

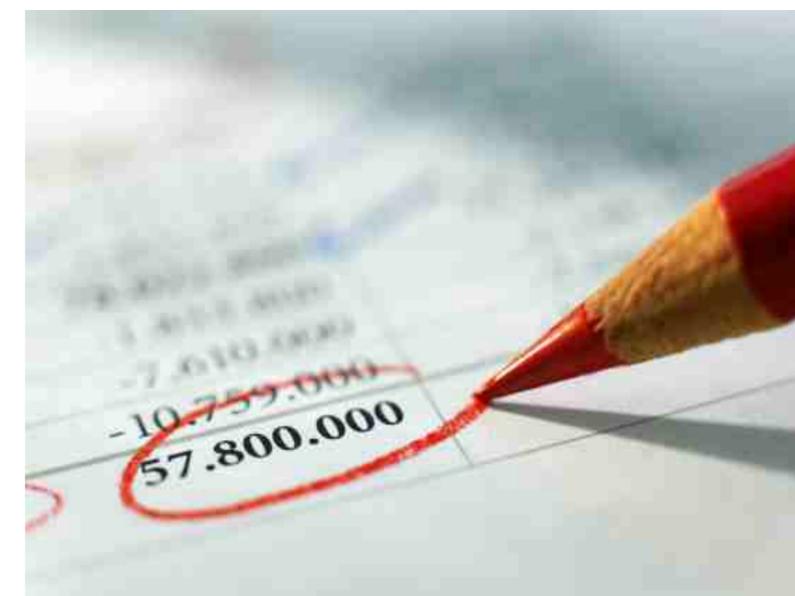
Corporate Philanthropy in Pakistan 2009



Survey of public listed companies

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

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companies

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Foreword

With the core objective of promoting an environment of giving in the country, the Pakistan Centre for Philanthropy, is proactive in researching philanthropic practices and potential growth areas in the sector. Corporate giving is at the centre stage of PCP's facilitative role in linking philanthropy with deserving beneficiaries. On a larger canvas, inclusive development has, in addition to government and civil society organisations come to include the corporate sector as a strong partner for social development. Correspondingly, the corporate sector in Pakistan recognises this role as a win win situation where it is becoming evident that the synchronisation of social, environmental and ethical concerns in the governance of a business ensures its long term success and sustainability. In today's world, businesses are sensitive to the expectations of society and that of state regulators. Consequently, philanthropy has also transformed from a simple one time financial transaction to integrating the interest of a business with that of the community in which it operates.

The current volume of the Centre's Corporate Philanthropy in Pakistan – 2009, is sixth in its series of surveys of public listed companies. The Centre initiated these annual surveys documenting the philanthropic contributions of Public Listed Companies (PLCs) in 2003. The survey captures the volume, dimensions and

range of corporate philanthropy practiced in the country. In addition to the survey, the report this year includes a qualitative chapter on the giving trends of the Independent Power Production sector. Acknowledging the contribution of PLCs' towards community and social development, the Centre arranges an annual award ceremony where it honours star performers. Such awards over the past years have both recognised and motivated PLC captains to assume a stronger and wider role in social development in the country. It is gratifying that these awards have become an eagerly awaited feature of the business calendar. The rankings presented in the current survey will become the basis for the fourth philanthropy awards.

It goes to the credit of our corporate leaders, that despite the recent economic trying times around the globe, the survey illustrates an overall increase rather than an anticipated drop in total contributions from PKR 2.2 billion to PKR 2.4 billion. On the other hand, the total number of contributing PLCs has increased from 277 to 307. The number of PLCs involved in giving has increased to 57% of all listed companies representing a 6% increase over the preceding year. It is particularly noteworthy that the number of PLCs with contributions of PKR 5 million or more have increased by 38% over 2008.

PCP hopes that the findings of this survey will assist policy makers and PLC leaders in making better and effective choices in the utilisation of philanthropic resources. Simultaneously, the Centre remains open to suggestions and advice from its stakeholders for strengthening corporate giving in Pakistan.



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

Acknowledgements

Pakistan Centre for Philanthropy presents with pride the sixth 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 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. Badaruddin F. Vellani, Mr. Mueen Afzal, Mr. Ahsan M. Saleem, Dr. Attiya Inayatullah, Mr. Shoaib Sultan Khan and Mr. Hussain Dawood for their constant guidance and perceptive input.

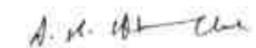
PCP acknowledges the generous financial support provided by the Aga Khan Foundation (Pakistan) and would like to record its gratitude to the

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 the result of the painstaking and dedicated collective effort of Syed Tariq Ali, Senior Research Officer, Mr. Ali Shoaib, Junior Programme Officer and Ms. Rabia Hasan, Junior Research Officer.

We would also like to record our appreciation of the Independent Power Producers who 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.

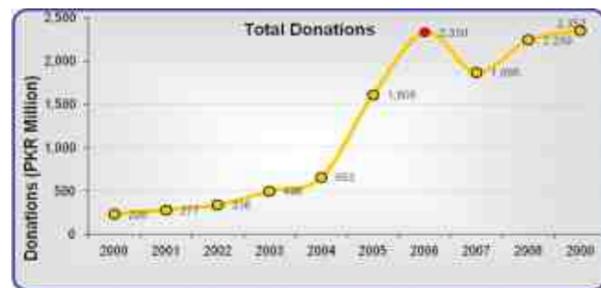


Dr. Anjum R. Haque
Executive Director, PCP

Executive Summary

“Corporate Philanthropy in Pakistan 2009, a survey of public listed companies” by the Pakistan Centre for Philanthropy (PCP), investigates the philanthropic giving of public listed companies (PLCs) in Pakistan. It attests to the fact that the business sector is alive to the needs of society. The concept of social responsibility among businessmen in Pakistan is not new; however, recent changes in the global and local environment have led to a rise in expectations from business houses which have impacted positively on the contract between businesses and the society at large.

The primary goal of the annual Corporate Philanthropy Survey, in line with PCP's mission, is to increase both the volume and effectiveness of corporate philanthropy in Pakistan. The survey comprises a documentation of philanthropy by public listed companies, estimates of its quantity and a study of the trends and patterns. The study also contains rankings of PLCs in terms of their giving and consequently facilitates the 'PCP Corporate Philanthropy Awards.' It is most encouraging to note that the giving



trend by listed companies reveals a rising pattern over the past decade. Total donations by PLCs increased more than tenfold from PKR 228 million in 2000 to PKR 2.35 billion in 2009. It is

remarkable that in 2009, giving by PLCs has reached 0.9% of Profits Before Tax (PBT) and increase of 0.3% from 2008 and much closer to the international standard of giving @ 1% of PBT.

Similarly, the national philanthropic spirit in times of crises is evident from the table below where figures for the year 2006 show an exponential rise in the number of listed companies that came to the assistance of those affected by the 2005 earthquake. It is heartening that this remarkable rise is practically sustaining in 2007, 2008 and 2009. It is expected that figures for giving by Pakistani companies will exhibit yet another rise when the survey for 2010 takes into account the resources contributed in support of the flood victims in this year.

As in previous years, 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. Public Listed Companies that have emerged as the top ten givers for 2009 are listed below.

Some Key Findings 2009

1 Total donations by PLCs increased more than tenfold from PKR 228 million in 2000 to PKR 2.35 billion in 2009

2 PLC contributions for 2009 measured at 0.9%. This exhibits an increase of 0.3% from 2008 and much closer to the international standard of giving which is 1% of PBT

3 Despite a 25% decrease in the total PBT, the volume of donations increased by 5.1% from the last financial year

4 57% of PLCs were involved in Corporate Philanthropy, an increase of 6% from the preceding year

5 Top 25 giving companies accounted for 73% of total giving

6 The number of companies with giving of PKR 5 million or more increased by 40% from 2008 (from 48 to 65)

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

Giving trends by PLC's 2000-2009

Year	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Number of Companies Giving	307	277	290	329	299	283	287	282	268	263
Total Sample	542	548	535	546	551	552	568	565	551	500
Percentage of Sample involved in Corporate Philanthropy	57%	51%	54%	60%	54%	51%	51%	50%	49%	53%

Top 5 by Volume of Donations

1. Pakistan Petroleum Limited
2. Engro Corporation Ltd (Formerly Engro Chemicals)
3. National Bank of Pakistan
4. Allied Bank Limited
5. Nestle Pakistan

Top 5 according to percentage of Profit before Tax

1. N.P Spinning Mills Ltd.
2. Highnoon Labs
3. Ellcot Spinning Mills Ltd.
4. Bannu Woollen Mills Ltd.
5. Crescent Jute Products Ltd.

The first chapter of this survey sets the context by discussing the recent shift in global business thinking from philanthropy to sustainability. It sheds light on the relationship between the corporate sector and civil society and its recent metamorphosis from a charity and dependence base to one that focuses on empowerment and partnership. The chapter also discusses the survey's salient feature, the Annual PCP Corporate Philanthropy Awards. Chapter two explains the methodology, the sample, data collection process and limitations. "Corporate Philanthropy in Pakistan 2009" being a sequel, adopted the same methodology as for earlier reports and contains details of donations by 542 PLCs, extracted from their annual audited accounts which were obtained from the Securities Exchange Commission of Pakistan (SECP) and Karachi Stock Exchange (KSE). The data was subsequently validated through intensive communication with the companies.

Chapter three details the ranking of PLCs

by volume of donations and by volume of donations as percentage of profit before tax. It also takes into account the economic environment prevailing in the country during the financial year 2009 and its impact on corporate giving. Due to the difficult economic environment, total PBT decreased by 25% from the preceding year, whereas, corporate givers remarkably continued to contribute generously with total donations amounting to a record level of PKR 2.35 billion. Moreover, the number of giving companies has also increased by 6% during the financial year 2009.

Chapter four features a new dimension of this report where a qualitative analysis of the Independent Power Producers (IPPs) has been presented. IPPs formed one of the most rapidly growing sub-sectors during the last decade and the sector's giving practices have been examined to gain an insight into their commitment to society with particular focus on qualitative measures. The IPP sector comprises 23 operational companies of which 30% are PLCs while the remaining 70% are public unlisted entities. Total philanthropy generated by the IPPs in 2009 amounted to PKR 117.1 million and the average contribution of each organization was PKR 7.32 million, which amounts to an average of 0.55 % of their PBT.

The qualitative survey is a first step towards PCP's aim to gradually expand the scope of the forthcoming surveys so as to capture giving of public unlisted companies and private limited companies, depending on availability of resources and ease of access to relevant data.

