Policy disclosures?
- Laws and guidelines related to Governance Related disclosures?
- Laws and guidelines related to Accounting Standards?
- Laws and guidelines related to single/dual class shareholding?
- Laws and guidelines related to disclosures on company website?
- Laws and guidelines related to dividend policy?

3.3. Company-level Matrix

Annual reports and company websites of sample companies will be observed and companies’ governance practices will be benchmarked against the rules set up by respective national institutions. Later, companies from both countries will be compared to each other and with OECD to conduct analysis and assign qualitative judgments. The analysis will be constructed based on the benchmark findings. The matrix utilized for data gathering is as follows.

Variables	Pakistani Company	Swedish Company	OECD Best Practice
Ownership Structure			
Director/ Executive Shareholding			
Top Ten Shareholders			
Breakdown of Shareholding			
Board and Board Committees			
Chairman/ CEO Separation			
Board Size			
Non-Executive Directors			
Director Effectiveness			
Meetings/ Attendance of Directors			

<p>Board committees</p> <p>Disclosures and Internal Control</p> <p>Director/ Executive Remuneration (Remuneration Break up)</p> <p>Director’s Responsibility</p> <p>Directors Auto-biography</p> <p>Audit Remuneration</p> <p>Internal Audit and control policy</p> <p>Rights of Shares’ classes</p> <p>Shareholding pattern</p> <p>Financial and Operational Information</p> <p>Strategic Information</p> <p>Auditor Appointment/ Report to Shareholder</p> <p>Shares Traded by Directors/ Executives</p> <p>Related Party Transaction</p> <p>Governance related disclosures</p> <p>Website Reporting</p> <p>Accounting standards</p> <p>Firm-Industry Analysis</p> <p>Shareholder rights</p> <p>Classes of Shares</p> <p>Minority Shareholders representation</p> <p>Dividend policy and History</p> <p>Corporate Social Responsibility</p> <p>Environment, Health and Safety Policy</p>			
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Table 3.1. Company Level Matrix

4. Methodology

During this chapter, the method to conduct the research will be stated. The chapter follows: selection of methodology, preconceptions, research and scientific approach, choices and criticism. Then, approach of data collection and gathering, selection of sample companies. In the end, discussion regarding validity and reliability is presented.

4.1. Research Methodology and Approach

As mentioned earlier, the aim of the study is to compare the corporate governance systems of the selected countries. It was possible to use either qualitative or quantitative research approach for the thesis. After carefully looking at the purpose of our research, the decision ended with qualitative research approach. If a quantitative approach was chosen, it would have limited the study in depth and rather emphasized a larger number of research objects.

Since this is a pilot study and no prior research has been conducted in the manner mentioned, so, an explorative approach has been conducted. Extensive literature review has been done in order to obtain necessary relevant information which has been utilized for the construction of research model. As the country and company level analysis is built upon the inferences drawn from benchmarking with OECD best practices, which is more of a deductive exercise according to literature²⁰³.

The aim of the study is to conduct a comparison of corporate governance systems between two countries at country and company level, the research will proceed as a two-step process as seen in previous chapter. The study is conducted for investors' perspective to facilitate them to make more informed investment decisions by assessing the country level and company level non-financial aspects.

²⁰³ Bryman & Bell, 2003

4.2. Preconceptions

In comparison of the two chosen countries, the authors were under the conception that Sweden as country and its companies have a more developed corporate governance system and implementation of it than Pakistan as country and its companies.

4.3. Approach of Data Collection

As mentioned above, the primary sources of data are Company laws and codes of corporate governance of respective countries and annual reports of sample companies; hence, the decision of the archival research for data gathering has been adopted. An exhaustive investigative work is done to skim out the necessary information on which inferences and conclusion can be drawn²⁰⁴. Apart from the above mentioned data sources, related articles and surveys conducted by World Bank, IMF, Corporate Governance related bodies, organizations and individuals is used to support the findings from data analysis phase.

This study is based on government directed committees' documents, national laws and annual reports from listed limited companies, by theory called official documents of private and governmental kind. These types of documents are regarded as non-affected of personal values and preconceptions of the researcher. This type of non-reactive documents let the researcher to disregard the reactive effects that validity constraint might cause²⁰⁵.

4.4. Research Companies

Selecting four companies from numerous companies and sectors listed on stock exchanges and generalizing unbiased inferences from the corresponding data for the whole system is delicate. As the decided size of the sample is four for each country, company should be from different industry sectors. The sample selection is based on investor's preferred sectors and companies i.e. sectors and companies with highest market capitalization at the beginning of 2009 on each stock exchange. Therefore, firstly, four sectors having highest turnover over the stock exchanges have been selected which in the case of Pakistan are cement, textile

²⁰⁴ Bryman, *Research Methods and Organization Studies*, 1995

²⁰⁵ Bryman and Bell, *Företagsekonomiska forskningsmetoder*, 2003

composite, and Fertilizer²⁰⁶. In the case of Sweden the sectors represented are industry, material, transportation and telecom²⁰⁷. The selection have no financial sector representation as the financial institutions are monitored by the State Banks of respective countries and are subject to separate law i.e. not subject to company law.

Additionally, government owned companies and subsidiary or associated companies of foreign entities have also been left out as they might not be best representatives of national system. The representative companies of each sector chosen are the companies with highest market capitalization. In certain cases, company next to the leader has been selected due to unavailability of data. In case of Pakistan, two companies are selected from cement sector due to the reason that biggest sectors after cement sector are Oil and Gas exploration sector and Oil and Gas Marketing sector.²⁰⁸ Here, companies in these sectors are owned by Government so they have been disregarded. The following next sectors have very low turnovers and market capitalization as compared to the other selected sectors²⁰⁹. So, alternatively, a second company has been selected from Cement sector that has highest turnover among all these selected sectors.²¹⁰ Two companies of this sector have a highest market capitalization as well.²¹¹

The sample set for Pakistan and other sources of information are as follows:

PAKISTAN		
Sr.	Sector	Company
1	Cement	Lucky Cement Ltd.
2	Cement	DGKC Ltd.
3	Textile Composite	Azgard Nine Ltd.
4	Fertilizer	Engro Chemicals Ltd.

Table 2.1. Pakistani Sample Companies

²⁰⁶ Karachi Stock Exchange

http://www.kse.com.pk/market-data/by_volume.php?id=1&sid=1.06 accessed on May 16, 2009.

²⁰⁷ OMX Nordic Stock Exchange

²⁰⁸ Karachi Stock Exchange

http://www.kse.com.pk/market-data/by_volume.php?id=1&sid=1.06 accessed on May 16, 2009.

²⁰⁹ Ibid.

²¹⁰ ibid.

²¹¹ ibid.

The sample set for Sweden and other sources of information are as follows:

SWEDEN		
Sr.	Sector	Company
1	Industry	Atlas Copco AB
2	Material	SSAB
3	Vehicle Construction	Volvo AB
4	Telecom	Tele2

Table 2.2. Swedish Sample Companies

4.5. Validity and Reliability

The first step of research employs country’s laws and regulation to build inferences regarding the country level situation of corporate governance. Such documents are authentic as the national institutions of countries issue them. The best practices they will be benchmarked with are OECD guidelines, which are also considered authentic as World Bank, IMF, Asian Development Bank, or many other international bodies support them. A survey or interview approach would also have been adopted in parallel but given time and resources available, this option seems unfeasible.

Second aspect of the study, the company-level compliance of corporate governance, annual reports and websites of the sample companies will act as the primary source of data as this document is considered as the representative of a company and it reveals how the company wants to portray its image for all the stakeholders like creditors, employees, customers etc. and especially the investors or shareholders. As annual report is a public document, so, all stakeholders have readily access to it. Therefore, due to the convenient availability of this detailed document, all stakeholders especially investors, both domestic and foreign, can use it as a fundamental starting place for investigating a company. Also, it is very hard to get hold of first hand information from key personals of the company and not all, especially individual investors from general masses, have access to company professionals like Chief Executive Officer (CEO), Chief Financial Officer (CFO), company auditors or other important players within a company to provide them with the specific information they are looking far. As the

observations from annual reports will be benchmarked against national rules and regulations, so authenticity of the national documents provide authenticity to the analytical mechanism. A survey/ interview would have been useful for this step too but time and resource constraint restricts his study to accommodate it.

5. Results and Consideration

In this chapter, the results and findings of importance from the empirical data collection in appendixes are stated. The presentation will be formed in the same manner as the research model. At first, the country-level research results will be presented in regard to the five key dimensions. The research from company-level will be presented in the same way with the exception that they are presented separately by respective country. This chapter should be seen in conjunction with relevant mentioned Appendix.

5.1. Results of Country-level research

Results and findings are found in country-level matrix in Appendix 1 table 4.1. Here, the country-level results will be illustrated in five dimensions. At first, it will show the differences of the chosen variables and the similarities. Each key dimension stating the dissimilarities and similarities between Pakistan and Sweden will be compared to best practices.

5.1.1. Ownership structure

Regarding legislation and best practices covering ownership structure, there is limited availability. The concerned variables in the research were director and executive shareholdings and shareholding pattern. In both Pakistan and Sweden, there should be disclosed shareholdings by both directors and executives and related person to them. Both the countries are stating to disclose holdings in subsidiaries and associated companies. No differences are found but only in the phrasing. No best practice for ownership structure was found in OECD guidelines for this variable.

According to best practices, it is a basic right of investors to know the ownership structure of the company directly and in-directly. In Sweden, the possessions of company's shares larger than ten percent, both directly and indirectly, should be disclosed. In case of Pakistan, shareholding pattern shall be disclosed with comparatively more extensive information as break-up based on nature of entity i.e. institutional holding, mutual fund etc. is mandated to

be given. The situation in both countries is in line with best practices, but Pakistan seems to be bit more comprehensive in this regard.

5.1.2. Board and Board Committees

The first variable is separation between the Chief Executive Office and the Chair of the board, whether or not the same person can hold these two positions. In Pakistan the position can be held by the same person but not preferred and in Sweden it can not be. By best practices, Sweden is most in line; however Sweden is tougher on this variable than best practices.

No stated best practices about the size of the board of directors are found in OECD best practices. Pakistan is requiring at least seven directors and Sweden three. Sweden is leaving the size of the board more voluntary than Pakistan.

Regarding non-executive board directors, the definition by OECD states that it is preferable that a director is of independent non-executive character. Pakistani laws limit executive director representation on board not to exceed 75% including Chief Executive Officer (CEO). Swedish law requires more than half elected board members to be non-executive directors. Among these non-executive directors, at least two should be independent of major shareholders and also in regard to subsidiaries. Both countries' law focuses on independent directors where Swedish legislation is more concrete while Pakistani legislation is of voluntary nature and main emphasis on non-executive nature of directors. Also, Pakistani law mandates at least one independent director representing institutional equity interest. Over all, both countries are in conformity with the best practice towards the independence of board members as best practices are mostly emphasizing on words as considering and encouraging. Sweden is once again tougher and strict in its statement in this regard while Pakistan uses more soft words. So, Sweden is comparatively nearer to best practice.

Pakistani law limits director to represent maximum ten boards to ensure appropriate time devoted to concerned companies while Swedish law does not confine board representation to a specific number. Rather, it takes a more subjective approach towards necessary time needed for the company. Both countries seek directors' affectivity as suggested by OECD best practice but Pakistan has a more explicit stance on it. Pakistani legislation takes it further, if a

director misses three consecutive meetings or all meetings held in three consecutive months, whichever is longer; he or she ceases to be a director unless leave of absence is granted by company.

Pakistani law mandates directors to meet at least once every quarter having quorum of meeting to be at least four or one third of total board size, whichever is higher. If any of the two conditions is not met, the chairman and board members are subject to fines. Number of meetings and board members' attendance is to be disclosed in annual report but it is mandatory to do so by Pakistani companies. Both countries are in line with best practices, Sweden in the same subjective motivation and Pakistan with a more enforcing legislation.

Board committees are by best practices focusing on audit, remuneration, and nomination committees. Pakistani and Swedish law mandates audit committee existence consisting of at least three members where the majority representation shall be non-executives. Swedish legislation requires at least one member to be independent of the majority shareholders. Pakistani legislation demands the chairman of committee to be non-executive. Swedish law talks about independence of committee members too but Pakistani law's emphasis is only on non-executive nature of committee members. Swedish law is closer to OECD best practices when it comes to describing the roles and responsibilities of the audit committee such as internal audit function (for financial as well as non-financial information), interfacing between internal and external audit. Swedish audit committee shall assist nomination committee in proposing auditor for next term. Pakistan mandates meeting of this audit committee to be at least once every quarter and to be held before and after external audit. Swedish law extends the practices established by OECD in regard to board committee by requiring the board to establish remuneration and nomination committee consisting mainly of independent directors. Chairman can also be chairman of remuneration committee but not for audit committee. Nomination is suppose to propose the chair and board members for elections. Remuneration committee proposes directors' and auditors' fees and remunerations for approval in general meeting. OECD emphasize in this regard on a transparent nomination and election of board. Selection of board members also needs nomination of such candidates who are well equipped with appropriate knowledge, competencies and expertise required for the board.

The election of board directors is interesting in regard to how, why and when. In Pakistan, effective representation of independent non-executive directors is encouraged along with the representation of minority shareholders. Nomination committee is not required in corporate governance system of Pakistan however minority shareholders can take part in elections through proxy solicitation. Listed companies are required to annex additional copy of proxy form filled by the minority shareholder candidate for election with the notice of annual general meeting. In addition, creditors also may nominate directors on the basis of their contractual agreement. All these notices received by the company should be communicated to members at least seven days before the annual general meeting in which the election is going to take place. All notices shall be published in the daily newspapers both in Urdu (Pakistani national language) and English in the province in which related stock exchange exists. In Sweden, directors are also elected at the annual general meeting. The nomination committee, an autonomous body separate from board control, is required to nominate the suitable candidates for the board. Recommendations of nomination committee are then presented in the annual general meetings for the voting. These recommendations are published on the company website as well. Further more, each candidate's age, education, work experience, prior work in the company, shareholding in the company and other professional commitments should be the part of this recommendation proposal. Election system is stricter in Sweden as it includes the nomination committee for the recommendation of the board of directors while in Pakistan it is done by directors thereby making Swedish law more protective. In Pakistan, there is no legislation or best practice recommended for the director's education, age, work experience, prior work in the company and shareholding of directors which might be considered a short coming in the selection process of effective board with all the required competencies. Sweden is following the best practices that is stating a transparent nomination and election, Pakistan is not clearly stating the same but do emphasize an open nomination. It is stated in Sweden that the board should be filled by appropriate knowledge as in best practices; this is however not directly found in Pakistani legislation.

5.1.3. Disclosures and Internal Control

Remuneration of directors and executives are recommended to be disclosed by OECD best practices. Both countries follow this practice and disclose the remuneration of the board and schemes of share-incentive related remuneration. However Pakistan does not disclose the

remuneration individually, which is the case of Sweden and best practices. The remuneration in Sweden is proposed by the remuneration committee and approved at the general meeting while in Pakistan, the remuneration is approved in general meeting but no law regarding remuneration committee exists. Pakistan is missing best practices recommendations on individual disclosure.

Disclosure about responsibilities of board directors are not found in OECD best practices, however Pakistan and Sweden are stating a subjective mind of how the board directors are to act. They have very similar descriptions that can be concluded to work in the best manner of the company.

The disclosure of board directors' background could be of various levels of details. Best practices suggest stating qualifications, selection process, other company directorships, and if they are regarded independent. Pakistan is emphasizing more on limitations of directorships on other companies with some sense of their independence status. Sweden is more focusing what is stated by best practices with disclosing all necessary information regarding the board directors.

Audit remuneration should be disclosed and decided by the general meeting. In Pakistan, it should be proposed by board directors. While in Sweden, the nomination committee proposes the remuneration.

Internal audit and control is to be done by the audit committee or an equivalent function, to cover all activities of this kind according to best practices. In Sweden, the board is to make sure that the company has good internal control and routines. The corporate governance report should include explicit disclosure about internal control and risks. Pakistani boards are to disclose that directors' control is sound and effectively implemented and monitored. In accordance to best practices, both countries demonstrate no significant differences.

Financial and operational information should not be limited to material information according to best practices. Pakistani legislation is focusing more on financial information and its details whereas Swedish legislation is focusing on extra significant occurrences on top of the financial reporting. It is in line with best practices; however, Pakistan is lacking some operational focus on information.

Best practice requires strategic information to be disclosed i.e. future plans and expected performance of the company. Swedish companies shall disclose future expectations, risks, factors, and development etc. Pakistani companies have the same expectations on them as Swedish companies where the only minor difference is in presentation of strategic information disclosure.

Best practice requires reporting of any information of material importance like any significant equity-related transactions. Information should be of high quality standard about accounting, financial, and non-financial issues. Also, an audit opinion has to be stated on the presented material. In Pakistan, as mandated by law, it is the director's report to shareholders that discloses such information where main emphasis is on financial information which is in compliance with best practices. Swedish listing requirements states such information to be disclosed to shareholders at earliest which is in compliance with best practices. Also, disclosure about share affecting information should be made public before ordinary reports.

In best practice, auditor report to shareholders should be presented by an independent, competent and qualified auditor. This is to ensure shareholders that an external view has been conducted on financial statements and the financial information is in accordance to what is stated. It is usual that an independent auditor committee appoints the external auditor. It is also an increasing issue to ensure the competence and profession of the auditor according to best practices. The audit report is obliged to be presented to shareholders without any interference from company executives or board. The auditor recommends whether or not the general meeting should accept the information in the director's report, and if any violation to company act has been done.

In Pakistan there is a strong legislation for external auditor. Auditors and their spouse and children should be independent of company and its management. They should not have any shareholding in the company in a direct or indirect manner. They are recommended by audit committee and decision regarding their appointment is taken in the annual general meeting. Duties of auditors are somehow same in both countries. However in Sweden auditors are required to state that shareholder's should accept the balance sheet and income statement and members of board and president be discharged from liability of financial year while in Pakistan auditors only give their opinion on the information provided to them in the form of

“qualified” and “unqualified” to the shareholders. In Sweden auditors need to give their consent on CEO and directors practices as well which is not the case in Pakistan. In Pakistan auditors are also bound to give their opinion whether Zakat is deducted and deposited in central Zakat fund in a proper manner or not. Auditors in Pakistan are also required to give their opinion on the corporate governance practices of company.

The appointment of auditor, in Sweden, is conducted through a proposal by an independent nomination committee and elected at the general meeting. In Pakistan, legislation concerning who can or can not become auditor is extensive. Auditors are prohibited to own shares in the company and also any person in relation to executive management or board is ineligible for being auditor of that company. There are many similarities in regard to auditor appointment, but Pakistani legislation is very detailed in describing the eligibility of right auditor.

Best practices calls for mandatory audit rotation. The case in Sweden is that auditors are elected for four year with a possibility of re-election of three years. Pakistan does have a shorter horizon of one year and limit of three years. Both countries have mandatory rotation, with the time horizon difference for which they are elected for. This puts both countries in line with best practice.

Best practices states that the board and executive management should disclose their direct or indirect interest in any material transaction or matter affecting the company. In Sweden and also according to best practices a person with a related interest is not allowed to participate in that issue. In Pakistan the issue is more regarding shareholding where any change in shareholding of directors and executive management should immediately be notified in writing. Disclosure of material interests is required to be disclosed in both countries, Sweden is more aligned to best practices as it also covers that no participation is allowed for an executive or board director with a material interest in any matter.

It's essential for companies to fully disclose related party transactions either individually or in groups, according to best practices. This is to locate conflict of interests of the company and its owners. In Sweden, larger companies should disclose significant transactions of this kind while all Pakistani companies should disclose this information. Special details should be included both at arms-length and in normal market conditions and the company should keep a

record of the transactions in both countries. However, Pakistani legislation is more detailed and in line with best practices in this regard.

