

# GOING BEYOND BUSINESS

*Intelligent Corporate Philanthropy*



Pakistan  
Centre for  
Philanthropy





# **Going Beyond Business Intelligent Corporate Giving**

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A Report by Pakistan Centre *for* Philanthropy

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# Foreword and overview

Pakistan is one of the most generous, giving nations in the world. Philanthropic impulses are deeply rooted in our history and traditions. The most resource rich section of the society i.e the business sector leads the giving and sets trends.

Pakistan Centre for Philanthropy (PCP) is the premier institution working towards promoting an environment of giving in the country. As part of its missionary endeavour, the Centre observes and monitors philanthropic practices and carefully researches potential areas of growth that can lead to positive difference in people's lives. In view of the evidence based identified need of documenting good corporate giving practices and formalising the corporate giving processes, the Centre has conceptualized this document to serve a three fold purpose: i) to document qualitative aspects of corporate giving by depicting some good, inspiring and effective corporate giving examples of international and mainly Pakistani corporate companies; ii) to evoke interest and discourse amongst corporations on good giving practices which could serve as a baseline; iii) and to document some guiding principles of good corporate giving practices to serve as beacons of light for more corporations to adopt and thereby enhance their giving. The focus of this inquiry has been an exploration into the trends, patterns and

good practices of corporate philanthropy rather than a critical evaluation. The process started on the theoretical plane by sifting through the academic literature on the subject and later moved on to secondary research for depicting a few good and inspiring international examples of best corporate giving practices. The international examples have been chosen in view of their innovativeness, effectiveness good giving practices and their relevance to the Pakistani context. PCP's rich in-house information and data bank on Public Listed Companies' (PLCs) giving obtained through annual reports for the period 2000 to 2006 for earlier research served as a useful basis for this analytical work. This document is meant to be a qualitative sequel to PCP's report 'Corporate Philanthropy in Pakistan: Survey of public listed companies 2004 and 2005'. It is hoped that this baseline compendium of intelligent corporate giving practices containing some guiding principles will help businesses initiate programmes that are effective in building social safety nets resourced by philanthropy. In the first chapter, the evolution of Corporate Social Responsibility and Corporate Philanthropy has been briefly outlined while the methodology of this study limitations are also highlighted. The second chapter contains a few good practice international companies' examples. Chapter 3, presents practices

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of 20 leading Pakistani giving companies. Chapter 4 provides an analytical perspective on the giving practices contains the analysis while chapter 5 concludes with outcomes in the form of some emerging lessons and guiding principles of good corporate giving.

A sample template of a CSR policy has been placed as Annexure III.

Furthermore, for the legal incentives that are available to corporations and non-profit organisations alike, the process and incentives have been outlined at Annex IV for information and facilitation. It is hoped that this

baseline exploratory document will stir the interest of business leaders and help raise societal understanding of good corporate giving practices in Pakistan.

Eazaz A. Dar  
Senior Programme Manager

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# Acknowledgments

The successful completion of this focus study owes acknowledgement to all corporations involved. The Centre is greatly indebted to the business leaders, NPO representatives, corporate executives and Government officials at Central Board of Revenue for taking out their time for interviews, and filling out our survey questionnaire. They provided us with relevant data without which the formulation and publication of this report would not have been possible.

This study is a product of intense and serious work and commitment of the Research Team. PCP owes its appreciation to the principal contribution made by Research Programme Officer, Meezan Zahra and Junior Programme Officer, Kashmala Kakakhel. Their meticulous effort in collecting data from the corporations and government deserves recognition. The historical overview of Corporate Social Responsibility, Corporate Philanthropy and analysis is evidence of their honed analytical skills, understanding and professional commitment. Credit is also due to Sadika Hameed, former Research Officer for conceptualizing the document and Sana Raza former Programme Officer Public Private Partnership for drafting the template Corporate Philanthropy policy.

Recognition is also due to Faisal Rana, Junior Programme Officer, for the layout and cover design of this document.

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Finally, PCP acknowledges with gratitude the guidance and unwavering support of Dr. Shamsh Kassim-Lakha, Chairman PCP; the Chair Research Committee Mr. Mahomed J. Jaffer and members of the Research Committee and the Board for the support and guidance to the knowledge building research activities of the Centre.



Shahnaz Wazir Ali  
Executive Director

# Acronyms

CEO	Chief Executive Officer
CP	Corporate Philanthropy
CSR	Corporate Social Responsibility
FPCCI	Federation of Pakistan Chambers of Commerce and Industry
GoP	Government of Pakistan
GWSI	Global Water and Sanitation Initiative
IBA	Institute of Business Administration
IBM	International Business Machines Corporation
JA	Junior Achievement
KSE	Karachi Stock Exchange
LRBT	Layton Rahmatulla Benevolent Trust
LUMS	Lahore University of Management Sciences
MALC	Marie Adelaide Leprosy Centre
NBP	The National Bank of Pakistan
NGO	Non Governmental Organisations
NPO	Non Profit Organisations
OGDCL	Oil and Gas Development Company Limited
OHS	Occupational Health & Safety
PCP	Pakistan Centre for Philanthropy
PCPA	Pakistan Corporate Philanthropy Award
PICIC	Pakistan Industrial Credit and Investment Corporation
PLC	Public Listed Companies
PPL	Pakistan Petroleum Limited
PSO	Pakistan State Oil
PTC	Pakistan Tobacco Limited
RSI	Rising Sun Institute
SAI	Sustainable Agriculture Initiative
SCOPE	Society for Conservation and Protection of Environment
SIUT	Sindh Institute of Urology & Transplantation
SKMH	Shaukat Khanum Memorial Hospital
SMEDA	Small and Medium Enterprise Development Authority
SSGC	Sui Southern Gas Company Limited
TCF	The Citizens Foundation
TRDP	Thardeep Rural Development Programme
TMC	Toyota Motor Corporation
UBL	United Bank Limited
UNESCO	United Nations Educational, Scientific and Cultural Organization
WFP	World Food Programme
WHO	World Health Organization



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# 1. Introduction

## 1.1 Corporate Philanthropy

### Background

Corporate Social Responsibility (CSR) is the continuing commitment by business to adopting ethical practices and contributing to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. CSR is the larger framework of which Corporate Philanthropy (CP) is a subset. Pakistan Centre for Philanthropy (PCP) is the pioneer and currently the only institution dedicated to promoting philanthropy in the country. As in line with this mission, this research-based document elaborates on corporate philanthropy and is a qualitative sequel to its corporate philanthropy report and annual surveys. It is hoped that this document will not only help more corporations to go beyond business by giving intelligently but will also act as the basis for more in-depth research on Effective Ways of Corporate Giving.

Before delving into “Effective Corporate Giving”, differentiating between Corporate Social Responsibility and Corporate Philanthropy (CP) is necessary. CSR refers to “obeying the letter and spirit of the law; mitigating or remedying operational harm; and sustainable development of natural resources.” Furthermore CSR refers to, “achieving commercial success in ways that honour ethical values and respect people, communities and other expectations society has for business and making decisions that fairly balance the claims of all key

stakeholders.”<sup>1</sup> Moreover, Emerson, Bonini and Brehm (leading academics on CSR) define socially responsible companies as those who “consciously integrate strategies that seek to maximise the creation of environmental and social values within their core business models, operations and supply chains.”

On the other hand, corporate philanthropy or corporate giving is the act of corporations donating some of their profits or their resources to nonprofit organisations and/or to individuals for society's welfare and benefit. Corporate giving is often transacted by a company directly or it may be done through a company foundation. Corporations most commonly donate cash, but also donate the use of their facilities, property, services advertising support, or professional and management expertise. They may also set up employee volunteer groups who then donate their time.<sup>2</sup>

Corporate philanthropy refers to the practice of companies of all sizes and sectors making charitable contributions to address a variety of social, economic and other issues as part of their overall corporate citizenship strategy.<sup>3</sup>

Corporate Philanthropy is widely acknowledged as a private sector vehicle for facilitating development and is one of the components of the new social agenda globally. This fact led PCP to envision a society in which effective

<sup>1</sup> Business for Social Responsibility, Council on Foundations, [www.cof.org](http://www.cof.org) [Accessed on 5th May 2007.]

<sup>2</sup> Non Profit Charitable Organizations, Available at: <http://nonprofit.about.com/od/glossary/g/corpgiving.htm> [Accessed on June 15, 2007]

<sup>3</sup> Business of Social Responsibility, Council on Foundations, [www.cof.com](http://www.cof.com) [Accessed on June 15, 2007]

corporate philanthropy programmes can contribute to improvement in education, health, environment, other pressing social problems and the building of social capital.