Acronyms

AKFP	Aga Khan Foundation (Pakistan)
CEO	Chief Executive Officer
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
Co.	Company
CP	Corporate Philanthropy
CPI	Consumer Price Index
EMAS	Eco-Management and Audit Scheme
EU	European Union
FSA	Fuel Supply Agreement
GDP	Gross Domestic Product
GNP	Gross National Product
GoP	Government of Pakistan
GSA	Gas Supply Agreement
HR	Human Resources
IA	Implementation Agreement
IPPs	Independent Power Producers
KSE	Karachi Stock Exchange
Ltd.	Limited
NGO	Non-Governmental Organisation
PBT	Profit before Tax
PCPAs	PCP Corporate Philanthropy Awards
PKR	Pakistani Rupee
PLCs	Public Listed Companies
PPA	Power Purchase Agreement
PPIB	Private Power and Infrastructure Board
SECP	Securities and Exchange Commission of Pakistan
TBL	Triple Bottom Line
UnPLC	Public Unlisted Companies
WAPDA	Water and Power Development Authority
WPPO	Wapda Power Privatisation Organisation

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Context

Business shift from philanthropy to sustainability: *the rise of corporate conscientiousness*

It is important to place in context the endeavour of corporate giving, its impetus, responsibility and sustainability within the present day scenario. The concept of social responsibility among businessmen is not new and easily seen in the form of magnificent hospitals, schools and educational institutions. International literature is full of instances when businessmen have gone out of the way to help societies handle crises. Till the late twentieth century, the mission of business firms was exclusively economic. With the business environment now conditioned by various developments including the shift of power from capital to knowledge, increased levels of literacy and the shrinking of geographical boundaries due to faster means of travel and communication, people are, by and large, becoming more conscious of their rights. This has led to a rise in the expectations of society from business. Over the years, the nature of the involvement of business houses with social causes has undergone a change. The relationship

between society and business has metamorphosed from charity and dependence to empowerment and partnership.

While both businesses as well as governments have existed since times immemorial, terms like 'CSR' (Corporate Social Responsibility) and 'sustainable development' have been talked of emphatically only for the last decade. The answer is worryingly simple; the foundations upon which our economy is built no longer looks completely stable as there is stirring discontent among the populace. As Laszlo points out "in the opening years of the twenty-first century we are launched on a process of profound and irreversible transformation". G. Palast in "The Best Democracy, Money Can Buy²" stated that "Globalisation as a phenomenon has traversed the globe bringing benefits to some but desolation and deprivation to many more".

¹ Macroshift: Navigating the Transformation to a Sustainable World. Laszlo, E. 2001.

² The Best Democracy Money Can Buy, Palast, G. 2002

The growing sizes of businesses and the corresponding shrinking roles of governments have contributed to this perception. There are many companies in the world whose annual sales are more than the Gross National Products (GNPs) of many countries. According to a newspaper analysis, the total annual revenue receipt of the retail chain, Wal-Mart, is greater than the economies of all but 30 of the world's nations. As people are now more educated and informed as compared to their predecessors, their expectations from corporate houses too have increased manifold.

An organisation receives inputs from society in the form of skilled/unskilled

labour, raw material and natural resources, and, in turn, offers goods and services to society. Thus businesses depend on society for their existence and it is in their interest to take care of society. While industry provides employment opportunities and thus facilitates socio-economic progress, it also displaces people. The onus therefore falls on industry to ensure proper infrastructure and economic facilities in lieu thereof. Businesses cannot operate either in isolation or in a vacuum. Like individuals, businesses also need to live in the real world, i.e., in society. The case for effective and increased corporate philanthropy rests on this premise.

Corporate sustainability

Corporate sustainability, responsibility and citizenship are rapidly entering the global business lexicon. Corporate Sustainability is often described as 'performance with a purpose'. In today's well-informed world, the setting up of a business on the basis of financial strength is not a blanket licence to mint money. Businesses have to be sensitive to the expectations both of society and of regulators. A firm has to focus its attention on increasing its bottom line besides being a good corporate citizen. Keeping abreast of global trends and remaining committed to financial obligations to deliver both private and public benefits have forced organisations to reshape their frameworks, rules, and business models.

Sustainable business strategies are becoming major catalysts for innovation in business today and have become a platform for spawning new sources of competitive advantage and new drivers of profitable growth. Business needs to address its economic, social and environmental challenges holistically, and to understand how it can contribute as a positive force in creating a better world. It demands systems, thinking, seeing the bigger picture of why and how we work. Corporations have to reject many of the conventions and conveniences of business that created past success; taking new perspectives, finding new solutions, and even finding new measures of performance.

The table below (Table 1) reflects how social and sustainability issues have moved from the organisation fringes to core business:

1950s–60sAwakening	1970s – 80sRegulating	1990s– 00sContributing	2010+Transforming
Industrial growth delivers wealth and expectation	Economic growth with increased consumerism and international trade	Multinational brands serve more diverse, informed and conscious customers	Global markets, with instant connectivity, global trends and rising 'base of the pyramid'
Western markets thrive whilst the East recovers more slowly	Product innovation supported by low-cost automated production	Digital innovation creates virtual businesses, faster and more connected	Sustainable innovation puts social and environmental issues at core of business
Migration to cities accelerated by travel and employment	Improved lifestyles, human and equal rights lead to new practices	Corporate governance improves the ethical and social behaviour of business	Collaborative organisations and networked communities for new business models
Flower-power hippies raise social and environment priorities	Government regulation on pollution and waste through taxation	Recycling, sustainable sourcing and disposal adopted as standard	Sustainable markets are most profitable, as 'doing good' becomes the best

Table 1 - Source: Business Case for Corporate Sustainability Programme

A sustainable business strategy is one that enables the organisation to achieve its purpose and maximize value creation in doing so. Value is created over time, and therefore requires a sustained approach to investments and profit generation. The value created can be shared between stakeholders – customers and employees, owners and society – in any way. However, in the same way as the business needs to decide how much of its profits to give as bonuses and how much to reinvest in the business, a sustainable business will need to understand how much to share with many more partners, including society itself. This allocation of money should not be seen as benevolence, but rather as a broader (and more enlightened) investment strategy. However, the broader impact on society and its stakeholders requires structure and coordination, so that it delivers a positive return for all, a 'win-win-win'. The most effective business strategies will embrace sustainability at their core, fundamentally affecting decisions about where and how to compete, rather than as a contributory factor or as an afterthought. The business strategies that

secure the most sustainable growth will be those that also embrace the sustainability agenda at their core, sustaining their performance through a more holistic approach to the world in which they operate.

From Coca-Cola to GE, Lego to Nike, companies are struggling and striving to make sense of the new world, to set the new agenda, to stand out as the most sustainable entity in the world. For every company the challenges are different – some more internal than external, some about how, others about why. Energy companies, for example, are the best and worst at it. They deflower the earth and pollute the skies, but they also recognize that their industries will not be here in 50 years unless they fundamentally change products and process, business and beliefs. From aerospace to pharmaceuticals, companies are taking a strategic approach to investment and innovation, to changing customer mindsets and behaviour over time. Other sectors, like retail and consumer goods, have a much shorter-term outlook, driven by fashion and impulse,

and will ride with 'the wave' towards a sustainable future.

Timberland, for example, redesigned its shoe boxes to eliminate 15 percent of the material used in them, a dramatic saving when you sell more than 25 million pairs of shoes every year. Not only this, but, a range of its shoes are now made entirely from recycled material. The company is using these improvements as commitments to creating a better natural world, the world its outdoor-loving consumers most care about.

In the developing world, Corporate Social Responsibility (CSR) is a complex topic. Despite the fact that today the legal, ethical and discretionary expectations from businesses are greater than ever before, many companies totally disregard social issues and problems, whereas many other purport to pursue the goal of not only increased revenues and profits, but also of community and societal improvement. Traditionally, CSR is seen as a voluntary action that businesses can take over and above compliance with minimum legal requirements to address both their own competitive interests and the interests of wider society. However, increasing literacy levels, rise of the

middle class and a general increase in awareness among citizens about social and environmental issues have been forcing businesses to adopt a broader view of their responsibilities that cover not only stockholders, but many other constituents as well, including employees, suppliers, customers, the local community, government, non-governmental organisations (NGOs), environmental groups and special interest groups.

With CSR becoming a buzzword among companies in countries like Pakistan, the corporate sector needs to re-position its social responsibility programme as a bottom line-focused activity and not something restricted to the doling out of charity. The management and effective utilisation of large funds allocated to social causes is not an easy task, if undertaken in the right spirit. Social responsibility includes understanding and working on complex issues like poverty alleviation, healthcare, education, water and sanitation, environment, gender, human rights, political activism, decentralisation, and so on. The challenge lies not only in the allocation of funds but in the sense of ownership that its effective utilisation creates.

Approaches to corporate sustainability programme

A number of business organisations, consultancies, think tanks, and academics have sought to establish what the concept of Sustainable Development means to business. This has resulted in the development of several models/frameworks/notions which corporations use (sometimes interchangeably, sometimes inconsistently) as the basis for their sustainability strategy. The three important models are:

- The triple bottom line
- The five capitals model
- The natural step framework

The Triple Bottom Line (TBL):
In 1998 John Elkington, the chairman of progressive strategy consultancy SustainAbility, institutionalised the famous concept of the TBL. In his book, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, he outlined "how 21st century business would be increasingly called to demonstrate not only its financial, but also its social and environmental performance"³. According to SustainAbility, 'The Triple Bottom Line focuses corporations not just on the economic value they add, but also on the environmental and social value they add and destroy.

³ Elkington, J, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Oxford, UK.: Capstone Publishing Limited, 1998

Figure 1: The Three legged Stool of Sustainability and Triple Bottom Line

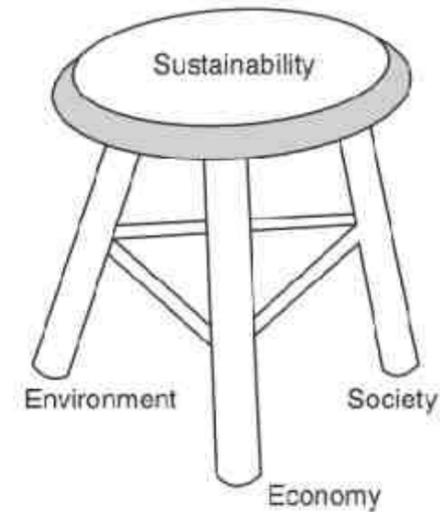
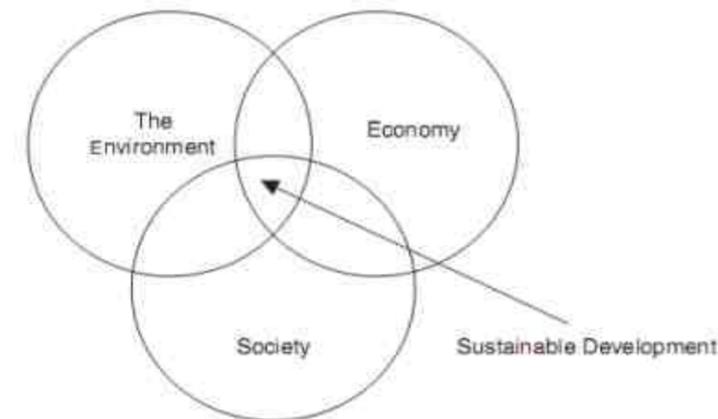


Figure 2: The Sustainability Effect



Sustainable development as a point of convergence between three circles

The term 'Triple Bottom Line', implying a threefold manifesto, is today a buzzword, which tests the performance of a business house on the basis of three criteria, viz., (i) economic performance, (ii) environmental performance, and (iii) social performance. Sometimes it is

referred to as three Ps, i.e., People, Planet, Profit. The goal of inclusive and sustainable growth—the philosophy underlined in the Triple Bottom Line approach—is based on the realisation that economic growth cannot be engendered without embracing the vast multitudes living in poverty and addressing the alarming depletion of finite natural resources.

