

Corporate Philanthropy in Pakistan 2008



Survey of public listed
companies

An Exploratory Survey on the Nature and
Dimensions of Corporate Giving in Pakistan



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Foreword

The business society compact is the quintessential relationship for social development that involves a variety of stakeholders that work together for freedom, progress and sustainability. Dynamic organisations are investigating ways and means to strengthen this relationship by integrating business objectives with social responsibility. Corporate philanthropy is being seen as a valuable stimulus of voluntary giving and reflects a discretionary dimension of corporate responsibility. Often it has been linked with profit making and the purely business culture of the firm. However, corporate philanthropy is also beginning to reflect the ethical concerns of the firm as well as its attitudes and priorities towards development of the society within which it functions. Moreover, the survey also focuses on the philanthropic contribution of the commercial banking sector in Pakistan which is rapidly expanding as legislative changes facilitated both expansions of the existing institutions as well as creation of new establishments covering an ever widening geographical area. Globalisation and privatisation have changed the way banks define their stakeholders and subsequently the environment for philanthropy has also changed. Though the concept of philanthropy in the commercial banking sector is widely accepted and encouraged, the process itself needs a great deal of formalising to reach its true potential.

The survey for 2008 is fifth in line of the research publications on Corporate Philanthropy by the Pakistan Centre for Philanthropy (PCP). Using the first comprehensive report, 'Corporate Philanthropy in Pakistan: the Case of Public Listed Companies, 2000-2003' as the basis, the Centre initiated annual surveys covering the 2004 to 2007 time period which documented the philanthropic contributions of Public Listed Companies (PLCs) in those years. Following the pattern of the earlier surveys, the current survey captures the volume, dimensions and range of corporate philanthropy. Additionally, however, it contains deeper insight into the giving trends of the Commercial Banking sector.

As part of its philanthropy promotion agenda, PCP initiated the Pakistan Corporate Philanthropy Awards (PCPAs) that have become a regular and significant feature of the business calendar of the country. As an acknowledgment of PLCs' contributions towards social integration and community development, the Centre encourages and honours star performers, with the expectation that these Awards will add to the motivation and drive of companies to enhance their social responsibility campaigns. The first Corporate Philanthropy Awards were distributed by the former Prime Minister Shaukat Aziz in January 2007, and the second awards ceremony held in June 2008, was presided over by

Prime Minister Yousaf Raza Gilani. The third Corporate Philanthropy Awards were distributed by Finance Minister Shaukat Tarin in March 2009. The rankings presented in this survey will become the basis for the fourth philanthropy awards.

This latest survey results illustrate an increase of 19% in corporate philanthropy from PKR 1.87 billion to PKR 2.2 billion even though the total number of contributing PLCs has fallen slightly from 288 to 277. The major reason behind the increase in corporate giving is the higher contribution made by top giving companies. Their share of total corporate giving has increased from 76% to 84%. However, comparatively smaller companies which seem vulnerable to the current economic crisis either reported decreased giving or could not participate in social development activities. The important conclusion is that despite all odds, it augurs well that corporate philanthropy in Pakistan is gaining momentum.

Finally, PCP expects and hopes that this survey will make a useful contribution to the growing body of information on corporate philanthropy and provide impetus to the much needed efforts to further enhance philanthropic giving in Pakistan. The enormous philanthropic contribution made by the corporate sector has increased from PKR.228 million in 2000 to PKR 2.23 billion in 2008. This has convinced the Centre that there is considerable untapped

potential for stronger and innovative approaches to giving. The challenge now is to make a concentrated effort towards sustaining and building the giving impulse.



Dr. Shamsh Kassim-Lakha *H.I., S.I.*
Chairman Board of Directors, PCP

Acknowledgements

Pakistan Centre for Philanthropy present with pride the fifth research report on corporate philanthropy of public listed companies in Pakistan. While the survey seeks to highlight the commitment of the corporate sector to social causes, it also bears testimony to the untiring efforts of PCP and its research team to the noble cause of philanthropy promotion and a recognition of the need for continuous effort in this direction.

PCP's research endeavours are the result of a collective effort that involves our highest policy making bodies, trickling down to the research team that works in the field. First and foremost, gratitude and acknowledgement is due to the Chairman of the Board, Dr. Shamsh Kassim-Lakha and the entire Board for their encouragement and continuous support. The Centre is indebted to the chair of its Research Committee, Mr. Mahomed J. Jaffer and Co Chair Mr. Zaffar A. Khan, along with its members Mr. Badar F. Vellani, Mr. Mueen Afzal, Mian Ahsan M. Saleem, Dr. Attiya Inayatullah, Mr. Shoaib Sultan Khan and Mr. Hussain Dawood for their constant guidance and perceptive input.

PCP acknowledges the generous financial support provided by the Aga Khan Foundation (Pakistan) and would like to record its thanks to the Securities

And Exchange Commission of Pakistan and the Karachi Stock Exchange for providing access to data, without which the report would not have been possible.

The collection of data, description of analysis, layout and findings are a result of painstaking and dedicated collective effort of Syed Tariq Ali, Senior Research Officer, Mr. Ali Shoaib, Junior Programme Officer and Ms. Rabia. M. Hasan, Junior Research Officer.

We would like to record our appreciation of the commercial banking sector that supported the PCP in its qualitative survey for the current report.

The Centre wishes to acknowledge the cooperation of public listed companies for verifying data and sparing time for interviews. PCP hopes this evidence based report will serve as an inspiration for more and better corporate giving in Pakistan for social development.

Dr. Anjum R. Haque
Executive Director, PCP

Executive Summary

Business is the cornerstone of prosperity in society; companies create the resources that contribute to social welfare and development. Corporate Philanthropy was formerly assumed to be an extension of the charitable interest of corporate leadership, has transformed in the last decade into an integral part of a company's DNA with companies now strategically working to incorporate their giving in their business models. The report is an attempt to document and recognise the philanthropic contribution of a segment of the corporate sector, (Public listed companies) PLCs, in Pakistan.

The survey is fifth in the series of corporate philanthropy research which focuses on public listed companies. The survey examines the nature, dimensions, patterns and range of giving by PLCs and tries to create awareness for the purpose of addressing deficits in social development by utilising the untapped potential that lies in business to provide resources for social investments. The primary objectives are to estimate the volume of giving of PLCs and recognising them through Corporate Philanthropy Awards on the basis of rankings incorporated therein, thus creating a stimuli and a healthy environment for the promotion of philanthropy.

	⌘ Key Findings
1	Total donations increased almost tenfold from PKR 228 million in 2000 (base year) to PKR 2.23 billion in 2008
2	Against the internationally acknowledges standards of giving 1% of PBT, this year the PLC's contributions fell to 0.63% of PBT from 0.80% in 2007
3	Despite the absence of any emergency related giving impulse, total PLC giving this year increased from PKR 1.87 billion in 2007 to PKR 2.23 billion
4	PLC participation in giving fell from 54% in 2007 to 51% in 2008
5	Top 25 giving companies accounted for 84% of total giving, an increase of 3% from the previous year
6	The Commercial Banking sector, which accounts for less than 5% of the public listed companies, was responsible for 10% of the total philanthropy generated in 2008

The first chapter sets the context by discussing Strategic Philanthropy, approaches to corporate philanthropy and the relationship of a company's philanthropy to its reputation on a theoretical plane; it explains the Centre's mission and purpose of the exercise, and mentions its salient feature i.e. annual Pakistan Corporate Philanthropy Awards.

The second chapter elucidates the methodology, the sample, data collection and limitations. This report 'Corporate Philanthropy in Pakistan; survey of public listed companies 2008' being a sequel, adopted the same methodology as of earlier reports and contains corporate donation figures of 546 PLCs' extracted from their annual audited accounts which were obtained from the SECP and the KSE. The data was subsequently validated through meticulous crosschecking with the companies. The Corporate Philanthropy Awards are based on the rankings of top giving companies by volume of donations and by volume of donations as a percentage of their profit before tax.

The third chapter contains a review, analysis, graphs, tables, findings and rankings by volume of donations and by volume of donations as percentage of profit before tax.

The fourth chapter is an added feature to capture a selected sub-sector of the PLCs. Since the Commercial Banking sector has been one of the most rapidly growing sub-sectors during the last 3 years, its

giving practices have been examined. PCP would like to gradually expand the scope of future surveys to include important sub- sectors that are not necessarily covered in the data available with the SECP.

⌘	Key Findings
7	PLC contributions in total volume have increased significantly on an entirely voluntary basis from the past year

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Context

The past decade has seen a rising interest in philanthropy promotion for those who believe that philanthropy has an important role to play in addressing human challenges and strengthening civil society. During this time, the understanding of global philanthropy has evolved considerably, and strategies to promote it have also expanded, albeit rather slowly. Early efforts to increase philanthropic activity were confined principally to the world's wealthiest countries and most often, affluent individuals were approached to make contributions within their own societies. Similar efforts are now taking root in countries all around the globe, and strategies are expanding to engage a much larger

segment of the population. There is growing understanding of the concept of a pluralistic approach to promoting philanthropy: one that recognises the diversity of philanthropic philosophies and practices among nations and cultures, as well as the range of interests and motivations' of individual donors.

The promotion of philanthropy has become a major concern of civil society. In recent years, severe cutbacks in government services, widespread political reforms and changes in government policy have redefined roles and responsibilities between the state, the commercial marketplace and civil society. Perhaps

most visibly, civil society organisations are increasingly becoming the providers of basic social services once viewed as the responsibility of the state. In addition, they are advocates of policy reforms for community change, conveners of diverse constituencies, and watchdogs over government and commercial sectors.

As a consequence, the importance of civil society - and the role of private resources in supporting it has increased dramatically. One of the principal hurdles to growing philanthropy in the developing world is the fact that surprisingly little research has been conducted on philanthropy promotion efforts around the world. Little is known about deliberate efforts to increase philanthropy in various cultures and contexts. What are the real obstacles to increasing philanthropy, and what strategies might be employed to address them?

Corporate philanthropy is an area that has become closely intertwined with business and economic development in new ways. As with CSR, the lines between formerly discrete areas of activity are blurring, merging the strategies and skills of both philanthropy and business in creating dynamic and innovative hybrid activities that are often generously funded.

Recent years have witnessed a shift in corporate thinking about philanthropy in Pakistan. While many companies have long-standing philanthropy programmes, many have begun to apply business thinking and models to their philanthropic objectives. The issues that companies target for financial support are increasingly aligned with corporate risk management and bottom-line objectives. Increasingly, in addition to money, firms are contributing valuable resources like staff time and expertise, technology and networks. As Bradley Googins, Executive Director of the Boston College Centre for Corporate Citizenship notes, “Philanthropy is one of the more essential pieces of [a firm's] global strategies because of the concrete relationships they have on the ground.” Sustainable market ventures can result as companies, through the operations of their foundations, learn more about market realities and the potential for serving and engaging the poor.

This inquiry, being the fifth in the series of research reports pertaining to corporate philanthropy, presents evidence based findings of PLC's giving for the year 2008 with an additional chapter for deeper insight into the 'qualitative giving' of the Commercial Banking Sector in Pakistan.

1 Ret Boney, New corporate giving crosses departmental lines, Philanthropy Journal

Strategic Philanthropy

Strategic philanthropy is defined as “synergistic use of organisational core competencies and resources to address key stakeholders' interest and to achieve both organisational and social benefits”. Beyond traditional benevolent philanthropy e.g. percentage of sales donations or flat donations to social causes, strategic philanthropy involves employee organisational expertise and the ability to link employees, customers, suppliers and societal needs with these key assets. However, the traditional approach is characterised by corporate giving and related activities that are not purposely aligned with the strategic goals and resources of the organisation. In the latter type of giving, firms have a collection of well-intentioned practises but there is no true integration throughout operations and strategic decision processes.