In Pakistan, CSR is in its nascent stages. Speaking at a conference on "Corporate Social Responsibility Going Beyond Business," Tanvir Ahmed Sheikh [President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI)] reminded the participants that CSR requires the corporate sector to continue to perform its duty as an ethical entity that endeavours to raise the quality of life of the society, in addition to gaining profits from their business ventures.<sup>4</sup>

Mr. Sheikh advised that the corporate sector should retain its humane side, engage in community and development work instead of being concerned about fixing prices and increasing profits all the time. "Environmental and social considerations are the essence of CSR and they should not be sidelined at any time. Social Development Responsibilities have been transferred from the governmental sectors to the corporate sectors and it is our duty to provide diversified help to the community," he added.<sup>5</sup>

It is felt by some corporate leaders that the business sector in Pakistan is currently "inefficient and self-centered and ... businesses should not forget that thinking and acting for personal benefits, disregarding the welfare of the customers is unethical and harmful in the long run."<sup>6</sup>

Mr. Sethi, one of the leading theoreticians in the domain of CSR, thus argued that along with social responsibility, emphasis must be laid on a move towards social responsiveness i.e. a firm's long run role in a dynamic

social system. Thus, it was thought that businesses should be anticipatory, proactive and participative.

While the idea of social responsibility has steadily evolved over decades, it can be said to have emerged definitively in the 1930's in the USA when presidential candidate and academician Wendell Wilkie "helped educate the businessmen to a new sense of social responsibility."<sup>7</sup> The beginning of modern social responsibility can be marked by the publication of *Social Responsibility of the Businessmen* by Howard A. Bowen in 1953. By the mid-1950s, discussions on social responsibility of business were widespread. However there was a lack of consensus about what social responsibility entailed. Keith Davis a noted academician from USA suggested in 1960 that social responsibility refers to "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest."<sup>8</sup> In 1962 the liberal economist Friedman argued that the doctrine of social responsibility is "fundamentally subversive" and that "few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible."<sup>9</sup> Although it is true that economic motives take precedence, the idea that business also has certain responsibilities to society (beyond economic and legal obligations) gained capital in 1963 when social theorists Joseph McGuire and Jules Backman, supported this line of thought.

The "three concentric circles"<sup>10</sup> approach to social responsibility introduced by the Committee for Economic Development in the USA in 1972 was an innovative elaboration of the idea of CSR leading to CP. The committee was the first to define the inner circle as the efficient execution

4 The News, Daily, Available at: [www.thenews.jang.com.pk./daily\\_detail.asp?id=61323](http://www.thenews.jang.com.pk./daily_detail.asp?id=61323) [Accessed on June 10, 2007]

5 Ibid

6 Ibid

7 Archie B. Carroll, A Three-Dimensional Conceptual Model of Corporate Performance, *The Academy of Management Review*, Vol. 4, No. 4, (Oct 1979), pp. 497.

8 Ibid

9 Ibid

10 Ibid, pg 498.

of the economic function, the intermediate circle as a “responsibility to exercise the economic function with a sensitive awareness of changing social values and priorities: for example with respect to environmental conservation, hiring and relations with employees” and the outer circle “outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment.”

Therefore, social responsibility has been defined and conceptualised in a number of different ways by academicians and in these various definitions the term encompasses a wide range of economic, legal and voluntary activities. Social responsibility can be divided into four main categories: economic responsibilities, legal responsibilities, ethical responsibilities and discretionary responsibilities. The history of business shows an earlier emphasis on the economic and then legal aspects and a later concern for the ethical and discretionary aspects.<sup>11</sup>

Economic responsibility is the first and foremost social responsibility for business. It is thought that business is the basic economic unit in today's society and has a responsibility to produce goods and services that society wants and to sell them at a profit. The subsequent business functions are dependent on economic profitability. On the other hand, legal responsibility is a social contract which expects the business to abide by the laws and regulations under which it is expected to operate. Therefore, a business' economic mission should be conducted within a framework of legal requirements.

Ethical responsibilities are society's

expectations of business beyond the legal requirements. Ethical responsibilities are difficult to deal with because they are not clearly defined. Discretionary responsibilities are those about which society has no clear cut message for business and hence are left to individual judgment and choice they are voluntary. Managers should understand these responsibilities to systemise thinking about these issues and to improve planning and diagnosis in the social performance realm.

The concept of corporate philanthropy dates to the turn of the century and the rise of the modern corporation. In its early decades, corporate philanthropy was uneven in practice, limited in scope and subject to legal and populist dispute. Since World War II, however, the debate has shifted from whether or not to give to how much to give and most major corporations now engage in regularised giving programmes. (Useem, 1987, p.340)

It was acceptable for the wealthy to spend their money on philanthropy in the late 19th and early 20th centuries; however, it was harder for corporate philanthropy to legitimise itself (Himmelstein, 1997, p.15). Most economists were of the opinion that corporations had an obligation to maximise profits for their shareholders and that was their only duty; some economists still feel this way. However, other critics argued that corporations had social responsibilities to the whole community.

Corporate philanthropy is a topic of increasing interest for business, nonprofit and government leaders. While it is generally understood that socially conscious practices lead to the improvement in environmental quality, human rights and overall social well-being, the underlying challenge lies in

balancing social and economic longevity. Within most developed countries and an increasing number of developing countries, the three sectors of society (public, private and nonprofit) traditionally fulfill separate but complementary societal roles: the government is responsible for maintaining regional peace, security, functional public institutions, while also providing social services such as healthcare, infrastructure, social security and education; the corporate sector is

considered the engine responsible for economic growth; and the non-profit, or third, sector fills in the gaps between the public and private sectors.

However, over the past two decades, the delineation between the three sectors' responsibilities has blurred and there is an increasing need and pressure from the general public for changes in the roles of each sector. These changes principally occur due to a shift in growing demands for goods and

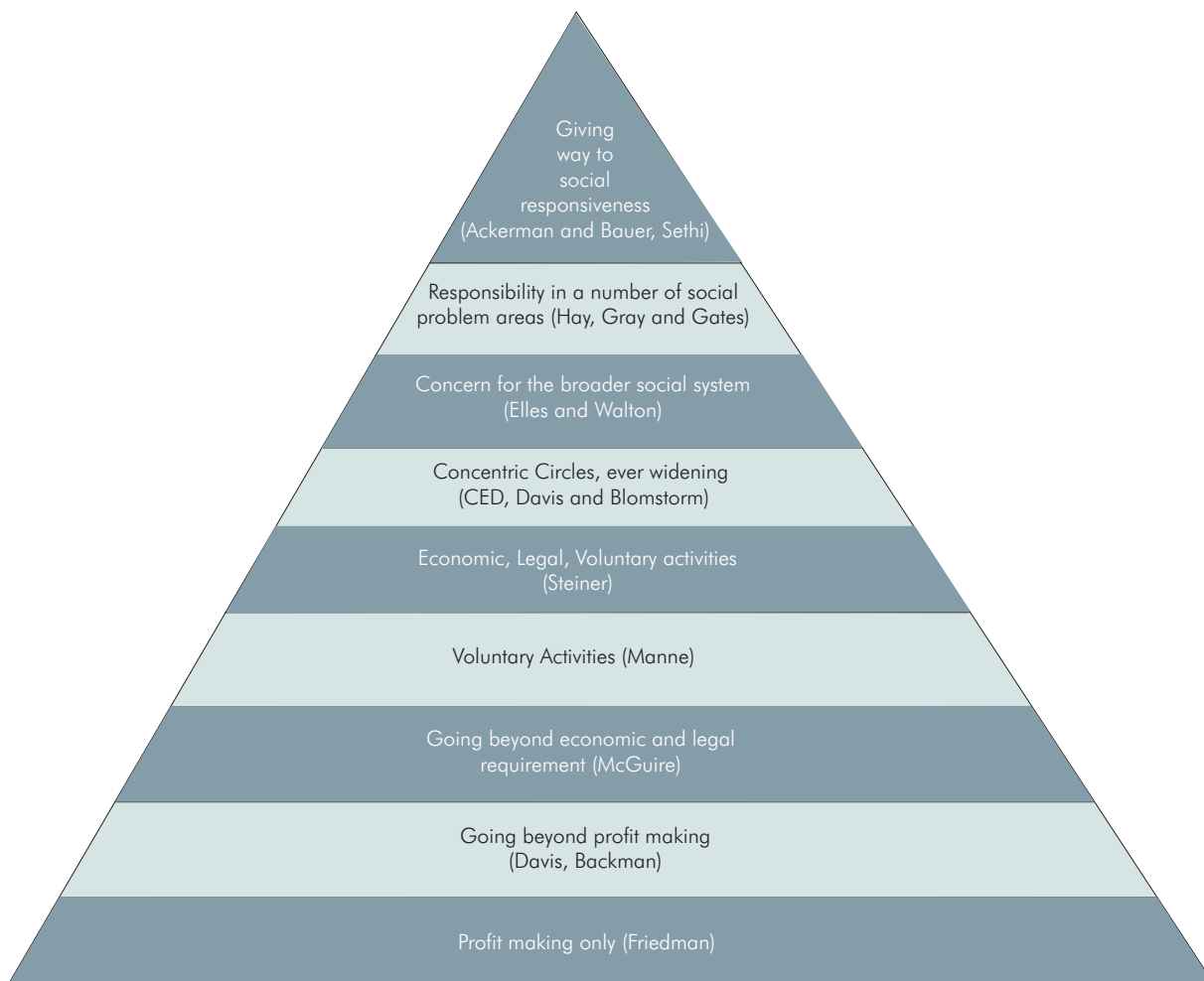


Figure 1: Summary of some of the various views of social theorists regarding social responsibility

services by consumers and decreased funding capabilities from the public sector. Within the corporate sector, increased consumer demand and intra-industry competition has led business leaders to analyse new methods through which existing and new markets can be targeted. While services and goods offered by the private sector are growing, public sector provisions of social services are decreasing. Growing fiscal deficits and subsequent budget cuts have forced governments to reduce welfare and services provided for citizens.