In best practices, governance related disclosures should be disclosed by the companies, particularly the division of authority between shareholders, management, and board members. In Sweden, the companies shall produce a corporate governance report where it shall be clearly stated which rules it has complied with, explain, and motivate each case of it. In Pakistan, all listed companies shall publish and circulate a statement about the status of compliance with best corporate governance practices. In Pakistan, auditors are also required to give their consent on the corporate governance practices of the company.

In best practices, it is stated that information of relevant issues should easily be accessed through Internet. The Swedish legislation requires that a specific section should be devoted to a corporate governance and relevant information. No such information in Pakistani legislation is found.

In accounting standards best practices states that information should be prepared and disclosed in accordance with high quality. Both Pakistan and Sweden are stating which accounting standards that are being adopted.

Share trading by executive management and board directors is not stated by OECD best practices. However, Pakistani legislation states that trading by key personals company, as named in laws, should be disclosed along with trading of related persons. Swedish legislation states that in the corporate governance section, there should be a detailed, up-to-date account of shares and share-incentive related remuneration scheme. Pakistani legislation is far more extended than the Swedish legislation in this regard.

5.1.4. Shareholder rights

According to best practices, the differences of share classes and its properties shall be disclosed with details and there shall be a cap on voting power of shares. In Pakistan, companies may have shares of different classes. The situation in Sweden is similar. However, in Sweden, there is a cap on voting power of superior class shares where no share can have

more than ten times the voting power than another share. By putting such restrictions on voting rights, Sweden is more in line with best practices.

The issue of minority board representation is not stated in the case of best practices. In Pakistan, a minority shareholder may contest the election of board of directors and proxy voting is also possible. In Sweden, a minority shareholder can call an extra general meeting, use proxy right, and demand an extra auditor appointment. It is not allowed that the board could make any decision that could favor specific shareholders on the expense of other shareholders. Minority shareholder of ten percent may stop certain resolutions of significance in Sweden. Swedish minority shareholder protection is larger compared to Pakistan.

Both in Pakistan and Sweden, it is stated that the company should disclose information of dividend. There is no legislation that concerns dividend-history or dividend policy, neither are there any best practices.

Shareholders should be able to obtain relevant material information on time and regular basis, as stated by best practices. In Pakistan, important information like share affecting information should immediately be made notified to Securities and Exchange Commission of Pakistan (SECP) and disclosed publicly. Sweden also requires prompt dissemination of such information to shareholders. However, in Pakistan, law provides explicit information in categorizing information as material.

In Sweden, financial reporting is required to be done according to laws and relevant accounting standards. Annual and quarterly reports should be made public where the auditor reviews the annual report and disclosure regarding whether auditor review has been done for quarterly statements needs to be mentioned. The audit committee ensures that the board's work of financial statements holds certain quality. Pakistani companies should publish quarterly reports (can be un-audited) where the second quarter is subject to auditor's limited review according to legally defined standards. The annual report is however subjected to the auditor's consent in both countries. There is no best practice defined in this regard.

Regarding the participation at the general meeting, in Sweden, all shareholders at the current date are allowed to participate where a shareholder is allowed to vote with all shares that the shareholder owns or represent. Pakistani legislation states that all members may participate at

the meeting either personally or by proxy. No member holding share is to be ceased from casting his/her vote.

Proxy voting rights should be available to use according to best practices, no difference should be considered in the voting power, either the vote is by person or proxy. Both Pakistani and Swedish legislation is in line with best practices definition of proxy voting rights.

Changes of voting rights should be under approval by those classes which are negatively affected by the change according to best practices. In Sweden the board should not make decisions that could favor an advantage for specific shareholders on the expense of other shareholders. Minorities can stop certain resolutions where a larger majority is required. This resolution may be share capital structure decisions. In Pakistan, such a change may only be approved if a majority of at least three quarters of the affected members approve it. If ten percent of the affected shareholder classes apply to the court within 30 days, such resolution will be cancelled.

Regarding right to call an extra general meeting, best practices state that shareholder meetings should provide for equitable treatment of all shareholders. In Sweden, the board can call an extra meeting if they find it necessary; the board should also call an extra meeting if an auditor or a minority shareholder with minimum ten percent in writing demands it. Pakistani board directors may, as in Sweden, at any time call an extra meeting and the same amount of minority shareholder may also demand an extra general meeting.

5.1.5. Corporate Social Responsibility

Best practices designed by the OECD in this regards recommends that companies are encouraged to incorporate reports on code of ethics, environmental policy and other public policy commitments.

In Pakistan code of corporate governance emphasize on board of directors of listed companies to include statement of ethics and business practices in the annual reports. Statement of ethics and business practices should define a standard of conduct for directors and employees. Code

further says that this statement should be signed by each director and employee in the company to ensure his acknowledgment of understanding and acceptance of this standard conduct. Board should also make a disclosure of significant policies of company in which it discloses the company’s health, safety and environmental policy along with the disclosures of donations, charities, contributions and other payments.

No information in this regard is given in Swedish code of corporate governance and company act. In Sweden, it is all the volunteer effort of the companies to make disclosures in this regard but in Pakistan companies need to comply in this regard with the suggested criteria defined by the code of corporate governance otherwise relevant explanation is required.

5.2. Results of Company-level Research Pakistan

The results stated are collected from appendix 2 (see 2.1.-2.4). Differences and similarities are stated in relation to national legislation and best practices. The results are presented in order of the research model, however not in specific order to sub variables. All sub variables are not presented in the result. The reasons to disregarded sub variables are variables with not sufficient information to perform a comparison or that the content is too vast to explain in the detailed presentation that would be needed to give a justified view on the issue.

5.2.1. Ownership Structure

Pakistani companies are using a standard format for disclosing the pattern of shared holding and similar classifications have been used to represent various types of shareholders along with their equity interests. Shareholding by executives, directors, their spouses and children, associated and related parties and shareholding exceeding 10% of total shares have been disclosed in detail. Director, executive and their spouse and children shareholding have mix trend varying from almost 3% to 30%. But the interesting thing is that where director and executive shareholding is low, their associated companies or top ten shareholdings were very high. The table below shows the details.

Variables	DGKC	Lucky	Azgard	Engro
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		Cement	Nine	Chemicals
Directors/ Executive Shareholding (including Spouse and children)	3.58%	30%	15.22%	9%
Top ten Shareholders	58.83%	48%	68.44%	56.53%
Associated companies	31.86%	4.87%	Nil	41.75%

Table 5.1. Source: Annual Reports of Respective Companies.

It is clear from the above table that the family or major shareholding dominance has been ensured by either concentrated director/ executive shareholding, associated companies or by other major shareholders. It cannot be said concretely that top ten shareholders, other than associated companies, are related parties too but based on the trend from sample companies and the non-disclosure of specifics about these shareholders, this assumption will not be illogical. All Pakistani companies, although under explicit law, are consistent with OECD best practice.

5.2.2. Board

Although Pakistani law prefers the CEO and chairman of board to be different persons but does not prohibit this which is the case with Swedish law. But, in case of Pakistani sample, every company voluntarily has separate persons holding these offices, which is compatible with OECD best practice. Sample companies are just meeting the minimum number i.e. seven (average board size for three sample companies) for board size which is minimum board size explicitly mandated by Pakistani company law. However, an exception is for one company with 13 board members. Boards are relatively smaller as no employee representation is found. OECD does not disclose any specific number for board size but talks about having required expertise. Having 75% representation as maximum threshold for executive director's representation mandated by Pakistani law, sample's average executive members' proportion on board is found to be almost 41%. Any company, which might be due to voluntary nature of this requirement, separately did not disclose explicit disclosure of independence of any director by Pakistani law. Although two companies among the sample talks about independent representations where only one company i.e. Engro Chemicals disclosed the number of total independent directors i.e. five members and other company i.e. Azgard Nine discloses the chairman to be independent. It is hard to determine which director is

independent and which is not that clearly does not equal best practice. Also, minority shareholder representation is given on board. No director of Pakistani companies is working on more than ten boards as restricted by Pakistani law for ensuring affectivity. Average attendance by sample companies' directors was found to be almost 74%. This is mainly due to one company's i.e. Azgard Nine board where attendance was only 35% merely meeting the minimum quorum requirement of 33%. One reason was leave of absence given to foreign directors. Else, average for remaining three sample companies is almost 88%, which can be considered as 'effective participation' as per best practice. Meetings held were within five to nine. Audit committee is part of each company's board but remuneration and nomination committee is not popular among the sample. Only one company i.e. Engro Chemicals plc ltd. has a compensation committee, which consists of five members, out of which four are non-executive. Audit committee of all companies mainly consists of non-executive directors (being over 82% on average) while one company Engro Chemicals has only disclosed their independence. No or very brief overview of audit committee roles and responsibilities is mentioned in annual reports.

5.2.3. Disclosures and Internal Control

All four Pakistani companies, as mandated by law, disclose the remuneration being paid to CEO and full time directors along with the break-up details. CEO's compensation is disclosed explicitly while an aggregate amount for remuneration has been assigned to joint categories of directors and for executives. Total number of persons in a category has also been mentioned. Best practice is to disclose the remuneration individually but it has not being followed by Pakistani companies and only minimum legal requirements are being satisfied. An interesting thing observed is that no stock options form part of remuneration package to CEO or others. Sample Pakistani companies' directors have given an explicit legal declaration about their awareness of their duties and responsibilities, understanding of articles and memorandum of firm, general understanding about affairs of firm's business before taking position on board. This is in accordance with legal requirement of country. In regard to profile information of directors, no provision is available in law or code for Pakistani companies. Due to voluntary nature of this issue in Pakistan's case, mix results were found as two out of four companies i.e. Azgard Nine and Engro Chemicals, were found to be following best practice and were disclosing the relevant information like academic background, past experience and the roles

they are performing on other companies, if any. Two companies only disclosed the names of directors. Based on sample mixed findings, general practice by Pakistani companies cannot be concluded but it can be said that two companies conformed to best practice while two did not. Pakistani companies in regard to internal audit and control disclose very limited information. Disclosure about assurance by directors has been given in annual report stating only the existence of such system and conformance to it. No internal control policy has been disclosed. Only one company i.e. Azgard Nine is has given a very brief disclosure about the key areas within their internal control policy. However, audit committee is overseeing the internal control mechanism in all four companies, which confirms to OECD best practice. But overall, sample companies are not satisfactorily in conformance with best practice. Share classes along with their voting rights and dividend entitlements have been disclosed in cases of both countries. In Pakistani companies, the shares are mainly either ordinary or preferred. Ordinary shares entitle holder with one vote per share while preferred shares are non-voting and redeemable at a specific date upon company's exercising such option. Although few variations also exist as one company i.e. Azgard Nine also has non-voting ordinary shares and another company has Global Depository Receipts (GDRs) due to their listing on London Stock Exchange but they are not very common in general. Though not very explicitly, but sufficient information is disclosed by all companies as mandated by the listing requirements which match the OECD best practice. OECD states the disclosure of ownership structure as basic right of an investor. Both countries are in conformity in this regard but sample Pakistani companies are found to be more explanatory as they all use similar various categories, under laws requirement, to elaborate it. Disclosures like institutional, public company, associated company, insurance company, mutual funds etc. holdings and percentage shares held by CEO, directors, executives, their spouses and children gives more detailed information about ownership structure. No explicit disclosure about voting rights is given because one share one vote prevails in Pakistan. Pakistani sample companies are found to be well in line with best practice. As required by Pakistani code, companies present financial, operational and strategic information in their annual reports. Only one company i.e. DGKC did not present any strategic information. Remaining all companies disclosed any material event of strategic importance like opening of new division etc. Financial and operational data is summarized for last six years whereas significant changes compared to last year's performance are also disclosed. Most Pakistani companies are found to go with OECD best practice at least to an acceptable standard. In regard to timely availability of material information, Pakistani companies are found to be inline with the OECD best practices that requires immediate

reporting of any matter having significant effect on company. Such matters may be mergers and acquisitions, new production sites, manpower reduction or any other information that can affect share price. The immediacy and completeness of such information cannot be judged based on annual report's disclosure. Inference has been made based solely on availability of such information in annual report of sample companies. Due to acceptance of internationally accepted accounting standards, all sample companies are using IFRS, IAS for financial reporting. Disclosures regarding significant accounting principles form part of all four Pakistani companies which makes them aligned with OECD best practice. CEO, directors, executive, their spouses and children, if made, notified any trade of company shares, in all four Pakistani companies. Three Pakistani companies made no commercial trade and disclosure about his fact, as required by listing requirements, was also disclosed in annual reports. One company i.e. Engro Chemical's above mentioned personals were involved in such transactions and the disclosure including names and position of persons transacting shares, aggregate sales and purchases of shares, the quantity, price, transaction and the exchange from which the shares were purchased were explicitly mentioned. Although no specific best practice is available in this regard, but such information can be of material interest for investors, which need to be made public as per OECD guidelines. In this regard, Pakistani sample companies, although due to legal requirements, are found to be closer to best practice. External auditor is appointed through AGM where proposal for eligibility and availability of auditor is presented for approval. Board is advised by audit committee in this regard, which makes Pakistani companies in conformance with best practice. Disclosure of material interest was given in reports of all four Pakistani companies. Since, no interest was there in case of all companies so a disclosure stating non-interest by directors/ executives was given conformance with best practice was observed in this regard. As per listing requirement, information about related party transactions is disclosed by all Pakistani sample companies. The pricing method, related party name and relationship, nature of transaction and concerned amount is explicitly disclosed for last two consecutive years. Additionally, all sample companies also give a separate mandatory statement under Pakistani Companies Ordinance about compliance with best practices for transfer pricing. In case of audit remuneration for Pakistani sample, audit committee of all four companies proposed the package and was approved in AGM as per law. Remuneration along with break-up was also disclosed which conforms to OECD best practice which requires disclosing audit and non-audit fee. Although, laws and codes of both companies encourages minority shareholder representation but no such representation was observed in sample from both companies. OECD also does not speak

in this regard. However, Swedish companies have independent directors in boards, which can be regarded as minority shareholding representation. This is not the case with Pakistani sample companies as only one company discloses independent directors whose attendance was found to be very low. As required by company law of Pakistan, all Pakistani companies are complying with best practices, as proxy arrangements are being available to investors. A proxy form required to be submitted to company to participate in voting, is attached to the annual reports as per legal requirements.

5.2.4. Shareholder's rights

Pakistani sample companies only declared the dividend per share or the reason for no dividend. No company discloses any dividend policy. This trend totally coincides with the legal requirements but no extra disclosure is being presented. Since, OECD has no explicit practice described in this regard, but still this information can be considered material information for investors, which is to be declared. Pakistani sample companies seem to lag behind best practice in this regard.

Share classes along with their voting rights and dividend entitlements have been disclosed in cases of both countries. In Pakistani companies, the shares are mainly either ordinary or preferred. Ordinary shares entitle holder with one vote per share while preferred shares are non-voting and redeemable at a specific date upon company's exercising such option. Although few variations also exist as one company i.e. Azgard Nine also has non-voting ordinary shares and another company has Global Depository Receipts (GDRs) due to its listing on London Stock Exchange but they are not very common in general. Though not very explicitly, but sufficient information is disclosed by all companies as mandated by the listing requirements which match the OECD best practice.

Although, laws and codes of both countries encourages minority shareholder representation but no such representation was observed in sample from both companies. OECD also does not speak in this regard. However, Swedish companies have independent directors in boards which can be regarded as minority shareholding representation. This is not the case with Pakistani sample companies as only one company discloses independent directors whose

attendance was found to be very low. No minority shareholder representation is given on board by any of the sample companies.

5.2.5. Corporate Social Responsibility

Two Pakistani companies are following OECD best practice in this regard that requires companies to disclose their socially responsible behavior. Deviations are observed like one Pakistani company i.e. Lucky Cement did not mention environmental policy and one other i.e. DGKC did not disclose anything in this regard.

5.3. Results of Company-level Research Sweden

The results stated are collected from Appendixes 3 table 4.3 (see 3.1-3.4). Differences and similarities are stated in relation to national legislation and best practices. The results are presented in order of the research model, however not in specific order to sub variables. All sub variables are not presented in the result.

5.3.1. Ownership Structure

Neither board directors nor executive are holding large amounts of shares, not even in voting rights. The accounts disclosing the shareholdings and incentive schemes are sufficiently detailed with respective share classes and disclosure of related natural and legal persons. It would however be interesting if the companies would disclose associated shareholdings in relation to the board directors and their indirect shareholdings. The largest ten shareholders here presented in voting rights are ranging from 36% up to 70%, which demonstrate fairly high ownership concentration. All companies have shares with different voting rights but they are using the possibility cap of ten times voting power per share than any ordinary share.

Variables	Volvo	SSAB	Atlas Copco	Tele2
Directors/Executive Shareholding	0.034%	0.035%	Disclosed >1%	Disclosed and minimal
Top ten Shareholders	45.1%	38%	36%	69.7%

Table 3.2 Source: Annual reports 2008 and companies' websites.

The shareholding pattern was disclosed in all of the Swedish companies. However, only in half of the companies, the shareholding pattern was broken up into categories where names, amount of voting rights and capital holdings were disclosed. Disclosure is in line with legislation; however it is less common that directors and executives shareholdings in associated companies and subsidiaries are disclosed.

5.3.2. Board

Due to Swedish legislation, all companies have a separation between the CEO and chair of the board. This in combination with small amount of shares held by board directors and executive management implies distanced separation between ownership and control. The board size is varying from eight to fourteen board directors where explanation to high board size is the inclusion of two to three union representatives along with their individual suppliants. Cleared from union representatives the board directors vary from eight to ten directors. The independence of board directors is stated in two cases, independence in relation to the company and associated companies and in relation major shareholders to the company and subsidiaries. If the union representatives are disregarded, the number of independent non-executive directors becomes five-to-seven out of eight-to-ten range which is in line with Swedish legislation presented in Appendix 3 table 4.3. All companies disclose director effectiveness and where half companies have a board meeting attendance of approximately 82-83% and the other half approximately 95%. The number of meetings is ranging from eight to twenty-one annually that the board is holding. The large range is explained as two companies also conducted percapsulam and phone meetings which have also been counted. If only physical meetings are counted, the number ranges from eight to ten on average.

All companies have three different committees, audit, nomination, and remuneration. The nomination committee is autonomous from the board and is elected at the general meeting. The auditor and remuneration committees are under the board of directors. The members of all committees with high number of independence are disclosed in all of the companies represented in this pilot study. The companies comply with the Swedish legislation on all variables in the country-level results. The board size hurdle is low. However, the hurdle of

independence is more demanding. Best practices might be are not that demanding in this matter as all companies have a good compliance with the variables without strict legislation. An exception is Tele2 that did not disclose any union representatives.

5.3.3. Disclosures and Internal Control

Director remuneration is disclosed individually in all companies. The remuneration for executive management is defined in remuneration policies, where the proposals are the remuneration committees' work which is published in detailed scheme. There is detailed description of the CEO remuneration disclosed but also individual remuneration of the other executive management. There is no deviation found from legislation in this regard.

Director responsibilities are disclosed in all companies and are in line with the results from country-level. The background of the board directors is, in all four companies, disclosed in a detailed manner, mostly more extensive than required.

Audit remuneration is disclosed as a separate fee along with other fees paid to the auditor, both remuneration and nomination is in accordance to legislation. Internal audit and control is conducted in compliance to legislation and best practices. Financial, operational, and strategic information is disclosed in all companies, the contents of disclosed information are harder to examine. All necessary information according to Swedish legislation and best practices is reported to shareholders, especially the necessary information regarding share-affecting disclosure. All companies disclose how the auditor is appointed.

The nomination committee nominates the external auditor as demanded by Swedish legislation and is in compliance with best practices. In the three variables about disclosure of material information, related party transaction, and governance related disclosures, all four companies disclose them in, more or less, similar manner with small difference in details. Governance related disclosures are found in the corporate governance section of the companies' websites and annual report with exception of Tele2, the devoted section of corporate governance is required by the corporate governance code. The disclosed material is in order with both requirements in Sweden and best practices. Accounting standards are the same in all companies with half of the companies with additional standards disclosed.