In strategic philanthropy, therefore, philanthropy becomes a focal point under a corporate vision that includes both the enterprise's welfare and benefit to stakeholders. This requires top management support, including a reward and incentive structure that incorporates stakeholder concerns and benefits. Corporate giving, volunteer efforts and other contributions are considered and designed in tandem with corporate strategy. The shift from benevolent to strategic philanthropy is gradually coming about as organisations are in the process of redefining their mission,

alliances and scope.

Recent research into strategic giving suggests that when businesses use their charitable efforts to enhance their competitive context, the quality of the business environment in the location or locations they operate results in a win-win situation for both society and business. Using philanthropy to enhance the competitive context brings social and economic goals into alignment and improves the corporation's long term business prospect. With context-focused strategic giving, companies can leverage their unique capabilities and relationships to augment the impact of monetary grants. Combining the financial contribution with the unique assets of the company can produce social benefits far exceeding those that could be achieved by individual donors, foundations or even the government.

Corporate philanthropy in Pakistan is rapidly evolving. The traditional model of the donor recipient is giving way to a new kind of philanthropy that better aligns business and community interests in order to pursue both simultaneously. Evidence is evolving that the corporate sector in Pakistan is becoming increasingly aware of social problems and the latent threat they pose to their long-term interests. While the decades since independence revealed that the government has not delivered the most basic needs of health care,

2 Robert Weld, The art of giving, European Journal of marketing, 2004

3 Michael E. Porter, The competitive advantage of corporate philanthropy, Harvard Business Review, 2002

education and food security to its citizens, corporate houses are now stepping in to help solve some of society's most intractable problems.

Approaches to Corporate Philanthropy

In today's world, corporations have a complex relationship with society. Hyper-competition and globalisation have transformed the mosaic within which corporations operate. Moreover, companies are facing a tectonic shift in social expectations. The changing relationship between corporations and communities is also making business executives question older approaches to corporate giving. A growing number of business leaders are aware of the fact that their company's future is increasingly intertwined with the needs and demands of society. The challenge that business executives face in this phase of transition is to find ways to incorporate an awareness of socio-political issues more explicitly and proactively into their decision making process. The business executive has embraced diverse approaches in the surge for identifying the appropriate strategy for their philanthropy.



Gabriel Kasper and Katherine Fulton in their article on 'The Future of Corporate Philanthropy' put forward an interesting corporate philanthropy strategy matrix to guide the business sector in identifying an appropriate strategy for their philanthropy. The matrix in Figure 1 identifies two key axes of choice for corporations: (1) how integrated with the larger corporate business strategy do philanthropic activities have to be; and (2) how responsive or proactive the company wishes to be in its approach to philanthropy. The left bottom quadrant of the matrix refers to companies focused on “Good Citizen Philanthropy”. Such companies are responsive to particular needs of society and their philanthropy strategy is relatively separate from their overall business

strategy. The upper left quadrant “leveraged philanthropy” alludes towards enterprises that leverage the capabilities of their core business strategies in their philanthropic endeavours. Such companies do not proactively use their giving to tactically advance long-term social and economic goals. This kind of philanthropy has been extremely visible in the last few years in the way that a wide range of businesses have responded to recent relief efforts for earthquake affectees and other internally displaced popularity.

The lower right quadrant highlights companies which are undertaking “Issue Driven Philanthropy”. In this approach, corporate philanthropy is focused and systematic, aiming to make a clear impact on explicit and well-defined social and environmental objectives. Such companies are attempting to be effective grant makers without a clear cut relationship with their company's main line of business. The three approaches mentioned above give companies a wide range of options for philanthropy but the fourth quadrant refers to the most integrated and proactive form of

corporate efforts, “Aligned Philanthropy”, which is an emerging proposition and cannot be defined by any single strategy. To most of the experts aligned philanthropy is the area that may define the direction in which the field of corporate philanthropy is headed. In this type of philanthropy a company uses its resources not only to do social good, but also create indirect benefits for the company. The matrix lays out a range of strategic options that are now available for corporate giving and all the options discussed in the matrix are equally good. Some approaches may apply better to certain circumstances or companies while other companies can develop portfolios that include efforts in more than one quadrant.

With an increasing number of business enterprises entering the corporate philanthropic club in Pakistan, the corporate sector is extensively exploring approaches to find a philanthropic strategy that fits into the internal goals and philosophy of their company. The above diagram can help companies in shaping their philanthropic strategy.

Corporate Philanthropy and a Firm's Reputation

Corporate reputation, the collective opinion of an organisation held by its stakeholders, has been identified as a construct of growing importance. Among other factors, reputation has been observed to play a significant role in improving firm value, enhancing consumer perception of

product quality, raising employee morale and productivity as well as improving recruitment and retention. Corporate reputation can also be defined as “a cognitive representation of a company's actions and results that crystallises the firm's ability to deliver valued outcomes to its

4 Gabriel Kasper and Katherine Fulton, The Future of Corporate Philanthropy: A framework for understanding

5 Fombrun, C. J., Gardberg, N. A., & Barnett, M. L., Opportunity platforms and safety nets: Corporate citizenship and reputational risk. Business and Society

6 G.E. Fryxell and J. Wang, The Fortune Corporate Reputation Index: Reputation for what?,

stakeholders.” Good Corporate reputation brings several tangible and intangible benefits to corporate business environments such as favourable media coverage. Existing literature has shown a close relationship between corporate reputational capital and social responsibility. Moreover, the social responsiveness of an organisation can play a significant role in promoting favourable relationships with primary stakeholder groups upon whom the survival and continuing prosperity of the organisation depends. Hillman and Keim argue that effective stakeholder management can create intangible

socially complex resources that may enhance a firms' ability to outperform competitors in terms of long-term value creation and highlight communities as a key member of the group of stakeholders. Frooman is of the view that understanding the wants of stakeholders is of primary importance when attempting to design organisational responses to them. Therefore, the reputational impact of philanthropy may be expected to vary according to whether it is focused upon activities that are broadly congruent with the expectations and preferences of social stakeholders.

Pakistan Corporate Philanthropy Awards

Pursuing its philanthropy agenda, PCP, in addition has introduced the Corporate Philanthropy Awards to acknowledge the contribution of the corporate sector. PCP appreciates the endeavours of the corporate sector for supporting social causes and community development. It is hoped that the awards will lend impetus to companies to move forward with greater devotion to meet the social responsibility campaign. On the basis of yearly ranking, top giving companies are awarded on the basis of two criteria: i) volume of donations, and ii) volume of donations as a

percentage of profit before tax. The first awards were distributed by the then Prime Minister Shaukat Aziz in January 2007 and the second award ceremony was held in the Prime Minister's House in June 2008, with Prime Minister Yousuf Raza Gilani as the Chief Guest. The third award ceremony took place at the Sheraton Hotel in Karachi in April 2009, with the Finance Minister Shaukat Tarin as the Chief Guest. In continuation of the tradition of extending recognition to the top corporate giving companies, the fourth award ceremony will be held in 2010, and will be based on the rankings

7 A.J. Hillman and G. D. Kleim, Shareholder Value, Stakeholder Management and Social Issues: What's the Bottom Line,

8 J. Frooman, Stakeholder Influence Strategies, Academy



The Survey

The primary objective of the Corporate Philanthropy Survey is to promote corporate philanthropy in terms of volume and effectiveness. It contains documentation of PLCs' philanthropy, estimates of its quantum, a study of trends and patterns as well as rankings of these companies with a view to

recognise the top givers among them through awards. This report is the fifth in the series of research studies pertaining to corporate philanthropy in Pakistan and presents evidence based findings of Public Limited Companies for the year 2008. It will also form the basis for the fourth Corporate Philanthropy Awards.

Methodology

The survey is a sequel, following up to four prior reports, and for this reason the methodology of the survey remains unchanged; however it also contains an additional chapter examining the commercial banking sector in Pakistan so that trends of giving pertinent to this sub sector can be studied. This in-depth analysis was prompted by the fact that the commercial banking sector continued with its philanthropic endeavours in 2008 almost unfazed, despite the global economic crises that has otherwise impacted philanthropy in a majority of sub-sectors.

In line with the earlier format of the survey, the present documentation focuses on the PLC segment of the

corporate world, because of the fact that data collected for the task at hand is extracted from PLC's annual reports (profit and loss accounts) and is therefore authentic. Owing to the law that states that all PLC's are required to submit their annual accounts to the Securities and Exchange Commission of Pakistan (SECP), the data is accessible without difficulty. Direct verification of data by companies also becomes easy as the PLC universe is well defined and their contacts are easily available.

In the initial stage of the study relevant data was acquired from SECP and compiled. SECP proves a reliable source as it has also been deemed the regulatory body for PLC's in Pakistan. For

any data that was missing, the Centre cross checked with the Karachi Stock Exchange (KSE) which also has complete records of PLC's. At the completion of the data collection stage, a verification letter was drafted and despatched to all 548 PLC's. As a preset protocol, two reminder letters for transparency and endorsement were also sent to PLC's in case a response was not received by the stated deadlines. The response rate was 16%, a six percent increase from the preceding year. The next step was the tabulation of data, ranking, analysis and write up of the report.

Future prospects for the survey could include the addition of interesting segments like the Independent Power Producers (IPPs), subject to availability of data and resources. This year, a step forward has been the inclusion of an in-depth analysis of giving practises within the commercial banking sector. Apart from commercial banks, which were the main subject of the study, the centre also approached the State Bank of Pakistan and the Pakistan Bankers Association to get their respective views on philanthropic giving by commercial banks.

The total of number of companies in the sector was 25. All organisations were sent questionnaires, and based on their

responsiveness and commitment towards community development, one on one qualitative structured interviews were held with 10 companies, which consisted of 9 commercial banks and the State Bank of Pakistan, which is the regulatory body for the aforementioned. The remaining 15 companies were pursued through email and telephone but none were able to provide feedback despite reminders and stringent follow up. By and large all attempts were made to address every aspect related to the philanthropic endeavours of the commercial banking sector in Pakistan, thus enabling the analysis to be far more accurate and detailed.

The Karachi Stock Exchange maintains regular data of Public Listed Companies in their daily quotations. The total number of PLCs listed as of December 2008 was 653; 27 open/close mutual funds were excluded from the survey as they do not participate in corporate giving, bringing the sample size down to 626 PLCs. Financial information of 78 PLCs was either not present with any of the available sources i.e. SECP and KSE, or they fell in the ranks of defaulted or merged companies, therefore these too had to be excluded from the survey. As an end result, the final survey size came to 548 companies.

The financial year end breakdown of the sample is given in Table 1

Breakdown of PLCs in Sample by the Financial Year		
Table 1		
YEAR END	NO. OF PLCs	% OF SAMPLE
MARCH	3	0.5
JUNE	412	75
SEPTEMBER	33	6
NOVEMBER	1	0.2
DECEMBER	99	18
TOTAL	548	100

Data Collection

The annual reports of PLC's contain audited accounts of the financial year. For this survey, data collection began in April 2009 and continued till September 2009. SECP remained the primary source but KSE was also approached when necessary. Data collected was validated and verified through letters to the concerned companies. A number of complexities arose in the course of the data collection phase. Since corporate donations mentioned in the annual audited accounts only capture cash and

in-kind giving, other efforts and services such as time volunteering and use of allied facilities are not reflected in the figures; this means that any time dedicated for charitable causes or allowing shared use of company facilities are efforts towards society that go without any recognition or appreciation. In due course, however, the Centre plans to expand the scope of the survey which will also include the types of companies and forms of CP mentioned above.