Consequently, this has increased the pressure for the nonprofit sector to fulfill an ever-increasing demand for providing newer, more sophisticated and varied social services education, healthcare and environmental programmes are the three areas most commonly included in this demand. Although, the catalyst underlying the shift in roles among the three sectors is economics, yet the acute problems resulting from the shift are entirely social. Consumers recognise the transfer of economic influence from the government's hands into the corporate

sector and as a result, have started to place greater emphasis on corporate sector social responsibility.

Over the past twenty years, the corporate social responsibility movement has worked towards incorporating social and economic issues to create new and innovative solutions that simultaneously allow for continued profit-making and the improvement of social well-being within society. This shift creates new synergies between sectors particularly between the corporate and nonprofit sectors. While the motivations for targeting citizens differ, it cannot be ignored that the longevity of any business, organisation, or society, is the support of citizens. Citizens are consumers of goods and services, which sustain the growth of the private sector and citizens are also direct recipients of the majority of nonprofit sector activity. Over the past fifty years, the spheres of influence among citizens, nonprofits and private businesses have become increasingly integrated this is evidenced by the shift in corporate philanthropy trends.<sup>12</sup>

## 1.2 Overview of Effective Corporate Giving Practices

In line with the idea of going beyond business, corporate philanthropy should be practiced as social investment while at the same time it should also be "effective" and "innovative". This has emerged from the thought that since corporations have larger resources; marketing, research and development tools should be used not just for product development and profits but to give back to the society from which their economic gain is derived. It is thought that current philanthropic activities are by and large restricted to cheque-book philanthropy. For the beneficiaries to gain from business sector skills, it is high time that companies involved themselves in various ways; time and

skills, volunteerism and innovative programmes. This activity is required more so in developing countries like Pakistan which lag behind in modern ways and techniques.

Although corporate philanthropy in Pakistan is fairly widespread but remains mostly undocumented and non-formalised, resulting in calls for more transparency in companies' giving programmes and processes. Since this often leads to a few well-known nonprofit organisations (NPOs) being granted the lion's share of corporate philanthropy and other NPOs with limited ability to access corporate decision-makers being left out. Working in an unorganised manner leads

<sup>12</sup> Archie B. Carroll, A Three-Dimensional Conceptual Model of Corporate Performance, The Academy of Management Review, Vol. 4, No. 4, (Oct 1979), pp. 499.

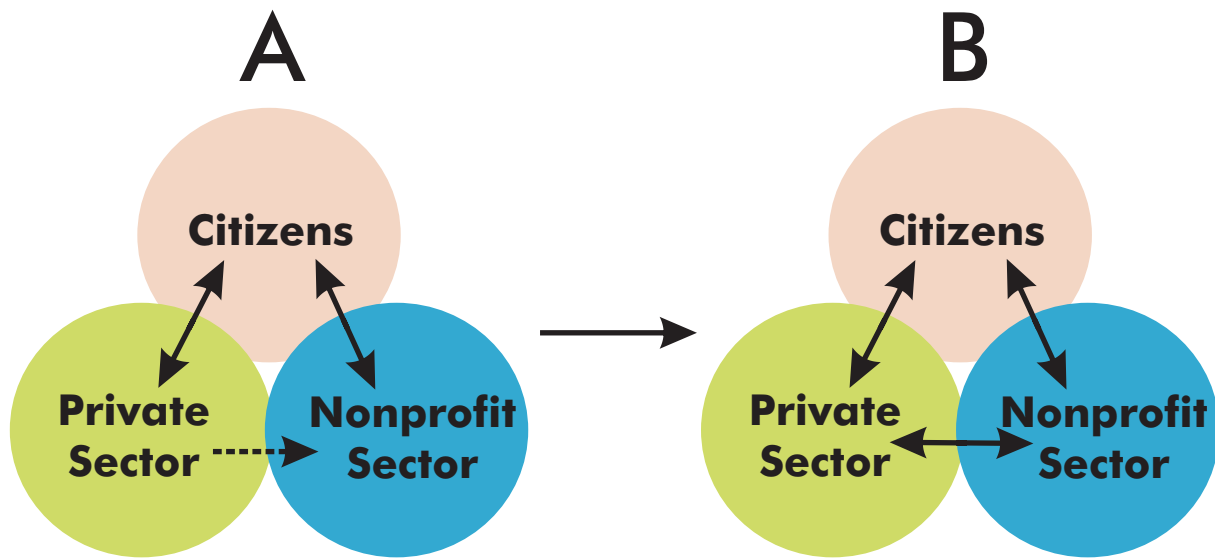


Figure 2: Towards building synergies to make giving effective, shift from 'A' to 'B'<sup>13</sup>

to lack of synergies between NPOs and companies which hampers effective and more productive 'giving'.

Figure 2 illustrates that the independent interaction between citizens and the nonprofit sector and citizens and the private sectors results in the inevitable interaction between the two sectors. The traditional philanthropic relationship ('A') between the corporations and nonprofit organisations is almost entirely dependent on annual financial and in-kind gifts and only involves limited interaction between the two groups.

However, with increased consumer awareness and simultaneous demand for more social services, alternative philanthropic strategies have taken center stage. Alternative philanthropy trends have prioritised direct corporate involvement with social and community programmes and therefore created stronger rapport with nonprofit organisations ('B'); as indicated in Figure 2, such a shift has created a more equal interaction among citizens, nonprofits and private corporations. Alternative

philanthropy has led to a variety of different trends; corporate statesmanship and strategic alliances are the two most common trends. On the one hand, corporate statesmanship/corporate foundations and internalised social development offices allows for greater involvement between private and social institutions but maintains the traditional separation between donor and recipient. Cross-sector strategic alliances, on the other hand, attempt to deepen the interaction between sectors. Collaborative philanthropic relationships are considered much more progressive because they require a mutual commitment and understanding between the two partners. The overarching benefit of cross-sector alliances is that they allow for each partner to operate in their realm of influence and strengths and mutually benefit from the complementary strengths of the partner. Strategic alliances are in fact an important philanthropic venture that not only furthers community development, but simultaneously furthers private and nonprofit sector productivity and growth.

<sup>13</sup> Lauren C. Johnson, Understanding the role of cross-sectoral strategic alliances in the age of corporate social responsibility. An analysis of private and non-profit sector relations, Masters of Arts in Law and Diplomacy Thesis, The Fletcher School, Tufts University, April 2005, pg 7.

### 1.3. Methodology

PCP is the premier institution working towards promoting an environment of giving in the country. As part of its missionary endeavour, the Centre observes and monitors philanthropic practices and carefully researches potential areas of growth that can lead to positive difference in peoples' lives. In view of the evidence based identified need of documenting good corporate giving practices and formalising the corporate giving processes, the Centre has conceptualised this document to serve as compendium of good, inspiring and effective corporate giving and contains some guiding principles to that effect as well.

The focus of this inquiry has been more of an exploration into the trends, patterns and good practices of corporate philanthropy rather than an evaluation of the giving programmes. The process started on a theoretical plane by sifting through the academic literature on the subject and later moved on to secondary research for depicting a few inspiring international examples of best corporate giving practices. The international examples have been chosen in view of their innovative good giving practices and their relevance to Pakistani context.