Disclosure regarding adopted International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) is adequate and in line with the OECD best practice. All firms do not disclose information of firm-industry performance analysis explicitly as there is no legislation in Sweden or best practices demanding such actions. However, three firms are disclosing such information voluntarily. In regard to related party transaction, Swedish code of corporate governance states that such shares traded should be disclosed that is not found in majority of the companies. However, such information could be found on the website of the company. More usual is that all possession held by executive and board directors are disclosed. Swedish companies have room to increase the disclosure of transactions by key persons in the company both in availability on their websites and in their annual reports.

5.3.4. Shareholder's Rights

All companies in this small pilot study are using the right to have multiple classes of shares. Three companies use two classes and one company is using three. One type of the shares have ten times the voting power than the other shares, which is also the highest accepted voting power in Swedish legislation. All companies are disclosing the required information about the different shares types and are also in line with best practices recommendations. None of the board is having an explicit minority board director represented but there is representation of minority shareholder in the nomination committee as a way to enhance minority shareholder rights. Dividend policy and dividend history is disclosed by all companies in detail (ordinary and extra ordinary dividends) along with material information disclosed in all companies except for one i.e. Tele2.

A brief summary is that the same three companies are disclosing more than one (Tele2) at all occasions when they are differing, however at one occasion Tele2 disclosed information that the three other had disregarded. It is not disclosed in the annual reports or at companies' websites if minority protection rights have been used as proxy rights and refusals of decision that would harm the minorities of the company's shareholder. These variables are more interesting in case of legislation on country-level analysis.

5.3.5. Corporate Social Responsibility

All companies are disclosing information on environmental policy they are applying. The most common information is the sustainability report/policy of the company, while they differ in contents and labeling of procedures, policies, and reports. The companies are following best practices in their work.

6. Analysis

This chapter presents the analysis that has been conducted on the result in chapter five only presenting relevant issues. In regard to this, the analysis is presented in four sections where all current dimensions and variables are analyzed for country and company level, analysis of discussion model and religious considerations.

6.1. Country-level Analysis

Regarding the matter of ownership structure, there was not much stated in legislation of Sweden and OECD best practices when compared to Pakistan. The shareholding of executive management and board of directors should be stated with detailed account according to best practices. Pakistan is requiring more detailed information which might be due to the family dominant ownership structure and cross shareholding set ups. This disclosure may be aimed at providing investors with the information about the actual influence of managers and directors have on the company. The same system would favor the Swedish system as well with a country of high ownership concentration. When investors know the true picture of shareholders and power structure within the companies, they might be able to make to more informed investment decisions.

Sweden does leave a more voluntary choice of board size along with more relaxed floor limit of at least three persons compared to Pakistan's seven. No country does mention a board size cap of how many board directors there may be. A reflection to why the floor is more than twice as high in Pakistan and why Swedish legislation is focusing more on the issue to have a range of competence and experience is corporate governance development stage. Different development stages in countries call for different legislation. This issue goes back to the

separation of chair of the board and the CEO where it is not required but preferable that these positions are separated. The different stages of development and a mind of self-regulation might answer why there are lesser worries about the issue that board will not have a proper size. In Sweden, concern is regarding competence while, in Pakistan, the laws are more demanding to ensure competence by means of filling the board of directors.

Regarding separation of CEO and chairman, Pakistani law is bit flexible providing room for single person, though not preferred, to take control of both positions. This might be due to the influence of Anglo-Saxon model on Pakistani governance system. In case of Sweden, it is required to have separated chairman and CEO which might be under influence of Germanic model, self-regulation and the better developed stage of corporate governance.

Best practices regarding non-executive directors are softer than Swedish legislation and are in line with Pakistani legislation. The background to the difference is in relation to what is mentioned earlier. The family and network controlled companies in Pakistan are perhaps not that separated in matter of ownership and control. By restricting the executive directors' representation on board, may provide some protection to minority shareholders. Due to relaxed requirement for independent directors, and after looking at the Swedish strict requirements, it can be said that relatively lower development stage of corporate governance has put this issue as a voluntary item for Pakistan, while, due to better developed system level in Sweden has resulted in stricter legal requirements restricting the non-independent directors board representation to be below 50% of total board size. An increase in separation would favor new investors and minority shareholders. As stated by Swedish legislation that no decisions are allowed to be made by a party that will favor one shareholder on the expense of another shareholder, this will increase minority shareholder protection in Sweden. Best practices could increase their recommendations to increase minority shareholder protection with an increased independence of board directors. An important issue to the independence is that associated companies and cross-holdings should be included to minimize the gaps and that directors are truly independent directly and indirectly.

The attendance regulation is different in the two countries where both countries do comply with best practices but in different ways. Pakistani legislation is more concrete and constructed with fine impositions while Sweden has a subjective motivation as best practices. To understand why Pakistani board directors are having a stricter attendance requirement

could be understood with prior analysis of the Pakistani board. A possibility might be that in companies with family ownership, there is no need of the board as the owners might also be the executive management. So, Pakistani law, by putting restrictions, attempts to make the existence of board more legitimate for investors. In Sweden, the board exists in its true spirit, so directors attend the board meetings as shareholders have elected them to control management. Best practices seem to believe that board is elected because the shareholders and investors demand a control over the executive management.

As found in the results, Pakistan law mandates an audit committee only while remuneration and nomination committees are also required in Sweden. As mentioned, the nomination committee is autonomous in Sweden and does provide an entrance of minority shareholder to nominate appropriate candidates for their needs. Without any nomination committee minority shareholders are to suffer even further when no requirement of minorities is given on the actual board. This is however not the full picture as in Pakistan they use free nomination of board directors at the general meeting with notice in advance. This is one way to increase the minority shareholder protection if it will have any actual effect on the elected result, neither is it safe to say that nomination committee enhances minority protection in Sweden due to the fact that there is a possibility of participation at the nomination committee. Both countries have the same legislation in regard to the remuneration disclosure of directors and it is in conformity with the defined best practices of OECD. However, in Pakistan, there are no separate disclosures for each board member's remuneration. Weak legislation in Pakistan in this regard compared to the best practices perhaps facilitates family dominant businesses in Pakistan and impede minority shareholders in assessing the right picture.

Responsibilities and duties of directors are thoroughly given in both countries and both are consistent with best practices in this case. Focus is given on the necessary time required for the fulfillment of director's duties in Sweden while Pakistan speaks more on the independent judgment to make better decisions in the company. Director's biography should be disclosed by the companies in Sweden, which is in conformity with the best practices, but Pakistan is lagging behind in this regard as no disclosure is required regarding experience, education and related matters in the law. It is perhaps due the developing and developed stages of two governance systems in the both countries as the level of importance given by investors may differ among two countries.

Best practices require the disclosure of non-audit fees along with audit remuneration but no requirements are found in this regard at the country level in both countries. However the nomination committee in Sweden proposes remuneration and directors in case of Pakistan but in both countries, the ultimate decision is taken in the annual general meeting by shareholders. So, process may differ initially but the end product is similar for both countries. Internal control and internal control policy are strictly taken by Swedish system as compared to Pakistan and best practices as it requires detailed section of internal controls and policy in the annual reports. This is perhaps to ensure more transparency and reduction of risks related to unexpected collapses. The philosophy of self-regulation is again visible here in this regard which obviously is resultant of corporate governance development stage. Financial as well as strategic disclosure is strictly applied in Pakistan on companies whereas in Sweden strict rules for disclosures are not found. It is left more open for companies to adopt best practices in this regard by Sweden. It is perhaps due to the norms and cultural differences as in Sweden more disclosures in regard of strategic information is appreciated but in Pakistan financial information is considered as a key concern.

Both countries are strict in the appointment of external auditors as laws in both countries stress the independence of auditors, which is consistent with the OECD as well. However, legislation for the selection of external audit firm is defined in detail in Pakistan and thus ensures reliability of audit firms by setting high qualification criteria for these firms. Audit committees are required to look upon audit related matters in both countries. Appointment of audit is done through annual general meeting in both countries but in Sweden nomination committee proposes for the auditors whereas audit committee proposes for auditors in front of board of directors, which then present it in the annual general meeting. Nomination committee is fifth governance pillar in Swedish governance system as it is autonomous in regard of the board of directors. Nomination committee's proposal for auditors in annual general meeting thus provide greater protection to shareholders and investors as it reduces the risk of directors' biasness towards a particular audit firm.

Related party transactions are required to disclose at an arms length method by both countries however Pakistan has a detailed legislation in reference to this matter. It is perhaps to ensure more transparency and investor's confidence as many companies are interwoven with other associated companies with same families as their owner. It is again more open for Swedish companies to disclose it in a best possible manner. Information availability on internet is

required in Sweden however in Pakistan there is no requirement from the authorities in this regard. This is perhaps Sweden is a developed country with a highly developed IT infrastructure as compared to Pakistan. IT is itself in an evolving stage in Pakistan and majority of people are not familiar with it and want to rely more on the paper information that is not the case in Sweden where Internet could be regarded as an extra source to disclose information with high frequency and parts that the annual report is missing.

Both countries are following the internationally acceptable accounting standards (IFRS, IAS), which are in conformance with best practices. By providing standard accounting in both countries, global investor might has a high incentive to invest in, as one can easily compare companies of these countries with any other company in the world which is following the same standards. Trading of shares by executives and directors by the company in the year needs to be disclosed in an extensive manner in Pakistan where as Sweden requires the disclosure of shares by directors and executives. Governance system of Pakistan is stronger to deal with the insider trading which ensures greater transparency to investor as compared to Sweden.

Sweden has a strong requirement to deal with different shareholding classes as compared to Pakistan as Sweden imposes some caps on voting rights with shares while requirements in Pakistan in this reference are less evident. Caps and floors on voting rights thus provide more protection to the minority shareholders where there is concentrated ownership and family dominant businesses. Both countries are facilitating investors on their voting rights through proxy arrangements and are in conformance with the best practices as shareholders are not restricted from voting. In both countries, requirements are similar for calling extra ordinary general meetings of the companies.

Extra ordinary general meetings could be called at anytime by the directors or by shareholders representing 10% or more holding in the company. Both countries are empowering minority shareholders in this regard who may contradict with majority shareholders and raise the matter again for decisions. Code of ethics, environmental and health policy and corporate social responsibility matters are required by Pakistan whereas it is not required in Sweden. Perhaps voluntary effort in this regard is encouraged in Sweden whereas Pakistani system wants to implement it so that it can ensure the stake holders perspective in the country as well.

6.2. Company Level Analysis

Disclosure regarding ownership structure differs between Pakistani and Swedish sample companies. This might be due to the differing legal requirements set by both countries. Pakistani firms are more elaborative and closer to best practices due to the fact that Pakistani law explicitly demands information in a pre-defined format. This concrete requirement is an attempt to expose to maximum extent the real ownership structure after considering cross shareholdings, pyramid structures and other similar arrangements by dominant families and major shareholders.

For board size, it is interesting to note here that even though Pakistani firms are mandated by a larger minimum requirement for board size i.e. seven and Swedish companies with lesser i.e. three, but in practice, opposite scenario has been observed. Average board size of Pakistani firms tends to be smaller i.e. below nine compared to Swedish boards i.e. above eleven thereby different competence levels if relation between size and competence is assumed true. Swedish companies have gone way beyond legal floor requirements for board in this regard while Pakistani companies are found to be very near to the legal requirement. The reason for Pakistani companies being so close to legal requirement might be due to family dominance over firm as there is not much separation of ownership and control. So, interests of management and majority shareholders (families) are already aligned. Both the Pakistani and Swedish companies are found to conform to the best practice by having separate persons holding CEO and chairman positions. Although in legal terms, this holds true for Pakistani companies too but reality is bit different. Although, non-executive directors can be found on Pakistani boards but their independence remains to be an issue of concern. Many board members, declared non-executive, belong to same family group and are serving on associated companies management team or board. As the independence of director is voluntary requirement by law, so most Pakistani companies has conveniently preferred to maintain influence to the board. This clearly is not a best practice. Approach towards board meetings, attendance and hence board effectiveness varies among the sample countries. This is due to the differing laws. Swedish boards conduct meetings when it is required whereas Pakistani boards are mandated to meet every quarter. No explicit attendance is subjected to Swedish companies whereas Pakistani companies can get fined if appropriate quorum or attendance requirement is not met. Average number of meetings for Pakistani companies was

almost six while it was near twelve for Swedish companies. The low number for country i.e. Pakistan which is explicitly mandated to meet a specific number of meetings underperformed by just being close to minimum requirement level. Swedish companies, on other hand, were more efficient in this regard even without having to meet a specific number of meetings. This trend again indicates toward non-separation of ownership and control and philosophy of just meeting minimum legal requirement. In regard to board committees, both countries differ, as apart from audit committee, no other committees are popular in Pakistan. The reason seemingly is lack of legal requirement for remuneration and nomination committees in Pakistan. So, Pakistani sample companies only satisfy minimum legal requirement by having audit committee whereas Swedish companies have all the committees in compliance to the listing requirements. So, clearly Sweden is found closer to the best practice. Also, only disclosures regarding audit committee were given by Pakistani companies, which were mandatory as per listing requirement such as number of meetings. No description of roles and responsibilities of audit committee are disclosed as it is left up to companies' discretion. So, it might be inferred that the sample companies differ due to requirements and nature of law.

In regard to CEO, director and executives, remuneration, specific requirements, especially in Pakistani law, in regard to presentation of break-up information is not given, but still companies from both countries are given more details than legally required on voluntary basis. Although Swedish companies provide more detailed view on this issue but the voluntary effort by Pakistani companies make the gap to narrow between them and bring them in compliance with best practice. The way director discloses their awareness about their duties differs between two countries. It is again due to the nature of relevant laws as Pakistani Directors give a legal declaration about them being aware of articles of association, memorandum, by-laws and other related documents of a company and to have exercised all such powers where required of all eight companies are required by law to be aware of their responsibilities while this is not the case with Sweden. This legal declaration may be to make directors legally liable for their decisions, which in case of any lawsuit can be presented in the court of law. For more appropriate inferences, annual reports and websites are not reasonable estimators. All sample Swedish companies and mixed results from Pakistani companies, although insufficient to generalize, might be considered an indication for increasing trend to move towards a global best practice. Although differences exist, but the reason for such difference might be the development stage of corporate governance system in a country as more developed system may treat such information for legitimacy of director while other can

disregard it. Clearly, Swedish sample in this regard is found to be well in line while Pakistani sample lags way behind.

The proposal for auditor remuneration for all Swedish companies is done by nomination committee where as board of director take this role in Pakistani sample case. Although the proposing authorities differ but the supreme authority in this regard is AGM where shareholders vote in this regard. Also, break-up of such remuneration is also given which discloses audit and non-audit fees. Both countries, with Sweden superior, are found to be following best practice and in conformance with each other. In addition, Pakistani sample companies, on advice from audit committee and Swedish sample companies, on proposal by nomination committee disclosed the election for appointment of external auditors in AGM. Here again the final authority are shareholders so similar implications as discussed for audit committee applies. Both countries sample companies are found in accordance with best practice. Although the internal control mechanism exists in both countries, but the transparency about the control processes and scope differs. By simply disclosing that such mechanism exists is of lesser importance until the effectiveness of it is not disclosed. It can be assumed that Pakistani companies are just fulfilling a legal requirement, as it is required to give such disclosure. Swedish companies, apart from disclosure, present the whole mechanism thereby providing more legitimacy to their system.

In regard to disclosure of financial, operational and strategic information, both countries samples are found to be in conformance with best practices and with each other. Although, a minor difference observed is more emphasis on details of financial and operational information compared to strategic information. This might be considered as an Anglo-Saxon characteristic by Pakistani investors focusing more on near term performance and Germanic characteristic by Swedish investors interested more in long term future prospects of firm. Also, conformance with best practice in regard to disclosure of availability of material information was observed for both sample companies. In regard to sensitive issue of related party transactions, Pakistani sample companies disclose more detailed view of pricing method and require certain declarations to be presented in annual report under companies' ordinance. More explicit disclosures and declaration requirements by Pakistani companies are direct result of legal requirements. Swedish companies, although not subject to such declarations, contain adequate disclosure of such transactions due to their voluntary efforts and more aware market due to more developed corporate governance system. All companies from both

countries disclosed the dividend or the reason if no dividend was declared. But, dividend policy was declared by only two Swedish companies. Although results are not unanimous from Sweden too, but still they are closer to best practice compared to Pakistani companies, where no proper such disclosure was made in this regard. The reason for the two companies disclosing dividend policy may be their voluntary effort to inform their current investor and to attract new investor.

All Swedish sample companies have strong web presence as per their listing requirements. Although, no relevant law exists in this regard for Pakistani companies, but still, sample companies present useful information on their websites voluntarily. As the internet being the most convenient way of information dissemination especially for global aims, might have been a reason for the Pakistani companies voluntary effort. Such voluntary effort puts Pakistani companies in conformity with best practices along with Swedish companies. All companies are in total conformance with best practices in regard to adoption and disclosure of significant accounting policies. This is mainly due to the acceptance of International Accounting Standards (IAS) by both countries. For trade of shares by company executives and directors, Pakistani companies provide such transactions, if any, in more detailed manner than Swedish sample companies. This is mainly due to the legal requirement as the law provides a pre-determined format and amount of information to be disclosed in companies' annual reports. Although due to legal requirements, Pakistani companies are found to be more conformed to OECD best practice. Companies from both countries disclosed share types and voting rights making them conformed to each other and best practice. Although Swedish companies were more explicit in regard to voting rights disclosure.

Swedish companies presented fairly detailed information about their corporate social behavior while mixed results were observed in Pakistani companies. Sweden is in conformance with best practice while Pakistan lags behind which might be due to the absence of relevant laws. Also mixed results can be viewed as shift towards a global standard due to increased awareness about this issue. Since both countries provide proxy-voting rights to their investors so both are following best practices. Although, all Pakistani sample companies annex a proxy form with their annual reports as they are mandate by law to do so. This might be to provide convenience to investors as acquiring such form on their own might refrain investors to pursue proxy voting.

6.3. Research Model

The purpose of constructing above research model is to compare sample companies with their respective national laws and then make judgment based about them by benchmarking against OECD best practice. Comparing different countries with such differing legislation requires a flexible model that could take input against a variable, potentially similar in content but different in presentation, and enable a comparison to be conducted. The underlying model serves the purpose as its qualitative nature provides flexibility to the researcher so there is room to make translation adjustments to the information obtained. It enabled the data to be presented in comparable form consequently easing way for deriving conclusions.

In regard to this study, the issue was same. The information is found in different sources and in different manner in two diverse countries. If a strict approach would have been conducted with a pre-determined quantitative scale, the data gathered would have missed out some context of real situation.

6.4. Religious Considerations

Pakistan and Sweden differs greatly in respect to religion as religion is more actively practiced in Pakistan. Since, Pakistani laws have impact of religion on them and it is in constitution of country that if any country law collides with Islamic law, then, Islamic law shall prevail. Due to this, all country laws are in conformance with religious laws. So, this study also looks for any impact of religion on governance practices.

During the analysis, no influence of religion is observed in case of Sweden. Also, no major influence was observed in case of Pakistan. However, two religious aspects were witnessed in Pakistan. First one is in relation to the name of companies i.e. companies are not allowed to choose name for them which is deceptive or designed to exploit or offend the religious susceptibility of people.²¹² Second is in relation to Zakat. Zakat is one of the five pillars of Islam.²¹³ It is compulsory in Islam that every person at the end of Islamic year pays 2.5% of

²¹² Companies Ordinance 1984 section 37 (page 26)

²¹³ <http://www.zpub.com/aaa/zakat-def.html> assessed on May 5, 2009.

his/ her real assets which he/ she holds for the whole year to poor and needy people in Islamic states.²¹⁴ The philosophy behind it is to establish social justice and prosperity among the society.²¹⁵ Government in Pakistan has established a detailed law on Zakat collection with the name of Zakat and Ushr Ordinance 1980 to which all companies doing business in Pakistan are subject to. Companies are mandated to deduct Zakat at source and deposit it in the central Zakat fund established by the government of Pakistan. Through companies act, it has been made compulsory to obtain an opinion on the transparent Zakat payment and its submission in the Central Zakat Fund from external auditor and to disclose it in their report to shareholder. If auditor gives a negative remark in this regard, then, due to Zakat being an important component of Islam, might affect an investors investment decision towards that company.