Limitations

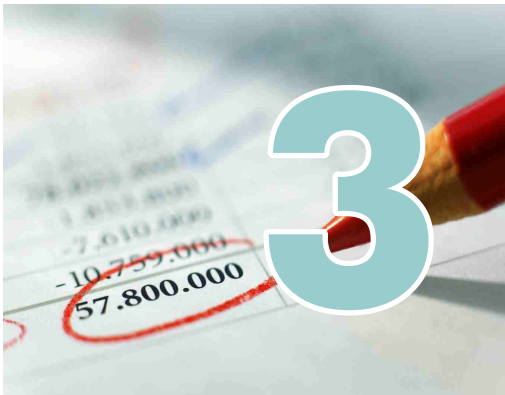
Research endeavours will always be faced with constraints and challenges. This survey too has had its share of limitations in administering the research and delivering the required result. Before presenting the analysis and findings, it is essential to draw attention to any encumbrances that may have affected the final outcome. To begin with, the sample consists only of Public Limited Companies – which constitutes a small sub-sector of the larger corporate universe – and therefore may not be a sufficient representative of the entire corporate sector. Working with limited financial, human and time resources and bearing in mind the significance of maintaining complete authenticity and validity of data it was decided to continue with the practise of focusing on PLC's as they are well documented and the most organised sub segment of the corporate sector.

As mentioned earlier, the study is limited to only cash and in-kind donations, as reflected in audited annual reports of PLC's. Documentation of other forms of

corporate philanthropy is a far more complex procedure which requires extensive time and resources and therefore these have been excluded from the survey.

Another challenge was determining the exact amount that a company had donated, as in many instances companies report donations under a variety of different, often ambiguous titles. The lack of clarity and standardised format is very likely a result of the vague language of the relevant rule (part III (I-E) of Schedule 4 of the Companies Ordinance, 1984. This discrepancy and inconsistency in reporting the donation figures can be avoided if the companies adopt a standard unified format of quoting their donations under one single head in the annual audited accounts. The Securities and Exchange Commission of Pakistan has recently declared that the Companies (Corporate Social Responsibility) General Order, 2009 should prescribe descriptive and monetary disclosures of Corporate

Social Responsibility (CSR) activities undertaken by the companies through their Directors' report to the shareholders annexed to the annual audited accounts. It is expected that this promulgation will help overcome the inadequacy in details regarding donations in company annual reports.



Rankings

As per standard practice set by the first Corporate Philanthropy Report, this survey has also ranked the PLCs according to the following criteria:

- ❖ By total volume of donations
- ❖ By volume of donations as a percentage of Profit Before Tax (PBT)

Ranking by volume of donations simply gives an overall picture of business contributions towards the social development of Pakistan. As has been the norm, companies with large turnovers are able to make sizeable donations, most even have separate

departments for handling philanthropic concerns. However in doing so, smaller companies with smaller profits and therefore proportionately smaller donations, generally tend to go un-noticed and are not recognised for their efforts. In order to discount the size or sheer volume factor and to recognise smaller companies' efforts, as was done in the preceding reports, the additional criterion of donations as a percentage of PBT has also been employed for the purpose of this survey as well.

Philanthropy Bounces Back

Although the year 2008 continued to reflect a downturn in the nation's economy, a remarkable increase was recorded in the amount of philanthropy generated relative to the preceding year. This increase is even more notable owing to the fact that there were no major external factors or events that may have influenced philanthropy to increase so radically. The last time an increase of such proportions was measured was as a result of the

unprecedented outpouring for relief and recovery efforts following the October 2005 earthquake that escalated corporate donations in 2006, leading many companies to cut their philanthropy in 2007, when they returned to their standard giving programs. As compared to 2007, corporate philanthropy in 2008 increased by 20.1%. The highest increase in giving was 7.5%, recorded in the categories of companies that

donated between 0.5 and 2 million. In addition, the top 25 giving companies contributed 27.5% more than they had in 2007, with an average of PKR 75 million per company, which is also the highest recorded average figure to date.

This increase could be the result of various factors, the first of which is the possibility that organisations have in fact begun to strategise and plan their giving activities in a way that ensures that their CSR goals can be met. Despite fears that corporate philanthropy would continue to slow down parallel to the economic situation, statistics indicate otherwise. It may be so that enterprises are increasingly inclined towards the belief that philanthropy should indeed be treated as a strategic investment. This likelihood is supported by the fact that companies are now looking into setting

up separate departments within their organisational structure that deal exclusively with matters of CSR and corporate philanthropy, instead of placing the initiative under marketing or communication, which has to date been a common practice.

Furthermore, an increasing number of PLC's are coming to terms with the fact that they need to play a defined and visible role in society because the indirect benefits of CP are immense. In essence corporate philanthropy may also be seen as a business transaction as both parties involved in philanthropy have a lot to gain. While benefits for the receiving end are fairly obvious, the giving party may also profit from increased customer loyalty, trust, positive brand attitude and combating negative publicity.

Table 2 Number of PLCs involved in CP

YEAR	2008	2007	2006	2005	2004	2003	2002	2001	2000
NUMBER OF COMPANIES GIVING	277	288	329	299	283	287	282	268	263
TOTAL SAMPLE	548	535	546	551	552	568	565	551	500
PERCENTAGE OF SAMPLE INVOLVED IN CP	51	54	60	54	51	51	50	49	52

Donations if taken as 1% of Profit Before Tax (PBT)

Although corporate philanthropy has gained substantial relevance to daily business operations and companies are engaging in a variety of philanthropic activities under the umbrella of corporate social responsibility, the idea of profitable companies contributing 1% of pre tax profit as social dividend

remains relevant to developing economies. Pakistani PLCs have been measured against the aforementioned standard to gauge how the Pakistani philanthropic economy stood against the global philanthropy market. Actual giving figures were, for this purpose, juxtaposed against the figures that would result if all

companies adhered to the 1% giving amount. Figure 1, in correspondence with this estimation, represents the actual giving from 2000 to 2008 as well as giving at 1% with respect to the total PBT of all PLCs over the same time frame. Table 3 and figure 1 show a hypothetical illustration of corresponding figures if all companies had adopted the suggested giving formula. The study showed that though the actual figure for nine years donations amounts to PKR 10 billion, it would have reached a sum of approximately PKR 30.6 billion had the 1% benchmark been applied by all companies included in the sample.

From 2005 to 2007, a constant decrease in total PBT of companies was recorded. In spite of this, volume of donations recorded a steady rise against the popular notion that the two have a positive correlation. Reasons for this behaviour pattern can be ascribed to wider acceptance of the concepts of CSR and CP trends, as well as unforeseen events such as the October 2005 earthquake.

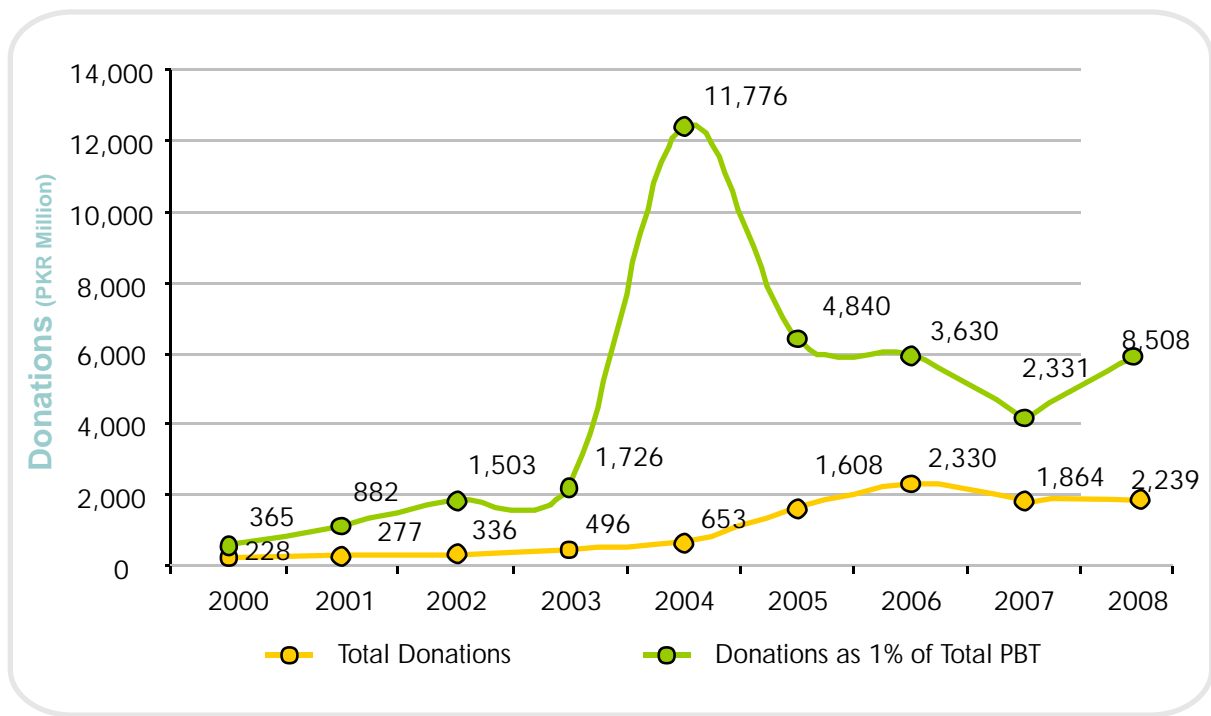
This year the total PBT increased by 51% from the preceding year and total donations by 20%. It is interesting to

note in the given scenario that donations as a total percentage of PBT actually dropped from 0.80% to 0.63%. In addition to this, the total number of giving companies also fell from 290 to 277. These factors suggest that even though fewer companies were involved in giving; giving companies on an average contributed a substantially larger amount than they have been doing in previous years. To further back this claim is the statistical evidence that in 2006 when giving amounted to PKR 2.3 billion, a total of 329 companies were involved in corporate philanthropy, giving an average of PKR 7 million per company, whilst in 2008, a total of 277 companies donated PKR 2.2 billion; an average of 8.1 million per company. Similarly average giving for 2007 per company amounted to PKR 6.5 million, with 288 giving companies, and total donations of PKR 1.87 billion. In effect giving per company rose by 25% over the last year. This forward momentum is encouraging however a cause for concern is the decrease in the total number of giving companies.

Table 3 Donations if taken as 1% of Profit Before Tax (PBT)

PKR Million				
YEAR	TOTAL PBT	TOTAL DONATIONS	PERCENTAGE	DONATIONS AS 1% OF TOTAL PBT
2000	36,477	228	0.63	365
2001	88,166	277	0.31	882
2002	150,349	336	0.22	1,503
2003	172,626	496	0.29	1,726
2004	1,177,586	653	0.06	11,776
2005	484,001	1,608	0.33	4,840
2006	362,968	2,330	0.64	3,630
2007	233,141	1,865	0.80	2,331
2008	350,807	2,239	0.63	3,509
TOTAL	3,056,122	10,032	0.33	30,561

Figure 1 Donations if taken as 1% of PBT



Comparison With Previous Years

To get a clear and accurate picture of trends and patterns from the data collected, we compare it with related information collected in preceding years. The same practice has been followed this year as well so that the figures for 2008 giving practices could be weighed against those of previous years. In the first section, the data for 2008 is compared with that of the past years. In the following section a detailed

study of trends between the base year, 2000 and the year 2008 is carried out. Table 4i divides giving companies into categories based on the size of donations, to estimate the change in range of cash contribution by the PLC's. Table 4ii helps to further study the percentage change between the current year, the preceding year and the base year.