PCP's rich in-house information and data resource on philanthropy of Public Listed Companies' (PLCs) obtained through annual reports for the period 2000 to 2006 for earlier research served as a useful basis for this analysis. This document is meant to be a qualitative sequel to PCP's report, 'Corporate Philanthropy in Pakistan: Survey of public listed companies 2004 and 2005'. Being the most resource rich sub-segment of the corporate universe,

in terms of assets, skills and expertise; PLCs are considered to engage in the most advanced and sophisticated forms of corporate giving in Pakistan. Since the top 25 giving PLCs contributed 70% (Rs. 456.6m) of total giving in 2004 and 68% (Rs. 1.1bn) of total giving in 2005 and have been the major trend setters; hence the major trends and practices of giving were ascertained by examining the top 25 PLCs of 2004 and 2005 (based on two criteria, volume of donation and donation as a percentage of profit before tax). PCP designed a specific survey questionnaire for the purpose of this survey (Annex I).

The total number of corporations contacted and surveyed for data collection was 77 (Annex II). The sample was drawn by merging PCP's list of Top 25 Corporate Givers for the years 2004 and 2005 and the top 25 Karachi Stock Exchange (KSE) Companies for 2004 and 2005. Since PCP's list of Top Corporate Givers in the two years overlapped, the total was 46 companies. Likewise, for KSE when overlapping companies were excluded, the list totalled 31 companies, thereby bringing the sample to a combined total of 77 companies.

PCP conducted face to face qualitative interviews with 20 corporations. These one on one personal interviews were conducted with either the CEOs of companies, the CSR heads or the relevant focal personnel that informally dealt with CSR related issues for the company. The CSR activities of these companies have been mentioned (in alphabetical order) in chapter three. The remaining 57 companies were sent questionnaires; however the response rate was very low. Out of a total of 57 companies surveyed by mail and e-mail, only 5 companies returned the completed questionnaires



through e-mail/ post.

As an additional measure and to understand the recipient's views on Corporate Philanthropy, PCP interviewed representatives from The Layton Rahmatulla Benevolent Trust (LRBT), The Citizens Foundation (TCF), Marie Adelaide, Lady Dufferin Hospital and Sindh Institute of Urology & Transplantation (SIUT). This exercise helped the Centre comprehend the complex relationship that exists between the non-profit and for-profit corporate sectors. After analysis of giving practices and trends of a few international and mainly of top Pakistani giving PLCs,

#### 1.4. Limitations

Limitations and challenges are associated with any intellectual endeavour such as research. The first limitation of this effort was resource and time constraint since from the very conceptual stage, its scope remained narrow as it was basically meant to be a by-product of earlier corporate research rather than being new and original research.

This inquiry was conducted by PCP's in-house team during a period spanning six months which was not an adequate period for a project of this nature which requires more time and effort. The other challenge restricting its scope was that of finances. Thirdly the limited human resource allocated to the exercise which restricted field based activities. The team also faced resource constraints in terms of availability of collated information and data on CSR and CP while conducting secondary research. Another problem was that despite reminders the response rate to the questionnaires sent via post was very low even though this

findings have been presented in the form of guiding principles with a view to facilitate businesses in their giving. The guidelines are accompanied by an annex defining the tax exemption procedures.

However, it is highlighted that this document is only a preliminary effort to explore the qualitative aspect of corporate giving, its trends and good practices. It is hoped that this baseline information will sensitise more corporates, generate interest and a discourse on the subject on one hand and will catalyse more in-depth study on best and effective corporate giving practices.

document's aim was to facilitate business philanthropy through a better understanding of prevailing mechanisms and practices.

Lastly, as with every qualitative research, a fundamental difficulty with one-on-one interviews is the issue of observer dependency: the results obtained are influenced by the researcher, raising questions of validity. The issue evokes associations with Heisenberg's famous 'Uncertainty Principle'. As Heisenberg said, "What we observe is not nature itself, but nature exposed to our method of questioning." Indeed, the design of the interviews (e.g. respondent selection, the questions asked, how they are phrased, how they are posed, in what setting, by whom and so on) affects the answers obtained from respondents. In focus groups, researchers are not detached observers but always participants.<sup>14</sup> While conducting the personal interviews, researchers took these constraints into account and tried their best to be unbiased.

<sup>14</sup> Tjaco H. Walvis (2003), "Avoiding advertising research disaster: Advertising and the uncertainty principle", *Journal of Brand Management*, Vol. 10, No. 6, pp. 403-409.

## 2. International Examples

Corporate giving has become more strategic and “effective” in the developed world in the last four decades as social and governmental pressure on multi-nationals has increased and it is felt that profit-making companies have a responsibility to give back to the society from which they earn. In response to these societal views companies have initiated innovative programmes to help communities improve the conditions of their lives. Since we live in a globalised world influenced by transnational corporations, some of the useful international best practice examples

have been listed below so as to learn some lessons from multi-national and regional firms around the globe viz their quality, type, strategy and level of involvement. These are inspiring examples that can serve as beacons of light and motivate the Pakistani corporate universe to do more than cheque-book philanthropy, move into social investment mode and more productive forms of philanthropy by imparting technical knowledge and skills. Enhancing capabilities through philanthropic resources can assist the recipients in developing an alternative income streams which can secure their future.

### 2.1 Nestlé

“Creating value for society while creating value for its shareholders” is Nestlé’s approach to the community and, on a wider view, to the attainment of the U.N. Millennium Development Goals. Nestlé regards these goals as highly important objectives for improving the state of the world. The Millennium Development Goals are, among other things, a bold attempt to prioritise what is needed to address the most pressing needs of people in developing countries in particular. The focus is on poverty reduction, education, health for women, children and the reduction of pandemics like HIV/AIDS and malaria. It addresses environmental sustainability and stresses the importance of partnerships in order to achieve results.

Though Nestlé owns no agricultural land, efforts are made to improve farming methods and the standard of living through programmes, now on-going in more than 40 countries. As a founding partner of the Sustainable Agriculture Initiative (SAI), Nestlé is collaborating with other agri-business companies in the development and implementation of sustainable agriculture, including quality and safety of produce, the wellbeing of rural communities and animal welfare.

For education, Adopt-a-School is an employee-driven effort, the cornerstone of commitment to public schools in disadvantaged communities local to Nestlé sites in the USA with more than 1800 employees volunteering thousands

of hours. Nestlé is also supporting schools in Philippines, Brazil, India, Argentina, Slovak Republic and Malaysia.

To promote gender equality and women empowerment, employment in small cottage industries for women in Morocco was the original goal of The Zakoura Foundation, initiated in 1995 by Nestlé as a founding partner with the government. Currently 38 sponsors of the Foundation finance 30 schools, primarily assisting children to take part in an informal education programme that is a bridge into the public system. The next step is to provide vocational training to gain access to paid employment. Such programmes are also gaining momentum in Malaysia, Spain Dominican Republic, Nigeria, Cameroon, South Africa, Philippines and India with the support of Nestlé.

The success of the NUTRIR Programme in Brazil has been its multi-focal effort to increase information about food and the incidence of diseases triggered by lack of hygiene. The food education programme has been developed primarily for 5-14 year old children from underprivileged areas, who then cascade the information to their families and communities. Nearly half of Nestlé-Brazil employees volunteer their time and make a financial contribution, which is matched by the company. About 1450 volunteers teach fundamentals of nutrition, hygiene and health during in-school workshops. Nestlé has initiated similar projects in Czech Republic, Greece, Australia, France, Portugal and Colombia.

For more than 40 years, Nestlé-affiliate Alcon has been contributing ophthalmic surgical products and medicines to more than 900 medical missions in over 85 countries around the world, helping more than 20,000 people annually to receive the "gift" of sight

through cataract surgery and intraocular lenses implant.

Furthermore, Nestlé has a global relationship with the International Federation of Red Cross and Red Crescent Societies, with collaborations in over 13 countries. Nestlé companies volunteer or contribute financial or in-kind donations to specific Red Cross and Red Crescent projects in their respective countries. In 2003, Nestlé began a partnership with the U.N. High Commissioner for Refugees (UNHCR) to address the water needs of 210,000 Somali refugees and local people in Eastern Ethiopia.

There are countless other social intervention programmes of Nestlé in urban areas, small villages and rural areas in many countries which assist the needs of local communities. Some are long-term partnerships, others more immediate in nature. Nestlé believes in community-based partnership solutions which respond to local needs while harnessing local knowledge and capabilities are key to positive, sustainable change.

This corporate giant besides having formalized giving policies and dedicated CSR staff has devised well structured programmes and collaborates proactively with governments and nonprofits in various countries. The main strength of Nestlé's social interventions is its community driven development approach where the corporate skills of its employees and the potential of local population in the rural areas, especially women participation create synergies. This ensures that gender equality, poverty alleviation and environmental care occur in a timely and systematic manner rather than mere one off cash giving. Not only the Nestlé Pakistan can replicate some of its interventions here but other corporates can follow suit.

## 2.2 Toyota

Toyota believes in helping people improve the quality of life in their communities. It partners with organisations, schools, universities and other businesses to support programmes that help make the society better. With a focus on road safety, environment and education, Toyota offers people the tools they need to make a difference today and tomorrow. For this purpose, The Toyota Foundation was established in 1974 as a multi-purpose grant-making foundation by the Toyota Motor Corporation (TMC).