The Five Capital Model:

The 'five capitals' model is an innovative, asset management approach to the concept of sustainability accredited independently to both Stephan Viederman⁴ (an American author/sustainability activist), and the British think-tank Forum for the Future⁵. The model seeks to pare down organisations to their essential assets.

Forum for the Future's 'five capitals'

1. Natural Capital, e.g. resources, sinks and processes
2. Human Capital, e.g. knowledge, values, health
3. Social Capital, e.g. families, communities, businesses, culture, schools
4. Manufactured Capital, e.g. tools, machines, infrastructure, buildings
5. Financial Capital, e.g. shares, bonds or banknotes

Following this model a sustainable business' would appear to be one that adds to the capital worth of each of the five capitals – at the very least not causing significant erosion to any of the five capitals at the expense of others. The business would simply live off the interest that well managed capital provides. The model is not solely directed at business and could easily be used to develop national frameworks for sustainability.

The Natural Step⁶ Framework: The Natural Step was founded in 1989 by Dr Karl-Henrik Robèrt, then a Swedish oncologist. Whilst performing cancer research he

identified a significant increase in childhood leukaemia cases. Further investigation suggested that this was linked to the presence of toxins at a cellular level—preventing normal cellular function. Dr Robèrt linked his observations to the bigger picture, noticing that in general, as our environment degraded, so did our health. In doing so, he observed that the contemporary ecological debate tended to be focused on prevention and not on cure. Together with 50 other Swedish scientists he set out to apply 'systems thinking' (recognising that what happens to one part of a system ultimately affects every other part) to our understanding of the biosphere's functions and societies' impact on them.

The conclusions of their research were considered to be so important that every household and school in Sweden received a copy. Dr Robèrt, working with another scientist, a physicist John Holmberg, followed up this research by defining a set of four system conditions for sustainability⁷. They proposed that a sustainable society, organisation or business should have as their objective the realisation of the following conditions – balancing supply and demand. In a sustainable society, nature is not subject to systematically increasing:

Concentrations of substances extracted from the earth's crust
Concentrations of substances produced by society
Degradation by physical means; and, that in society
Human needs are met worldwide
Metaphors aside, all three models are

essentially used to describe the same thing albeit in different ways. This highly practical three-way model has been accepted by a large number of businesses, possibly due to its conceptual simplicity, and it now represents the basis of the current trend in sustainability reporting. It does, however, have a major problem: it does not consider any of the three

lines as being more important than the other – the TBL is given an equal weighting. Differently, the pyramid and sphere/Russian doll models, recognise the obvious fact that economy and society cannot function without the environment, whereas, in contrast, the environment can function without economy and society.

PCP 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. Following an annual 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.

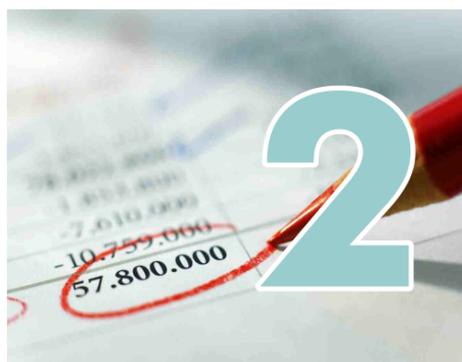
The first awards were distributed by then Prime Minister Shaukat Aziz in January 2007 and the second award ceremony was held in the Prime Minister's House in June 2008, with Prime Minister Yousuf Raza Gilani as the Chief Guest. The third award ceremony took place at the Sheraton Hotel in Karachi with the Finance Minister Shaukat Tareen 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 the last quarter of 2010, and will be based on the rankings presented in the 2008 and the present 2009 survey.

⁴ Viederman, S. Sustainability's five capitals and three pillars. In D. Pirages (Ed.), *Building Sustainable Societies: A Blueprint for a Post-Industrial World*. Armonk, New York: ME Sharpe, 1996

⁵ Forum for the Future. Definitions: whatwedo/default.asp?pageid328, 2003

⁶ Strategic sustainable development – selection, design and synergies of applied tools. *Journal of Cleaner Production*, 10(3): 197–214, Thomas, P. P., Suzuki, M., Hawken, P. and Wackernagel, M. 2002

⁷ The Natural Step Story: Seeding a Quiet Revolution. British Columbia, Canada: New Society Publishers, Robèrt, K.-H. 2002.



The Survey

The elementary goal of the annual Corporate Philanthropy Survey, in line with PCP's mission, is to increase both the volume and effectiveness of corporate philanthropy in Pakistan. The survey comprises a documentation of public listed companies' philanthropy, estimates of its quantity and a study of the trends and patterns. The study

Methodology

For this, the sixth annual Corporate Philanthropy Survey, the methodology has remained the same as that of preceding reports in the series. In addition to the quantitative approach that dominates a large part of the data collection process for this study, a qualitative approach was also adopted, focusing on the independent power producers' sector of the economy. The findings of this survey are contained in an additional chapter where a sub-sector of the economy is isolated and the trends of giving pertinent to this sub-sector are explored in detail. The reason for selection was that the IPP sector in Pakistan has experienced rapid growth in recent years and, for the most part, their philanthropic contributions to society have been at par with the growth. The quantitative section of the survey continues to focus on the PLC (Public Listed Companies) segment of the corporate world, to maintain authenticity of data collected and compiled. This is possible because as per SECP (Securities and

also contains rankings of PLC's in terms of their giving and consequently facilitates the 'PCP Corporate Philanthropy Awards.' This report is the sixth in the series of research report that study the nature and dimension of corporate giving in Pakistan and present evidence based findings of the Public Limited Companies' sector.

Exchange Commission of Pakistan) regulations, all PLC's are required to submit their financial accounts at the end of their financial year to the SECP, and failure to comply leads to penalisation. The SECP has always been extremely cooperative and staunch in their support of PCP's efforts and, therefore, the aforementioned data is made easily available to us. Direct verification of the data is also made simple as the contacts for PLC's can be obtained from various reliable sources, including the Karachi Stock Exchange address book that is uploaded on their website and accessible to public.

At the very first stage of the study, an updated list of PLCs for the financial year in question is acquired from the SECP and relevant data of the listed companies is compiled. Working as a regulatory body for all PLCs in Pakistan, the SECP has proven time and again to be the most unequivocal source for obtaining financial information of PLC's. At the completion of the

compilation stage, if there is any data missing, the Centre crosschecks with the Karachi Stock Exchange library, another source where complete records of PLC's are easily accessible.

Once the data is compiled and recorded, individual verification letters are drafted and dispatched to every listed company so that they may confirm or correct the data in our records. In case of no response, two follow up letters are also sent, at two week intervals, and the final reminder clearly states that in case of a PLC's failure to respond to a verification letter, any information contained in PCP's records will be considered as final. The response rate for 2009 remained at 16%, as it was in the preceding year. After the deadline for responses to the final reminder has passed, the data compiled is meticulously tabulated. Companies are ranked on the basis of two main criteria; (i) volume of donations (ii) Volume of donations as percentage of profit before tax. In addition to this, the data is also used to derive various variables for analysis on the basis of which the report is drafted.

In the past, the survey has been limited to studying the trends of giving of public listed companies alone. This year, by focusing on the IPP sector for the qualitative section of the study, the public unlisted companies' as well as private companies' sector has also been tapped. Obtaining data of private companies has proven to be a trying, and at times impossible process. Companies in this sector are keen to protect their

interests and do not find it appropriate to disclose their financial records.

A total of 22 companies were sent questionnaires, of which no contact could be established with 10%, and another 27% did not wish to participate in the survey. Of the remaining 13, 7 companies returned the questionnaires and were visited and interviewed. No stone was left unturned in the Centre's efforts to explore the nature and dimensions of giving that exist in the Independent Power Producers' Sector. Karachi Stock Exchange maintains regular data of Public Listed Companies in their daily quotations. The total number of PLCs listed in 2009 as of December was 651; 64 open/close mutual funds were excluded from the survey as they do not participate in corporate giving, bringing the sample size down to 587 PLCs. Financial information of 45 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 sample size came to 542 companies.

The financial year end breakdown of the sample is given in the table below

Table 2 Breakdown of PLCs in sample by the financial year

YEAR END	NO. OF PLCs	% OF SAMPLE
MARCH	2	0.4%
JUNE	416	77%
SEPTEMBER	33	6%
NOVEMBER	1	0.2%
DECEMBER	90	17%
TOTAL	542	100%

Data collection

The annual reports of PLC's contain their audited account statements for the financial years. For this survey, data collection began in Feb 2010 and continued till May 2010. SECP remained the primary source for data collection but the KSE library was also visited to ensure all available reports were collected.

Once data was collected from these sources and compiled, verification letters were dispatched to all listed companies individually, to confirm that the figures recorded were correct. Two follow up letters were sent as reminders. In the final reminder, it was clearly stated that

in the instance that a company fails to respond to a verification letter before the given deadline, any information PCP had in its data base regarding that company would be considered correct and final.

For the qualitative part of the report, the Independent Power Producers' sector was selected and sent detailed questionnaires regarding their giving programmes. Based on the responses received, one on one interviews were conducted with seven IPPs, for details regarding their giving programmes and to seek suggestions on if and how these endeavours could be made more effective.

Limitations

Administering the research and delivering required results for the corporate philanthropy survey 2009 presented its fair share of constraints and challenges. As in preceding years, the sample consisted only of Public Listed Companies, which represent a small share of the corporate universe. Therefore the depiction of the nature and dimensions of giving presented in the report may not accurately represent the entire corporate sector. Owing to a number of factors such as limited financial, human and time resources, as well as the importance of presenting authentic and valid data, the practice of focusing solely on PLC's was maintained, as they are the most organised sub-sector of the corporate world, and their information is easily accessible.

Figures stated in PLCs' annual reports normally reflect only cash and in-kind donations. Therefore, for many PLC's the possibility exists that a large amount of in time and voluntary giving remains

undocumented. Due to the complexities involved in documenting the latter type of giving, as well as time constraints, they have been excluded from the survey.

In some instances, it was difficult to ascertain the exact volume of a company's donations, as often giving was reported under multiple headers, as well as indirect, ambiguous titles. PCP is optimistic that as of 2010, this lack of clarity will be overcome owing to the recent declaration by SECP, in which as part of the Companies (Corporate Social Responsibility) General Order, 2009⁸, companies are directed to 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. A standard, unified format with descriptors pertaining to the nature of giving will greatly facilitate the Corporate Philanthropy Survey in its data collection stage.



Rankings

As per standard practice of the annual Corporate Philanthropy Report, this survey has ranked PLCs on the basis of the two criteria mentioned below:

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

Ranking by volume of donations gives a clear and simple picture of the extent to which businesses are contributing towards social development in our country. In this criterion, an evident trend is that companies with large turnovers are able to make consistently generous donations towards the society in which they exist and operate. In recent years, concurrent with the growing popularity of the concept of corporate philanthropy, some of these entities have also managed to form a

separate department within their organisations that is responsible solely for managing philanthropic concerns. However, it is realised that, if the volume of donations is the only criteria identified for ranking companies, smaller organisations with less profits and subsequently donations that are proportionately smaller would be overshadowed and their efforts towards social development would not be given due credit.