²¹⁴ <http://www.zpub.com/aaa/zakat-def.html> assessed on 20.05.2008

²¹⁵ *ibid.*

7. Conclusions and Further Consideration

As the last chapter of the thesis, the conclusions will be presented with further considerations. Mainly three conclusions will be presented where most of the focus has been on adequacy of research mechanism, comparative findings, corporate governance development stages and convergence.

After utilizing a modified research model and conducting detailed study on Pakistan and Sweden, three conclusions have been arrived at.

Firstly, it will be inappropriate to rate a country's corporate governance mechanism solely based on its legislation only without following the state of its practice within the companies. Likewise, it may also be improper to judge a country based on companies practices while ignoring the national laws. Pakistani laws are found to be more comprehensive and concrete compared to Swedish laws in various aspects which seem to relate to the corporate development stage in the country. On the contrary, Pakistani companies, although fulfilling minimum legal requirements, lag behind overall when compared to companies of Sweden. This, probably, is a result of better developed corporate governance which has lead to self-regulation and more voluntary efforts by companies.

Secondly, different development stages of corporate governance in selected countries employ different mechanisms for enforcing corporate governance practices for that country. Pakistan seems to bring its corporate governance system closer to best practices in the world by setting down hard rules and explicit laws whereas it is found to be comparatively open and flexible in case of Sweden. Mainly, the differences are caused by different development stages in the corporate governance systems of both the countries. The corporate governance in Pakistan is in its evolutionary stages where setting down explicit laws is required for its development. On the other hand, the system in Sweden is through with its developing stage and has evolved to the point where setting up standards seems to come naturally. The legislation in Pakistan is, according to research findings, stated to create a difference between management and ownership, the board in this case. The family concentrated Pakistani companies do not desire a board as they already have direct or indirect control over the management. Also, Pakistani legislation is enforcing this separation to make it more attractive for other shareholders that

are not holding a controlling share, both domestic and international. As separation is not the same issue in Sweden, legislation does not need to enforce board attendance, number of directors etc. However, the issue in Sweden is rather in consideration of keeping the board independent, both to management and major shareholders. Again, the differing development stages are making the expression to differ among the two countries.

Thirdly, although, the two countries diverge in various aspects but some traces of convergence are also observed. Convergence was observed in situations where either law became closer to each other at country level or voluntary efforts matched at company level.

While conducting research, a very limited number of companies were examined from both countries to derive inferences due to time constraint. It is recommended to conduct research in this regard with a bigger sample which could be a better representative of corporate governance system for a country.

Due to time and resource constraint, research focused solely on archival approach for data gathering. Other techniques like interviews, surveys etc. might lead to more realistic data. Such techniques shall be adopted for both country and company level. Especially in regard to country level analysis, regulatory infrastructure, market infrastructure and informational infrastructure, such techniques, if applied, could provide a more comprehensive picture of the governance situation.

The research model constructed for this study to be tested in other environments and for other countries to determine its applicability and affectivity.

Separate studies to be conducted to examine the effect of corporate governance development stages, religion and culture in the selected countries on the results obtained in this study.

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Appendix

Appendix 1. Country-level Matrix

Variables	Pakistan	Sweden	Best Practice
<p>Ownership Structure Directors/ Executive Shareholding</p>	<p>220. Register of directors ' shareholdings, etc. - (1) Every listed company shall keep a register showing as respects each director, chief executive, managing agent, chief accountant, secretary or auditor of the company, and every other person holding not less than ten per cent of the beneficial interest in the company, the number, description and amount of any shares in, or debentures of, the company or any other body corporate, being the company's subsidiary or holding company, or a subsidiary of the company's holding company, which are held by or in trust for him, or of which he has a right to become holder, whether on payment or not.</p>	<p>The CEO's and board directors' holdings of shares and other financial instruments in the company or any similar holdings. Also related natural or legal person's possession should be disclosed. Shareholdings and ownership in other companies that the company has significant business with.</p>	
<p>Shareholding pattern</p>	<p>XI37 (xix) also part (i) The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:</p> <ul style="list-style-type: none"> • associated companies, undertakings and related parties (name wise details); • NIT and ICP (name wise details); • directors, CEO and their spouse and minor children (name wise details); • executives; • public sector companies and corporations; • banks, Development Finance Institutions, Non- 	<p>The shareholdings either direct or indirect in the company representing at least a tenth of the total voting power shall be disclosed. (Swedish Annual Accounts Act 2005:1554, ninth chapter §6)</p>	<p>VA (3) One of the basic rights of investors is to be informed about the ownership structure of the enterprise and their rights vis-à-vis the rights of other owners. The right to such information should also extend to information about the structure of a group of companies and intra-group relations. Such disclosure might include data on major shareholders and others that, directly or indirectly, control or may control the company through special voting rights, shareholder</p>

	<p>Banking Finance Institutions, insurance companies, modarabas and mutual funds; and</p> <ul style="list-style-type: none"> • Shareholders holding ten percent or more voting interest in the listed company (name wise details). 		<p>agreements, the ownership of controlling or large blocks of shares, significant cross shareholding relationships and cross guarantees</p>
<p>Board and Board committees Chairman/ Separation</p>	<p>CEO</p> <p>Board should define that these offices are held by separate individuals or by a single individual. (Code of Pakistan)</p> <p>XI37 (ix) The Chairman of a listed company shall preferably be elected from among the non-executive directors of the listed company. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and Chief Executive, whether or not these offices are held by separate individuals or the same individual.</p>	<p>The CEO may be a member of the board but not the chair of the board</p>	<p>VIE In countries with single tier board systems, objectivity and independence of board may be strengthened by the separation of the role of chief executive and chairman or if these roles are combined then representation of a lead non-executive director is considered as best practice.</p>
<p>Board Size</p>	<p>Every listed company shall have not less than seven directors to be elected in a general meeting in the manner provided in this Ordinance. (Co.'s Ordinance, sec:174)</p>	<p>The board must consist of no less than three members. The requirement is that the board has enough competence and experience to fulfill the expected requirements to listed companies. (OMXN)</p>	
<p>Independent and Non-Executive Directors</p>	<p>XI37 (i) All listed companies shall encourage effective representation of independent non-executive directors, including those representing minority interests, on their Boards of Directors so that the Board as a group includes core competencies considered relevant in the context of each listed company. (Voluntary) (Code of Pakistan)</p> <p>XI37 (i) (b) the Board of Directors of each listed company includes at least one independent director representing institutional</p>	<p>Only one of the elected board directors at the shareholders' meeting may be on the executive management team of the company or any of its subsidiaries. More than half the elected board members need to be independent in relation to the company and the company management. At least should two of the elected board members be independent in relation to the company's larger shareholders. (OMXN listing requirements)</p>	<p>VIE Independence from controlling shareholders or another controlling body will need to be emphasized, in particular if the <i>ex ante</i> rights of minority shareholders are weak and opportunities to obtain redress are limited. This has led to both codes and the law in some jurisdictions to call for some board members to be independent of dominant shareholders, independence extending to not being their representative or having close business ties with them. Independent non</p>

<p>Director effectiveness/ limit on representing no. of boards</p>	<p>equity interest of a banking company, Development Financial Institution, Non-Banking Financial Institution (including a modaraba, leasing company or investment bank), mutual fund or insurance company;</p> <p>(c) executive directors, i.e. working or whole time directors, are not more than 75% of the elected directors including the Chief Executive:</p> <p>Provided that in special circumstances, this condition may be relaxed by the Securities and Exchange Commission of Pakistan.</p> <p>(ix) The Chairman of a listed company shall preferably be elected from among the non-executive directors of the listed company. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and Chief Executive, whether or not these offices are held by separate individuals or the same individual.</p> <p>No listed company shall have as a director, a person who is serving as a director of ten other listed companies.(Mandatory) (code of Pakistan)</p> <p>XI37 (ii) The directors of listed companies shall, at the time of filing their consent to act as such, give a declaration in such consent that they are aware of their duties and powers under the relevant law(s) and the listed companies' memorandum and Articles of Association and the listing regulations of stock exchanges in Pakistan.</p> <p>CO 185</p> <p>185. Validity of acts of directors. - No act of a director, or of a meeting of directors attended by him, shall be invalid merely on</p>	<p>Board directors are to devote the necessary time and care to effectively protect and promote the interests' the company and its owners.</p>	<p>executive directors can contribute significantly to the decision-making of the board and their representation on board is encouraged to protect minority shareholder rights. Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgment to tasks, where there is a potential for conflict of interest. Examples of such key responsibilities are ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration.</p> <p>VIE (3) Board members should be able to commit themselves effectively to their responsibilities. Service on too many boards can interfere with the performance of board members. Companies may wish to consider whether multiple board memberships by the same person are compatible with effective board performance and disclose the information to shareholders. (Disclosures required for company regarding director's directorship in other companies).</p>
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	<p>the ground of any defect subsequently discovered in his appointment to such office:</p> <p>Provided that, as soon as any such defect has come to notice, the director shall not exercise the right of his office till the defect has been rectified.</p> <p>188. Vacation of office by the directors. - (1) A director shall ipso facto cease to hold office if—</p> <p>(b) he absents himself from three consecutive meetings of the directors or from all the meetings of the directors for a continuous period of three months, whichever is the longer, without leave of absence from the directors;</p> <p>192. Restriction on assignment of office by directors. - (1) If in the case of any company provision is made by the articles or by any agreement entered into between any person and the company for empowering a director of the company to assign his office as such to another person, any assignment of office made in pursuance of the said provision shall, notwithstanding anything contained in the said provision, be of no effect unless and until it is approved by a special resolution of the company.</p> <p>193. Proceedings of directors.- (1) The quorum for a meeting of directors of a listed company shall not be less than one-third of their number or four, whichever is greater.</p> <p>(2) The directors of a public company shall meet at least 1[once in each quarter of a year.]</p> <p>(3) If a meeting of directors is conducted in the absence of a quorum specified in sub-section (1), or a meeting of</p>		
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<p>Meetings and Attendance of Directors</p>	<p>directors is not held as required by sub section (2), the chairman of the directors and the directors shall be liable to a fine</p> <p>195. Loans to directors, etc.- (1) Save as otherwise provided in sub-section (2), no company, hereafter in this section referred to as "the lending company", shall, directly or indirectly, make any loan to, or give any guarantee or provide any security in connection with a loan made by any other person to, or to any other person by.—</p> <p>(a) any director of the lending company or of a company which is its holding company or any partner or relative of any such director;</p> <p>(b) any firm in which any such director or relative is a partner;</p> <p>(c) any private company of which any such director is a director or member;</p> <p>(d) any body corporate at a general meeting of which not less than twenty five per cent of the total voting power may be exercised or controlled by any such director or his relative, or by two or more such directors together or by their relatives; or</p> <p>(e) any body corporate, the directors or chief executive whereof are or is accustomed to act in accordance with the directions or instructions of the chief executive, or of any director or directors, of the lending company:</p> <p>196. Powers of directors.- The Board of Directors of a listed company shall meet at least once in every quarter of the financial year. Written notices (including agenda) of meetings shall be circulated not less than</p>	<p>The board decides a work procedure where the number of meetings is decided. (Swedish Company Act, 2005:551, chapter 8, § 6) The Chair of the board shall hold a board meeting when it's</p>	<p>VIE (3) Board members should be able to commit themselves effectively to their responsibilities. Service on too many boards can interfere with the performance of board members. Companies</p>
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<p>Board Committees</p>	<p>seven days before the meetings. (Mandatory) (Code of Pakistan) See notes from companies ordinance. XI37 (xix) (h) The number of Board meetings held during the year and attendance by each director shall be disclosed.</p> <p>The Board of Directors of every listed company shall establish an Audit Committee, which shall comprise not less than three members, including the chairman. Majority of the members of the Committee shall be from among the non executive directors of the listed company and the chairman of the Audit Committee shall preferably be a non-executive director. The names of members of the Audit Committee shall be disclosed in each annual report of the listed company. The Audit Committee of a listed company shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the listed company by its Board of Directors and before and after completion of</p>	<p>needed.</p> <p>The board should establish an audit committee consisting of at least three board directors. The majority of the committee should be independent to the company and its management and at least one should be independent in relation to one of the company's major shareholders. There's no allowance that no member are a part of the executive management. The audit committee will ensure quality of the company's financial reports, meet the company's auditor and discuss the co-ordinance between internal and external control, evaluate auditing work, and assist the nomination committee with auditing reports and preparing nomination of next auditor. The board is to establish a remuneration committee</p>	<p>may wish to consider whether multiple board memberships by the same person are compatible with effective board performance and disclose the information to shareholders. Some countries have limited the number of board positions that can be held. Specific limitations may be less important than ensuring that members of the board enjoy legitimacy and confidence in the eyes of shareholders. Achieving legitimacy would also be facilitated by the publication of attendance records for individual board members (e.g. whether they have missed a significant number of meetings) and any other work undertaken on behalf of the board and the associated remuneration.</p> <p>AUDIT COMMITTEE VC The audit committee or an equivalent body is often specified as providing oversight of the internal audit activities and should also be charged with overseeing the overall relationship with the external auditor including the nature of non-audit services provided by the auditor to the company. Provision of non-audit services by the external auditor to a company can significantly impair their independence and might involve them auditing their own work.</p> <p>VD The practice that external auditors are recommended by an independent audit committee of the board or an equivalent body and that external auditors are appointed either by</p>
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<p>Director election procedure (Vacancy filling)</p>	<p>external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the head of internal audit.</p> <p>XI37 (a) (i) All listed companies shall encourage effective representation of independent non-executive directors, including those representing minority interests, on their Boards of Directors so that the Board as a group includes core</p>	<p>with the mission to prepare remuneration of executive management. The chair of the board may be the chair of the remuneration committee, however the other members are to be independent. The shareholder's meeting decides all incentives of share and share-price character.</p> <p>The company is to have a remuneration committee who are supposed to propose the chair and the other members of the board. The nomination committee proposes as well fees and remuneration to each board member. The same procedures are followed when the committee proposes the auditor and its remuneration. The members of the nomination committee are elected or appointed how to be elected at the shareholders' meeting. There should be at least three members, and one to be elected chair. The majority needs to be independent to the company and at least one to the company's major shareholders. The CEO or other members of the executive management are to be elected. Board directors may be members of the nomination committee, however not the majority members of the committee and neither hold the chair in both the board and the committee.</p> <p>The board of directors is elected at the shareholders' meeting. The nomination committee's proposals are presented at the shareholders' meeting. The proposals are also presented on the company's website</p>	<p>that committee/body or by the shareholders' meeting directly can be regarded as good practice since it clarifies that the external auditor should be accountable to the shareholders.</p> <p>VIE (2) When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board. In order to evaluate the merits of board committees it is therefore important that the market receives a full and clear picture of their purpose, duties and composition.</p> <p>REMUNERATION COMMITTEE</p> <p>VIE (2) In order to evaluate the merits of board committees it is therefore important that the market receives a full and clear picture of their purpose, duties and composition.</p> <p>NOMINATION COMMITTEE</p> <p>VIE (2) In order to evaluate the merits of board committees it is therefore important that the market receives a full and clear picture of their purpose, duties and composition.</p> <p>VID (5) A formal and transparent board nomination and election process should be ensured. These Principles promote an active role for shareholders in the nomination and election of board members. The</p>
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	<p>competencies considered relevant in the context of each listed company. For the purpose, listed companies may take necessary steps such that (a) minority shareholders as a class are facilitated to contest election of directors by proxy solicitation, for which purpose the listed companies may:</p> <p>on a request by the candidate(s) representing minority shareholders and at the cost of the company, annex to the notice of general meeting at which directors are to be elected an additional copy of proxy form duly filled in by such candidate(s) and transmit the same to all shareholders in terms of section 178 (4) of the Companies Ordinance, 1984; CO 179.</p> <p>Circumstances in which election of directors may be declared invalid. - The Court may, on the application of members holding not less than twenty percent of the voting power in the company, made within thirty days of the date of election, declare election of all directors or any one or more of them invalid if it is satisfied that there has been material irregularity in the holding of the elections and matters incidental or relating thereto. 180. Term of office of directors. - (1) A director elected under section 178 holding office for a period of three years unless he earlier resigns, becomes disqualified from being a director or otherwise ceases to hold office. 181. Removal of director.- A company may by resolution in general meeting</p>	<p>explaining its proposals regarding the board directors regarding the requirements of the composition. The following information should be presented: candidate age, education, work experience, any work performed for the company and other professional commitments. Also financial holdings to themselves or related legal or natural person, whether or not the candidate are independent to the company, management, or company's major shareholder.</p>	<p>board has an essential role to play in ensuring that this and other aspects of the nominations and election process are respected. First, while actual procedures for nomination may differ among countries, the board or a nomination committee has a special responsibility to make sure that established procedures are transparent and respected. Second, the board has a key role in identifying potential members for the board with the appropriate knowledge, competencies and expertise to complement the existing skills of the board and thereby improve its value-adding potential for the company. In several countries there are calls for an open search process extending to a broad range of people.</p>
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	<p>remove a director appointed under section 176 or section 180 or elected in the manner provided for in section 178:</p> <p>Provided that a resolution for removing a director shall not be deemed to have been passed unless the number of votes cast 1[against it is equal to, or exceeds].-</p> <p>(i) the minimum number of votes that were cast for the election of a director at the Immediately preceding election of directors, if the resolution relates to removal of a director elected in the manner provided in sub-section (5) of section 178; or</p> <p>(ii) the total number of votes for the time being computed in the manner laid down in sub-section (5) of section 178 divided by the number of directors for the time being, if the resolution relates to removal of a director appointed under section 176 or section 180. 182.</p> <p>Creditors may nominate directors.- In addition to the directors elected or deemed to have been elected by shareholders, a company may have directors nominated by the company's creditors or other special interests by virtue of contractual arrangements. 183.</p> <p>Certain provisions not to apply to directors representing special interests. - Nothing in section 178, section 180 or section 181 shall apply to—(a) directors nominated 2[...] by a corporation or company formed under any law in force and owned or controlled, whether directly or indirectly, by the Federal Government or</p>		
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<p>Disclosures and Internal Control Director/ Executive Remuneration (Executive remuneration break-up)</p>	<p>a Provincial Government on the board of directors of a company in or to which 3[...] such corporation or company has made investment or otherwise extended credit facilities; (b) directors nominated by the Federal Government or a Provincial Government on the board of directors of the company; or (c) directors nominated by foreign equity holders on the board of the Pakistan Industrial Credit and Investment Corporation Limited, or of any other company set up under a regional co-operation or other co-operation arrangement approved by the Federal Government:</p> <p>XI37 (e) appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors of the listed company are determined and approved by the Board of Directors; CO 191. Restriction on director's remuneration, etc.- (1) The remuneration of a director for performing extra services, including the holding of the office of Chairman, shall be determined by the directors or the company in general meeting in accordance with the provisions in the company's articles. (2) The remuneration to be paid to any director for attending the meetings of the directors or a committee of directors shall not exceed the scale approved by the company or the directors, as the case may be, in accordance with the provisions of the articles.</p>	<p>The nomination committee proposes individual remuneration to each board member at the shareholder's meeting. The remuneration committee proposes the remuneration and other forms of employment of the executive management. All share and share-price related incentives to the executive management are to be decided by the shareholder's meeting</p>	<p>VA (4) Remuneration policy for members of the board and key executives, and information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board to be disclosed. Companies are generally expected to disclose information on the remuneration of board members and key executives so that investors can assess the costs and benefits of remuneration plans and the contribution of incentive schemes, such as stock option schemes, to company performance. Disclosure on an individual basis (including termination and retirement provisions) is increasingly regarded as good practice and is now mandated in several countries.</p>
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Directors' responsibilities	The directors of listed companies shall exercise their powers and carry out their legislated duties with a sense of objective judgment and independence in the best interest of the listed company.	The directors are to devote necessary time and care to ensure they have the competence to protect and promote the interests' of shareholders. 'Each director is to form a independent opinion on each matter considered by the board and request the information needed to make well-informed decisions'. 'Each director is obliged to acquire the knowledge of the company's operations, organizations, markets etc. required for the assignment'. (Swedish Code of Corporate Governance §3.5.1-3.5.2.)	
Directors qualification and Biography (Education)	<p><i>XI37 Qualification and Eligibility to CO 157.</i> (d) the names, addresses and occupations of the directors, chief executive, secretary, auditors and legal advisers of the company and the changes, if any, which have occurred since the date of the incorporation; <i>Act as a Director</i> (iii) No listed company shall have as a director, a person who is serving as a director of ten other listed companies. (v) A listed company shall endeavor that no person is elected or nominated as a director if he or his spouse is engaged in the business of stock brokerage (unless specifically exempted by the Securities and Exchange Commission of Pakistan). <i>Tenure of Office of Directors</i> (vi) The tenure of office of Directors shall be three years.</p>	The following information should be presented: candidate age, education, work experience, any work performed for the company and other professional commitments. Also financial holdings to themselves or related legal or natural person, whether or not the candidate are independent to the company, management, or company's major shareholder.	VA (4) Information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board to be disclosed.
Audit remuneration	CO 252 (8) The remuneration of the auditors of a company shall be fixed — (a) in the case of an auditor appointed by the directors or by the Commission, as the case may be; and	The nomination committee proposes the audit remuneration. The shareholder's meeting decides upon the proposal.	VC mandatory rotation of auditors (either partners or in some cases the audit partnership).