Seeking to contribute towards a prosperous society and its sustainable development, Toyota has been engaged in various social contribution activities worldwide with the goal to become “a good corporate citizen.” The Corporate Citizenship Division was established in January 2006 to reinforce social contribution activities and integrate corporate social contribution functions that had been performed by multiple divisions. Toyota focuses on environmental issues, traffic safety and human resources development on a global basis. In Japan, in addition to these areas, Toyota works to actively promote corporate social contribution activities using its technology and expertise in response to societal needs in areas such as the arts and culture and achieving a harmonious society. Toyota strives to communicate and be in harmony with the local communities by assisting local philanthropic projects, supporting healthcare services, encouraging self-reliance and other initiatives.

Toyota believes that involving all stakeholders is of considerable importance, in addition to the promotion of environmental initiatives.

“Respect for all People” is one of the themes in the corporate image Toyota seeks to project in the future, described in the “Global Vision 2010”. Toyota seeks to become a truly global enterprise that is respected by all people around the world and works conscientiously to provide value to stakeholders. In the preparation for the advent of a recycling-oriented society as outlined in the Global Vision 2010, Toyota has positioned the environment as a priority management issue and seeks to become a leader of global regeneration through its outstanding environmental technologies.

In addition to working to reduce environmental impact in all stages from vehicle development to production, use, disposal and recycling, Toyota actively undertakes environmental activities in all its business areas, including housing, information, biotechnology and afforestation. Furthermore, in order to conduct environmental activities at the highest levels in every country and region, Toyota works with Japanese and overseas affiliates to implement consolidated environmental management and promote environmental management on a global scale.

Even a cursory review of this leading Asian car manufacturer reveals that it does much more by simply going beyond business. Toyota's forte is its value based 'human centric' business and development philosophy evident from its practised slogan “Respect for all people”. The creation of its dedicated global “Corporate Citizenship Division” and “Toyota Foundation” are other indications of highly professional approach to address the concerns of social and economic well being of people. This reinforces that corporations must give back to the society from which they take,

therefore car manufacturers owe it to the communities that buy, sell and drive these vehicles and should initiate environment friendly programmes. Toyota has researched a car that causes less pollution namely the Toyota Prius,

## 2.3 Unilever

As a multinational, Unilever aims to play its part in addressing global environmental and social concerns through its own actions and working in partnership with stakeholders at local, national and international levels.

In 2006 alone, Unilever contributed €78 million to communities, equivalent to 1.6% of pre-tax profit. This helped support around 13, 000 community organisations around the world, through cash contributions and support in kind. Unilever continues to encourage its employees to get involved in community programmes. This provides new ways of connecting with consumers in local communities. The company's employees gain skills and motivation and enjoy 'making a difference'. In 2006, an estimated 21,000 employees took part in community activity.

Unilever's partnership with World Food Programme (WFP) builds on long tradition, firmly rooted in local communities all around the world. 'Together for Child Vitality' is Unilever's partnership with WFP to improve the nutrition and health of less privileged children while raising funds and increasing awareness of the issue of child hunger. It fits well with its mission to add Vitality to life which unites business and brings together with the company's portfolio, partnerships and people.

which has a hybrid engine. This inspiring example can be taken as a beacon of light for other automobile manufacturers, particularly Toyota Pakistan.

Unilever believes that every child deserves the nutrition and hygiene he or she needs to develop to his/her full physical and mental potential. Hunger and malnutrition are still the biggest risks to the health of children worldwide, denying 400 million a good start in life. Making a contribution to solving this problem is one of Unilever's 'Vitality Life Goals' and a priority in its corporate responsibility strategy. It recognises the contribution Unilever can make to society.

The company also helps raise awareness about the benefits of a healthy lifestyle through its partnerships and collaborations with healthcare professionals and leading global health bodies like UNICEF and the World Health Organisation (WHO). Unilever Tea Kenya received the Excellence in the Workplace award from the Global Business Coalition on HIV/AIDS for its employee HIV/AIDS education, prevention and treatment programme.

In Pakistan, Unilever besides other social interventions, has partnered with PCP through its public private partnership for education through the 'adopt a school programme'.

The distinguishing feature of Unilever's corporate philanthropy is its 'strategic approach', which is well defined through its "Vitality Life Goals" slogan, particularly focusing on child and community health issues. Other best practice reinforcing features include

encouraging its employees to actively participate in social interventions and partnerships with other stockholders such as WFP, UNICEF, WHO and other nonprofits. This shows not only that the company has a guided global giving

policy but also that target areas have been identified and hence giving in all probability, is more effective and innovative. Unilever Pakistan and other businesses can draw some good lessons.

### 2.4 PepsiCo.

PepsiCo Inc. has a long history of and commitment to good corporate citizenship; demonstrating PepsiCo's core value of caring for the communities in which they live and work. PepsiCo Foundation is its primary charitable arm.

PepsiCo Foundation's charitable giving programmes provide grants through targeted initiatives focused primarily on health and wellness, the environment, diversity and inclusion and leadership. Recipient organisations may include registered charities, non governmental organisations (NGOs) and nonprofit educational, health-related and cultural organisations.

While the Foundation generally prefers to invest in local U.S. communities where PepsiCo has a presence, they also fund international programmes. Typically, PepsiCo Foundation chooses to work with academic and community organisations where there are established relationships.

The Foundation's mission in Health and Wellness is to advance the knowledge about how to encourage healthy lifestyles and effect positive behavior change. Initiatives of particular interest are those which address the following focus areas: Community Activation, Minority Communities and Health Professionals.

Moreover, The Foundation's mission

around the Environment is to advance the knowledge and methods of water resource management which are sustainable and positively impact both quantity and quality of water supply in developing nations.

In addition, PepsiCo Foundation has a long history of encouraging employee involvement in the community through non-profit groups. The Foundation's commitment to encourage personal contributions and volunteer leadership of PepsiCo associates continues today through the Foundation's Matching Gifts program, support for United Way Campaigns and Community Service Days.

PepsiCo's giving is institutionalised through its Foundation and its core strength is well defined targets and structured programmes. PepsiCo Inc is another good example of targeted giving that has wider implications and long-term benefits than one-off endeavours. Its work in research and sustainable progress in the developing world is not only laudable but replicable by others as well. Pepsi Pakistan should step into its parent company's shoes by devising similar local programmes. Pepsi's innovative example of Matching Gifts programme is an inspiration to incentivise its employees to give through payroll giving in Pakistan.

## 2.5 Citigroup

Citi's legacy of innovation and achievement is nearly 200 years old. The company has succeeded over the years because its leaders and its people take a long-term approach to their business. The Citi Foundation - a giving arm - takes that same approach to philanthropy.

More than 2,700 grants made in 2006 show the range and scope of what the Citi Foundation and Citi's employees are doing every day to help create social and economic opportunity that will strengthen communities around the world for years to come. In 2006, giving by the Citi Foundation rose to more than \$92 million in 86 countries and territories.

Working with a global network of Citi colleagues and nonprofits in the community, the Foundation supports programmes in three areas: Financial Education, Educating the Next Generation and Building Communities and Entrepreneurs. Within these areas, the Foundation provides grants and technical expertise to organisations that help people improve their lives and communities prosper.

The Citi Foundation has established programmatic guidelines for its strategic philanthropy. Financial education is a natural extension of the work it does and it helps make a difference in the communities where Citi lives and works. In 2004, Citi and the Citi Foundation made a historic 10-year, \$200 million global commitment to financial education and is now well ahead of schedule in funding that commitment. In 2006, the Citi Foundation supported financial education programmes in 70 countries and territories by making 616 grants totaling nearly \$26 million to organisations such as Foundation

Dividendo por Colombia, Microfinance Opportunities, National Urban League, Personal Finance Education Group in the United Kingdom, Stiftung Lesen in Germany, National YWCA of Korea and the Research Foundation of SUNY.

Citi has been involved in many innovative programmes. Teenagers in Argentina, for instance, have been operating their own banks for 10 years - virtual banks. They were the first to participate in a programme called Junior Achievement (JA) Banks in Action™, a unique computer simulation created in 1996 by JA and Citibank in Argentina. The programme is designed to teach students how banks work and expose them to the world of finance. As students compete, they learn banking skills and concepts that help them make the most of their financial resources. JA Banks in Action builds on JA Worldwide's unique education model that engages students in relevant, hands-on learning activities supported by business volunteers, including many Citi professionals, who bring financial learning and career choices to life.