In order to create parity within the sample, the criterion of donations as a percentage of Profit Before Tax (PBT) has been added so that representation of giving endeavours can be fairer, and not entirely dependant on the size of an organisation.

Philanthropy and the status quo:

To understand and appreciate Pakistan's corporate philanthropy for the year 2009, it is imperative to explore the economic climate of the country within the relevant time period. While economic recession was a global

phenomenon in 2008, Pakistan was faced with an additional crisis, on the political front. Outlook for growth remained pessimistic, owing to factors such as decreased demand for imports, increasing inflation, and dampened

⁸ Statutory Notifications (S.R.O.), Securities and Exchange Commission of Pakistan, NOTIFICATION, Islamabad, the November 16, 2009, S.R.O. 983(I)/2009.

inflows of foreign investment as well as poor performance of the banking sector and stock exchange. In addition to this, the economy remained a victim of energy shortages.

As stated in the Economic Survey for 2008-2009 carried out by the Ministry of Finance, Pakistan's GDP rate decreased significantly from 4.1% in 2007-8 to 2.0% in 2008-9. Moreover, inflow of foreign direct investment fell by 21.4% from July to Nov 2008 against a 9.8% decline during the same period in the preceding year. Total investment declined from 22.5% of GDP in 2006-7 to 19.7% in 2008-9. Pakistan also faced a double digit rate of inflation. The Consumer Price Index (CPI) inflation averaged 22.3% during July 2008 to April 2009 against 10.3% in the comparable period of the previous year⁹. With investor interest deteriorating at a global as well as local level, Pakistan's economy was struggling to regain some sort of composure in the global market. Circular debt remained a pressing issue, with the Government continuously piling names on to its creditor list.

All these aspects have undeniably had

implications on the societal level as well, including an increased level of unemployment and unrest amongst the masses. Remarkably, on the philanthropic front, corporate givers continued to contribute generously, with total giving for the year 2009 amounting to PKR 2.352 billion, exceeding the highest recorded amount yet, which was during the year 2005-6 as a result of the immense efforts by the corporate sector to provide emergency relief to victims of the earth quake that year. As shown in table 3 the number of giving companies in 2009 increased by 6% from the preceding year.

This rise in philanthropy shows that corporate giving is a trend that is continuing to gain popularity in the nation's economy and an increasing number of organisations are accepting their responsibility of contributing towards social uplift more and more generously. Despite numerous setbacks that have impacted the financial performance of the corporate sector, philanthropic efforts continued and the giving generated by the sector displays the immense buoyancy that exists within the sector regarding responsibility towards society.

state-determined objectives of public interest'. The concept of percentage philanthropy in the corporate sector has gained popularity around the world and many countries have incorporated it in their codes of corporate governance albeit with a little variation in terms of the amount of designation allowed and permissible beneficiaries. But the focus in all countries clearly rests on the development and empowerment of civil society.

Nilda Bullain in her research paper titled "Percentage Law Explained"¹⁰ took a closer look at the advantages of practicing 'percentage law' in central eastern European countries. According to her, this law provided an effective mechanism for strengthening democratic values in the corporate culture as businesses have to make independent decisions on the use of a portion of their tax. The percentage law spurred 'civil society development' and played an important role in bridging the gap between civil society organisations (CSOs) and the corporate sector. It acted as a catalyst in raising awareness in the corporate sector about the role and functions of a strong civil society in the country and also provided a revenue stream for the CSOs which they could use with improved liberty and freedom. In terms of the impact of the percentage law on CSOs, she observed that it resulted in an increased responsiveness, transparency and accountability. Further, CSOs strived to develop a strong relationship with the corporate sector to win their support which strengthened communication between the nonprofit sector and the corporate sector. By receiving contributions from their indigenous stakeholders, CSOs became directly accountable to them in terms of how funds were spent. Besides, it also enhanced CSOs reporting requirements that in turn increased transparency and reduced possibilities for the misuse of funds.

In all central eastern European countries, the 'percentage law has a very good

potential to increase corporate participation and taxpayer control over public funds. By giving them an opportunity to designate a percentage of their taxes, it makes companies conscious of the fact that taxpayers may actually have a say in the utilisation of their taxed income. This kind of "taxpayer consciousness" is still generally weak in developing countries like Pakistan. In Pakistan corporate philanthropy is visibly becoming a widely accepted practice, and companies engage themselves in a variety of philanthropic activities under the umbrella of corporate social responsibility.

In table 4, giving figures have been juxtaposed against the figures that would result if all companies adhered to giving 1% of their PBT. Figure 3, in correspondence with this estimation, represents the actual giving from 2000 to 2009 as well as giving at 1% with respect to the total PBT of all PLCs over the same time frame. Table 4 and figure 3 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 ten years donations amounts to PKR 12.38 billion, it would have reached a sum of approximately PKR 33 billion, had the 1% benchmark been applied by all companies included in the sample over this time period.

From 2005 to 2007, a constant decrease in total PBT of companies was recorded. In spite of this, the volume of donations recorded a steady rise against the popular notion that the two have a positive correlation

This year the total PBT decreased by 25% from the preceding year whereas total donations increased by 5.1%. Donations as a total percentage of PBT increased from 2008 and were measured at 0.9%. The number of companies involved increased by 11% from 277 to 307 between 2008 and 2009. Giving per company decreased from averaging at 8.1 million in 2008 to PKR 7.7 million in 2009.

Table 3 Number of PLCs involved in corporate philanthropy

YEAR	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
NUMBER OF COMPANIES GIVING	307	277	290	329	299	283	287	282	268	263
TOTAL SAMPLE	542	548	535	546	551	552	568	565	551	500
% OF SAMPLE INVOLVED IN CP	57	51	54	60	54	51	51	50	49	53

Percentage Philanthropy (Donations if taken as 1% of Profit before Tax)

The genesis of the 'percentage law' traces back to the 19th century when Europe was making reforms to separate the state from the church after the French Revolution. The issue of financing of the church came under

scrutiny and percentage law was enacted to impose a compulsory tax on all the members of the church. This legislation transformed a 'non-political way of financing the Catholic Church to an instrument providing funds to finance

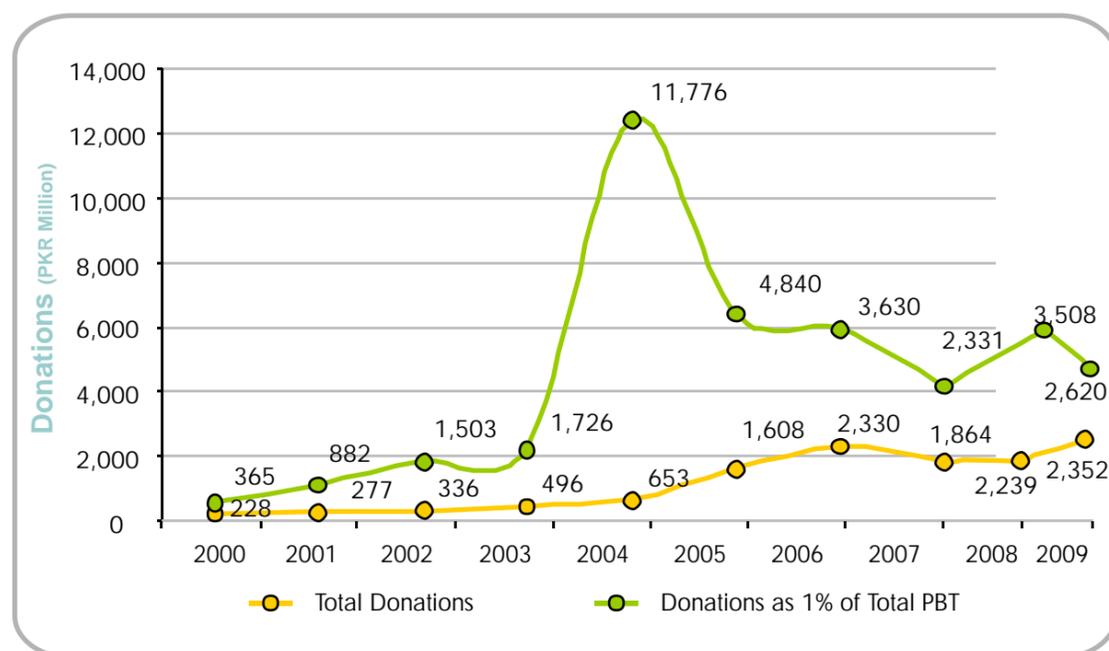
⁹ Ministry of Finance Economic Survey 2008-2009

¹⁰ Percentage Law Explained, Percentage philanthropy and law, Nilda Bullain, NIOK and ECNL, 2004

Table 4 Donations if taken as 1% of Profit Before Tax (PBT)

YEAR	TOTAL PBT	TOTAL DONATIONS	PERCENTAGE	DONATIONS AS 1% OF TOTAL PBT
2000	36,477	228	0.6%	365
2001	88,166	277	0.3%	882
2002	150,349	336	0.2%	1,503
2003	172,626	496	0.3%	1,726
2004	1,177,586	653	0.1%	11,776
2005	484,001	1,608	0.3%	4,840
2006	362,968	2,330	0.6%	3,630
2007	233,141	1,865	0.8%	2,331
2008	350,807	2,239	0.6%	3,508
2009	261,964	2,352	0.9%	2,620
TOTAL	3,318,086	12,384	0.4%	33,181

Figure 3 Donations if taken as 1% of PBT



Comparison with previous years

To give the clearest possible picture of trends and patterns from data collected, it is compared with related information collected over the past years. This year, the data of 2009 has been compared to

that of 2008, to show immediate changes in trends, and to the base year for the corporate survey (2000) to gauge in its entirety, the changing philanthropic climate in Pakistan. Giving figures for all

the years the survey has been conducted, i.e. 2000-2009, are presented first (Table 4), so that a clear picture on the overall development in corporate philanthropy is available.

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 changes between the current year, the preceding year and the base year.

Table 4i PLCs by spread of donations (2000-2009)

<i>Number of Companies by Year and Category</i>										
CATEGORY BY SIZE OF DONATION (PKR MILLION)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
MORE THAN OR EQUAL TO 5 MILLION	12	16	16	26	31	63	71	48	47	65
MORE THAN OR EQUAL TO 4 AND LESS THAN 5 MILLION	1	4	3	4	10	11	8	11	6	9
MORE THAN OR EQUAL TO 3 AND LESS THAN 4 MILLION	5	3	6	6	3	14	12	11	9	11
MORE THAN OR EQUAL TO 2 AND LESS THAN 3 MILLION	3	6	13	8	14	14	16	17	16	22
MORE THAN OR EQUAL TO 1 AND LESS THAN 2 MILLION	22	14	18	33	21	21	35	29	31	40
MORE THAN OR EQUAL TO 0.5 AND LESS THAN 1 MILLION	29	34	32	35	33	26	47	25	27	42
MORE THAN ZERO AND LESS THAN 0.5 MILLION	191	191	194	175	170	149	140	149	141	118
ZERO	237	283	283	283	270	253	217	246	271	235
TOTAL	500	551	565	568	552	551	546	535	548	542

Base Year (2000)

A base year comparison is essentially carried out to enable us to determine the overall change in corporate philanthropy since the time that PCP began its Corporate

Philanthropy Survey (i.e. the year 2000). The change between the base year and 2009 showed vast growth in giving as a whole.