Table 4i PLCs by Spread of Donations (2000-2008)

Number of Companies by Year and Category									
CATEGORY BY SIZE OF DONATION (PKR MILLION)	2000	2001	2002	2003	2004	2005	2006	2007	2008
MORE THAN OR EQUAL TO 5 MILLION	12	16	16	26	31	63	71	48	47
MORE THAN OR EQUAL TO 4 AND LESS THAN 5 MILLION	1	4	3	4	10	11	8	11	6
MORE THAN OR EQUAL TO 3 AND LESS THAN 4 MILLION	5	3	6	6	3	14	12	11	9
MORE THAN OR EQUAL TO 2 AND LESS THAN 3 MILLION	3	6	13	8	14	14	16	17	16
MORE THAN OR EQUAL TO 1 AND LESS THAN 2 MILLION	22	14	18	33	21	21	35	29	31
MORE THAN OR EQUAL TO 0.5 AND LESS THAN 1 MILLION	29	34	32	35	33	26	47	25	27
MORE THAN ZERO AND LESS THAN 0.5 MILLION	191	191	194	175	170	149	140	149	141
ZERO	237	283	283	283	270	253	217	246	271
TOTAL	500	551	565	568	552	551	546	535	548

Table 4ii PLCs by spread of donations 2008 showing percentage change with previous year and base year

Number of Companies by Year and Category		
CATEGORY BY SIZE OF DONATION (PKR MILLION)		
	% CHANGE WITH PRECEDING YEAR	% CHANGE WITH BASE YEAR 2000
MORE THAN OR EQUAL TO 5 MILLION	-2	292
MORE THAN OR EQUAL TO 4 AND LESS THAN 5 MILLION	-45	500
MORE THAN OR EQUAL TO 3 AND LESS THAN 4 MILLION	-18	80
MORE THAN OR EQUAL TO 2 AND LESS THAN 3 MILLION	-6	433
MORE THAN OR EQUAL TO 1 AND LESS THAN 2 MILLION	10	41
MORE THAN OR EQUAL TO 0.5 AND LESS THAN 1 MILLION	8	-7
MORE THAN ZERO AND LESS THAN 0.5 MILLION	-5	-26
ZERO	11	14

Preceding Year (2007)

Table 4ii gives a clear picture of philanthropic trends and how they varied between the years 2008 and 2007. Though the total number of companies increased to 548 from 535, the break up in terms of sectors reveals diverse trends.

♦ In the category of giving above 5 million, the percentage fell by 2%, and the total number of giving companies

was 47 versus 48 in 2007.

♦ PLC's with giving between 2 and 5 million showed a 22% drop in number from 39 in 2007 to 31 in 2008. The highest drop in percentage was 45% in the category of giving between 4 and 5 million. The reason for this decrease could be the recession our economy had been facing in the past year.

♦ The number of Companies in the

giving category of above 0 and below 2 million fell by 2%. In this category the biggest change was the 5% drop in giving companies between 0 and 0.5 million

♦ The category of companies with 0 giving was the only one that

Base Year (2000)

To gauge in its entirety the change in corporate philanthropy since PCP began its corporate philanthropy survey, a base year comparison (i.e. the year 2000) has been carried out. The change recorded was observed to be an increase of significant proportions.

In the range of PKR 1 million to more than PKR 5 million as shown in table 4ii the increase over the two years was manifold. The highest change had been recorded in companies within the giving range of more than five million, which went from 12 in 2000 to an astounding

experienced an increase in volume, which amounted to 11% from 245 in 2007 to 272 in 2008. The reasons for this significant change could be the current economic crisis that has affected all industries in the economy and hindered operations at every level.

47 in 2008. In terms of percentage change, the highest increase was recorded in the giving range of 4-5 million, a 500% increase from 1 company to 6.

PLCS giving less than 0.5 million show a decline of 7%. This trend reinforces the forward momentum that corporate philanthropy has gained in Pakistan over the past decade with increasing number of companies initiating corporate giving programmes as part of their CSR strategies.

Donations by Top 25 Giving PLCS

Tables 5 and 6 are records of the top 25 giving companies over the past 9 years. The pie chart in Figure 2 further portrays the giving of these top 25 companies as a percentage of total corporate giving in the year 2008. It is evident that the top 25 companies made magnanimous contributions to society, comprising over 50% of total corporate giving. The total volume donated by these top 25 was 1.8 billion

in 2008, an increase of 27% from the preceding year. This information reinforces the fact that, with the onset of the financial crisis a few companies could sustain the shock and damage and still continue to carry out their philanthropic activities in a focused and unaffected manner. The trend of total donations for the base year and for the year 2008 is compared in the line graph in Figure 3.

Table 5 Donations by Top 25 Giving PLCs

YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL DONATIONS BY TOP 25 PLCs (PKR MILLION)	158.4	201.4	235.9	344.3	482.3	1087.4	1709.5	1,470.7	1875
AVERAGE DONATIONS BY TOP 25 PLCs (PKR MILLION)	6.3	8.1	9.4	13.8	18.3	43.5	68.4	59.5	75
CONTRIBUTION OF TOP 25 PLCs (AS A % OF TOTAL GIVING)	32	37	42	61	70	68	73	79	84
OTHERS (AS A % OF TOTAL GIVING)	68	63	58	39	30	32	27	21	16

Table 6 PLCs Giving Rs. 5 Million or More

CATEGORY	2008
MORE THAN OR EQUAL TO 100 MILLION	4
MORE THAN OR EQUAL TO 50 AND LESS THAN 100 MILLION	4
MORE THAN OR EQUAL TO 10 AND LESS THAN 50 MILLION	24
MORE THAN OR EQUAL TO 5 AND LESS THAN 10 MILLION	15

Figure 2 Percentage Contribution of Top 25 Giving PLCs (2008)

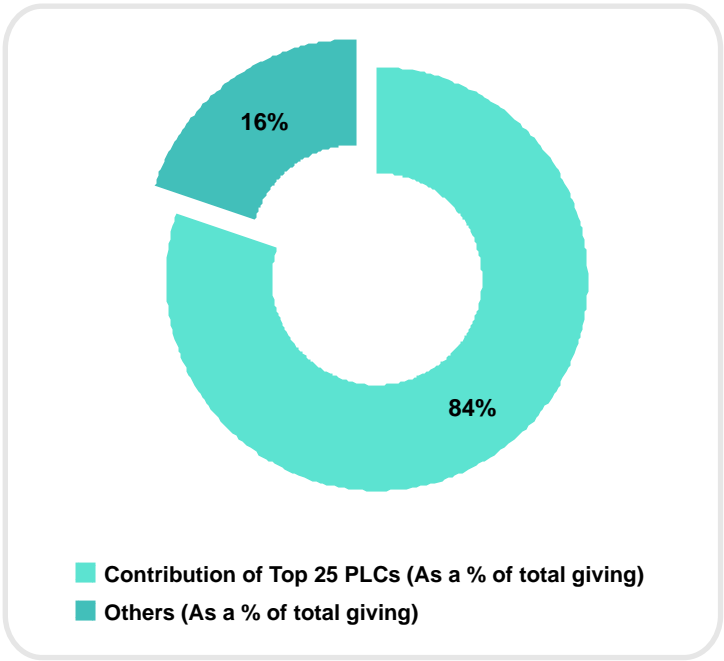
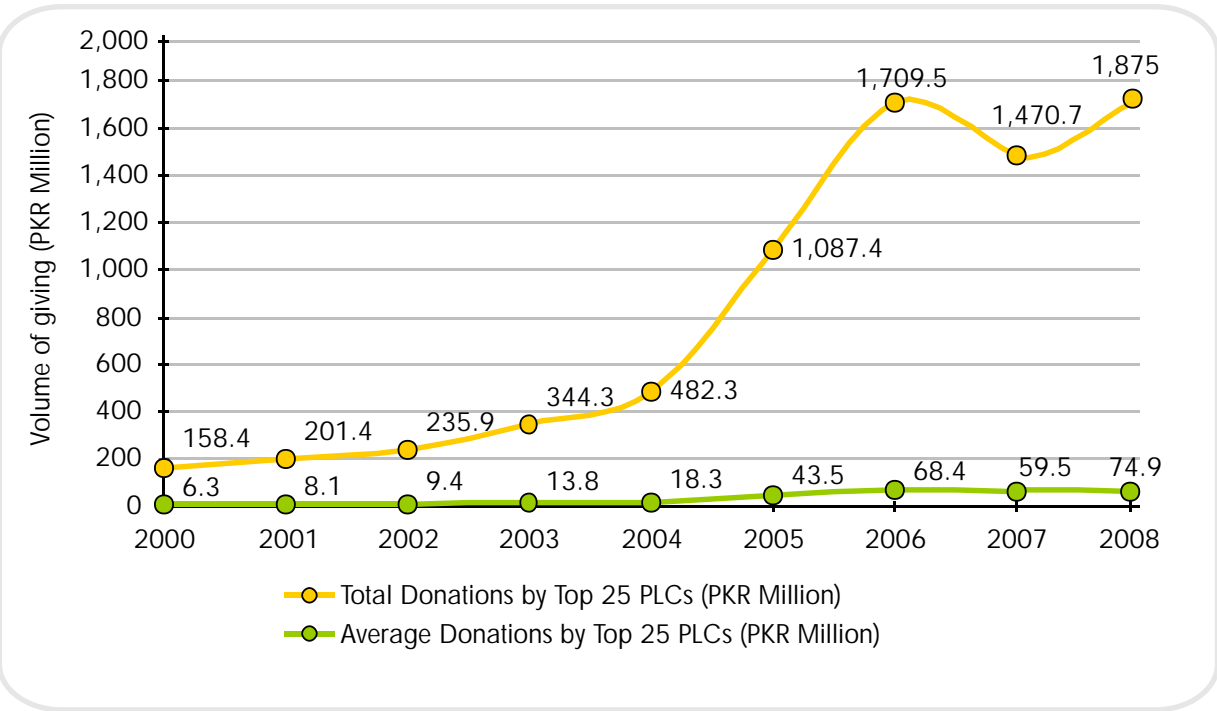


Figure 3 Donations of Top 25 Giving PLCs by Volume



Individual Rankings

In this section corporate giving is documented according to two criteria; i) the total volume of donations, and ii) the volume of donations as a percentage of Profit Before Tax (PBT) . Table 7 presents a clear summary of the ranking by total volume of donations for the top 25 companies. PPL has once again earned the slot as the top giving PLC for the year 2008 with donations amounting to PKR

383 million. This is the company's third successive claim of the title. At a close second is JS and Co Limited with donations amounting to 337 million. At number three is OGDCL which ranked at second in the preceding year, with donations of 235 million for the year 2008.*Top 25 for 2007, are also shown in table 8 to highlight changing trends.