JA Banks in Action recently moved into the 21st century with a global redesign and expansion supported by a \$2.7 million grant from the Citi Foundation. Today's programme has a robust, multilingual curriculum and a state-of-the-art simulation designed for technology savvy teens who will participate in 28 countries. In 2006, the Foundation's support allowed JA Banks in Action to reach more than 31,000 students and further expand JA Worldwide's global influence.

In Pakistan, Citigroup Foundation signed a tripartite agreement with PCP and District Government Thatta in Sindh for

improvement of government primary and secondary schools in District Thatta. The Foundation provided \$30,000 grant for school improvement, facilitated by PCP under the Public Private Partnership for Education Programme.

An analysis of Citi's global social interventions reveals that Citi's niche is their innovative approach to mixing business and social profits. Citi's

strategy of supporting and developing banking entrepreneurs through its programmes of "financial education, educating the next generation and building communities and entrepreneurs" are evidence of their foresight in meeting both their business as well as social aims. Citi's professional approach to giving is indeed replicable in local context.

## 2.6 IBM

This leading IT firm has an innovative 'On Demand Community' programme, which is a global volunteering programme that supports its employees in becoming volunteers and provides them with IBM technology tools for use in nonprofit community organisations and schools. The programme demonstrates IBM's ability to deliver innovative solutions to social issues. IBM is a global information technology and consultancy business, whose origins can be traced to the end of the 19th century with the invention of the tabulating machine.

IBM's 'On Demand Community (ODC)', provides resources and structures to support volunteering among IBM staff. ODC seeks to encourage and sustain corporate philanthropy through volunteering. Volunteers provide the mechanism to deploy valuable IBM technology tools targeted at schools and nonprofit community organisations. The programme is designed to encourage staff engagement with the community in a variety of ways e.g. by acting as advisors to charities; supporting local schools as governors; running workshops and training sessions; and being mentors to young people. The volunteering programme was developed and launched in six months. During that time virtual

workshops were held involving IBMers from around the world in creation of the materials for the programme. Examples of volunteering in the UK include IBMers using their consulting skills to assist head teachers on the processes of managing change within schools, to improve standards of education. Well over 600 IBMers are currently providing virtual mentoring from IBM staff, for school students, through the IBM MentorPlace programme, launched in the UK in 2002. The scheme focuses mainly on students studying subjects such as IT, science and business. Mentors provide practical advice and study support. Many students from schools all across the UK have benefited.

IBM volunteers are helping to introduce appropriate technology to nursery schools. IBM donates specially developed units KidSmart installations - to nonprofit or state run nurseries in areas of significant disadvantage, that are selected by professionals as part of its KidSmart Early Learning programme. The programme aims to provide young children with access to technology, better preparing them for life-long learning and it contributes to digital inclusion. Since 2000, over 650 KidSmart computer units have been donated in the UK alone and many thousands more worldwide. KidSmart is a partnership between a



voluntary organisation 'Early Education' which helps to select the nurseries and manage the programme, local education authority personnel, who attend IBM-run training sessions and then cascade the training down to the nurseries and IBMers, who volunteer to work with the programme by helping to set up the equipment at the nursery and providing practical advice to staff and parents. "Our research showed that, as much as communities appreciate donations of money and equipment, local agencies and schools are most interested in

receiving volunteers who can share their skills and intellectual capital", said Stanley Litow, talking about the IBM On Demand Community initiative. IBM's 'On Demand Community' and KidSmart are both innovative and shining examples of good corporate social practices and hence serve as role-model programmes for other IT based companies in Pakistan and elsewhere. Both internationally and locally IT is the most booming business, hence this need and community driven approach ought to be emulated as best giving practice.

## 2.7 Bharat Petroleum

Bharat Petroleum has joined the "Global Compact" of United Nations and has committed itself to support Global Compact and the set of core values enshrined in its ten principles. The "Global Compact" is a partnership between the United Nations, the business community, international labour and NPOs. It provides a forum for them to work together and improve corporate practices through co-operation rather than confrontation.

Bharat Petroleum's contributions towards Corporate Social Responsibility in India, till date include adoption of villages, free medical camps/charitable dispensaries, schools for the underprivileged and handicapped children, ban on child labour, disaster/natural calamity aid, employment for handicapped, widow resettlement, employment for ex-servicemen, irrigation using treated sewage, pollution checking camps, plantation of millions of trees, energy saving and conservation of natural resources through environmental management.

BHEL shares the growing concern on issues related to Environment and Occupational Health & Safety and is committed to protecting Environment in and around its own establishment and to providing safe and healthy environment to all its employees. For fulfilling these obligations, a Health, Safety & Environmental Policy has been formulated and implemented through management systems. In recognition of this, Bharat Petroleum has been awarded the ISO 14001 Environmental Management Systems Certification and OHSAS 18001 Occupational Health & Safety Management Systems Certification.

This example from a neighboring booming economy is of more relevance to our local context. The guiding principle drawn from Bharat Petroleum is that companies within the region are integrating themselves on a global forum such as MDGs and Global Compact in the domain of development, which substantiates the benefits of partnership approach. Pakistani companies should also establish such synergistic linkages while designing their philanthropy programmes.

## 3. Pakistani top giving companies and Corporate Philanthropy

This chapter attempts to document the qualitative aspect of CSR and CP activities undertaken by the companies interviewed by PCP. These companies listed alphabetically, are the top philanthropic givers of 2004 and 2005 (based on two criteria, volume of

donation and donation as percentage of profit before tax). These examples may prove to be good inspiration for other companies to consider while designing, developing and executing their giving programmes.

### 3.1 Arif Habib Securities

The Arif Habib Securities ranks amongst the fastest growing financial services providers in Pakistan. The company's business philosophy is closely linked to its being a socially responsible corporate citizenship. The company has committed itself to the cause of universal primary education and health by joining hands with civil society organisations. It has a well defined giving policy and renders financial assistance to various civil society organisations accordingly. The applications for assistance are received and scrutinized by the 'Donation Committee' and then forwarded to chief executive for formal approval. Arif Habib Securities channelises funds through NPOs, the most prominent being: TCF, JS Academy, Navy League, SIUT, The Kidney Centre, Poor Patient

Society and Aga Khan University Hospital. In the year 2004 the company donated Rs. 11.6 Million which is 0.66% of PBT.

In line with its policy, the company also encourages its employees to take part in the welfare of the marginalized sections of society by making philanthropic contributions. AHS deems it imperative to involve people within the company, especially the senior and middle management because it helps inculcate a giving culture. Employees are encouraged to contribute to the noble cause of education (through TCF) and matching contribution is made by the company.

Realizing the importance of further streamlining and enhancing their giving,

Arif Habib Securities is now in the process of setting up its own Foundation that would undertake social

development initiatives on the behalf of Arif Habib Group.

### 3.2 Bank Alfalah

Bank Alfalah Ltd has backed its claim of being a 'caring bank' by actively participating in the social development of the country by making generous contributions to social causes. The Bank places special emphasis on student achievement in formal education and giving young children the support they need to succeed in school. The Bank is supporting education initiatives involving under-privileged students and special children that strengthen the education process, improve student learning, broaden educational opportunity and increase the potential for each student to succeed. Besides Education, the bank has been active in promoting health, social welfare and cultural activities as well.

Bank-Alfalah has properly chalked out giving policy with clearly defined donation criteria and approval procedures. State Bank of Pakistan's

regulation that, all donations must be approved by the respective Board of Directors before disbursement is adhered to and has helped the Bank in refining its giving procedures. Bank Alfalah besides channelising the approved donations through civil society organisations, prefers to give directly to the beneficiaries from the Head Office.

The Citizen Foundation, Rising Sun Institute and Kashmir Education Foundation are the main recipients of Bank-Alfalah social investment programme. Moreover, it has also made valuable contribution in the President's Earthquake Relief Fund, which earned the Bank the position of second top giver in 2005 thereby becoming eligible for Pakistan Corporate Philanthropy Award. In the fiscal year 2005, Bank-Alfalah donated Rs.117.6 million to social development initiatives which was 4.6% of its PBT.

### 3.3 Bestway Cement

Bestway Cement is the second largest Cement producer in Pakistan. The social responsibility of Bestway Group is reflected in the desire to help the less fortunate. This is manifested in the charter of the Bestway Foundation established in 1987 in the United Kingdom. Every year the Group contributes 2.5% of its profit to the Foundation for its various charitable activities geared towards health and

education. Bestway is also an example of Diaspora philanthropy.

The leadership of Bestway Cement is imbued with the spirit to serve youth, women and the deprived in Pakistan out of a fixed percentage of profit of the investment return. The company ensures that it makes a positive contribution back to society particularly focusing on the local community.