<p>Internal Audit and Internal control policy</p>	<p>(b) in all other cases, by the company in general meeting or in such manner as the general meeting may determine.</p> <p>Internal Audit: Internal Control Policy: XI37 (xix) Director's report to shareholders disclose The system of internal control is sound in design and has been effectively implemented and monitored. (e) The system of internal control is sound in design and has been effectively implemented and monitored. (c) The Board of Directors establish a system of sound internal control, which is effectively implemented at all levels within the listed company;</p>	<p>The board is responsible that the company has good internal control and formalized routines. The corporate governance report should disclose the most significant issues of internal control and risk management in connection to the financial report. (Swedish Annual Accounts Act, 2005:1554, ninth chapter §6)</p>	<p>VC The audit committee or an equivalent body is often specified as providing oversight of the internal audit activities and should also be charged with overseeing the overall relationship with the external auditor including the nature of non-audit services provided by the auditor to the company.</p>
<p>Financial and operational information</p>	<p>XI37 (xix) a, b, c (a) The financial statements, prepared by the management of the listed company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity. (b) Proper books of account of the listed company have been maintained. (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. Where applicable, also disclose, (b) Significant deviations from last year in operating results of the listed company shall be highlighted and reasons thereof shall be explained. (c) Key operating and financial data of last six years shall be summarized. Where applicable (e) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a</p>	<p>Disclosure of information of other issues than balance sheet, income statement, the notes but are crucial for the company's operations, position, profit, significant occurrences, future expected development, including specific risks, insecurity factors, the company's research and development, company international branches, number and ratios of own shares and all transactions during the fiscal year. If its significant the company shall disclose; the use of financial instruments with principles of financial risk guidance, and exposure of price-, credit-, liquidity-, and cash flow risks. (Swedish Annual Accounts Act, 2005:1554 sixth chapter §1)</p>	<p>VA (1) Disclosure should include, but not be limited to, material information on the financial and operating results of the company. It is therefore important that transactions relating to an entire group of companies be disclosed in line with high quality internationally recognized standards and includes information about contingent liabilities and off-balance sheet transactions, as well as special purpose entities.</p>

<p>Strategic information</p> <p>Reports to shareholders (auditors, directors, management letter, code of ethics)</p>	<p>brief description and reasons for the same shall be disclosed. (g) A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included. CO 224 (6) The books of account of every company relating to a period of not less than ten years immediately preceding the current year shall be preserved in good order:</p> <p>XI37 (xix) Where applicable part. (f) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the listed company.</p> <p>CO 236. Director's report. - (1) The directors shall make out and attach to every balance-sheet a report with respect to the state of the company's affairs, the amount, if any, which they recommend should be paid by way of dividend and the amount, if any, which they propose to carry to the Reserve Fund, General Reserve or Reserve Account shown specifically in the balance-sheet or to a Reserve Fund, General Reserve or Reserve Account to be shown specifically in a subsequent balance-sheet.</p> <p>2 (a) disclose any material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the balance-sheet relates and the date of the report;</p>	<p>Disclosure of significant occurrences, future expected development, including specific risks, insecurity factors, the company's research and development, company international branches. (Swedish Annual Accounts Act, 2005:1554, ninth chapter §1)</p> <p>The company should as fast as possible publicly disclose decisions, and occasions of share-affecting nature. (OMXN listing requirements 3.1.1.) Financial reports shall be constituted and made public in accordance to current legislation and relevant accounting standards. Companies with primary listing on Nasdaq OMX shall make year-end report and periodical reports quarterly public. If share-affecting information is included in the annual report, such information should be disclosed before disclosure of the annual report. Year-end report and quarterly reports should be made public at latest two months after ended report period. (OMXN listing requirements, § 3.2.1-3.2.3) Other information that should be publicly disclosed; forecasts and</p>	<p>VA (1) Investors are particularly interested in information that may shed light on the future performance of the enterprise</p> <p>V The Principles support timely disclosure of all material developments that arise between regular reports. They also support simultaneous reporting of information to all shareholders in order to ensure their equitable treatment. In maintaining close relations with investors and market participants, companies must be careful not to violate this fundamental principle of equitable treatment.</p> <p>VB Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure. The Principles support the development of high quality internationally recognized standards, which can serve to improve transparency and the comparability of</p>
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<p>Auditor's appointment and report to shareholders</p>	<p>CO 252. Appointment and remuneration of auditors. - (1) Every company shall at each annual general meeting appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting: shall also publish it at least in one issue each of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the Province in which the stock exchange on which the company is listed is situate. CO 254 (3) None</p>	<p>announcements of the future, unexpected and significant change of result or financial position, shareholder's meeting and decision of importance at the shareholder's meeting, share and financial instruments issues and changes, changes of the board, executive management and auditor, share-related incentive programs, related party transactions, purchase or sales of companies, radical changes. (OMXN listing requirements §3.3.1-3.3.9) The company's website section of corporate governance issues where recent corporate governance reports and current articles of association along with other information required by the "Swedish code". The website must include an up-to-date (seven days) information regarding board, executive management and auditor, and outstanding share and share and share-price related scheme. (Swedish code of Corporate Governance, §3.11.3) The auditor is obliged to report to owners without allowing their work to be governed or influenced by the executive management or board. The annual audit report is presented at the annual shareholder's meeting. The report must contain a statement whether the annual report has been conducted in line with legislation, specify the whether the annual report illustrate the company's position and result and if the director's report is consistent with the rest of the annual report, state if parts are missing from the annual</p>	<p>financial statements and other financial reporting between countries. VC In addition to certifying that the financial statements represent fairly the financial position of a company, the audit statement should also include and opinion on the way in which financial statements have been prepared and presented. This should contribute to an improved control environment in the company. An independent, competent and qualified, auditor should conduct an annual audit in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects. In addition to certifying that the financial statements represent fairly the financial position of a company, the audit statement should also include an opinion on the</p>
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<p>Disclosure of material interest in transaction by Directors/ Executive</p>	<p>of the following persons shall be appointed as auditor of a company, namely: — (a) a person who is, or at any time during the preceding three years was, a director, other officer or employee of the company;</p> <p>(b) a person who is a partner of , or in the employment of, a director, officer or employee of the company; (c) the spouse of a director of the company;</p> <p>(d) a person who is indebted to the company;</p> <p>1[...] (e) a body corporate;</p> <p>2[(f) a person or his spouse or minor children, or in case of a firm, all partners of such firm who holds any shares of an audit client or any of its associated companies:</p> <p>XI37 Disclosure of Interest by a Director Holding Company's Shares (xxvi) Where any director, CEO or executive of a listed company or their spouses sell, buy or take any position, whether directly or indirectly, in shares of the listed company of which he is a director, CEO or executive, as the case may be, he shall immediately notify in writing the Company Secretary of his intentions. Such director, CEO or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates (i.e. whether physical or electronic within the Central Depository System) and nature of transaction to the Company Secretary within four days of effecting the transaction. The notice of the director, CEO or executive, as the case may be, shall be presented by the Company Secretary at the meeting of the Board</p>	<p>report that are required by legislation. The auditor will recommend whether the shareholder's meeting should accept balance sheet and income statement if the proposed suggestion in the director's report. The auditor is obliged to state if the board or CEO have carried out any action that may result in liability damage. Or if the same persons have conducted any fault according to the Company Act, legislation etc. (The Swedish Code of Corporate Governance, §2.5)</p> <p>A director of the board and the CEO is not allowed to participate in a issue where the director could be biased, i.e. agreement between the director and the company, agreement between the company and third part if the director has a different interest, or agreement where the director act as legal person for someone else in relation to the company. (Swedish Company Act, 2005:551, eighth chapter, §23&§34)</p> <p>A person holding an insider position must report shareholdings and other financial instruments in the company held by the person or related legal or natural person to Finansinspektionen. (FI)</p>	<p>way in which financial statements have been prepared and presented. This should contribute to an improved control environment in the company.</p> <p>It is increasingly common for external auditors to be recommended by an independent audit committee of the board or an equivalent body and to be appointed either by that committee/body or by shareholders directly.</p> <p>IIIC Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation</p> <p>Where a material interest has been declared, it is good practice for that person not to be involved in any decision involving the transaction or matter.</p>
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<p>Related transaction</p>	<p>party</p> <p>of Directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the Board of Directors in its immediate next meeting: Provided that each listed company shall determine a closed period prior to the announcement of interim/ final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or indirectly, deal in the shares of the listed company in any manner during the closed period.</p> <p>XI37 Related Party Transactions (xiii a) (1) All companies registered under the Companies Ordinance, 1984 shall place before the Board of Directors all the transactions with the related parties for review and approval. (2) The detail of all related party transactions shall be placed before the Audit Committee of the company. (3) The related party transactions which are not executed at arm's length price will also be placed separately at each Board meeting along with necessary justification for consideration and approval of the Board and before the Audit Committee of the company. (4) The Board of Directors of a company shall approve the pricing methods for related party transactions that were made on the terms equivalent to those that prevail in arm's length transaction only if such terms can be substantiated. (5) Every company shall</p>	<p>Larger corporations shall disclose significant transactions which on other than market-like conditions have been conducted like: a company in the same corporate group, legal person either controlling or controlled by the company, an interest company, physical person controlling the company, board director, CEO, or other executive management member, related person, economical depended on related person, legal person administering capital to the company. (Swedish Annual Accounts Act 2005:1554, §12a).</p>	<p>VA (3) Particularly for enforcement purposes, and to identify potential conflicts of interest, related party transactions and insider trading, information about record ownership may have to be complemented with information about beneficial ownership. VA (5) It is essential for the company to fully disclose material related party transactions to the market, either individually, or on a grouped basis, including whether they have been executed at arms-length and on normal market terms.</p>
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<p>Governance disclosures related</p>	<p>maintain a party wise record of transactions, in each financial year, entered into with related parties in that year along with all such documents and explanations. The record of related party transaction shall include the following particulars in respect of each transaction: (i) Name of related party; 24 (ii) Nature of relationship with related party; (iii) Nature of transaction; (iv) Amount of transaction; (v) Terms and conditions of transaction, including the amount of consideration received or given.</p> <p>XI37 (xix) (e) The system of internal control is sound in design and has been effectively implemented and monitored. (f) There are no significant doubts upon the listed company's ability to continue as a going concern. (g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.</p> <p>Where applicable: The Directors' Reports of listed companies shall also include the following, where necessary: (a) If the listed company is not considered to be a going concern, the fact along with reasons shall be disclosed. <i>Compliance with the Code of Corporate Governance</i></p> <p>(xlv) All listed companies shall publish and circulate a statement along with their annual reports to set out the status of their compliance with the best practices of corporate governance set out above.</p> <p>(xlvi) All listed companies shall ensure that the statement of compliance with the best practices of corporate governance is reviewed and certified by</p>	<p>The company is to produce a corporate governance report, it should be stated clearly which code rules it has complied with, explain the solution and motivation for each case. The report should disclose which parts that have been reviewed by the auditor. (The Swedish Code of Corporate Governance, §3.11.1)</p>	<p>VA (8) Companies should report their corporate governance practices. Disclosure of the governance structures and policies of the company, in particular the division of authority between shareholders, management and board members is important for the assessment of a company's governance. As a matter of transparency, procedures for shareholders meetings should ensure that votes are properly counted and recorded, and that a timely announcement of the outcome is made.</p>
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<p>Auditor authenticity and qualification</p>	<p>statutory auditors, where such compliance can be objectively verified, before publication by listed companies.</p> <p>XI37 Auditors Not to Hold Shares (xxvii) All listed companies shall ensure that the firm of external auditors or any partner in the firm of external auditors and his spouse and minor children do not at any time hold, purchase, sell or take any position in shares of the listed company or any of its associated companies or undertakings: Provided that where a firm or a partner or his spouse or minor child owns shares in a listed company, being the audit client, prior to the appointment as auditors, such listed company shall take measures to ensure that the auditors disclose the interest to the listed company within 14 days of appointment and divest themselves of such interest not later than 90 days thereof. (xxxvii) No listed company shall appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan. (xxxviii) No listed company shall appoint as external auditors a firm of auditors which firm or a partner of which firm is non-compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan. (xl) No listed company shall appoint its auditors to provide services in addition to audit except in accordance with the</p>	<p>To incapacitate a person to not be elected auditor the person is in bankruptcy, banned on business, or have a legal person. An auditor should have the experience of auditing and economic situations in proportion to the assignment to fulfill the assignment. Only an authorized or approved auditor may be elected auditor. An auditor isn't allowed to be auditor if: the auditor owns shares in the company, is a board director or CEO in the company or its subsidiary, is an employee or subordinated of the company, is an accountant of the company, is related in a way to the board or CEO, or is in debt to the company or any company of its security. Swedish Company Act, ninth chapter, §10-17)</p>	<p>VC An issue that has arisen in some jurisdictions concerns the pressing need to ensure the competence of the audit profession.</p>
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	<p>regulations and shall require the auditors to observe applicable IFAC guidelines in this regard and shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board of Directors and management of the listed company.</p> <p>(xlii) No listed company shall appoint a person as the CEO, the CFO, an internal auditor or a director of the listed company who was a partner of the firm of its external auditors (or an employee involved in the audit of the listed company) at any time during the two years preceding such appointment or is a close relative, i.e. spouse, parents, dependents and non-dependent children, of such partner (or employee).</p>		
Website Reporting		<p>The company website should have a devoted section to corporate governance, where the company's recent corporate governance report are presented and current articles of association. The section should also include up to date information of the board members, CEO, auditor, and a detailed table of every share and share-price related incentive scheme. (Swedish Code of Corporate Governance Board §3.11)</p>	<p>VE Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users. The Internet and other information technologies also provide the opportunity for improving information dissemination.</p>
Significant Accounting standards/ Policies	<p>XI37 (xix) (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.</p>	<p>Companies are to follow the standards of Swedish Annual Accounts Act, IFRS and IAS 34. (Swedish Annual Accounts Act, 2005:1554 & OMXN listing requirements)</p>	<p>VB Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure</p>
Share traded by	XI37 (xix) (j) All trades in	The corporate governance	

<p>Directors/ Executives</p>	<p>the shares of the listed company, carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children shall also be disclosed.</p> <p>(xxvi) Where any director, CEO or executive of a listed company or their spouses sell, buy or take any position, whether directly or indirectly, in shares of the listed company of which he is a director, CEO or executive, as the case may be, he shall immediately notify in writing the Company Secretary of his intentions. Such director, CEO or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates (i.e. whether physical or electronic within the Central Depository System) and nature of transaction to the Company Secretary within four days of effecting the transaction. The notice of the director, CEO or executive, as the case may be, shall be presented by the Company Secretary at the meeting of the Board of Directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the Board of Directors in its immediate next meeting: Provided that each listed company shall determine a closed period prior to the announcement of interim/ final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or</p>	<p>section at the company's website is to have a detailed account of <u>share</u> and share-price related incentive scheme. This has to be up-to-date, specifically seven days. (Swedish code of corporate governance, §3.11.3)</p>	
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<p>Shareholder's Rights Single/Dual Class Shares</p>	<p>indirectly, deal in the shares of the listed company in any manner during the closed period. CO 224. Trading by director, officers and principal shareholders. - (1) Where any director, chief executive, managing agent, chief accountant, secretary or auditor of a listed company or any person who is directly or indirectly the beneficial owner of more than ten per cent of its listed equity securities makes any gain by the purchase and sale, or the sale and purchase, of any such security, within a period of less than six months, such director, chief executive, managing agent, chief accountant, secretary or auditor or person who is beneficial owner shall make a report and tender the amount of such gain to the company and simultaneously send an intimation to this effect to the registrar and the Commission:</p> <p>Part VI (Companies Ordinance) 1[90. Classes and kinds of share capital. - A company limited by shares may have different kinds of share capital and classes there in as provided by its memorandum and articles: Provided that different rights and privileges in relation to the different classes of shares may only be conferred in such manner as may be prescribed.] 91. Only fully paid shares to be issued.- No company shall issue partly paid shares.</p>	<p>It's approved that different types of shares are to be or issued. Such regulation is divided in differences between the share types and the number or part of shares of each kind. No share may have more than ten times the voting power than another share. (Swedish Company Act 2005:551, fourth chapter §2-5) All shares have equal right in the company if no difference is stated. A regulation can be stated where information about differences between different types of shares and the number or part of shares of each kind. Regulation can be formed to state different rights of company's assets, profit, or that the shares will</p>	<p>IID Capital structures (Pyramid structures, cross shareholdings) and arrangements (Single/Dual Class Shares) that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed. Voting caps limit the number of votes that a shareholder may cast. IIIA (1) All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in voting rights should be subject to approval by those classes of shares which are negatively affected</p>
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<p>Minority shareholders' interests</p>	<p>XI37 (i) All listed companies shall encourage effective representation of independent non-executive directors, including those representing minority interests, on their Boards of Directors so that the Board as a group includes core competencies considered relevant in the context of each listed company. For the purpose, listed companies may take necessary steps such that:</p> <p>(a) minority shareholders as a class are facilitated to contest election of directors by proxy solicitation, for which purpose the listed companies may:</p> <ul style="list-style-type: none"> • annex to the notice of general meeting at which directors are to be elected, a statement by a candidate(s) from among the minority shareholders who seeks to contest election to the Board of Directors, which statement may include a profile of the candidate(s); <input type="checkbox"/> provide information regarding shareholding structure and copies of register of members to the candidate(s) representing minority shareholders; and <input type="checkbox"/> on a request by the candidate(s) representing minority shareholders and at the cost of the company, annex to the notice of general meeting at which directors are to be elected an additional copy of proxy form duly filled in by such candidate(s) and transmit the same to all shareholders in terms of section 178 (4) of the 	<p>have different voting power. No share can have more than ten times higher voting power than an ordinary share. (Swedish Company Act 2005:551 fourth chapter, §1-5)</p> <p>The board may call an extra ordinary general meeting if a shareholder minority representing at least ten percent of the company's shares. (Swedish Code of Corporate Governance §2.2) A shareholder can propose that an auditor that is chosen by "länsstyrelsen" will participate in the auditing among the other auditors. On the request of a shareholder minority reaching at least ten percent the company may decide on the shareholder's meeting to pay out a dividend of half of what's left on the balance sheet in the annual report. The board may not make decisions that could favor an advantage for specific shareholders on the expense of other shareholders. The ability to use proxy rights when voting. Minorities can stop certain resolutions where a larger majority is required. This resolution may be: merger decisions, share capital structure decisions, etc. At all time minority shareholder have the right to fully use his/her shares at the shareholder's meeting, ask questions at the same event, include proposals in the agenda, and make counter resolutions. (Swedish Company Act, 2005:551)</p>	
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<p>Dividend policy and history</p>	<p>Companies Ordinance, 1984; XI37 (xix) Where applicable, disclose: (d) If the listed company has not declared dividend or issued bonus shares for any year, the reasons thereof shall be given.</p>	<p>The year-end report should withhold information of the proposed dividend per share. If the board proposes that no dividend should be paid it should be stated clearly. (OMXN listing requirements §3.2.3)</p>	
<p>Timely availability of material information</p>	<p>XI37 (xxiii) Every listed company shall immediately disseminate to the Securities and Exchange Commission of Pakistan and the stock exchange on which its shares are listed all material information relating to the business and other affairs of the listed company that will affect the market price of its shares. Mode of dissemination of information shall be prescribed by the stock exchange on which shares of the company are listed. This information may include but shall not be restricted to information regarding a joint venture, merger or acquisition or loss of any material contract; purchase or sale of significant assets; any unforeseen or undisclosed impairment of assets due to technological obsolescence, etc.; delay/loss of production due to strike, fire, natural calamities, major breakdown, etc.; issue or redemption of any securities; a major change in borrowings including any default in repayment or rescheduling of loans; and change in directors, Chairman or CEO of the listed company. XI37 (d) the following powers are exercised by the Board of Directors on behalf of the listed company and decisions on material</p>	<p>The company should as fast as possible publicly disclose decisions, and occasions of share-affecting nature.(OMXN listing requirements 3.1.1.) Financial reports shall be constituted and made public in accordance to current legislation and relevant accounting standards. Companies with primary listing on Nasdaq OMX shall make year-end report and periodical reports quarterly public. If share-affecting information is included in the annual report, such information should be disclosed before disclosure of the annual report. Year-end report and quarterly reports should be made public at latest two months after ended report period. (OMXN listing requirements, § 3.2.1-3.2.3) Other information that should be publicly disclosed; forecasts and announcements of the future, unexpected and significant change of result or financial position, shareholder’s meeting and decision of importance at the shareholder’s meeting, share and financial instruments issues and changes, changes of the board, executive management and auditor, share-related incentive programs, related party transactions, purchase or</p>	<p>IIA(3) Shareholders able to Obtain relevant and material information on the corporation on a timely and regular basis</p>