Table 7 Top 25 PLCs by Volume of Donations (2008)

PKR Million			
RANK	COMPANY	PBT	DONATIONS
1	PAKISTAN PETROLEUM LTD	30446.6	382.7
2	JAHANGIR SIDDIQUI AND Co LTD	17201.2	337.4
3	OIL & GAS DEVELOPMENT Co LTD	78307.4	235.0
4	SUI NORTHERN GAS PIPELINES LTD	3981.2	100.5
5	PAKISTAN STATE OIL	21.377.4	98.2
6	PAKISTAN SERVICES LTD	536.5	85.3
7	ALLIED BANK LIMITED	4093.9	81.9
8	NESTLE PAKISTAN LTD	2227.5	58.5
9	SHELL PAKISTAN LTD	7723.3	43.2
10	ENGRO CHEMICAL PAKISTAN LTD	5204.6	42.3
11	INDUS MOTOR COMPANY LTD	3541.7	42.3
12	FAUJI FERTILIZER COMPANY LTD	10041.1	41.9
13	GLAXOSMITHKLINE	3001.0	36.0
14	NATIONAL BANK OF PAKISTAN	23001.0	33.4
15	UNILEVER PAKISTAN LTD & SUBSIDIARY COMPANIES	2937.2	32.8
16	HABIB BANK LIMITED	22034.4	27.3
17	STANDARD CHARTERED BANK PAKISTAN LTD	1142.0	26.0
18	CRESCENT STEEL & ALLIED PRODUCTS LTD	626.6	24.4
19	HABIB METROPOLITAN BANK (FORMERLY METROPOLITAN BANK)	4740.1	24.2
20	JDW SUGAR MILLS LTD	350.8	23.7
21	ICI PAKISTAN	2958.9	22.4
22	EFU G INS	-5442.9	21.4
23	LIBERTY MILLS LTD	379.4	20.0
24	HUBCO POWER LTD	2601.0	18.5
25	INTERNATIONAL INDUSTRIES LTD	904.3	15.8

Table 9 ranks companies based upon their aggregate donations as a percentage of their profit before tax. This criterion has been included to ensure that there is fair representation of corporations regardless of the scale of their operations. There are a number of smaller companies whose contributions

in absolute amounts may be less but when calculated as a percentage of their PBT, their contributions often exceed those of the top givers. The Centre stands committed to its view that philanthropy needs to be honoured and recognised at every level, so that all those involved in giving should be

— All figures rounded to one decimal place whereas, rankings were made on the basis of actual donations

encouraged to do so. This recognition of efforts is the Centre's way of showing appreciation to the corporate sector for their efforts towards societal development and progress. The top three positions in the above mentioned category are as follows: Pakistan Services Limited climbs a spot up from last year and finds itself at the top with giving amounting to 15.89% of their PBT, followed by Tata Textile mills with giving that is 15.28% of their PBT. In third place we have Shield Corporation Limited which has maintained its spot of the previous year. Their giving amounts to 11.14% of PBT.

Table 8 Top 25 PLCs by Volume of Donations (2007)

PKR Million			
RANK	COMPANY	PBT	DONATIONS
1	PAKISTAN PETROLEUM LTD	24,356.8	421.1
2	OIL & GAS DEVELOPMENT CO. LTD	60,754.5	347.0
3	PAKISTAN SERVICES LTD	1,001.3	139.3
4	NESTLE PAKISTAN LTD	2,549.8	88.4
5	JAHANGIR SIDDIQUI AND CO. LTD	2,257.9	54.4
6	ENGRO CHEMICAL PAKISTAN LTD	4,235.5	41.1
7	BANK AL-FALAH	5,004.6	36.2
8	INDUS MOTOR COMPANY LTD	4,229.5	33.9
9	UNILEVER PAKISTAN LTD	2,529.6	31.5
10	PAKISTAN STATE OIL	7,122.0	30.7
11	ALLIED BANK LIMITED	5,953.1	27.7
12	GLAXOSMITHKLINE	2,658.5	21.6
13	HABIB METROPOLITAN BANK (FORMERLY METROPOLITAN BANK)	4,203.9	20.3
14	LIBERTY MILLS LTD	328.6	19.9
15	CRESCENT STEEL & ALLIED	394.2	17.7
16	SHELL PAKISTAN LTD	378.7	17.7
17	INTERNATIONAL INDUSTRIES LTD	807.4	15.5
18	MILLAT TRACTORS LTD	840.2	15.1
19	BANK AL-HABIB	3,048.6	14.9
20	I.C.I PAKISTAN	2,604.2	14.7
21	SITARA CHEMICAL INDUSTRIES LTD	536.9	14.4
22	UNITED BANK	13,005.0	13.8
23	SEARLE PAKISTAN LTD	141.6	12.2
24	D.G KHAN CEMENT CO. LIMITED	1,720.0	11.1
25	ATLAS HONDA LIMITED	804.0	10.5
TOTAL		148,433.6	1,488.5

— All figures rounded to one decimal place whereas, rankings were made on the basis of actual donations

Table 9 Top 25 PLCs by Volume of Donations as % of PBT (2008)

PKR Million				
RANK	COMPANY	PBT	DONATIONS	% OF PBT
1	PAKISTAN SERVICES LTD	536	85.3	15.9
2	TATA TEXTILE MILLS LTD	28	4.2	15.3
3	SHIELD CORPORATION LTD	9	1.1	11.1
4	KASB SECURITIES	45	4.4	9.7
5	GULISTAN SPINNING MILLS LTD	11	1.1	9.6
6	N P SPINNING MILLS LTD	69	6.2	8.9
7	FIRST PARAMOUNT MODARABA	12	1.0	8.1
8	JDW SUGAR MILLS LTD	351	23.7	6.8
9	QUETTA TEXTILE MILLS LTD	47	3.0	6.5
10	KOHINOOR TEXTILE MILLS	131	8.0	6.4
11	NAGINA COTTON MILLS	13	1.0	6.3
12	LIBERTY MILLS LTD	379	20.0	5.3
13	GHANDHARA INDUSTRIES LTD	30	1.4	4.8
14	KOHINOOR SPINNING MILLS LTD	23	1.1	4.6
15	MITCHELL'S FRUIT FARMS LTD	13	0.6	4.3
16	CRESCENT STEEL & ALLIED PRODUCTS LTD	627	24.4	3.9
17	SITARA ENERGY LTD	93	3.4	3.6
18	SALFI TEXTILE MILLS LTD	25	0.9	3.5
19	ITEHAD CHEMICALS LTD	92	3.0	3.3
20	NISHAT (CHUNIAN) LTD	76	2.0	3.2
21	JANANA-DE-MALUCHO TEXTILE MILLS LTD	19	0.6	3.1
22	ADOS PAKISTAN	12	0.3	2.8
23	GRAYS OF CAMBRIDGE(PAKISTAN) LTD	11	0.3	2.7
24	BANNU WOOLLEN MILLS LTD	44	1.2	2.7
25	SUNRAYS TEXTILE MILLS LTD	20	0.5	2.7

* Table 10 shows the top 25 givers for the afore mentioned category in the preceding year

— All figures rounded to one decimal place whereas, rankings were made on the basis of actual donations

Table 10 Top 25 PLCs by Volume of Donations as % of PBT (2007)

PKR Million

RANK	COMPANY	PBT	DONATIONS	% OF PBT
1	KARAM CERAMICES	16.7	3.2	19.3
2	PAKISTAN SERVICES	1001.3	139.3	13.9
3	SHIELD CORPORATION LTD	13.2	1.6	12.1
4	BESTWAY CEMENT LTD	56.4	6.6	11.7
5	GULISTAN SPINNING MILLS LTD	11.1	1.1	9.6
6	SEARLE PAKISTAN LTD	141.6	12.2	8.6
7	FARAN SUGAR MILLS LTD	19.7	1.6	8.4
8	CHAKWAL SPINNING	5.8	0.4	7.2
9	TATA TEXTILE MILLS LTD	81.6	5.5	6.8
10	AL-NOOR SUGAR MILLS LTD	39.7	2.6	6.5
11	ISLAND TEXTILE MILLS LTD	18.3	1.2	6.4
12	J.D.W. SUGAR MILLS LTD	58.5	3.6	6.2
13	DEWAN FAROOQUE MOTORS LTD	99.4	6.0	6.1
14	LIBERTY MILLS LTD	328.6	19.9	6.1
15	PARAMOUNT SPINNING MILLS LTD	16.1	0.9	5.6
16	ECOPACK LTD	8.6	0.5	5.4
17	GHANDHARA INDUSTRIES LTD	201.3	10.3	5.1
18	SHELL PAKISTAN LTD	378.7	17.7	4.7
19	RELIANCE WEAVING MILLS LTD	47.4	2.2	4.6
20	SUNRAYS TEXTILE MILLS LTD	16.1	0.7	4.5
21	CRESCENT STEEL & ALLIED	394.2	17.7	4.5
22	PECTO CEMENT CO. LTD	29.1	1.1	3.9
23	UNITED BRANDS LTD	6.2	0.2	3.9
24	KOHAT CEMENT COMPANY LTD	65.6	2.5	3.8
25	GATRON (INDUSTRIES) LIMITED	180.4	6.7	3.7

— All figures rounded to one decimal place whereas, rankings were made on the basis of actual donations

Giving by the Sub Sectors

To get a clear picture of giving by sectors, an analysis of giving based on the 33 KSE sub sectors was carried out. Table 9 shows the average giving per firm within these sub sectors and this gives a clear picture of philanthropic contributions of PLC's in the subsector. Owing to the fact that the number of firms within sectors varies greatly,

comparing the total volume of donations by each sector would give an inaccurate picture and therefore result in unfair ranking. For this reason, the sector wise ranking has been done taking the average donation by companies within each sector. The results are presented for review in Table 11.

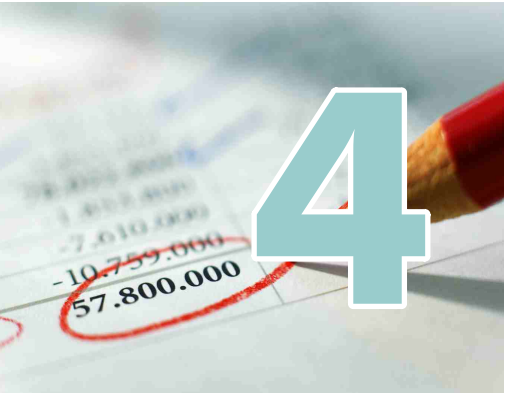
Table 11 Sub-Sectors by Average Volume of Donations (2008)

Number of Companies by Category

PKR Million

SECTOR	NUMBER OF COMPANIES	AVG. DONATIONS BY SUB-SECTOR (PER FIRM)	RANKING BY AVG. DONATIONS
OIL AND GAS EXPLORATION COMPANIES	4	154.6	1
OIL AND GAS MARKETING COMPANIES	6	40.3	2
FERTILIZER	4	23.3	3
INVESTMENT BANKS	29	12.9	4
COMMERCIAL BANKS	25	8.9	5
PHARMACEUTICALS	8	5.4	6
AUTOMOBILE ASSEMBLER	12	5.3	7
MISCELLANEOUS	18	5.1	8
FOOD & PERSONAL CARE PRODUCTS	20	4.9	9
ENGINEERING	11	4	10
REFINERY	4	2.8	11
CEMENT	20	2.3	12
SYNTHETIC & RAYON	15	2.3	13
TOBACCO	3	2.3	14
POWER AND GENERATION DISTRIBUTION	14	2.1	15
CHEMICALS	23	2	16
TRANSPORT	3	2	17
SUGER AND ALLIED INDUSTRIES	35	1.3	18
INSURANCE	38	1	19
LEATHER AND TANNERIES	6	1	20
TECHNOLOGY AND COMMUNICATION	10	0.8	21
TEXTILE COMPOSITE	50	0.7	22
AUTOMOBILE PARTS AND ACCESSORIES	12	0.6	23
WOOLEN	2	0.5	24
CABLE AND ELECTRICAL GOODS	7	0.3	25
GLASS AND CERAMICS	7	0.3	26
TEXTILE SPINNING	92	0.3	27
LEASING COMPANIES	15	0.2	28
MODARABAS	27	0.1	29
PAPER AND BOARD	9	0.1	30
TEXTILE WEAVING	10	0	31
JUTE	4	0	32
VANASPATI	5	0	33

— All figures rounded to one decimal place whereas, rankings were made on the basis of actual donations.



An Overview Commercial Banking Sector

The character of corporate philanthropy has metamorphosed during the past ten years in terms of outsiders' perceptions of corporate giving and its use as an image building tool of corporations. It was formerly assumed that corporate philanthropy was simply an extension of the charitable interests of the corporate leaders carried out to support their interests and to curry favour and positive good will for individuals. Much has been written about the motivation for corporations to undertake philanthropy; most acknowledge that charitable giving is important to remain competitive in the market. The banking sector in Pakistan has changed rapidly in the past ten years as legislative changes facilitated privatised banks covering ever-widening geographic areas. This phenomenon, in turn, changed the way banks defined their "community" while changes in technology facilitated new ways for banks and customers to interact, often without face-to-face contact. At the same time, the

broader environment for commercial banking philanthropy also changed.