The company established its own foundation in 1997 named Bestway Foundation to undertake social obligations and streamline grant giving mechanism. Since then, the Bestway Foundation has focused on three major activities: awarding scholarships to deserving students, upgrading of Government High School in Thatti and providing financial assistance to widows through zakat funding. The Foundation in order to achieve its objectives and to ensure that grants are given for the right cause has devised a well defined procedure for the awarding of scholarships to students. Formal education is the primary concern of Bestway Foundation. It has so far adopted 29 Government schools in

remote areas of Gujar Khan Tehsil under its school improvement programme. Bestway is a good example for other corporations who wish to contribute in the arena of education.

The company leadership believes in carrying out their business with integrity and continues to make a positive contribution to society. The other recipients of funds from the Bestway Foundation are The Prime Minister of Pakistan's Relief Funds, Shaukat Khanum Foundation, Edhi International Foundation and the Citizen's Foundation. Bestway Cement dedicated Rs. 22.7 million for social development project which was 1.7% of its PBT.

### 3.4 Crescent Steel and Allied Products Limited

Crescent Steel and Allied Products Limited (CSAPL) is one of the leading steel pipe manufacturing and coating company in Pakistan. Crescent Steel has been a staunch supporter of the cause of education and health for many years in a bid to improve and raise the standards of the society in which it operates and earn profits from. CSAPL is increasingly conscious of the role as a responsible corporate citizen in fulfilling a wide variety of community needs. The company believes in "giving something back" by helping address issues such as education, healthcare, public safety, environmental health etc.

During the last five years, the company has provided funding to ten primary schools and is currently supporting the schools under the umbrella of TCF. It particularly supports innovative early childhood learning programmes. The donations and funding to TCF has

enabled thousands of poor children to go to school and attain quality education, giving them a chance to become valuable citizens of society. Crescent Steel also provides considerable funding to many other educational institutes and hospitals throughout the country. Notable recipients are Lahore University of Management Sciences and the Aga Khan Hospital.

Crescent Steel has a written CSR policy and it follows an institutionalized mechanism of regular visits to funded schools. These visits are conducted by Crescent employees that show the involvement of the company in their social investment. Environment is another cause the company supports. CSAPL supports numerous social development programmes at the cost of Rs. 17.7 million which is 4.2% of its PBT.

### 3.5 Engro Chemicals Pakistan Limited

Engro Chemical Pakistan Limited is one of the largest producers of urea fertilizer in Pakistan. Corporate Social Responsibility is at the heart of Engro's work as it believes in working with the stakeholders to improve the quality of life of people, in a way that is both good for business and social development. The Company's giving philosophy is driven by its set goals of respecting human rights, promoting culture of honesty and creating an environment of philanthropy within the organisation.

Engro is the recipient of the prestigious Asian CSR Award in 2005 for the Concern for Health category for its telemedicine intervention called "Project Hope". It was declared the most outstanding CSR project in the healthcare category amongst 178 entries from 14 countries and awarded the Asian CSR award held at Manila, Philippines. This is the first CSR award ever given to a Pakistani company.

Engro is supporting a number of

initiatives in the field of education, health and social welfare. The partnership between Engro, Telemedicine Association of Pakistan, JPMC, Karachi utilises the latest technology to provide tertiary healthcare and referral services for the rural communities around Telemedicine Spokes in Gambat & Shikarpur. The project covers some of the least developed areas in the country, with low literacy and high poverty, with ratio of doctors 1:2915 to population. Cognizant of the importance of education in the lives of community, it has also conceptualised an informal education program in Katcha (riverine) area of Indus in Ghotki district with 2 schools.

Engro employees also manage a non-profit voluntary organisation named Sahara welfare society which runs a primary school, vocational training school and a free clinic. Another unique initiative taken by Engro is free treatment of snake bite cases at its Dharki clinic. During 2005, Engro spent Rs. 52.3million for community support programmes and it was 1.6% of its PBT.

### 3.6 Fauji Fertilizer Company Limited

Fauji Fertilizers Company Limited (FFCL) was incorporated in 1978 as a private limited company with a vision to acquire self-sufficiency in fertilizer production in the country. The company, having a welfare orientation towards its ex-army employees since its inception, attaches now equal importance to broader social welfare view.

FFCL is of the opinion that making direct donations to recipients is more beneficial than through NPOs. Health

and Education are the prime areas of concern for FFC. The company established its own Foundation with the name Sona Welfare Society in 2004. Sona Welfare Foundation is providing free medical facilities to more than 100 patients per day. It is also constructing Sona Public School consisting of 6 classrooms that will be completed soon. Furthermore, Hazrat Bilal Hospital Trust at Goth Machi has also been set up by the company. In another social development venture, FFC partnered with District

Government Mirpur Mathelo and adopted six government primary schools.

Another unique and innovative initiative undertaken by FFC is the renovation of the Railway Station Mirpur-Mathelo. In this effort, FFC renovated passenger

platform, installed 100 Gallon Electric Water Cooler with Fiber Glass Shelter, constructed place of ablution and Jai Namaz with Fiber glass shelter and white washed the building of the railway station. FFC contributed 60.3 million for its community support programmes in 2005 and it was 0.8% of its PBT.

### 3.7 Indus Motor Company

Indus Motors Company (IMC) was incorporated in 1989 as a joint venture between the House of Habib, Toyota Motor Corporation Japan (TMC) and Toyota Tsusho Corporation Japan (TTC) for assembling, progressive manufacturing and marketing of Toyota vehicles in Pakistan.

IMC is not just a car manufacturer, it is aware of the role it needs to play to improve society at large. As a "Concern Beyond Cars", the company contributes to society in the areas of environment, road safety, education, health, NGOs, special institutions and rural village. IMC is committed to provide free medical treatment and family planning services for villagers surrounding its factories. The company's belief that its future lies in the hands of youth, is reflected through their programme of supporting educational institutions and providing scholarships to students. The company also hosted first National Auto workshop in Pakistan to raise awareness. Four consecutive CSR 'Environment Excellence Awards, besides PCP's top corporate philanthropy award is not only recognition of its services but speak

volumes of its being a responsible corporate citizen. Financial assistance is also extended to a number of institutions including Edhi Trust, Kidney Center, Al-Shifa and a number of other hospitals. WWF, SIUT and National Rural Support Programme are also recipients of the funds from IMC.

Indus is at the forefront of activities that preserve the environment. A major environmental project was the clean up and preservation of Lake Saiful Muluk. IMC is the first automobile company that started using environment friendly gas car air-conditioners. The company's other initiatives on this front include the setting up of a Co-Generation Power Plant for environment friendly energy production, a Waste water Treatment Plant and a Thinner Recycling Machine.

As part of its philosophy 'Concern Beyond Cars', the company remains committed to continuing CSR initiatives that have a meaningful and positive impact on our society, particularly those initiatives that have a business connect. IML supports numerous social development programmes and contributed Rs. 23.8 million that is 1% of its PBT in 2005.

### 3.8 International Industries Limited

International Industries Limited (IIL) was incorporated in 1948. Originally named Sir Sultan Chinoy & Co Ltd., a trading company that later ventured into the business of manufacturing welded steel pipes and tubes in 1965. The company has a strong tradition of giving since inception even when the modern concepts of CSR had not gained currency. The company leadership's commitment to social causes and returning something back to the community is evident from the fact that the company established its own foundation by the name of Amir Sultan Chinoy Foundation in 1968. The company has well-defined guidelines for corporate giving. In line with the philosophy and vision of its founders, the company traditionally dedicates 2.5% of its profit after tax annually for social development initiatives. The final approval for major

contributions under the corporate giving programme comes from the CEO of the company.

Besides funneling funds through its own charitable arm, the company also joins hand with civil society organisation to support their social development programmes. The Citizen Foundation and Agha Khan University Foundation are other main recipients of IIL's financial support.

Education, Health, Disaster Relief and Rehabilitation are the major areas, which IIL has been supporting. These contributions have been made through foundations such as WWF, President's Relief Fund for Tsunami Victims, Earthquake's victims and Marie Adelaide Rehabilitation Centre. The company dedicated Rs. 10.3 million for social causes in 2005 which was 2.1% of its PBT.

### 3.9 National Bank of Pakistan

National Bank of Pakistan (NBP) maintains its position as Pakistan's premier bank determined to set higher standards of service. It is a major business partner of the Government of Pakistan with special emphasis on fostering Pakistan's economic growth through aggressive and balanced lending policies. The Bank, while complying with the SBP requirement of making donations through Board's approval has been contributing to social causes.

Major leap has been witnessed in their giving programme in the wake of disastrous 2005 earthquake. This was when NBP rose to the occasion and joined hands in relief and rehabilitation activities in support of the government. NBP announced a relief package for the earthquake victims and made one of

the highest contribution to the President's Relief Fund for Earthquake Victims. The Bank formed Special Teams at local level for providing on the spot financial assistance to the earthquake-affecteds. NBP also played an important role in collection of donations at all domestic and overseas branches.