<p>Financial reporting Adequacy</p>	<p>transactions or significant matters are documented by a resolution passed at a meeting of the Board: XI37 (xx) The quarterly unaudited financial statements of listed companies shall be published and circulated along with directors' review on the affairs of the listed company for the quarter. (xxi) All listed companies shall ensure that second quarterly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Securities and Exchange Commission of Pakistan. (xxii) All listed companies shall in the form and manner specified by the Commission ensure that the annual audited financial statements are sent to every member of the company at least twenty-one (21) days before the Annual General Meeting is held to consider the same.</p>	<p>sales of companies, radical changes. (OMXN listing requirements §3.3.1-3.3.9) Financial reports shall be constituted and made public in accordance to current legislation and relevant accounting standards. Companies with primary listing on Nasdaq OMX shall make year-end report and periodical reports quarterly public. All quarterly reports should contain information whether the company auditor has conducted a general review or not. (OMXN listing requirements §3.2.1-3.2.3) The audit committee is responsible for the preparation of the board's work to ensure quality of financial statements (Swedish code of corporate governance, §3.10.2)</p>	
<p>Participation and voting in General Meetings</p>	<p>(3) The notice of an annual general meeting shall be sent to the shareholders at least twenty-one days before the date fixed for the meeting and, in the case of a listed company, such notice, in addition to its being dispatched in the normal course, shall also be published at least in one issue each of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the Province in which the stock exchange on which the company is listed is situate. CO 160 (b) Where</p>	<p>The right to participate at the shareholder's meeting is the shareholder that on the current day of the shareholder's meeting is filed in the stock register of the company. It may be filed in the corporation charter that participation has to be notified the company at a before a specific date set in the invitation to the shareholder's meeting. A shareholder is allowed to bring at most tow assistants to the shareholder's meeting. Shares owned by the company itself or a subsidiary may not</p>	<p>IIA(4) Participate and vote in general shareholder meetings IIC (1,2,3,4)</p>

	<p>any special business, that is to say business other than consideration of the accounts, balance-sheets and the reports of the directors and auditors, the declaration of a dividend, the appointment and fixation of remuneration of auditors, and the election or appointment of directors, is to be transacted at a general meeting, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning such business, including, in particular, the nature and extent of the interest, if any, therein of every director, whether directly or indirectly, and, where any item of business consists of the according of an approval to any document by the meeting, the time when and the place where the document may be inspected shall be specified in the statement;</p> <p>(d) All the members may participate in the meeting either personally or through proxy. (2) The quorum of a general meeting shall be--</p> <p>(a) In the case of a public [listed] company, unless the articles provide for a larger number, not less than 2[ten] members present personally, who represent not less than twenty-five per cent. of the total voting power, either of their own account or as proxies; (4) In the case of a company having a share capital, every member shall have votes proportionate to the paid-up value of the shares or other securities carrying voting rights held by him according to the entitlement of the class of such shares or securities</p> <p>(5) No member holding</p>	<p>represented at the meeting. A shareholder is allowed to vote with all shares owned or represented by the shareholder. (Swedish Company Act 2005:551, seventh chapter §2,5,7,8)</p>	
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<p>Right to participate in material issues</p>	<p>shares or other securities carrying voting rights shall be debarred from casting his vote, nor shall anything contained in the articles have the effect of so debarring him. 165. Voting to be by show of hands in first instance. - At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands. 167. Demand for poll. - (1) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the person or persons specified below, that is to say,- (a) in case of a public company, by at least five members having the right to vote on the resolution and present in person or by proxy; by any member or members present in persons or by proxy and having not less than one-tenth of the total voting power in respect of the resolution. CO 173 (6) The books containing the minutes of proceedings of the general meetings shall be open to inspection by members without charge during business hours, subject to such reasonable restrictions as the company may by its articles or in general meeting impose so that not less than two hours in each day be allowed for inspection. CO 160 (5) No member holding shares or other securities carrying voting rights shall be debarred from casting his vote, nor shall anything contained in the articles have the effect of so debarring him.</p>	<p>The right to participate at the shareholder's meeting is the shareholder that on the current day of the shareholder's meeting is filed in the stock register of the company. Shares owned by the company</p>	<p>IIB Shareholders should have right to participate in issues like (1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; (2) the</p>
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<p>Auditor accountability</p>	<p>CO 161 (7) On a poll, votes may be given either personally or by proxy. (6) The members or their proxies shall be entitled to do any or all the following things in a general meeting, namely.- (a) subject to the provisions of section 167, demand a poll on any question; and (b) on a question before the meeting in which poll is demanded, to abstain from voting or not to exercise their full voting rights;</p> <p>Discussed in Auditor authenticity and qualification and auditor's report to shareholders above.</p>	<p>itself or a subsidiary may not represented at the meeting. A shareholder is allowed to vote with all shares owned or represented by the shareholder. (Swedish Company Act 2005:551, seventh chapter §2,8) Shareholders vote on proposals from nomination, remuneration and audit committees, (Swedish code of corporate governance, §3.1-3.9)</p> <p>The majority of the audit committee is to be independent of the company and its executive management, at least one of the members is to be independent to the major shareholders of the company. No member of the executive management is allowed. If appropriate the entire board may handle this function. The audit committee is responsible for: preparation of the board's work to ensure quality of financial statements, meet company's auditor to keep updated and discuss internal and external audits, establish guidelines on services other than auditing, evaluate the auditor work and report to the nomination committee. At least once a year is the board to meet the auditor without any of the executive management. The board should make sure that the auditor</p>	<p>authorization of additional shares; and (3) extraordinary transactions, including the transfer of all or substantially all assets, that in effect result in the sale of the company. II C (3) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Shareholders should be able to make their views known on the remuneration policy for board members and key executives. The equity component of compensation schemes for board members and employees should be subject to shareholder approval. VD The practice that external auditors are recommended by an independent audit committee of the board or an equivalent body and that external auditors are appointed either by that committee/body or by the shareholders' meeting directly can be regarded as good practice since it clarifies that the external auditor should be accountable to the shareholders.</p>
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<p>Proxy voting arrangement</p>	<p>CO 160 (7) On a poll, votes may be given either personally or by proxy.</p> <p>161. Proxies. - (1) Any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person, as his proxy to attend and vote instead of him, and a proxy so appointed shall have such rights as respects speaking and voting at the meeting as are available to a member</p> <p>(d) A proxy must be a member unless the articles of the company permit appointment of a non-member as proxy.</p> <p>(2) Every notice of a meeting of a company shall prominently set out the member's right to appoint a proxy and the right of such proxy to attend, speak and vote in the place of the member at the meeting and every such notice shall be accompanied by a proxy form.</p> <p>(10) Failure to issue notices in time or issuing notices with material defect or omission or any other contravention of this section which has the effect of preventing participation or use of full rights by a member or his proxy shall make the company and every officer of the company who knowingly and willfully is a party to the default or contravention liable to a fine which may extend to five thousand rupees</p>	<p>reviews the sixth or ninth month report. (Swedish code of corporate governance §3.10.1-3.10.4)</p> <p>To protect minority shareholders the Swedish company act give shareholders the possibilities to use proxy rights and thereby pass on voting rights to a council. (Swedish Company Act, 2005:551, seventh chapter §3)</p>	<p>II C (4) Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia. (IT voting) also consider cross border voters IIIA (4)</p>
<p>Changes in voting rights</p>	<p>CO (see 108) 28. Alteration of articles.- Subject to the provisions of this Ordinance and to the conditions contained in its</p>	<p>The board may not make decisions that could favor an advantage for specific shareholders on the expense of other</p>	<p>IIIA (1) Any changes in voting rights should be subject to approval by those classes of shares which are negatively</p>

<p>Right to call Extra General Meeting and Ownership threshold required to call EGM/pass resolution</p>	<p>memorandum, a company may by special resolution alter or add to its articles, and any alteration or addition so made shall be as valid as if originally contained in the articles, and be subject in like manner to alteration by special resolution: Provided that, where such alteration affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least three-fourths of the members or of the class of members affected by such alteration, as the case may be, personally or through proxy vote for such alteration.</p> <p>CO 108 (2) Not less than ten per cent of the class of shareholders who are aggrieved by the variation of their rights under subsection (1) may, within thirty days of the date of the resolution varying their rights, apply to the Court for an order canceling the resolution. (3) An application under subsection (2) may be made on behalf of the shareholders entitled to make it by such one or more of their number as they may authorize in writing in this behalf.</p> <p>CO 159 2) The directors may at any time call an extraordinary general meeting of the company to consider any matter which requires the approval of the company in a general meeting, and shall, on the requisition of members representing not less than one-tenth (10%) of the voting power on the date of the deposit of the requisition, forthwith proceed to call an extraordinary general meeting.</p>	<p>shareholders. The ability to use proxy rights when voting. Minorities can stop certain resolutions where a larger majority is required. This resolution may be: merger decisions, share capital structure decisions, etc. (Swedish Company Act, 2005:551)</p> <p>If the board finds it necessary it should call an extra general meeting before the ordinary one. The board should also call to an extra general meeting if the auditor or a minority (at least ten percent) in writing demands that a given issue need to be discussed. (Swedish Company Act, seventh chapter, §13)</p>	<p>affected</p> <p>IIIA (5) Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.</p>
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<p>Corporate Social Responsibility</p>	<p>(4) If the directors do not proceed within twenty-one days from the date of the requisition being so deposited to cause a meeting to be called, the requisitionists, or a majority of them in value, may themselves call the meeting, but in either case any meeting so called shall be held within three months from the date of the deposit of the requisition.</p> <p>(5) Any meeting called under sub-section (4) by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by directors.</p> <p>(6) Any reasonable expense incurred by the requisitionists by reason of the failure of the directors duly to convene a meeting shall be repaid to the requisitionists by the company, and any sum so repaid shall be retained by the company out of any sum due or to become due from the company by way of fees or other remuneration for their services to such of the directors as were in default.</p> <p>(8) Every officer of the company who knowingly or willfully fails to comply with any of the provisions of this section shall be liable to pay penalty.</p> <p>CO 164</p> <p>(2) The members having not less than ten per cent. voting power in the company may give notice of a resolution and such resolution together with the supporting statement, if any, which they propose to be considered at the meeting, shall be forwarded so as to reach the company,-</p>		
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Environmental Policy of Company	Board of directors should formulate significant policies for the company which may include health, safety and environmental policy of company. (Code of Corp. Gov. 2002, Page 45)		VA (2) In addition to their commercial objectives, companies are encouraged to disclose policies relating to business ethics, the environment and other public policy commitments
Audit rotation policy	<p>XI37 (xxxix) The Board of Directors of a listed company shall recommend appointment of external auditors for a year, as suggested by the Audit Committee. The recommendations of the Audit Committee for appointment of retiring auditors or otherwise shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the elapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.</p> <p>(xl) No listed company shall appoint its auditors to provide services in addition to audit except in accordance with the regulations and shall require the auditors to observe applicable IFAC guidelines in this regard and shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board of Directors and management of the listed company.</p>	The auditor is appointed at the shareholder's meeting. The auditor is elected for four years, if it's wished that the same auditor is re-elected the auditor may be elected for three more years. If an auditor's assignment ceases before decided time, the cease should be reported to the board. (Swedish Company Act, 2005: 551, ninth chapter, §21-24)	VC mandatory rotation of auditors (either partners or in some cases the audit partnership).

Table 4.1. Excerpts taken from Company laws, Listing Requirements and OECD best Practices.

Appendix 2. Pakistan Company-Level Matrix

Variables	DGKC	Lucky Cement	Azgard Nine	Engro Chemicals	Best Practice
Ownership					

Structure					
Directors/ Executive Shareholding (including Spouse and children)	3.58%	30%	15.22%	9%	
Top ten Shareholders	58.83%	48%	68.44%	56.53%	
Breakdown of shareholdings	Disclosed	Disclosed	Disclosed	Disclosed	
Board and Board Committees					
Chairman/ CEO Separation	Separate	Separate	Separate	Separate	
Board Size	7	8	7	10	
Non-Executive Directors	4	5	5 (Chairman too)	5	
Director effectiveness/ limit on representing no. of boards	Max 10, No Explicit Disclosure Given	Max 10, No Explicit Disclosure Given	Max 10, Explicit Disclosure Given	Max 10, Explicit Disclosure Given	
Meetings and Attendance of Directors	5 meetings, 94.29% attendance	5 meetings, attendance	9 meetings, 34.92% attendance	7 meetings, 87.14% attendance	
Board Committees	Audit Committee only (3/3)	Audit Committee only (3/5)	Audit (4/5), finance, HR committee	Audit (4/4), compensation committee	
Disclosures and Internal Control					
Director/ Executive Remuneration (Executive remuneration break-up)	Disclosed, Break-up given	Disclosed, No Break-up given	Disclosed , Break-up given	Disclosed, Break-up given	

Directors' responsibilities	Disclosed	Disclosed	Disclosed	Disclosed	
Directors qualification and Biography (Education)	Not Disclosed	Not Disclosed	Disclosed	Disclosed	
Audit remuneration	Disclosed	Disclosed	Disclosed	Disclosed	
Internal Audit and control policy	Internal, details not given	Outsourced	Internal, details not given	Internal control details given	
Classes and Rights of share	Disclosed	Disclosed	Disclosed, But not explicitly	Disclosed, But not explicitly	
Shareholding pattern	Disclosed	Disclosed	Disclosed	Disclosed	
Financial and operational information	Disclosed	Disclosed	Disclosed	Disclosed	
Strategic information	Disclosed	Disclosed	Disclosed	Disclosed	
Auditor's appointment and report to shareholders	Disclosed	Disclosed,	Disclosed	Disclosed	
Shares traded by directors/Executives	Disclosed	Disclosed	Disclosed	Disclosed	
Related party transaction	Disclosed	Disclosed	Disclosed	Disclosed	
Governance related disclosures	Disclosed	Disclosed	Disclosed	Disclosed	
Website Reporting	Available	Available	Available	Available	
Significant Accounting standards/ Policies	Disclosed IAS, IFRS	Disclosed IAS, IFRS	Disclosed IAS, IFRS	Disclosed, IFRS, IAS	
Firm-Industry Analysis	Disclosed	Disclosed	Disclosed	Disclosed	

Shareholder's Rights					
Classes of Shares (Single/Dual class)	Dual (preferred and ordinary only)	Dual (Ordinary and GDRs with non voting right)	Dual (ordinary (with and without voting), preferred)	Single class share holding	
Minority shareholders' Board representation	No	No	No	No	
Dividend policy and history	Not Disclosed	Not Disclosed	Not Disclosed	Not Disclosed	
Corporate Social Responsibility					
Environment, Health and Safety policy of the company	Not Disclosed	Not Disclosed	Disclosed	Disclosed	

Table 4.2.

2.1. AZGARD Nine

2.1.1. Ownership Structure

Company's Annual report offers a comprehensive view of pattern of ordinary and preference shareholding. It classifies shareholders into various categories such as individuals, investment companies, insurance companies, foreign investments, joint stock companies, financial institutions, Modaraba companies (Islamic Financial Institutions) and others. It further discloses the shareholding in terms of related party positions and presents director, executive, their families' (spouse, children) shareholding and any shareholding by associated and related parties. Also, the name and shareholding position of investor holding 10% or more shares of company have also been disclosed. The shareholding situation of above mentioned have been

explicitly made along with their names, relationships, number and percentage of shares held. For detailed shareholding positions, see Matrix 1.X. Strong concentration of power is held by top ten shareholders of the company as more than 68% of ordinary shares are held by only top ten shareholders. CEO, directors, executives including their family members' shareholding is also high being above 15%. No other management executive holds any share of the company. In regard to directors/executives shareholding in company, the directors also certify that they don't hold additional interest in shareholding in any other form or through any other arrangement.

2.1.2. Board

The chairman of board and CEO positions are held separately in the company. Company's board consists of 7 members out of which 5 are non-executive directors. Chairman also happens to be non-executive director. No minority representation is given on board. Unlike the other sample companies for Pakistan, where board is populated by family representations, this, company seems to have relevant skill and experience as a selection criteria for director which can be assumed from the profile information of directors. Board seems to have comparatively independent directors on board as proclaimed by firm in annual report. It might be inferred from biographic information given about director and no family representation on board. But no explicit disclosure about individual director has been given. Apart from firm's viewpoint about having mainly independent directors, no disclosure regarding independence of the directors has been mentioned. The annual report shows the names of the directors along with detailed auto-biographic information of their high profile directors regarding their academic history or work experience. This makes investors to comprehend the skill and expertise of board. As per listing regulations, firm has disclosed their confirmation about no directors serving on more than 10 boards in statement of compliance with code of corporate governance. The annual report gives an adequate disclosure about board meetings and attendance by directors. The total number of meetings and attendance by each individual director has explicitly been disclosed. In total, 9 board meetings were held and average attendance of board was just 35%, which cannot be considered satisfactory. Statement of compliance with code of corporate governance gives the disclosure about the compliance of firm with the respective code and governance issues. The firm doesn't have remuneration and nomination committee but contains audit, finance and human resource (HR) committee. It has

been disclosed about audit committee that it consists of 4 non-executive and 1 executive directors. For other two committees, only member names have been disclosed.