The commercial banking sector is an integral part of the economic and social infrastructure of an economy. It occupies a crucial place in undertaking development efforts and acts as a vehicle for social-economic transformation and economic growth. In Pakistan, the commercial banking sector has grown substantially within the framework of the economy. The Banking reforms introduced by the Government of Pakistan have totally changed the character of the financial sector. Consequently, the commercial banking sector also underwent substantial changes and currently 81% of the assets of the banking sector are owned by the private sector as opposed to earlier domination of the public sector. According to the Economic Survey 2008-2009, the banking sector's performance over the last seven years has attracted Foreign Direct investment of US

\$ 4.2 billion while in 2008-09 the total assets of the banks stood at Rs.5625.7 billion. The banking sector is thoroughly embedded in society as it is operating more than 9500 branches across the

Why Banking Sector

Banks are often described as the blood of a nation's economy as they provide financial intermediation functions for savers/ investors who are looking for safety and growth and consumers/businesses who are looking for access to credit and capital. Banks also play a major role as instruments of a government's monetary policy, aimed at regulating interest rates and money supply in the economy. Despite being faced with their fair share of obstacles, the banking sector has taken all problems in its stride and learnt from them to improve its position in the market, while continuing to play a defined role in corporate social responsibility. The rate of growth in the banking sector between 2002 and 2007 was a startling 26 to 27%, however, this slowed down slightly in 2008 owing to the global recession. A commonly offered explanation for this growth was that banks planned all operations keeping in mind the long term implications of their decisions. The strategy was to focus on sustainability and make maximum allowance for risk. It was this approach that helped banks keep their heads above water while other sectors of the economy struggled during the recession. In a time that many described as the most devastating

country. Keeping social obligations in view, the commercial banking sector is cognisant of the fact that it is required to play an active role in the overall development of the economy.

economic crisis since the Great Depression, it remains to be noted that the banking sector in Pakistan continued to operate in a profitable manner. Though the generated profits were smaller in volume than those in the previous years when the economy was booming, this forward motion and continuous growth did not escape one's attention.

The privatisation of the banking sector in 1991 had a large number of implications in the way the sector now operates. With increased freedom banks were motivated to perform and make an effort to engage with the communities at the grassroots level in the operational areas. The banking industry of Pakistan remains one of the fastest growing sectors of the economy, with philanthropy amounting to Rs. 221.5 million in the year 2008 alone. In effect 4% of PLC's (25 commercial Banks) contributed 10.7% of the total philanthropy generated in 2008. Figures 4 and 5 present a clear break down of these statistics.

Figure 4 Composition of PLC's

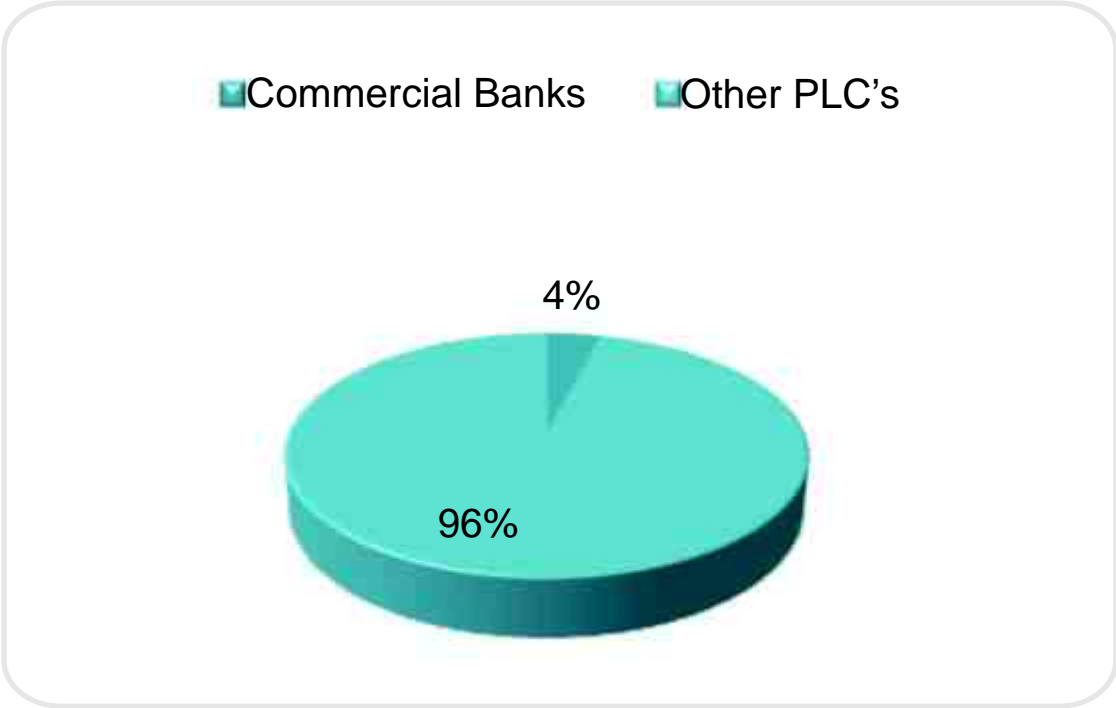
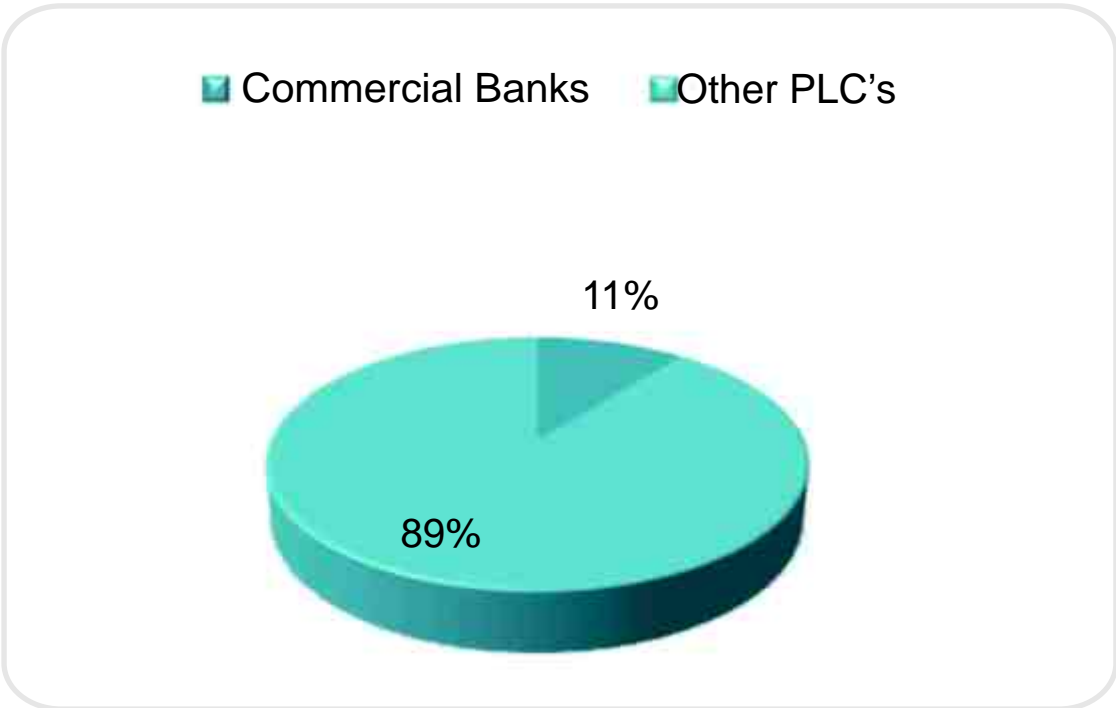


Figure 5 Philanthropic Contribution



It is for these reasons that PCP felt the need for a deeper look into the commercial banking sector to better understand the thought process that goes into driving banks forward. In order to better study the philanthropic activities of this sector, detailed questionnaires were prepared and sent to all the 25 commercial banks in the country.

The objective of this qualitative study was to observe and understand CSR/ CP activities carried out by this sector and examine the measures undertaken at the time framing donation policies. To ensure fair representation of the sector, one on

The Major Actors

All respondents included in the survey revealed that until the early nineties most of the local banks were run by the Government, with the exception of a limited number of commercial banks. Subsequently, the process of privatisation was introduced and as a result the banks began exploring the potential of the sector and better utilising resources available. Today, the major actors that drive the banking sector consist of 25 commercial banks, the State Bank of Pakistan and the Pakistan Bankers Association.

Like any central bank in a developing country, the State Bank of Pakistan performs both the traditional and developmental functions to achieve macro-economic goals. When asked if the State Bank could play any role to help contribute more toward corporate philanthropy from the banking sector, a representative of the bank said that being a regulatory body, it was treading a fine line and any intervention on their part could disturb the equation between the State Bank and the banking sector.

The State Bank maintained that it was already setting guidelines within which the

one qualitative structured interviews were also conducted with 9 commercial banks. The other 16 did not respond to the questionnaires. Besides leading commercial banks, the views of the Regulatory Authority, i.e. the State Bank of Pakistan was also sought, to give the study technical depth and highlight issues that may not be easily forthcoming from the commercial banks alone. It is expected that the exercise will not only help acknowledge the efforts of the sector but also evolve reasonable recommendations.

commercial banks should operate. Any further interference on their part was not only unnecessary but could also be misconceived as an abuse of power. As long as banks follow the general guidelines listed in the banking policy, it can be ensured that they are performing in a responsible manner towards society and their stakeholders.

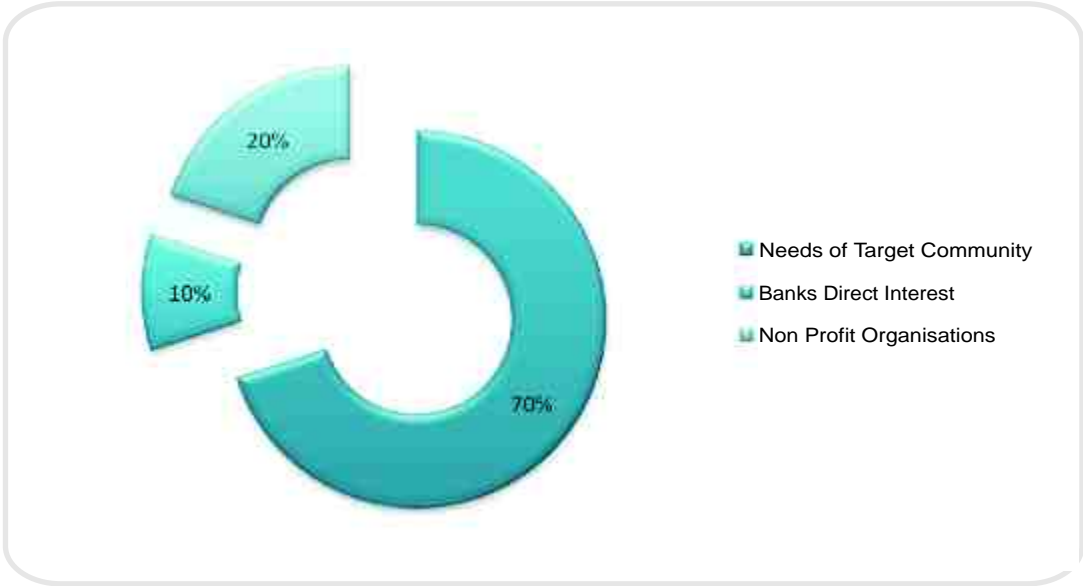
The Pakistan Bankers Association (PBA) is another organisation that has tremendous potential to influence the socially responsible behaviour of banks. As a representative of the entire banking industry, the PBA's main objective has been to coordinate the efforts of the banking industry and share a common vision of progress and development with all its members. When asked how Pakistan Bankers Association could strengthen its role in terms of corporate giving, it was suggested that seminars be held by the PBA to highlight the importance of corporate philanthropy and the advantages of formalising its operations. It was asserted that such a step could provide great stimuli for benchmarks in CSR to be discussed and guidelines to be set to make philanthropy increasingly effective both in terms of

An Analysis

On the basis of responses received to questionnaires and one on one interviews(Figure 6), 70% of banks opined that spending should be based on the needs of the target community, irrespective of its location or its link to the bank. 10% maintained that it was more important to spend in areas of the bank's direct interest and concern while the other 20% responded that donations should be

made to other organisations for social development purposes. These assertions showed divergent views regarding banks' priorities that came into consideration while formulating their philanthropic programmes. On the whole, all banks seemed keenly aware of their social responsibilities with regard to their philanthropic activities.