Table 4ii PLCs by spread of donations 2009 showing percentage change with previous year and base year

<i>Number of Companies by Year and Category</i>		
CATEGORY BY SIZE OF DONATION (PKR MILLION)	% CHANGE WITH PRECEDING YEAR (2008)	% CHANGE WITH BASE YEAR 2000
MORE THAN OR EQUAL TO 5 MILLION	38	450
MORE THAN OR EQUAL TO 4 AND LESS THAN 5 MILLION	33	700
MORE THAN OR EQUAL TO 3 AND LESS THAN 4 MILLION	22	120
MORE THAN OR EQUAL TO 2 AND LESS THAN 3 MILLION	44	667
MORE THAN OR EQUAL TO 1 AND LESS THAN 2 MILLION	32	86
MORE THAN OR EQUAL TO 0.5 AND LESS THAN 1 MILLION	48	38
MORE THAN ZERO AND LESS THAN 0.5 MILLION	-16	-38
ZERO	-13	-1

On closer study, it is evident that in the range of PKR 1 million to more than PKR 5 million, as shown in table 4ii, the increase in giving has been phenomenal. The largest relative increase was recorded in the number of companies giving more than or equal to PKR 4 and less than 5 million, at an

Preceding Year (2008)

Table 4ii gives a clear picture of philanthropic trends and how they varied between the years 2009 and 2008. Though the total number of companies decreased to 542 from 548, the break up in terms of sectors reveals diverse trends.

- ◆ In the category of giving above 5 million, the percentage increased by 38% and the total number of giving companies was 65 versus 47 in 2008.
- ◆ PLC's with volume of giving between 2 and 5 million showed a 35% increase in number from 31 in 2008 to 42 in 2009. The highest increase in

astounding 800%. PLCs giving less than 0.5 million show a decline of 38%. This trend is promising, showing that an increasing number of corporate entities are taking corporate philanthropy in their stride and making it an integral part of their CSR strategies.

- percentage was 50% in the category of giving between 4 and 5 million.
- ◆ The number of Companies in the giving category of above 0 and below 2 million fell by 6% from 464 in 2008 to 435 in 2009. In this category the biggest change was the 56% increase in giving companies between 0.5 and 1 million
- ◆ The category of companies with zero giving experienced a decrease in volume, which amounted to 13% from 271 in 2008 to 235 in 2009. This figure shows promising growth in companies giving programmes.

Table 5 PLCs Giving Rs. 5 Million or More

CATEGORY	2008	2009
MORE THAN OR EQUAL TO 100 MILLION	3	3
MORE THAN OR EQUAL TO 50 AND LESS THAN 100 MILLION	2	7
MORE THAN OR EQUAL TO 10 AND LESS THAN 50 MILLION	25	30
MORE THAN OR EQUAL TO 5 AND LESS THAN 10 MILLION	18	25
TOTAL	48	65

Table 5 shows a breakdown of companies giving PKR 5 million or more. Here we see that the 46% of giving is between the amounts of PKR 10 and 50 million. Of the companies contributing more than PKR 5 million, only 4.62% contribute more than PKR 100 million. When compared with the

preceding year, we find an increase of 35% in the total number of companies within this ranking, with the highest increase in companies with giving amounting to between PKR 5 and 10 million.

Donations by Top 25 Giving PLCs

Table 6 shows the total of the 25 companies that ranked highest in terms of volume of giving over the past decade; also providing information on what the average giving was for each of the top 25. The pie chart in Figure 4 gives a pictorial representation of the proportion of total giving that the top 25 companies were responsible for, which for 2009, was an impressive 73%.

However total giving by the top 25 this year decreased from 2008 by 8.2%. These figures still reflect that the top 25 giving companies play a vital philanthropic role, with total contributions soaring high above the 50% mark of total giving. The trend of total donations for the base year and for the year 2009 is compared in the line graph in Figure 5.

Table 6 Donations by Top 25 PLCs

YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	1721.3
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	68.9
CONTRIBUTION OF TOP 25 PLCs (AS A % OF TOTAL GIVING)	32	37	42	61	70	68	73	79	84	73
OTHERS (AS A % OF TOTAL GIVING)	68	63	58	39	30	32	27	21	16	27

Figure 4 Percentage contribution of Top25 Giving PLC's 2009

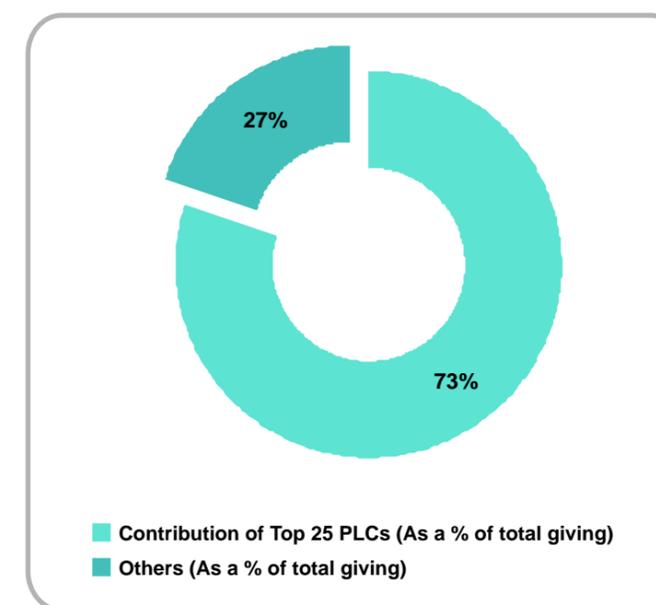
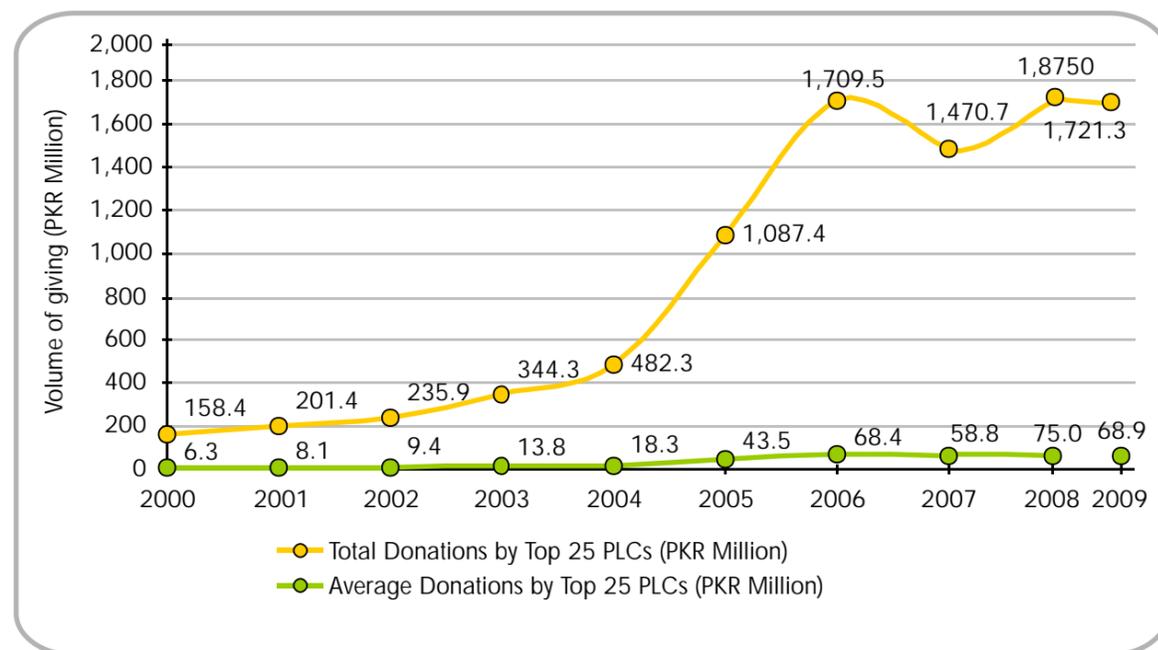


Figure 5 Donations of top 25 giving PLCs by volume



Individual ranking

On the basis of two pre-determined criteria; i) the total volume of donations, and ii) the volume of donations as a percentage of Profit Before Tax (PBT), the top 25 giving companies have been identified for 2009. A clear summary of rankings by total volume of donations is presented in table 7.

Pakistan Petroleum Limited earned the top slot once again in 2009, with donations amounting to PKR 522

million. Engro Corporation Ltd, (Formerly Engro Chemicals) nestled itself in second position, with donations PKR 118.5 million. In third place is National Bank of Pakistan having donated PKR 103 million in 2009.

Two of the years top 3 givers made this mark for the first time, showing an increasingly widespread interest in the concept of corporate philanthropy and its application.

Table 7 Top 25 PLCs by volume of donations (2009)

PKR Million			
RANK	COMPANY	PBT	DONATIONS
1	PAKISTAN PETROLEUM LTD	41,908.4	522.0
2	ENGRO CORPORATION LTD (FORMERLY ENGRO CHEMICALS)	5,214.2	118.5
3	NATIONAL BANK OF PAKISTAN	22,300.2	103.0
4	ALLIED BANK LIMITED	10,536.1	97.3
5	NESTLE PAKISTAN LIMITED	4,186.3	80.2
6	PAKISTAN SERVICES LTD	-101.5	75.9
7	BANK AL-HABIB	4,512.1	71.8
8	UNITED BANK	14,034.5	56.0
9	UNILEVER PAKISTAN LTD & SUBSIDIARY COMPANIES	4,515.6	55.7
10	PAKISTAN TELECOMMUNICATION COMPANY LIMITED	14,020.9	51.7
11	PAKISTAN STATE OIL	-11,356.9	49.8
12	HABIB BANK LIMITED	19,485.7	48.2
13	KOHINOOR TEXTILES	-1,454.3	43.5
14	KARACHI ELECTRIC SUPPLY CORPORATION LIMITED	-15,451.0	40.4
15	INDUS MOTOR COMPANY LTD.	2,046.0	34.5
16	FAUJI FERTILIZER BIN QASIM LTD	5,808.3	33.9
17	SITARA CHEMICAL INDUSTRIES LTD	987.9	33.2
18	HABIB METROPOLITAN BANK (FORMERLY METROPOLITAN BANK)	4,213.6	31.1
19	J.D.W. SUGAR MILLS LTD	759.9	27.3
20	SHELL PAKISTAN LTD	3,910.0	27.1
21	HUBCO POWER	3,781.0	25.5
22	BESTWAY CEMENT LTD	1,204.7	25.2
23	MCB BANK	23,154.9	25.0
24	MAPLE LEAF CEMENT	-917.7	22.5
25	STANDARD CHARTERED BANK PAKISTAN LTD	1,266.3	22.1

The top twenty five giving companies from 2008 (Table 8) are also presented, to allow for comparison in the volume of giving category

Table 8 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	21377.4	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 CORPORATION LTD (FORMERLY ENGRO CHEMICALS)	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 GENERAL INS	-5442.9	21.4
23	LIBERTY MILLS LTD	379.4	20.0
24	HUBCO POWER	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 numerous smaller organisations that are involved actively in giving, and though the amounts in absolute terms may not be large, when calculated as a percentage of their PBT, the ratio of giving often exceeds that of larger companies. The Centre stands committed to its view that philanthropic endeavours need to be appreciated at every level, so that all those involved in corporate philanthropy are

continuously encouraged to carry forward their efforts.