2.1.3. Disclosures and Internal Control

The firm gives a detailed disclosure about the CEO, full time working directors and executives' remuneration break-up but for only last year in the notes to the financial statements (note 50.1 and 50.2). The aggregate amount paid, item wise break-up like salary, provident fund, housing etc., number of persons getting a particular compensation package, remuneration paid to other (non-full time) directors has been disclosed. Statement of compliance with code of corporate governance talks about major responsibilities performed by directors. In regard to internal audit and control systems, only the CEO affirmation of having a sound full-time internal audit and control mechanism is disclosed but no details have been provided for the investors in annual report. Although, the statutory external auditors are required by law to present their opinion on internal systems' adequacy and firm's compliance with statement of compliance with code of corporate governance which in case of this company is satisfactory. Financial, operational and strategic information has been, in detail, disclosed in the annual report. Industry performance, company performance, significant events and factors affecting industry and company like recession and price wars, government policies etc. have been discussed. Operational information like plant performance, operating results etc. and financial data like key financial highlights, statements etc. have been disclosed in detail in the annual report of the company. Strategic information like projects in progress, increased production targets and future projects has also been discussed. Dividend declaration as per share classes has also been disclosed in this part. Three classes of shares along with their rights have been disclosed namely ordinary shares with voting rights, ordinary shares with non-voting rights and preferred shares with non-voting, non-participatory, partly convertible, redeemable after a specific time but have prioritized dividend right (p.59, note 5.4). The annual report also contains various reports to shareholders which include directors' and auditors' reports. CEO, on behalf of directors, presents directors' report to shareholders in which directors' views on corporate and financial key matters have been discussed. Likewise, auditor, in auditor's report to shareholder, gives opinion on the financials and corporate issues of the firm in regard to the firm's compliance with the standards. Management's report (CEO) to shareholders discloses the way management has complied with the code of corporate governance. A separate statement of management for compliance with the best practices in

regard to related party transactions is also included in annual report of the firm. The appointment or reappointment and fixing remuneration of auditor is done in Annual General Meeting (AGM). Audit remuneration is disclosed in the annual report in a break-up manner such as Annual Statutory Audit fee, half yearly review etc (p.84, note 32.2). The annual report contains notice for AGM where the shareholders are notified of this transaction. Annual reports contain notice and agenda of AGM which mainly include normal matters of concern to AGM along with any special business like amendments in articles of association etc. to be conducted. In case, it is not possible for shareholder to attend AGM, he can fill in proxy form which is annexed to annual report to authorize someone else to represent him/ her and to participate in voting. The company discloses the method used for dealing with related party transactions and claims to have followed the best practices set out by the listing regulation by the stock exchange. Further, as mandated by the code of corporate governance, annual report also includes statement of compliance with best practices for transfer pricing where the CEO has confirmed to follow such practices set out by listing requiring of KSE. Annual report also contains governance disclosures in Statement of compliance with codes of corporate governance, which is signed by CEO, and further the compliance is also endorsed by the auditor's opinion of the company showing the nature and amount of transaction (p.156-158, note 50). Company also discloses related party transaction under a separate head in annual report. The pricing of such transactions has been disclosed and is done by on market comparable prices method (p.113, note 3.34). Accounting policies are based on IAS and IFRS and financials have been constructed using them. In case where deviations occurred, disclosures have been made (p.101, note 2). Annual report contains a separate head for significant accounting policies. (p.103, note 3, note 4) The company has disclosed the trading of shares by CEO, directors and related parties. In this case, no trade was made in the concerned year (p.162).

2.1.4. Shareholder's Rights:

Company has preferred and ordinary shares in its share capital. Preferred shares have no voting rights and they are redeemable at a specified date in the agreement with the holders of preferred shares. There is no minority shareholder representation on the board of the company. Company has announced the dividend for the year however no dividend policy is given in the annual report of the company.

2.1.5. Corporate Social Responsibility

The company provides very detailed information in regard to CSR. It discloses the certifications it has with internationally accepted programs in this field like Socially Accountability International SA 8000 Standard and many other similar programs. It clearly explains its social and health, safety and environmental policy and the community welfare programs. Annual report has been prepared in accordance with the Company Ordinance 1984 and listing requirements of KSE. Apart from company documents, information is readily available on the company website.

2.2. DGKC

2.2.1. Ownership Structure

Company's Annual report clearly gives a very detailed view of pattern of ordinary shareholding. It classifies shareholders into various categories such as individuals, investment companies, insurance companies, foreign investments, joint stock companies, financial institutions, Modaraba companies (Islamic Financial Institutions) and others. It further discloses the shareholding in terms of related party positions and presents director, executive, their families' (spouse, children) shareholding and any shareholding by associated and related parties. Also, the name and shareholding position of investor holding 10% or more shares of company have also been disclosed. The shareholding positions by above mentioned have been explicitly made along with their names, relationships, number and percentage of shares held. For detailed shareholding positions, see table 4.2 Numbers clearly shows a strong concentration of power as only top ten shareholders, who are only 1.4% of total shareholders, hold almost 60% of ordinary shares. Also, 31% shareholding by associated company adds up to this aspect. However, directors, executives including their family members' shareholding were comparatively low being 3.58%. No other management executive holds any share of the company. In regard to directors'/executives' shareholding in company, the directors also certify that they don't hold additional interest in shareholding in any other form or through any other arrangement.

2.2.2. Board

The chairman of board and CEO positions are held separately in the company. However, it is interesting to observe that both positions are being held within the same family group which, indirectly, makes it synonymous with non-separation of seats. Company's board consists of 7 members out of which 4 are non-executive directors. No minority representation is given on board. Apart for firm's viewpoint about encouraging the representation of independent directors on board in corporate governance statement, no disclosure regarding independence of the directors has been mentioned. The annual report shows only the names of the directors but no auto-biographic information regarding their academic history or work experience has been disclosed which makes it tough for investors to determine the skill and expertise of a certain director. As per listing regulations, firm has disclosed their confirmation about no directors serving on more than 10 boards in statement of compliance with code of corporate governance. The annual report of DGKC gives an adequate disclosure about board meetings and attendance by directors. Both the total number of meetings and attendance by each director has explicitly been disclosed. In total, 5 board meetings were held and average attendance of board was over 94%, which appears to be satisfactory. Statement of compliance with code of corporate governance gives the disclosure about the compliance of firm with the respective code and governance issues. DGKC doesn't have remuneration, nomination or any other committee except for audit committee. It has been disclosed that the committee totally consists of and is chaired by non-executive directors.

2.2.3. Disclosures and Internal Control

The firm gives a detailed disclosure about the CEO, full time working directors and executives' remuneration break-up for past two years in the notes to the financial statements (note 38.1, 38.2). The aggregate amount paid, item wise break-up like salary, provident fund, housing etc., number of persons getting a particular compensation package, remuneration paid to other (non-full time) directors was disclosed. Statement of compliance with code of corporate governance talks about major responsibilities performed by directors. In regard to internal audit and control systems, only the CEO affirmation of having a sound full-time internal audit and control mechanism is disclosed but no details have been provided for the investors in annual report. Although, the statutory external auditors are required by law to present their opinion on internal systems' adequacy and firm's compliance with statement of compliance with code of corporate governance which in case of this company is satisfactory.

Company holds only two classes of shares namely ordinary and preference shares. It has been mentioned by the company that preference shares have no voting rights and they are mandatorily redeemable on the company's option at a specific date. Financial, operational and strategic information has been, in detail, disclosed in the annual report. Industry performance, company performance, significant events and factors affecting industry and company like recession and price wars, government policies etc. have been discussed. Operational information like plant performance, operating results etc. and financial data like key financial highlights, statements etc. have been disclosed in detail in the annual report of the company. Strategic information like projects in progress and future projects has also been discussed. Dividend declaration is also disclosed in this part and reasons if no dividend is declared for year are also disclosed here. The annual report also contains various reports to shareholders that include directors' and auditors' reports. CEO, on behalf of directors, presents directors' report to shareholders in which directors' views on corporate and financial matters all key have been discussed. Likewise, auditor, in auditor's report to shareholder, gives opinion on the financials and corporate issues of the firm in regard to the firm's compliance with the standards. Management's report (CEO) to shareholders discloses the way management has complied with the code of corporate governance. A separate statement of management for compliance with the best practices in regard to related party transactions is also included in annual report of the firm. The appointment or reappointment of auditor is done in Annual General Meeting (AGM). The annual report contains notice for AGM where the shareholders are notified of this transaction. Annual reports contain notice and agenda of AGM, which mainly include normal matters of concern to AGM along with any special business like amendments in articles of association etc. to be conducted. In case, it is not possible for shareholder to attend AGM, he can fill in proxy form which is annexed to annual report to authorize someone else to represent him/ her and to participate in voting. The company discloses the method used for dealing with related party transactions and claims to have followed the best practices set out by the listing regulation by the stock exchange. Further, as mandated by the code of corporate governance, annual report also includes statement of compliance with best practices for transfer pricing where the CEO has confirmed to follow such practices set out by listing requiring of KSE. Annual report also contains governance disclosures in Statement of compliance with codes of corporate governance that is signed by the CEO and further the compliance is also endorsed by the auditor's opinion of the company showing the nature and amount of transaction (p59, note 39). Company also discloses related party transaction under a separate head in annual report. Certain related party transactions are explicitly mentioned in

annual reports (p41 note 12.1) like property sold to a related party has been mentioned along with the nature of asset sold, book value of asset and selling price. Loans extended, trade debts, nature and quantity of shares held in associated companies have also been disclosed (p48, note 20.3.1). Accounting policies are based on IAS and IFRS and financials have been constructed using them. In case where deviations occurred, disclosures have been made (p.27, note 3). Annual report contains a separate head for significant accounting policies. (p.74, note 4) The company has disclosed the trading of shares by CEO, directors and related parties. In this case, no trade was made in the concerned year.

2.2.4. Shareholder's Rights:

Company has two types of shares. These are preferred and ordinary shares. Preferred shares have no voting rights and they are redeemable at a specified date in the agreement with the holders of preferred shares. There is no minority shareholder representation on the board of the company. Company has announced the dividend for the year however no dividend policy is given in the annual report of the company.

2.2.5. Corporate Social Responsibility

Neither the annual report nor the website contains anything about corporate social responsibility. Although firm has given donation to some unknown cause but they have been treated as other operating expenses. Annual report has been prepared in accordance with the Company Ordinance 1984 and listing requirements of KSE. Apart from company documents, information is readily available on the company website.

2.3. Lucky Cement

2.3.1. Ownership Structure

Pattern of shareholding is clearly defined in the annual report of company. Detailed classification of shareholders such as individuals, investment companies, insurance companies, joint stock companies, modaraba companies, leasing companies, charitable trusts, mutual funds and others is given in the pattern of shareholding. Shareholding of directors,

executives and their families are also disclosed along with the shareholding of associated companies. Company has disclosed that no one is holding more than 10% or more voting rights in the company. There is a strong shareholding concentration witnessed in the company as the top ten shareholders are holding 48% of the total shares of the company, which are only 0.124% of total number of shareholders. Directors and their spouses are holding 30% of the shareholding in the company. Associated companies are holding 4.87% of total shares. Directors have given the statement that they hold no trade during the year except the shares are transferred to the legal heirs of Mr. Abdul Razzak Tabba. Mr. Abdul Razzak Tabba was CEO of company in 2004.

2.3.2. Board

There are eight directors at the board out of which five are non-executive directors. However names of non-executive directors are not specified separately. One of the directors is a representative of NIT in the board of directors. None of them is serving on more than 10 other listed companies (It is mandatory that director's state that they are not holding director's office more than 10 listed companies according to Pakistani law), however no disclosure is given regarding each director's membership on any other company. The chairman of board and CEO positions are held separately in the company. However, it is interesting to observe that all the board of directors belongs to the same family except one director who is from NIT. So, indirectly all the representation on the board is within one family including Chairman and CEO offices. There is no representation on minority on the board. The annual report shows only the names of the directors but no auto-biographic information regarding their academic history or work experience has been disclosed which makes it tough for investors to determine the skill and expertise of a certain director. Adequate disclosure about board meetings and attendance by directors is given in the annual reports. Five board meetings are held during the year, four of the directors have attended all the meetings, three of them have attended three meetings and one of them has attended four meetings during the year. Percentage of attendance during the year is 82.5%. Statement of compliance with code of corporate governance gives the disclosure about the compliance of firm with the respective code and governance issues. Company doesn't have any remuneration, nomination or any other committee except for audit committee. Audit committee consists of five directors out of which three are non-executive directors. But there is no disclosure given on the duties and responsibilities of audit committee in the annual report.

2.3.3. Disclosures and Internal Control

Company has disclosed last six year's key financial figures regarding its performance. Company has disclosed strategic information in the director's report to shareholders. Industry statistics, Industry performance, significant events, long term planning and future investment projects are discussed in the annual statements. No dividend policy is given by the company in annual reports and company has not announced a dividend for year 2008 and stated that cash flows are required for further expansion. Company has given a detailed disclosure about the CEO, full time working directors and executives' remuneration break-up for last two years in the notes to the financial statements (note 35, 35.1). The aggregate amount paid, item wise break-up like salary, provident fund, housing etc., number of persons getting a particular compensation package, remuneration paid to other (non-full time) directors was disclosed. Company has disclosed its transaction with the related parties in notes to the accounts (Note 36). Directors have stated that they are aware of their duties and responsibilities and company's corporate governance practices are up to mark. Company has outsourced its internal audit function to a chartered accountant firm named as Ferguson and Company. For Internal control policy and internal control Function, Company relies on the above said firm. Ford Rhodes Sidat Hyder & Co, a chartered accountancy firm is an independent auditor of the company. Audit firm is an independent firm and is fulfilling the requirements of Pakistani law, as the firm has been given a satisfactory rating by ICAP and IFAC. Partners in the audit firm and their families don't hold any share in the company. In auditor's report to shareholder, auditors have given their opinion on the financial accounts and corporate issues of the company. Management's report (CEO) to shareholders is not found in the annual report of the company. Company has applied international financial reporting standards for the preparation of its accounts. Significant accounting policies are also disclosed in the notes to annual reports. The appointment or reappointment of auditor is done in Annual General Meeting (AGM). The annual report contains notice for AGM where the shareholders are notified of this transaction. Annual reports contain notice and agenda of AGM, which mainly include normal matters of concern to AGM along with any special business like amendments in articles of association etc. to be conducted. In case, it is not possible for shareholder to attend AGM, he can fill in proxy form which is annexed to annual report to authorize someone else to represent him/ her and to participate in voting.

2.3.4. Shareholder's Rights:

Company has ordinary shares and Global Depository Receipts in its share capital. GDR's have no voting rights. These are issued at London Stock Exchange as company is registered at this stock exchange as well. There is no minority shareholder representation on the board of the company. Company has not announced any dividend for the year and no dividend policy is given in the annual report of the company.

2.3.5. Corporate Social Responsibilities

Company has announced that it focuses on corporate social responsibility but no policy regarding environment or society is disclosed in the annual report. Donations are treated as administrative expenses in the annual reports however there is no detail given regarding these donations except company discloses that directors have no interest in any trusts to which donation was made. Annual report has been prepared in accordance with the Company Ordinance 1984 and listing requirements of KSE. Apart from company documents, information is readily available on the company website.

2.4. Engro Chemicals

2.4.1. Ownership Structure

Pattern of shareholding is clearly defined in the annual report of company. Detailed classification of shareholders such as individuals, investment companies, insurance companies, joint stock companies, modaraba companies, leasing companies, charitable trusts, mutual funds and others is given in the pattern of shareholding. Shareholding of directors, executives and their families are also disclosed along with the shareholding of associated companies. Dawood Hercules Chemicals Ltd is the associated company of Engro Chemicals

that is holding more than 10% voting rights in the company. There is a strong shareholding concentration witnessed in the company as the top ten shareholders are holding 56.53% of the total shares of the company, which are only 0.076% of total number of shareholders. Directors, executives and their spouses are holding 8.96% of the shareholding in the company. Associated companies are holding 41.75% of total shares. Directors have actively taken part in trading of shares during the year that is extensively disclosed along with price of each share traded by them in the annual report.

2.4.2. Board

There are 10 directors at the board out of which five are non-executive directors. However non-executive directors are not specified separately. None of the directors is serving on more than ten listed companies as a director (as required by the law in Pakistan) and there is a separate disclosure given in which company states regarding the directorship of company's directors on the other companies. Board has formed two committees, a compensation committee and audit committee. Compensation committee consists of four directors; three of them are non executive directors. Nine meetings of Compensation committee are held during the year. Responsibilities and duties of Compensation committee are clearly defined. Audit committee consists of four non executive directors. Five meetings of audit committee are held during the year. Role and responsibilities of audit committee are clearly defined. Company further developed operational committees to effectively manage day-to-day operations and management affairs of company. These committees include Management committee, corporate health, safety and environment committee and compensation, organization and employee development committee. CEO is the chairman of all these committees. Proper record of meetings and attendance is provided in the annual reports. During the year seven board meetings are held. Four directors had attended all the meetings during the year, four had attended six meetings during the year, one had attended five meetings and one had attended four meetings. Percentage of attendance at the meetings during the year is 87%.

2.4.3. Disclosures and Internal Control

Company has disclosed last ten year's key financial figures regarding its performance. Company has disclosed strategic information in the director's report to shareholders. Industry statistics, Industry performance, significant events, long term planning and future investment

projects are discussed in the annual statements. The company in annual reports gives no dividend policy however company has announced dividend for year 2008. Company has given a detailed disclosure about the CEO, full time working directors and executives' remuneration break-up for last two years in the notes to the financial statements (note 35). The aggregate amount paid, item wise break-up like salary, provident fund, housing etc., number of persons getting a particular compensation package, remuneration paid to directors was disclosed. Company has disclosed its transaction with the related parties in notes to the accounts (Note 39, 39.1, 39.2). Directors have stated that they are aware of their duties and responsibilities and company has implemented acceptable corporate governance practices. Company has applied internal audit function and internal control policy but no disclosure regarding internal control policy is described in annual reports. KPMG Taseer Hadi & Co. is the statutory auditor of the company. Auditor firm is an independent firm and is fulfilling the requirements of Pakistani law, as the firm has given a satisfactory rating by ICAP and IFAC and partners and their families don't hold any share in the company. External auditors of the company have given a positive opinion on the compliance of company with the best practices of corporate governance. Company has applied international financial reporting standards for the preparation of its accounts. Significant accounting policies are also disclosed in the notes to annual reports. The appointment or reappointment of auditor is done in Annual General Meeting (AGM). The annual report contains notice for AGM where the shareholders are notified of this transaction. Annual reports contain notice and agenda of AGM, which mainly include normal matters of concern to AGM along with any special business like amendments in articles of association etc. to be conducted. In case, it is not possible for shareholder to attend AGM, he can fill in proxy form which is annexed to annual report to authorize someone else to represent him/ her and to participate in voting.

Shareholder's Rights:

Company has one class of shares. All the shares in the shareholder's equity of the company are ordinary shares and carry equal voting rights. There is no minority shareholder representation on the board of the company. Company has announced the dividend for the year however no dividend policy is given in the annual report of the company.

2.4.4. Corporate Social Responsibility

Company has emphasized strongly on the environmental, health and safety matters. Company has provided a detailed environmental, health, safety and social policy. Company is running eight society welfare projects and it has donated thirty non profit trusts for the uplift of environment and society. Detailed description on company's corporate social responsibility projects is given in the annual report.

Appendix 3. Sweden Company-Level Matrix

In appendix is all empirical results in its extensive form presented, this is how the results of Swedish companies were collected, both as in notes of the company and in a combined matrix.