Figure 6 Basis for CSR



10% of banks showed interest in increasing the scope of their Corporate philanthropy activities by means of entering into partnership with NPO's or by setting up a trust as part of their entity that would serve as the sole instrument for handling philanthropic endeavours in a more focused and direct manner.

Most of the banks showed immense interest in the idea of a portal that worked as a gateway to giving activities and comprised partners that were credible. At present Corporate Philanthropy is still a growing concept. 70% of the interviewed

banks felt that it was not appropriate at present to have a stated separate department to look after corporate philanthropy. It was better to have it monitored by an existing department, which for 40% of the banks was the marketing department and for the remaining 60% was the corporate affairs department. No more is corporate philanthropy treated as an impulsive act; but the results of all corporate giving are measured. Following up on corporate giving was important to all the banks in the survey. The Banks realised that the money they had put into society has been

properly used and they have contributed meaningfully to the community.

Many banks mentioned that often organisations they worked with and donated to end up becoming their clients and this was another benefit of being socially responsible. For the banking sector, being socially responsible is not superficial. Banks were emphatic about the fact that not every action can be about corporate mileage. The banking

sector makes its profits by offering the services it provides. But giving back to society reaps immeasurable benefits that are felt by the entire organisation.

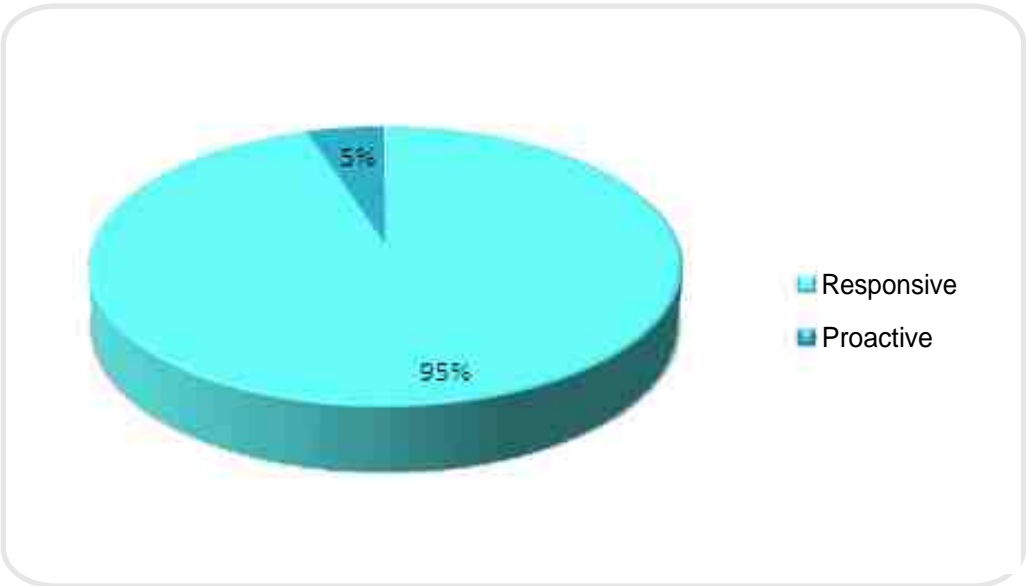
100% banks preferred not to disclose the details of their donation policy as they were of the view that disclosure of such information would result in finger pointing and accusations upon those framing the policy.

Budgeting

In the banking sector 95% of philanthropy was responsive (Figure7). Appeals and requests for funding were regularly received by the concerned department from a diverse range of organisations and individuals that dealt with social development. After that an elaborate analysis was carried out to shortlist deserving appeals. All the banks stated that corporate grants could not be a fixed sum to be given out on an annual basis since the banks have to uphold their reputation as custodians of people's

resources. Therefore, donations could only be made once performance was gauged at the end of each financial year. The amount might vary depending on situational needs as in the case of natural disasters or other calamities which required enormous funding. In all instances, banks have to bear in mind that it was shareholder's money they were dealing with and needed to operate in a meticulous manner observing complete transparency of operations.

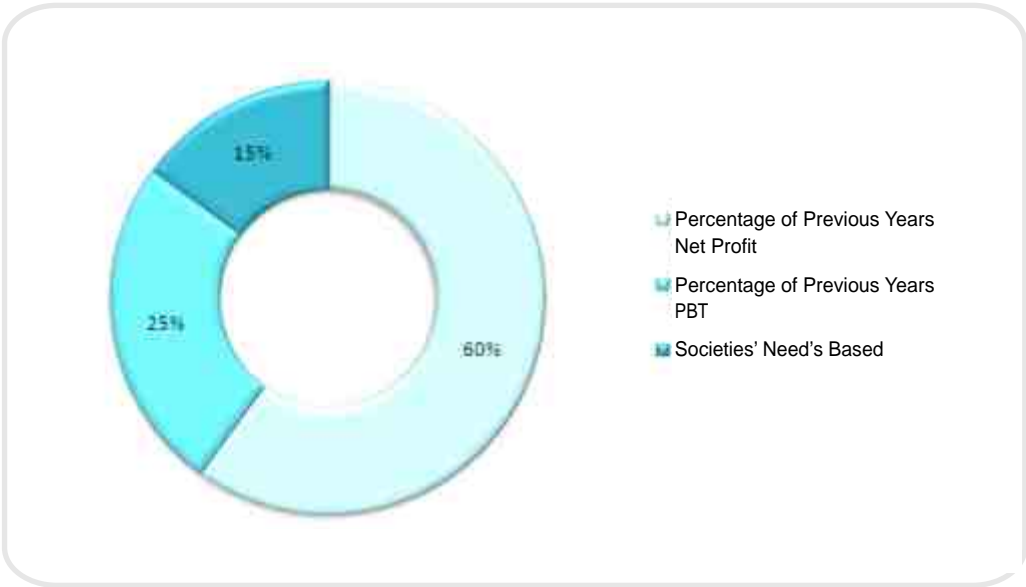
Figure 7 Philanthropic Approach



Donation policies were normally based on economic trends. For all banks, the primary objective was to follow State Bank regulations when developing a budget for annual giving. The most popular method of budgeting was setting aside a certain percentage of the previous year's net Profit (Figure 8), a formula followed by 60% of banks. 25%

of the remaining respondents stated that the sum was normally a small percentage of the previous year's profit before tax. A minority 15% said that the donation sum was decided keeping in mind the needs of civil society and that there was no formula that could be used to measure this.

Figure 8 Budgeting

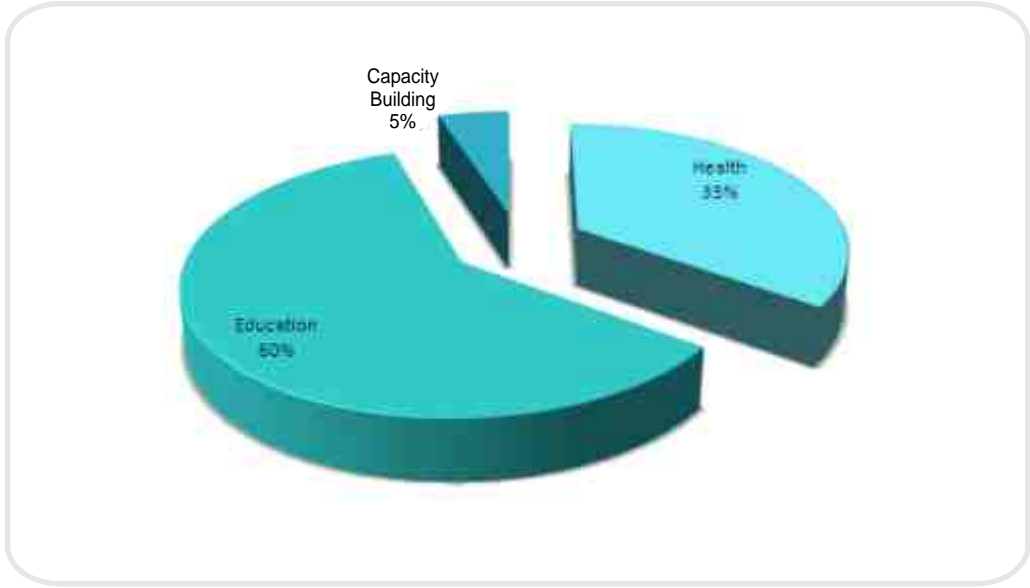


Preferred Thematic Area

As shown in Figure 9, 60% of banks reported education to be the preferred thematic area for their giving while the remaining 35% were inclined towards health. 5% were in favour of capacity building. Education remained the most popular area because in the long term banks felt that invaluable human resources were generated for the entire economy by strengthening the literacy base of the country. As a developing country, banks felt that by investing in the education sector, quantum leaps could be made in the progress of the country for

placing it in the global arena. Health was the second theme for the reason that banks found poverty alleviation to be a huge issue in Pakistan. There was a high rate of mortality in underprivileged communities directly related to inefficient health care. Contributions towards this sector were therefore considered essential. For the few that chose capacity building the reasons were simply to effectively utilise existing resources, instead of setting up new projects and expanding haphazardly.

Figure 9 Preferred Thematic Areas



The Process

100% of banks interviewed said that, being a public listed company, all sustainability related expenditures are duly approved by the Board of Directors. The process of approval was similar to that adopted by the corporations. The gist of the system of selection was as follows: the department responsible for handling sustainability programmes raises requests. The requests are discussed by a panel and based on predetermined criterion a few of the requests are shortlisted. After being approved by the BoD, the giving is finally signed off by the Chief Executive. The criteria for consideration while evaluating requests were along the following outlines: banks review whether the objectives of the organisation (NPO) in question are in line with the banks own priorities. It is ensured that the selected NPO is duly registered in the country. NPOs that had been in operation for at least three years are preferred and their tax exemption status is also looked into. As per State Bank regulations, banks have a giving policy which is reviewed at the AGM by the Board. The State Bank monitors all commercial banks' giving policies to make sure they are framed in

a timely manner according to standard regulations. The selection of recipients for the corporate grant is dominantly a responsive procedure. They are chosen from applicants who apply to the bank during the year. As prominent figures in the financial sector banks are constantly being approached by donee's, they do not really need to be proactive in seeking organisations they wish to donate too. A meticulous process of short listing is carried out before any final decision is made by banks. The organisations seeking financial assistance are examined and various predetermined criteria need to be met by them before they receive a grant. After thorough scrutiny by bank staff and then by the members of the board present at the annual general meeting, a final decision regarding philanthropy directives is reached.

Some organisations that were interviewed mentioned that they would soon be looking into incorporating a trust that would serve as a vehicle for corporate philanthropy, as this would allow better focus as well as monitoring post giving.