This recognition of efforts is the Centre's way of showing appreciation to the entire corporate sector for their contribution to societal development and progress. The top three positions in the above mentioned category are as follows: N.P. Spinning Mills claims the top spot with donations amounting to a generous 39.5% of PBT, Highnoon Labs is in second place with giving measuring up to 20.4% of their PBT, following close behind, in third place, is Elcott Spinning mills with giving amounting to 19% of PBT.

Table 9 Top 25 PLCs by volume of donations as % of PBT (2009)

PKR Million

RANK	COMPANY	PBT	DONATIONS	% OF PBT
1	N. P. SPINNING MILLS LTD	10.1	4.0	39.5
2	HIGHNOON LABS	101.8	20.8	20.4
3	ELLCOT SPINNING MILLS LTD	5.3	1.0	19.0
4	BANNU WOOLLEN MILLS LTD	9.7	1.3	13.0
5	CRESCENT JUTE PRODUCTS LTD	5.1	0.6	12.2
6	SHIFA INTERNATIONAL HOSPITALS LTD	207.1	20.0	9.7
7	SHIELD CORPORATION LTD	11.9	1.1	9.5
8	HARUM TEXTILE MILLS LTD	5.4	0.5	9.2
9	KHAIRPUR SUGAR MILLS LTD	25.1	2.2	8.8
10	KOHAT CEMENT COMPANY LTD	21.2	1.7	8.1
11	HINOPAK MOTORS	115.8	7.2	6.2
12	KARAM CERAMICES	13.2	0.8	6.1
13	PREMIER INSURANCE CO. LTD.	79.7	4.8	6.0
14	NAGINA COTTON MILLS LTD	14.7	0.9	5.8
15	FIRST PARAMOUNT MODARABA	20.1	1.1	5.6
16	SITARA ENERGY LTD	80.3	4.1	5.1
17	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LTD	238.8	10.8	4.5
18	INTERNATIONAL INDUSTRIES LTD	468.8	20.0	4.3
19	J.D.W. SUGAR MILLS LTD	759.9	27.3	3.6
20	PARAMOUNT SPINNING MILLS LTD	35.4	1.2	3.5
21	SITARA CHEMICAL INDUSTRIES LTD	987.9	33.2	3.4
22	FAZAL CLOTH MILLS LTD	179.5	6.0	3.3
23	GULISTAN SPINNING MILLS LTD	20.7	0.6	3.1
24	MITCHELL'S FRUIT FARMS LTD	18.5	0.6	3.1
25	SONERI BANK	190.4	5.8	3.1

The top twenty five companies in the category of donations as a percentage of Profit before Tax from 2008 (Table 10) are also presented, to allow for comparison in giving percentage and volume.

Table 10 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	15.9
2	TATA TEXTILE MILLS LTD	28	4	15.3
3	SHIELD CORPORATION LTD	9	1	11.1
4	KASB SECURITIES	45	4	9.7
5	GULISTAN SPINNING MILLS LTD	11	1	9.6
6	N. P. SPINNING MILLS LTD	69	6	8.9
7	FIRST PARAMOUNT MODARABA	12	1	8.1
8	JDW SUGAR MILLS LTD	351	24	6.8
9	QUETTA TEXTILE MILLS LTD	47	3	6.5
10	KOHINOOR TEXTILE MILLS	131	8	6.4
11	NAGINA COTTON MILLS	13	1	6.3
12	LIBERTY MILLS LTD	379	20	5.3
13	GHANDHARA INDUSTRIES LTD	30	1	4.8
14	KOHINOOR SPINNING MILLS LTD	23	1	4.6
15	MITCHELL'S FRUIT FARMS LTD	13	1	4.3
16	CRESCENT STEEL & ALLIED PRODUCTS LTD	627	24	3.9
17	SITARA ENERGY LTD	93	3	3.6
18	SALFI TEXTILE MILLS LTD	25	1	3.5
19	ITTEHAD CHEMICALS LTD	92	3	3.3
20	NISHAT (CHUNIAN) LTD	76	2	3.2
21	JANANA-DE-MALUCHO TEXTILE MILLS LTD	19	1	3.1
22	ADOS PAKISTAN	12	0	2.8
23	GRAYS OF CAMBRIDGE(PAKISTAN) LTD	11	0	2.7
24	BANNU WOOLLEN MILLS LTD	44	1	2.7
25	SUNRAYS TEXTILE MILLS LTD	20	1	2.7

Giving by the sub-sectors

Giving by subsectors (Table 11) shows the giving by 33 sub sectors identified by KSE. Furthermore, an average of giving per company within each of these 33 subsectors has also been calculated. Since the number of firms within each of these sectors varies greatly, comparing the total volume of donations of each sector would provide inaccurate results, and for this reason, the sector wise ranking is presented taking the average donation by companies within each sector. The results are presented for review in

the following table. The Oil and Gas exploration companies ranked on top by a margin of over PKR 100 million, with Oil and Gas Marketing Companies a close second, while the Fertilizer sector nestled at third place.

Table 11 Sub-sector giving (2009)

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 Comp	4	133.8	1
Oil and Gas Marketing Comp	6	36.9	2
Fertilizer	5	32	3
Insurance	34	28.1	4
Commercial Banks	25	21.0	5
Food and Personal Care Products	19	7.6	6
Automobile Assembler	12	6.5	7
Power and Generation Distribution	13	5.8	8
Pharmaceuticals	8	5.6	9
Transport	3	5.5	10
Technology and Communication	11	5	11
Tobacco	3	4.8	12
Cement	21	4.7	13
Miscellaneous	21	4.7	14
Chemicals	24	3.4	15
Jute	4	3.1	16
Engineering	11	2.9	17
Refinery	4	2.1	18
Synthetic and Rayon	11	2.1	19
Leather and Tanneries	5	1.6	20
Textile Composite	50	1.6	21
Sugar and Allied Industries	36	1.4	22
Glass and Ceramics	8	1.2	23
Paper and Board	9	1	24
Automobile Parts and Accessories	9	0.7	25
Woollen	2	0.6	26
Cable and Electrical Goods	7	0.5	27
Textile Spinning	92	0.5	28
Leasing Companies	15	0.4	29
Investment Banks/ Cos / Sec	30	0.2	30
Modarabas	25	0.1	31
Textile Weaving	11	0.1	32
Vanaspati	4	0	33



An Overview Independent Power Producers

With the corporate social responsibility debate now taking the sustainability turn, Corporate Sustainability Programmes seek to reflect the 'ethical behaviour of a company towards society'. It means engaging directly with local communities, identifying their basic needs, and integrating their needs with business goals and strategic intent. Essentially, it is an attempt to take into account the economic, social and environmental impact of business activities. In Pakistan it is unclear whether this movement has had much impact yet in terms of the number of corporations engaging in meaningful and sustainable social responsibility initiatives or in terms of social, economic, or environmental outcomes. Although the social responsibility initiative in itself is still a relatively a new development in Pakistan, there are a number of corporations that have been supporting social responsibility initiatives and seeking to make them sustainable as well. Independent Power Producers in Pakistan surfaced on the map of the corporate sector as the government turned to the private sector for power generation. The

importance of energy supply is underscored in under-developed countries like Pakistan owing to the fact that it has an elastic GDP to energy relationship, which means that the GDP is heavily impacted by the country's ability to generate sufficient power. In Pakistan, the demand for electricity has been constantly increasing, and this growing requirement cannot be met by means of public sector investments alone. Increasingly, the Government is facing the need to meet its budgetary requirements by prompting policy reforms that attract and encourage private and foreign investment in the power sector, and to create an enabling environment for private participation. The government has to limit its own borrowing capacity to achieve macro-economic stability and therefore enhanced private sector participation is not only the best available solution but almost an imperative. Energy, the fuel for all human activities, is synonymous with life and vitality. It is ubiquitous and concerns everybody, everywhere. It supports all socio-economic progress and has profound

links with the environment. Its generation and use involve the irreversible depletion of precious natural endowments and the costly harnessing of inexhaustible renewable assets. Global warming, a

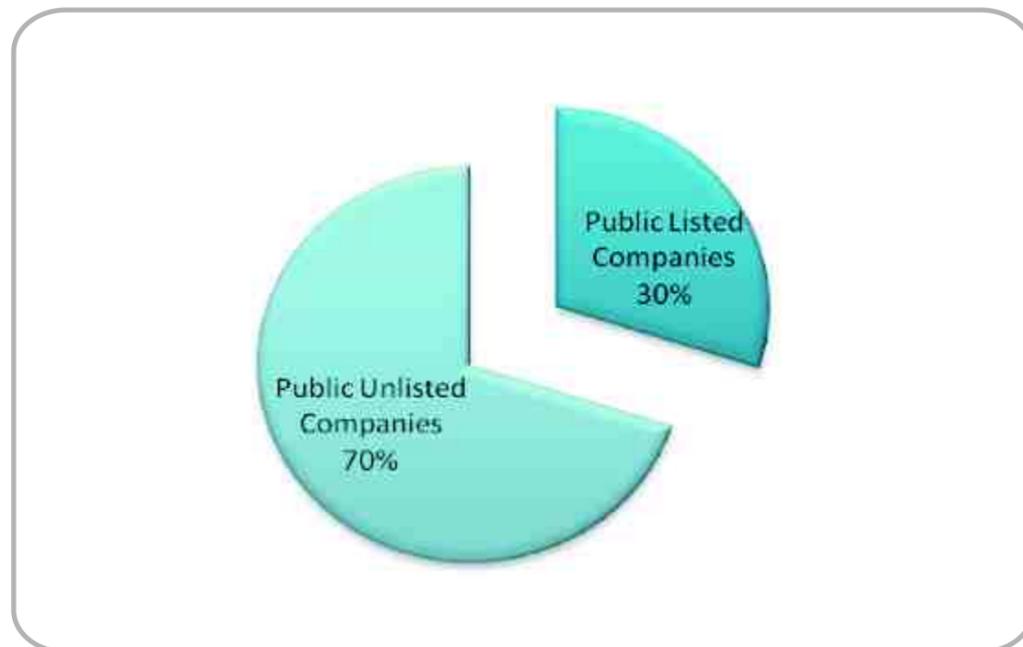
prominent issue in geopolitical strategic agendas, is mainly due to energy production and consumption. It is also the end result of decisions taken every day in local environments.