Variables	Volvo	SSAB	Atlas Copco	Tele2	Best Practice
Ownership Structure					
Directors/ Executive Shareholding	0.034%	0.035%	Disclosed >1%	Disclosed and minimal	
Top ten Shareholders	45.1%	38%	36%	Top fifteen, 73.3%	
Breakdown of shareholdings	Disclosed, with no categories	Disclosed, with categories	Disclosed, with categories	Disclosed with no categories	
Board					
Chairman/CEO Separation	Separate	Separate	Separate	Separate	
Board Size	14	11	13	8	
Non-Executive Directors	7	7 non- executive excluding union rep. 6	12 non- executive excluding union rep. 5	All non- executive directors, 5 independent	

Director effectiveness/ limit on representing no. of boards	Disclosed by company, No Limit	independent Disclosed by company, No Limit	independent Disclosed by company, No Limit	Disclosed by company, No Limit	
Meetings and Attendance of Directors	8 meetings, 81.7%	14 meetings, 95.9%	8 meetings, 83%	21 meetings including phone and mail, 92.8%	
Board Committees	Three	Three	Three	Three	
Disclosures and Internal Control					
Director/ Executive Remuneration (Executive remuneration break-up)	Disclosed, given	Disclosed, given	Disclosed, given	Disclosed, given	
Directors' responsibilities	Disclosed	Disclosed	Disclosed	Disclosed	
Directors qualification and Biography (Education)	Disclosed	Disclosed	Disclosed	Disclosed	
Audit remuneration	Disclosed	Disclosed	Disclosed	Disclosed	
Internal Audit and Internal control policy	Disclosed	Disclosed	Disclosed	Disclosed	
Rights of various share classes	Disclosed	Disclosed	Disclosed	Disclosed	
Shareholding pattern	Disclosed	Disclosed	Disclosed	Disclosed	
Financial and operational	Disclosed	Disclosed	Disclosed	Disclosed	

information					
Strategic information	Disclosed	Disclosed	Disclosed	Disclosed	
Auditor's appointment and report to shareholders	Disclosed	Disclosed	Disclosed	Disclosed	
Shares Traded by Directors/Executive Related party transaction	Not Disclosed	Not Disclosed	Not Disclosed	Disclosed	
Governance related disclosures	Disclosed	Disclosed	Disclosed	Disclosed	
Website Reporting Significant Accounting standards/ Policies	Available IFRS	Available IFRS	Available IFRS, RFR	Available IFRS, RFR	
Firm-Industry performance analysis	Disclosed	Disclosed	Disclosed	Not Disclosed	
Shareholder's Rights					
Single/Dual Class Shares	Dual	Dual	Dual	Dual	
Minority shareholders' Board representation	Not Disclosed	Not Disclosed	Not Disclosed	Not Disclosed	
Dividend policy and history	Disclosed	Not Disclosed	Not Disclosed	Disclosed	
Corporate Social Responsibility					
Environment,	Disclosed	Disclosed	Disclosed	Disclosed	

Health and Safety Policy of Company					
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Table 4.3.

3.1. Volvo

3.1.1. Ownership Structure

There are two classes of shares in the company, one is series “A shares” and the other is “series B shares”. Both the series have different voting rights in the company. Series A shares carries the right to one vote against one share while series B shares carries the right to one tenth of vote against one share. There is a strong shareholding concentration in the company, as top ten shareholders are holding 45.1% shares of the company with voting rights of 60.8% in the company. However detailed disclosure is not presented in a separate section in which company describes all the shareholders in categories such as individuals, investment companies, insurance companies, joint stock companies, leasing companies, charitable trusts, mutual funds and others. Directors and executives are holding 0.034% shares in the company. However no disclosure is given regarding their spouse or minor children holdings in the company. There is no disclosure given in the annual report regarding the directors and their spouse trading of shares during the year.

3.1.2. Board

There are fourteen members on the board. Nine of these directors are elected at the annual general meeting. Five members at the board are appointed from employee organizations, out these five members two are deputy members. Seven out of nine elected members on the board are independent non executive directors. Their names are mentioned along with the detailed criteria of independence according to Swedish law. Auto biography of directors is disclosed in detail in the annual report. Director’s directorship on the other companies and institutions are also disclosed. There are three board committees, election committee, audit committee and

remuneration committee. Election committee consists of six members. These members are nominated by the major shareholders of the company. Purpose of the election committee is to nominate suitable candidates for election of board of directors. Audit committee consists of three members which are all independent members. Remuneration committee consists of three independent directors. Roles and responsibilities of all the committees are disclosed in detail in the annual report. During the year eight meetings are held. Meetings of board and committees held during the year are fully disclosed. There are eight meetings held by the board during the year with an 81.73% percent attendance.

3.1.3. Disclosures and Internal Control

Company has disclosed last eleven year's key financial figures regarding its performance. Company has disclosed strategic information in the director's report to shareholders. Industry statistics, Industry performance, significant events, long term planning and future investment projects are discussed in the annual statements. Detailed dividend policy is provided in the annual report, company has announced dividend for the year 2008. Company has established a remuneration committee. Clear remuneration policy and remuneration paid to directors and executives is also disclosed in detail in the annual report. Transactions with related parties are disclosed in the notes to the accounts in the annual report (note 32). Detailed disclosure is given in the notes to the accounts on the number of employees in the company, women percentages in the total employees and their wages. Auditors remuneration is disclosed in the notes to the account (note 35). Company has prepared its financial statements according to International Financial Reporting Standards (IFRS). Directors have stated that they are aware of their duties and responsibilities and company has implemented acceptable corporate governance practices. Company has a separate internal audit department. Separate report on internal control policy and audit is presented in the annual report as it is mandatory by Swedish company act and Swedish code of corporate governance. Detailed internal control policy along with risk management procedures are described in this report. PricewaterhouseCoopers AB is the statutory auditor of the company. PricewaterhouseCoopers AB is elected in annual general meeting of the company in 2007 for three years. The next election in regard to auditor's election will be held in 2010. PriceWaterhouseCoopers AB has given a satisfactory rating by ICAP and IFAC. Auditors have given their opinion on annual

accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Volvo for the year 2008.

3.1.4. Shareholder's Rights

Single and dual share classes, Volvo has dual shares, A and B shares. The B share has one tenth of voting power compared to the A-share. Thereby is Volvo utilizing the cap in legislation of maximum voting power. There is no minority representation on the board of directors. Dividend history for five years is disclosed with both ordinary and extra dividend amounts per share. Detailed disclosure of dividend is provided however no dividend policy is disclosed by the company.

3.1.5. Corporate Social Responsibility

Company strongly focuses on the environmental, health and safety matters. Company has provided a detailed environmental, health, safety and social policy. In this policy company discusses its methods and controls for the environment and society protection. Annual report has been prepared in accordance with the Swedish company act and listing regulations of Stockholm exchange. Apart from company documents, information is readily available on the company website.

3.2. SSAB

3.2.1. Ownership Structure

There are two classes of shares in the company, one is series "A shares" and the other is "series B shares". Both the series have different voting rights in the company. Series A shares carries the right to one vote against one share while series B shares carries the right to one tenth of vote against one share. There is a moderate shareholding concentration in the

company, as top ten shareholders are holding 38% shares of the company while 68% of shareholders are holding 1000 or fewer shares. However voting rights of top ten shareholders are not disclosed separately. Detailed disclosure is presented in a separate section in which company describes all the shareholders in categories such as individuals, investment companies, joint stock companies, mutual funds and others. Company has a strong institutional share holding as top ten shareholders in the company are all institutional shareholders. It is observed that very small percentage of shares is held by the directors. Directors are holding 0.035% shares in the company. Shares related to directors also include closely related persons with directors (spouse or minor children holdings in the company). No disclosure is given regarding the shareholding of employee representation on board. Furthermore series of shares held by directors in the company are not disclosed as well. There is no disclosure given in the annual report regarding the directors and their spouse trading of shares during the year. Breakdown of shareholdings is disclosed and categorized in terms of various shareholding ranges.

3.2.2. Board

The chairman of board and CEO positions are held separately in the company. Company's board consists of eleven members out of whom eight are elected, remaining three are employee representatives. Employees unions have also appointed three alternate employee representatives to act on the board. There are seven independent non-executive directors out of eight elected board members while there are six independent directors in relation to the major shareholders out of elected board members. Company explicitly discloses the independence of each board member by disclosing their association with the company or with associated companies. No minority representation is disclosed on board. Board meeting held have been disclosed and the attendance of the respective director has also been mentioned. 14 meetings are conducted in total whereby percentage of attendance of directors is 95.92%. Meetings were held under an approved agenda provided to directors beforehand. Auto biography of directors is disclosed in detail in the annual report. Director's directorship on the other companies and institutions are also disclosed. There are three board committees, nomination committee, audit committee and compensation committee. Nomination committee consists of six members. Nomination committee is responsible for the nomination of appropriate candidates for the board of director's election. Chairman of the nomination

committee is a representative of major shareholders in the company. Audit committee consists of three members which are all independent members. Compensation committee consists of two independent directors however CEO is co-opted to the committee but he doesn't participate in matters concerning his own remuneration and employment terms. Roles and responsibilities of all the committees are disclosed in detail in the annual report.

3.2.3. Disclosures and Internal Control

Company has disclosed last five year's key financial figures regarding its performance. Company has disclosed strategic information in the director's report to shareholders. Industry statistics, Industry performance, significant events, long term planning and future investment projects are discussed in the annual statements. Detailed dividend policy is provided in the annual report, company has announced dividend for the year 2008. Company has established a remuneration committee. Clear remuneration policy and remuneration paid to directors and executives is also disclosed in detail in the annual report. Transactions with related parties are disclosed in the notes to the accounts in the annual report (note 4, 8). Detailed disclosure is given in the notes to the accounts on the number of employees in the company, women percentages in the total employees and their wages. Auditors remuneration is disclosed in the notes to the account (note 2). Company has prepared its financial statements according to International Financial Reporting Standards (IFRS). Directors have stated that they are aware of their duties and responsibilities and company has implemented acceptable corporate governance practices. Company has a separate internal audit department. Separate report on internal control policy and audit is presented in the annual report as it is mandatory by Swedish company act and Swedish code of corporate governance. Detailed internal control policy along with risk management procedures are described in this report. Company has established risk management committee to perform risk management related duties in the company. PricewaterhouseCoopers AB is the statutory auditor of the company. PricewaterhouseCoopers AB is elected in annual general meeting of the company in 2007 for four years. The next election in regard to auditor's election will be held in 2011. Auditor PricewaterhouseCoopers AB has given a satisfactory rating by ICAP and IFAC. Auditors have given their opinion on annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Volvo for the year 2008.

3.2.4. Shareholder's Rights

Single and dual share classes, SSAB has dual shares, A and B shares. The B share has one tenth of voting power compared to the A-share. Thereby is SSAB utilizing the cap in legislation of maximum voting power. There is no minority representation on the board of directors. Dividend history is disclosed. Detailed disclosure of dividend is given. Company has a policy of 50% of earnings to pay as dividend on average for each year.

3.2.5. Corporate Social Responsibility

Company has a detailed environmental policy, specifically on the omissions related to steel in the air and water. Company has also developed a policy on health and safety matters and maintained a detail data on employee sickness, age, structure and accidents. Company has developed code of ethics which is available at the company's website. Company's code of ethics is in conformity with the UN declaration on human rights. Company has provided a detailed environmental, health, safety and social policy. Annual report has been prepared in accordance with the Swedish company act and listing regulations of Stockholm exchange. Apart from company documents, information is readily available on the company website.

3.3. Tele2

3.3.1. Ownership Structure

The shareholding of executive management and board of directors is disclosed. Minimal direct shareholding of board or executive management. The fifteen are presented at the

company's website. Holding 73.3% of the voting power and 57.3% of the capital. All fifteen largest shareholders are presented with names and number of A and B shares.

3.3.2. Board

The chairman of board and CEO positions are held separately in the company. The board of directors is of the numbers eight. No of the directors is apart of the executive management, three are considered non-independent. Two are considered non-independent to the largest shareholder of Tele2. The board met 10 times on different locations in Europe, a part from this they had 8 meetings by mail and three by phone. Totally 21 meetings, the attendance was 92.8 percent. Within in the board a remuneration committee and an audit committee have been appointed. The nomination committee and its members are disclosed.

3.3.3. Disclosures and Internal Control

Disclosure of senior executive remuneration, disclosed in form of basic salary, variable remuneration, other benefits, other remuneration, pension expenses, and total remuneration. Remuneration guidelines for senior executives are disclosed. Disclosure of board remuneration, individual remuneration, both as board directors and committee participation. Detailed information of directors' qualifications and biography including other and previous assignments, education, age, citizenship, shareholding including related legal and natural persons. Auditor remuneration is disclosed with name and different assignments both for 2008 and 2007. Internal Audit and Internal control policy, report of internal control has been made regarding the financial report Information regarding the three classes of shares is submitted. A, B and C, A has ten times the voting power than B and C. C is not entitled to dividends. Shareholding pattern is disclosed The administration report, financial, operational and strategic information is disclosed. Markets are presented geographically, key financial ratios, five year history is presented, risks of the company, environmental policy, work of the board, Reports to shareholders, the administration report is submitted, corporate governance report as well. The auditor's report is submitted. Insider transaction is disclosed at company's website. Related party transactions are disclosed under a separate head, in note 39 in the annual report of Tele2 2008. Information is provided with partners and actions, joint ventures and associated companies. Financial data is provided for all transactions between Tele2 and related parties. The website contains information regarding board and executives and detailed

information. No test if they update within seven days has been done. Significant Accounting standards, IFRS is adopted and translations from IFRIC. Insider transaction is disclosed at company's website.

3.3.4. Shareholder's Rights

A-, B-, and C-class shares, all classes have a quota value of 1.25 per share. Class C shares aren't entitled to dividend. Class A and B have the same right to company's net assets and profits. Class A shares have a voting power of ten times class B and C. No minority board representation, however are a few represented on the company's nomination committee. Tele2 intends to on a medium term pay a progressive ordinary dividend to its shareholders. The board decided to propose an increase of 11% of the ordinary dividend. The dividend history is presented in the administration report for five years however dividend policy is not disclosed by the company.

3.3.5. Corporate Social Responsibility

Tele2, in line with its costs consciousness promotes a sustainable development of the environment by reducing resource consumption and environmental impacts of its operations.

3.4. Atlas Copco

3.4.1 Ownership Structure

Holdings of directors, executive and their relatives along with the number and class of shares held have been disclosed. It is found that very small amount of shares of either type is owned by above mentioned persons (less than 1%) (p.121). CEO is found to have stock options too (Anglo Saxon thing). A very strong concentration of power is observed in this company as only 1.1% of total shareholders constitutes almost 90% of total capital thereby high voting position too. Top ten shareholders have been disclosed individually in terms of percent of shares and voting rights held (p.136-137). In this case, top ten shareholders hold 36% of the voting rights and 34% of total number of shares. Shares held by non-Swedish investors are also disclosed with 47% for voting rights and 43% is for number of shares. The largest

associated company holds 22.3% of voting rights and 16% of total number of shares. Breakdown of shareholdings has also been disclosed and have been categorized in terms of various shareholding ranges. Country wise break up has also been disclosed.

3.4.2 Board

The chairman of board and CEO positions are held separately in the company. The company's board consists of thirteen members out of whom nine are elected, are union representatives with one personal deputy each and 1 honorary chair (p.120). Company explicitly discloses the independence of each board member by disclosing their association with the company or with associated companies. Apart from CEO and president, and union representatives, 5 directors are independent and 3 are non-independent, 2 are board members of a associated company and 1 is employed by the same associated company. No minority representation is given on board. Board meeting held have been disclosed and the attendance of the respective director has also been mentioned. 8 meetings were conducted in total whereby attendance of directors was 83%. Meetings were held under an approved agenda provided to directors beforehand. Board Committees, Atlas Copco are having three different committees. Remuneration and audit committee where there are three members in each committee from the board. There's also a nomination committee.

3.4.3. Disclosures and Internal Control

Remuneration to board director are disclosed individually and to remuneration and audit committee. Remuneration to the executive management covers base salary, variable compensation, pension premiums, and other benefits. Remuneration policy to board directors, CEO, president, and group management are disclosed individually. CEO and group management also holds stock options. Directors' responsibilities, the rules of procedure and written instructions for board and its committees are also disclosed (p.118). Detailed biographic information about academia and past experiences has been disclosed by the company, both board directors and executive management. Audit remuneration is stated as audit fee and other fees to KPMG, also audit fees is stated to other audit firms. Company discloses a detailed internal control policy for financial reporting (p.126-127). Directors' report discloses potential risks through a risk assessment process, which are managed and documented through control activities at various levels of group's business. Company has

explicitly disclosed their internal control process namely Prokura in the annual report which assigns business controller at business, division and group level. It ensures the implementation of business control process and reporting of risks observed. Likewise, many other procedures like internal audit, business board and company review meetings, control self assessment etc. along with their scope and frequency of occurrence has been disclosed in the annual report. Rights of various share classes, there're A and B classes of shares, A shares have higher voting rights than B-class. Share holding pattern has been disclosed by categorizing shareholders based on numbers of shares held by them. No pattern in terms of nature of holding entity e.g. foreign investment, financial institution, insurance companies etc. have been disclosed explicitly. A very detailed analysis of financial and non-financial information is available in the company. Information such as group introduction, segment wise revenue generation, industry-firm comparison, financial and non-financial goals and targets, strategic policies, operational performance etc. has been provided in detail (p.10 onwards and at other places too). Reports to shareholders, the company has disclosed auditor's report, director's report, sustainability report and internal control policy report in its annual reports. However management letter and code of ethics of company are not disclosed. Auditor's appointment, the auditor is elected at the annual general meeting on the proposal by nomination committee (p.117). The current auditor KPMG are also re-elected in compliance with the above-mentioned process until 2010 annual general meeting. The annual report discloses the related party transactions under a separate head. Company also provides details and ownership stake about the related companies directly controlled by the parent company, holding companies and operating subsidiaries (p.78, A.22, 23) along with the nature and number of transaction for last two years (note 28). Also, the largest associated company along with their voting rights and percentage shares held has been disclosed (p.78, 25, note 14). Likewise, information about board members and management team has also been presented (p.120-121 and 124-125). Governance related disclosures are all found in the specific corporate governance report in the annual report and at the Atlas Copco website. Website reporting is available with specific corporate governance section. Accounting policies are based on IFRS and financials have been constructed using them. Statements have also been constructed in accordance with Swedish standards RFR 1.1 for some additional disclosures (p41-47). In case where new or amended interpretations have been applied, the relevant disclosure has been given explicitly. Annual report contains a detailed item wise description of accounting policies adopted for the preparation of financial statements. Firm-Industry analysis along with various other analyses has been provided in the annual report. Shares

traded by directors and executives are not disclosed, an insider reference to FI is reported on the Atlas Copco website.

3.4.4. Shareholder's Rights

Single and dual class shares, there're A and B classes of shares, A-class shares have higher voting rights than B-class. Associated companies, which are also the largest, related party to the company holds over 22% voting rights. Top ten shareholders of company holds almost 35% of total voting rights where as others hold almost 65% voting rights (p.133). No representation of minority shareholders on the board. Company discloses the dividend recommended and the policy (30%-40% of EPS) in annual report. Annual dividend growth rate for past ten and five year has also been disclosed which equals almost 14% and 19% respectively. Firm discloses information having significance for the investors in the annual report. The company explicitly disclosed establishment of new division, reduction in manpower, change of president and CEO, orders received, shares repurchasing etc. under a separate head for the last year. A detailed disclosure regarding acquisitions made in last year have been made and relevant information like business area, number of employees, revenue generation etc. have also been provided.

3.4.5. Corporate Social Responsibility

A comprehensive sustainability report has been mentioned in the annual report (p98). Existing and new memberships have been told. Key events in this regard for last year have been disclosed. Companies approach towards this area has been explicitly disclosed which elaborates the prime areas on which company focus. Various roles, responsibilities, training tools, violation reporting mechanisms, socially responsible programs currently running, current and future goals etc. form part of the sustainability report.