Channelling the Fund

When asked about the preferred way to channel funds, most banks maintained that, considering their role in the financial sector and the services they provide, they themselves were in a very strong position to carry out their giving plans. To back this statement, some pointed out that most NPO's that ask for donations will in fact have bank account details attached to the appeal. Most banks did not channel funds through an intermediary organisation but instead preferred to deal directly with the community so that a stronger connection could be established with society. Some banks were of the opinion that distribution of funds via any channel that was indirect would result in

loss of contact with the stakeholders. Dealing with organisations and society on a personal level helps reinforce the entire purpose of corporate social responsibility and sensitivity towards the community. When asked about aligning philanthropy policy with business strategy, 95% of banks that responded were of the view that though visible benefits of corporate philanthropy were very important, an overt connection could result in negative implications and be mistaken for just another way to make money. It is for this reason that 100% of banks interviewed preferred health and education as the thematic area to direct their funds to.

Best Practices

As robust players in the financial sector of the country, commercial banks have a strong interaction with the people of the community in which they operate on a direct as well as an indirect level. For any area in which they operate there is an unspoken commitment to the community and its people. Best practices for the banking sector with regard to corporate philanthropy were to select organisations with maximum outreach, high credibility and a responsible internal governance structure

that could commit to delivering updates to help monitor effects of philanthropy on a regular basis.

Standard Chartered Bank's credit card envelopes are a benchmark of a commendable display of CSR. The scheme encourages credit card holders to donate their credit card points towards the banks 'Seeing is Believing' Programme where a simple signature can result in saving some ones eyesight.

Innovative Programmes

Innovative programmes are adopted to make the optimum use of resources and accelerate the process of developmental work. To a question regarding the most innovative programme carried out by the individual banks, the following responses were received.

Habib Bank Limited (HBL) had initiated the creation of a trust that would serve as a vehicle for all their corporate philanthropy. This would consist of a corpus pool and would be managed by the Board of Directors and Board of

Trustees. The Trust would allow the bank to focus resources specifically towards CSR.

United Bank Limited (UBL) had adopted various educational institutions as part of their Adopt a School Programme and also managed programmes in collaboration with The Book Group as well as Jinnah Foundation to further enhance the level of education in the countray. Moreover, UBL reported to have pledged PKR 5 Billion to an educational institution over a three year period.

Standard Chartered Bank (SCB) started a capacity building programme through which they train and then employ people with visual impairment to work at their call centres. This enabled a large part of the visually impaired population, that was previously unemployed, to be motivated and start making a living for themselves and be part of the professional market

instead of being burdened with disability. This particular programme has gained recognition and appreciation nationwide and many other organisations have also taken on similar efforts. Moreover, the Standard Chartered Bank granted scholarships to 1000 needy students, after their matriculation to ensure that they could continue their education.

Issues and Challenges

The main issue raised by commercial banks across the board with regard to corporate philanthropy was concern regarding choice of partner to implement sustainability programmes. Banks wanted to ensure that the funds they gave out were being used to their full potential. Lack of communication between the bank and the recipient tends to occur especially after the donation has been made and this results in ineffective monitoring and follow-up. All the banks interviewed had the same three NPO's on the top of their list. When this fact was pointed out, banks agreed that funds could be better distributed amongst many other deserving NPO's but the present top three NPOs were renowned, well established and nationally recognised.

The requests of the small recipients were generally declined because there were no criteria against which their credibility could be measured, nor was there a database to verify their credentials. However, since the formalisation of the

Non Profit Sector and establishment of entities such as PCP, 60 % of banks opined that this issue is being better handled.

Other issues mentioned were that banks were sometimes subject to political pressures and made to extend at least a part of their corporate grants to organisations they would not have chosen voluntarily. This issue could only be overcome when banks could isolate their giving activities and make them even more transparent than they were at present. This movement will gain a lot of momentum from the recently promulgated Companies (Corporate Social Responsibility) General Order, 2009 which prescribes descriptive and monetary disclosures of Corporate Social Responsibility (CSR) activities undertaken by the companies through their Directors' report to the shareholders annexed to the annual audited accounts.

Recommendations

The Commercial banking sector in Pakistan is rapidly expanding as legislative changes facilitated more and more private banks covering an ever increasing geographical spread. Globalisation and privatisation have changed the way banks define their stakeholders and subsequently the broadening environment for philanthropy has also changed. Though the concept of philanthropy is widely accepted and encouraged, the process itself needs a

great deal of formalising to realize its true potential. A formal, clear cut approach would be beneficial for all stakeholders involved in corporate philanthropy. It would allow for effective measurement of the true volume and effectiveness of corporate philanthropy for the community as a whole. Streamlining the donation process could prove very helpful to banks as at present 80% of banks had no set directives for making donations. An example of such a

streamlined process is to have predetermined criteria that are mandatory for selected organisations. These can be based on internal governance, programme delivery and financial history of the organisation.

Bottlenecks in the system could also be removed by bridging the information gap between the civil society organisations and corporate sector. PCP's "Gateway to Giving" which is the directory of the PCP's certified Non-Profit Organisations could facilitate the banks in deciding where their donations could go as opposed to being restricted to giving to only those NPO's that have approached them for funding. This would facilitate the donors to reach the grassroots level of society and effectively distribute and utilise their philanthropic resources than at present.

A more proactive approach could involve issuing Expression of Interest in relevant publications so that all potential recipient organisations would get equally opportunity to access the philanthropic donation made by the banks. Commercial Banks could also benefit from hiring a third party organisation that would handle all philanthropy related matters as this would help keep away from political pressures that these organisations are exposed to at the time of short listing of recipients

Another recommendation to all entities in the banking sector is to decide upon a single sustainability agenda and synergise all their energies and resources towards a single development objective. Organisations need to move beyond sponsoring one time charity events to focused and strategic agenda driven investment to pre determined social causes. It was agreed by all banks that the Banking sector should be recognised for the contribution being made by it. It is considered a great honour to be recognised on a national level platform. For this reason events that highlight the efforts of corporations are important.

During the course of the one to one discussion with the officials of the commercial banking sector, existence of information and credibility gap between philanthropists and non-profit organisations; nature and dimensions of philanthropy in Pakistan; size and scope of the non-profit sector; transparency and improvement in governance structures of NPOs; and the need to improve public image of civil society organisations came under discussion recurrently. PCP as the sole link between the grant seekers and grant givers in the country should evolve a strategy to enhance the capacity of the non-profit sector and educate donors or would-be donors about the vehicles of giving, about community needs and design effective programmes. Moreover, a transparent, credible and accountable non-profit sector is an imperative to increase the level of philanthropy in the country. The Centre should also raise a team of fundraising professionals to interact with donors and would-be donors to respond to their concerns and scepticism about the non-profit sector and understand donors' specific and sophisticated financial planning needs.

PCP's Philanthropy Support Services Programme has a lot to offer to the banking sector. In the past, PCP has carried out numerous successful activities in collaboration with the corporate sector under their Philanthropy Support Services Programme. PCP's Philanthropy Support Services Programme aims to help philanthropists enhance the impact of their giving. In addition to existing projects, Philanthropy Support Services will soon be launching its Philanthropy Portal under the title of "Give2Pakistan". This portal will serve as a facilitation window for grant makers and philanthropists, providing giving options and grant facilitation services so that grant makers can contribute easily where their giving will change lives.



Conclusion

To successfully increase the volume and effectiveness of philanthropy it is imperative to first identify the motivation that determines the level of giving for any corporation or individual. Though it may be argued that companies with high net worth are far more visible in the giving arena, in the bigger picture the importance of the role played by each and every organisation involved in giving has to be recognised.

Today, companies engage in giving programmes under a variety of thematic areas, ranging from cause related giving to supporting marginalised communities. With the passage of time businesses have proven themselves to be able to rise to the challenge of reaching out to the needs of the people. Still owing to the unpredictable nature of the corporate world, businesses are compelled to make themselves flexible to market forces and changing circumstances. Corporate social responsibility is therefore better treated as a practise that has strategic objectives.

This year an increase in corporate philanthropy was recorded. There are various possible reasons for this positive change. Firstly there was an increase in the total number of PLC's by 0.2% from 535 in 2007 to 548 in 2008. Even though the total number of giving companies fell from 290 to 276, the three top ranking givers amongst these increased their giving by a total of PKR 48 million. Top 25 giving companies accounted for 84% of total giving, an increase of 3% from the preceding year. Therefore the results of the survey were promising; despite expected slowdown in the corporate philanthropy impulse owing to the global economic recession. An overall increase in volume of donations of almost 20% was documented in our findings.

The next step to take philanthropy forward is for corporations to look into formalising the procedures for giving that they adopt and also to hone their corporate philanthropy strategies in line with their business objectives. This practise would go a long way to ensure

sustainability of giving programmes, even if goals were long term. Enterprises need to look at philanthropy more and more as an investment into their own future, while giving due consideration to the needs of the society to which they contribute.

Another vital step would be for corporations to begin treating the government and CSO's as allies and work with them as opposed to the status quo where they are considered competitor. Government involvement should be sought in the long run.

The Government has already taken a step forward to increase the volume and effectiveness of philanthropy and to enable easier documentation of such, with the Securities and Exchange

Commissions" promulgation of the Companies (Corporate Social Responsibility) General Order, 2009 which prescribes descriptive and monetary disclosures of Corporate Social Responsibility (CSR) activities undertaken by the companies through their Directors' report to the shareholders annexed to the annual audited accounts. It is expected that this promulgation will help overcome the inadequacy in details regarding donations in company annual reports.

All in all Corporate Philanthropy continues to move forward in the country's economy, and with increasing awareness and acceptance of the benefits of such practises, the outlook for the future remains largely optimistic.

About the Centre

The Pakistan Centre for Philanthropy (PCP) is an independent nonprofit support organisation licensed under section 42 of the Companies Ordinance 1984. Located in Islamabad, it is led by a Board of Directors comprising eminent citizens and leaders from business and civil society organisations.

PCP was established in August 2001 as a direct outcome of the *Conference on Indigenous Philanthropy* held in October 2000 in Islamabad. The Conference, attended by the President of Pakistan and His Highness the Aga Khan, recommended the setting up of a “permanent institutional vehicle to promote philanthropy for social investment”.

Rather than engaging in direct philanthropy, PCP seeks to help others in their philanthropic efforts through meaningful support services:

Corporate Philanthropy for Education: a flagship initiative implemented through Public Private Partnerships mobilises corporate philanthropy for improving rural area schools. The tripartite partnership includes government, private sector and civil society organisations to manage inputs and produce outputs beyond the magnitude of those that are possible through a singular effort.

Certification of Nonprofit Organisations sets standards in critical areas of internal governance, financial management and programme delivery for NPOs so that they can enhance their credibility and transparency. Certified organisations are then promoted through PCP's website to enable donors and the

government to identify credible partners for social development. Certification also provides NPOs a fast track to tax exemption.

Research Studies aim to explore factors that affect/have the potential to affect the quantum of philanthropy resources that may be made available for development. Recent studies include '*Creating an Enabling Legal Framework for Nonprofit Organizations*', '*Philanthropy and Leadership: A Study on the Giving Practices of High Networth Individuals*', '*Philanthropy by Pakistani Diaspora in the USA*' and '*Corporate Philanthropy in Pakistan: The Case of Public Listed Companies*'.

Information Dissemination and the General Promotion of Philanthropy

is an essential underpinning function that involves PCP in promoting knowledge and philanthropy best practice across boundaries; generating informed discussion; catalysing interaction; and voicing issues concerning the growth and development of civil society to address the challenge of poverty.

The Philanthropy Portal (2P) is a virtual platform to link grant-makers and certified nonprofit organisations to promote effective collaborative philanthropy. 2P will operate as a reservoir of information and assist donors and NPOs in making informed decisions and help build functional relationships between the two.

For more information visit www.pcp.org.pk



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