Overview of sector

The IPP sector at present comprises 23 companies, out of which 2 began operations in 2009 and therefore had no financial transactions for the period of 2008-9. Of the 21 remaining companies, 5 refused to participate in the survey. The remaining 16 shared their

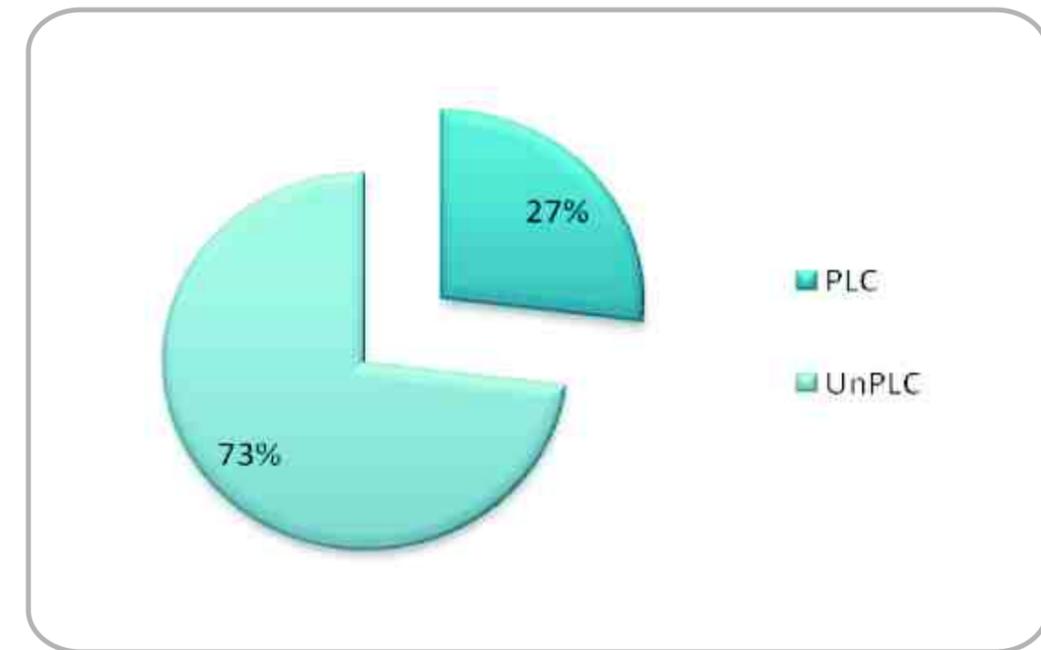
financial information and 7 responded to the qualitative questionnaire they were sent. Once responses were received, one on one interviews were also carried out with these seven Independent Power Producers. Only 7 of the 23 IPPs are Public Listed Companies (figure 6).

Figure 6 Composition of IPP Sector



Further investigation reveals that the contribution by Public Unlisted Companies in the sample constitute 73% of total donations by IPPs (Figure 7)

Figure 7 Donations by IPPs



Our sample findings show that the average revenue of the sector is PKR 13958.125 million per organisation with an average profit of PKR 1354.25 million per organisation. The average philanthropic contribution by each IPP is PKR 7.32 Million. The IPP sector is therefore contributing 0.55 percent of its PBT to philanthropic causes.

This effort is commendable, as the IPP sector is under a lot of financial stress owing to the circular debt issue in addition to which they are often subject to hostility, without proper investigation, and held responsible for hiking power prices and cutting supply by civil society as a whole. Even so, these figures show that their commitment towards the improvement of society remains intact.

The major actors

The institution responsible and dealing exclusively with the Private Power Projects is: The Private Power Infrastructure Board (PPIB), which provides a one-window facility to private sector investors for matters concerning the establishing of power projects and related infrastructure. These matters include negotiation of the

Implementation Agreement (IA). PPIB also provides support to the power purchaser and fuel supplier while negotiating the Power Purchase Agreement (PPA), Fuel Supply Agreement (FSA)/Gas Supply Agreement (GSA), other related agreements, and liaison with the concerned local and international

agencies for facilitating and expediting the progress of private sector power projects. PPIB's mission statement is 'To promote and facilitate private sector participation in the Pakistan Power Sector in an efficient, fair and transparent manner, with coherent efforts of key stakeholders, in line with the Private Power Policies of GOP and the electricity demand/supply projections after taking into account the planned public sector power projects.'

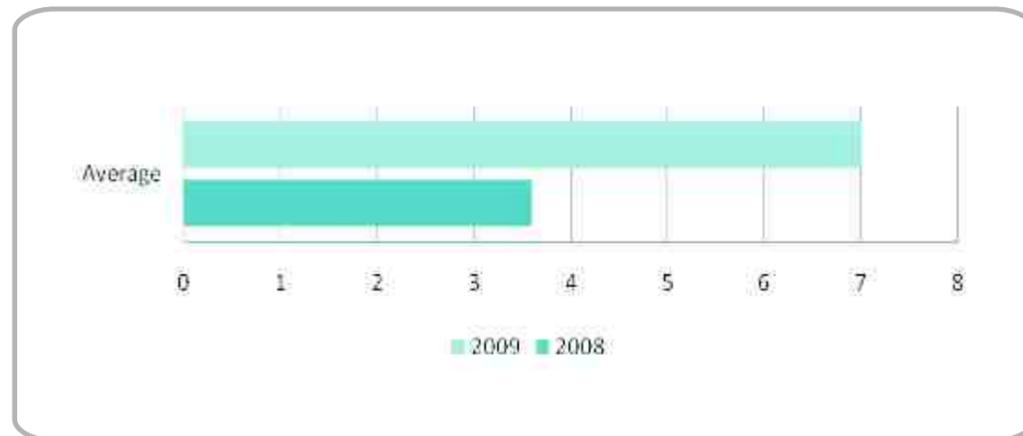
Wapda Power Privatisation Organisation (WPPO), of the Water and Power Development Authority (WAPDA), is another institution that plays a role and is responsible for negotiating and finalizing the Power Purchase Agreement between WPPO and Private Power Companies. In addition, it also reviews and negotiates all Tariff Agreements.

An analysis

Total philanthropy generated by the IPPs in 2009 amounted to PKR 117.13 million, increasing substantially from the preceding year when the total was PKR

61.04 million. Average Giving was PKR 7.32 in 2009 whereas in 2008 it was PKR 3.6 million. Figure 8 presents the increase in average giving over the year.

Figure 8 Change in average giving (PKR Million)



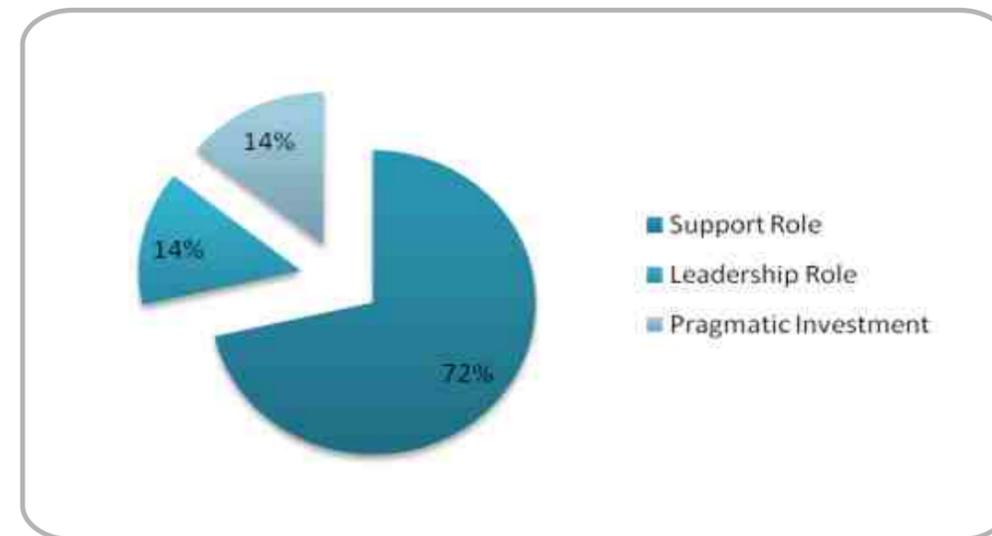
It is difficult to pinpoint the reasons for the increase. Many IPPs do not go into operation for a number of years after they have been registered. In addition to this, the first few years of operations generally incur losses and companies are more likely to start giving to philanthropic causes when their operations reach a certain level of profitability. Total PBT in 2009 (PKR 21.67 billion) was 1.49 billion more than in 2008 (PKR 20.18 billion) and this increased profitability maybe one

of the reasons for the increase in giving. During the interviews, the companies, when asked what they felt was the appropriate role of companies in solving social problems that are important to their business, 71.42% of the sample said that organisations should be part of the solution i.e. collaborate in problem-solving without seeking a leadership role. 14.29% felt that they should drive the solution and take leadership and

ownership over getting results. The remaining 14.29% felt that they should look to invest pragmatically and only address social problems that connect directly to shareholder value. The majority

were therefore of the opinion that working towards the progress of and giving back to the community was their top priority. This information is visually represented in Figure 9

Figure 9 Philanthropic role of business



Philanthropy goals for 100% of the sample sought to optimize efforts towards serving the community and desired to be recognized as the 'caring corporate citizen' that they strove to be. The goals included caring for community health, improving the quality and level of education, reducing environmental damage caused by operations, infrastructure development and overall socio-economic uplift. The IPP sector is one of the most capital intensive sectors in the economy and for this reason it needs to contribute generously to society. IPPs also acknowledged the fact that the

nature of their operations requires them to be located in extremely remote regions. These areas are generally underprivileged and financially handicapped. There is thus a greater need for a heightened focus towards progress.

Overall, the sector is keen towards contributing to societal improvement as the HR manager for one IPP said 'We feel blessed to work for a company that allows us to indulge our passion; because their vision encompasses our passion-the passion for development.'

Budgeting

For all the IPPs, the first step in their philanthropic endeavours is identifying their area of interest when contributing

towards societal development, after which a CSO that has expertise in that thematic area is selected to partner with them

80% of organisations were of the view that when giving is pro-active, a lot of time is wasted looking for the 'right partner' and a database to facilitate them in this process would prove extremely helpful and save them valuable resources. 20% were complacent with acting in a responsive manner.

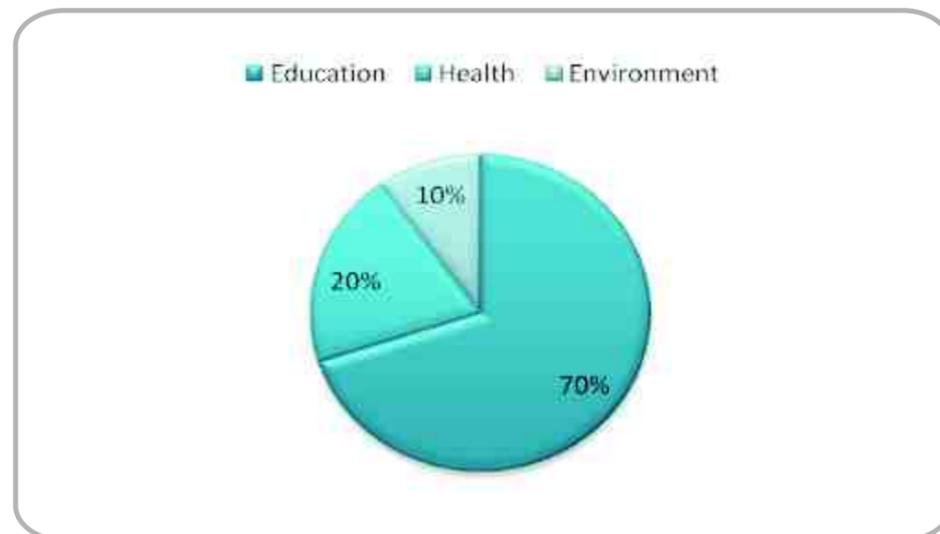
100% of the organisations said that the budget for philanthropy was revised on an annual basis at the annual general meeting; therefore there was a board level involvement in the effort. The budget for all IPPs is set keeping in view the financial performance in the preceding year, ongoing and upcoming project requirements (in case that projects are in process) as well as the requirements of the community at large. For community requirements, the IPPs

consult the local administration and district leaders as they are of the opinion that consulting members of the community directly might result in a plethora of demands that would be difficult if not impossible to meet.

The preferred thematic areas

IPP's across the board were of the steady view that education is the primary area of concern in Pakistan followed by health. 70% placed education as their most preferred thematic area, 20% valued efforts towards health and the remaining 10% focused primarily on Environment (Figure 10).

Figure 10 Preferred thematic area



When asked about their reasons for choice of thematic area, they all felt that since IPPs generally are located in very remote areas where development is far behind the rest of the areas, education and health are essential elements that need to be strengthened. Giving to the government is popular, i.e. donating to government schools and hospitals in the

community. In terms of caring for the environment, 100% of the IPPs said that they worked in compliance with World Bank standards, and there was no compromise as far as waste and pollution reduction was concerned.

Though no baseline assessment was done through formal measures by any of the

IPP's, local administration for the communities was consulted in every case, and the requirements put forward by

these representatives were taken into consideration when planning and implementing philanthropy activities.

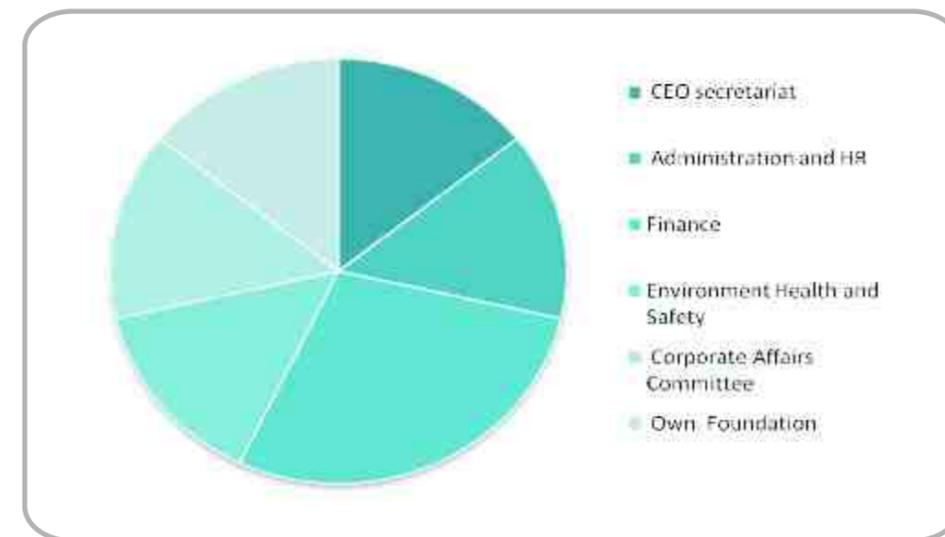
The process

With the exception of one IPP that had a separate foundation to deal with its giving programme, none of the other IPPs had allocated resources that were meant to exclusively handle philanthropy. The giving programmes were not the primary focus of whichever department was managing them, but just an additional activity. Departments responsible for

philanthropic decision making are represented in the following (Figure 11) Departments in charge were as follows.

1. CEO secretariat
2. Administration and HR
3. Finance
4. Environment Health and Safety
5. Corporate Affairs Committee
6. Own Foundation

Figure 11 Department responsible for decision making



None of the companies had a department to deal solely with their giving programmes, except for one that had a

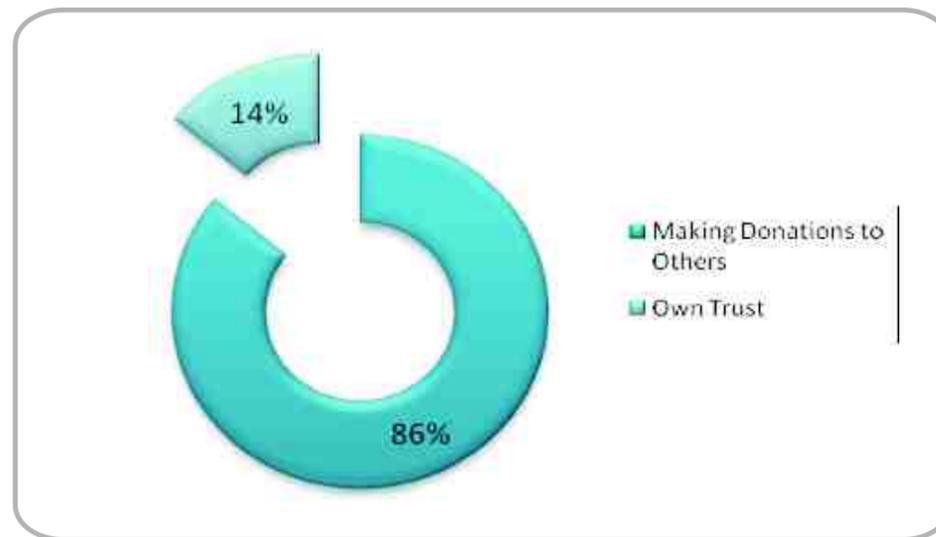
separate foundation where all companies within the parent group contribute into a corpus pool.

Channeling the funds

CSOs were given preference as channels of giving for 86% of organisations while 14.2% said they operated their own trust (Figure 12). This is because CSO's as a rule partner well with the corporate sector, as their skills are suited to

whatever thematic area the organisation might chose. In addition, CSO's are familiar with and open to the idea of being monitored by the donor, and provide regular updates on activities.

Figure 12 Channeling of Funds



IPPs were reluctant to use the government as a channel for their giving as they were unsure of how effectively they could monitor the progress of any activity they did in collaboration with the government because of lack of operational transparency and accountability. The IPPs

also felt that if the Government continued to do their part to contribute to the empowerment of society, the IPPs could effectively take up the role of 'plugging the leaks' in the system and focus on those areas that the Government could not manage.

Issues and challenges

The government role in the operations of IPPs was evident, with stringent follow-ups conducted on a regular basis to evaluate performance and compliance with implementation agreements. As far as philanthropy was concerned, the government at present was playing a very limited role. The implementation agreement was tailored to the specific requirements of each IPP. There were thus no consistent clauses regarding social obligations. This was most likely due to the fact that the introduction of IPPs into the economy was during a time when the sector was in dire straits and demand exceeded supply to such a great extent that immediate action was necessary; therefore such clauses were kept flexible

to encourage maximum entries into the sector.

In addition, another issue was the lack of pre-planning when allocating the philanthropy budget. Most IPPs were time-limited operations, and had a predetermined project end date. Yet it was observed that these organisations had established educational institutes without a concrete future plan for the set up once the project was complete. Long term thinking and planning was therefore absent in the sector's philanthropic goals.

Recommendations:

Independent power producers usually set up operations in remote and underdeveloped areas, where opportunities for social development and progress are endless. Survey findings reflected that enough baseline research was not done before philanthropic action was taken. The IPP sector and its catchment area could benefit a great deal by first carrying out some research in order to determine the needs of the target area. This would help the organisation in making its philanthropic contribution more effective and meaningful.

We recommend establishing a liaison with direct representatives (members) of the community, instead of consulting administrative bodies that may not be as aware and sensitive to the needs of the locals. If an advisory group consisting of ordinary members of the local community is formed, it can be consulted at regular predefined intervals, before the company AGM where the budget for philanthropy is set aside.

Moreover, philanthropic goals that are set should be long term, and have a plan for continuity once the IPP itself ends

operations, be it handing over to the Government, or training and preparing the local community to carry on operations even if the company separates from the locality at the end of the operation term.

The government may also consider revising the implementation agreement with IPPs and place due emphasis on social obligation. A revised policy could draw out minimum giving guidelines for members of the sector so that giving could be more organized, and spread more equally within the sector itself as opposed to a few companies giving large amounts, and therefore creating a good average for the entire sector. IPPs are of the view that the Government should acknowledge and appreciate their existing efforts towards social development. 100% of the sample suggested that this should be done by ways of increased tax incentives for IPPs who engage in philanthropy and CSR. Besides, 70% of the sample was of the additional view that a reward programme should be carried out on a regular basis to acknowledge CSR and philanthropic efforts of the IPP sector.



Conclusion

In today's corporate world, no organisation can afford to ignore its responsibility to society. Society expects as is the case in some countries, that the law ensures corporate reporting to include a description of the actions being taken by corporations for industrial health and safety of its personnel, policies for environmental protection and expenditure on pollution control and aligning themselves with national priorities. It is now widely accepted that the modern corporation is an institution of enormous economic power and social impact and has an immense ability to mobilise productive resources and create new wealth. The evolution of the corporation has given rise to new opportunities and challenges that require a redefinition of the corporation and its objectives. The role and potential of Corporate Philanthropy in this respect is colossal; it can reveal pressing issues in remote regions, it can contribute innovatively to development goals, focus on long term solutions to social problems without time constraints, and essentially, help build and strengthen civil society structures that drive a democracy.

Recent philanthropic trends show increased willingness of businesses to contribute to and work in partnerships with a range of civil society groups. Despite economic upheaval, the corporate sector is becoming increasingly aware of the positive implications of being responsible corporate citizen on their business objectives, and has continued to donate generously to social causes. This year, corporate philanthropy recorded was the highest in volume since the base year of the survey. 57% of PLCs were involved in giving, an increase of 6% from the 2008. The number of giving companies increased from 277 to 307. Total donations increased by PKR 113 million though the three top ranking givers amongst these decreased their giving by a total of PKR 212 million. Furthermore, giving as a percentage of PBT equalled 0.9%, the closest ever recorded to the 1% benchmark. Much can and should be done to encourage new and additional charitable giving by companies and to stimulate the creation and growth of organised giving vehicles - such as corporate and

independent foundations, corporate giving programs, donor advised funds and charitable bequests. Moreover, the legal framework needs to be revised to stimulate giving. The government may do so by developing legislation which not only supports, but also actively encourages philanthropy at a micro as well as macro level. Even in the absence of a more favourable legal environment, corporate donors and NGOs could work together, learn from the experience of other countries whenever possible and explore new models of philanthropy to build a visionary approach relevant to Pakistan today.

The Government has already taken a step forward to increase the volume and

effectiveness of philanthropy and to make documentation of philanthropic giving easier. The Securities and Exchange Commission of Pakistan's promulgation of the Companies (Corporate Social Responsibility) General Order, 2009 is a welcome step in the direction. It prescribes descriptive and monetary disclosures of Corporate Social Responsibility (CSR) activities undertaken by the companies through their Directors report annexed to the annual audited accounts. It is expected that this step will help overcome the inadequacy of details regarding donations in company annual reports once adapted by PLCs.

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 Civil Society Organisations](#) sets standards in critical areas of internal governance, financial management and programme delivery for CSOs 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 CSOs 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 CSOs in making informed decisions and help build functional relationships between the two.

For more information visit www.pcp.org.pk



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