In the fiscal year 2005, NBP supported a range of social causes and contributed Rs. 107.8 million which was 0.5% of its PBT. This earned the bank the position of one of the top givers of 2005 recognised through PCP's top corporate philanthropy award presented in January by the Prime Minister of Pakistan.

### 3.10 Nestlé Pakistan Limited

Nestlé Pakistan has been serving Pakistani consumers since 1988, when its parent company, the Switzerland-based Nestlé SA, first acquired a share in Milkpak Ltd. In consonance with its cherished ideal of being a socially responsible company, it believes that Nestlé no matter wherever in the world it operates, ought to be fully integrated into the local social, cultural & economic life. Nestlé Pakistan is involved in a wide range of programmes and projects intended to improve the lives of underprivileged communities. It is doing its best to encourage a range of activities by supporting charities, education and training initiatives, art and cultural events, sport events and HIV/AIDS prevention

Nestlé has a written CSR policy and CSR activities are reported in the Annual Report. The Corporate Affairs Department receives requests for grant which are thoroughly vetted through a process including visits to project area. Later, all such requests are forwarded to the Managing Director and Committee with recommendations for formal approval.

To help improve education in rural

areas, Nestle partnered with Idara-e-Taleem- o-Agahi to undertake the rehabilitation of several primary and middle schools, focusing especially on girls schools. It adopted a school in Pindi Dhallon, Sheikhpura and furnished all the missing facilities like teaching aids, study material to improve the quality of education. It also donated a mobile dispensary to APWA for its medical outreach programme in a remote community near Hub, Baluchistan. Nestle have always responded generously to assist the victims of natural disasters, such as floods, earthquakes or drought. It also made valuable contribution in October 2005 for the earthquake affected areas by reaching out to affectees with donations of food products.

Nestle carried another innovative social development initiatives to alleviate suffering of the disadvantaged rural community by undertaking tube-well and hand pump installation schemes. 300 hand pumps have been installed in the arid deserts of Thar and Cholistan through this initiative. Nestle Pakistan's contribution stood at Rs. 67.9 million in 2005 that is 4.2% of its PBT.

### 3.11 OGDCL

Oil & Gas Development Company Limited (OGDCL) was incorporated as a Public Limited Company in October 1997. OGDCL endeavors to be a responsible corporate member of the community. Being fully aware of its social obligations, it continues to proactively promote, develop and maintain medical, social and welfare facilities and schemes for the benefit of the local communities affected by its

work and presence. These include employment opportunities for locals, construction of roads, establishment of dispensaries and provision of free first-aid and health care, establishment of schools, grant of fellowships and scholarships, supply of drinking water, donation for charitable causes and financial assistance for numerous projects to improve the quality of life of people and communities with which it interacts.



These endeavours obviously take much more than its obligatory contribution.

Besides constructing a Trauma Center at District Ghotki Sindh recently, OGDCL has also established two Technical Training Schools in Quetta, Balochistan and Karak, NWFP. Training programme includes classroom instructions and on-the-job practical training.

For empowerment of women and to provide livelihood opportunities to the female youth of the area, OGDCL has established a Vocational Training School for girls at Tando Muree, District Hyderabad, Sindh. The school imparts skills in stitching, cutting and embroidery. OGDCL joined hands with the World Bank for the "Pakistan Development Market Place 2006 (PDM-2006)" initiatives.

The Company, apart from meeting its social welfare obligations under the PCA, spends substantial amounts from its own resources to augment and improve facilities for water supply, health care, infrastructure and education, which makes it one of the top givers. It also contributed immensely to the Earthquake relief and rehabilitation activities.

The company's social programmes not only pave the way for progress of the communities affected by its work and presence, but while pursuing these development activities, the company ensures observance of traditional and ethnic practices out of mutual respect for social and cultural differences.

### 3.12 Pakistan Petroleum Limited

Pakistan Petroleum Ltd (PPL) is Pakistan's Premier E&P Company, the oldest and largest Exploration and Production Company in the country which was incorporated on 5th June 1950. In keeping with the demands of socio-economic changes, PPL has continuously improved its role as good "Corporate Citizen" since commencement of its business operations. The Company's community development and welfare activities are aimed at enhancing the quality of life of the people living in the vicinity of its areas of business operations by alleviating adverse social and economic conditions.

PPL has undertaken a number of initiatives not only at its operational fields but beyond. These initiatives ranged from the rehabilitation of the displaced families of Dera Bugti District to the physical victims of earthquake in

AJ&K and social uplift of various communities across the country at its operational as well as at its exploratory well sites. To achieve the objective, the Company institutionalised in May 2001 its efforts by setting-up a PPL Welfare Trust (PPLWT) followed by a Community Relations Department later. These initiatives were undertaken in partnership with various stakeholders including local governments, civil society institutions and local NGOs.

In addition to these initiatives, the PPL also donated fully equipped ambulances to various Basic Health Units, district governments, District and Taluka Hospitals. PPL also provided substantial financial and material assistance to a number of newly established educational institutions at Sui which includes libraries, computer training centres etc, which has turned Sui into a town of 40000 in the wilderness of Dera Bugti Agency receiving

gas and potable water supplies from the company. PPL received the top

corporate philanthropy award for contributing Rs. 179.4 million in 2005.

### 3.13 Pakistan State Oil

Pakistan State Oil (PSO) is the oil market leader in Pakistan with about 68.6% market share. As a responsible corporate citizen, PSO is cognizant of its responsibility towards the community at large. This blue chip company, the winner of several prestigious awards including "Karachi Stock Exchange Top Companies Award" for a number of years, has been a popular topic of case studies by leading educational institutions in Pakistan and abroad based on its successful corporate transformation over the last few years. PSO has been playing a lead role in various global strategic initiatives of World Economic Forum and World Business Council for Sustainable Development, Switzerland.

PSO partners with various institutions involved in the health sector including Marie Adelaide Leprosy Centre, the Kidney Centre, Jinnah Postgraduate Medical Centre and Children Cancer

Foundation. PSO has undertaken a wide range of initiatives to support several social, health-care, environment and educational programmes. Such initiatives include instituting gold medals, cash awards and scholarships for top students of leading professional institutions including IBA, LUMS, UET, NED University.

The company financially supports The Citizen Foundation, Umeed Foundation, Family Education and several other national institutions, provides computer training to students in rural Sindh province through a well facilitated training institute established for this purpose and has installed direction signs and traffic signals at major streets and thoroughfares. PSO has recently drawn a comprehensive CSR and giving policy and supports a range of social causes. Its philanthropic contribution was Rs. 22.1 Million in 2005 that is 0.2% of its PBT.

### 3.14 Pakistan Tobacco Company

Pakistan Tobacco Company (PTC) Limited was incorporated in 1947 immediately after partition, when it took over the business of the Imperial Tobacco Company of India which had been operational in the subcontinent since 1905. The company seeks to work continuously to engage with its stakeholders, listen to their views and to align its business decision making with reasonable societal expectations of a

modern tobacco group.

Among many of PTC's social initiatives in Pakistan, it has been lauded for its work in afforestation and is currently planting four million trees per year. Under this programme over 40 million trees have been planted since the project started in 1981. PTC is also looking into the possibility of expanding this activity in other parts of the country. Considering

the fact that only four percent of Pakistan's land mass is covered by forest (whereas it should be at least twenty percent) PTC, probably, has the largest private sector reforestation/afforestation programme in Pakistan.

In addition, PTC has made significant contributions in most rural areas of NWFP and some parts of Punjab through its initiatives on Free Mobile

Dispensaries, Free Learning Resource Centre and Non-formal Education. It also supports The Citizens Foundation (TCF) to provide educational facilities for the children. Education, Health and afforestation are the primary areas of concern and interest for PTC. PTC gave Rs. 24.6 million in 2005 (1.1% of its PBT) for a range of social development initiatives and it was 1.1% of its PBT.

### 3.15 PICIC

Pakistan Industrial Credit & Investment Corporation Limited (PICIC) was one of the first development finance institutions established with the World Bank Group assistance in 1957. Since then, it has been actively playing its role towards economic development of the country. Besides its main role of being a DFI, the company attaches due importance to its social image by being a responsive corporate citizen.

At present PICIC donates 2.5 % of its net annual profits and has a written CSR policy. The giving decisions are made by the Board. The company mainly gives to well known NGOs. Some

regular recipients of PICIC's donations are: TCF, SUIT, LRBT, Marie Adela Leprosy Centre, Shaukat Khanum Cancer Hospital and Al-Shifa Trust. The company realizes that socially the main deficient areas are health and education and hence donates mostly to health and education causes regularly.

In a bid to go beyond cheque book philanthropy, PICIC is in the process of making a new project with the name of "Model PICIC village". In 2005, PICIC spent Rs. 35.2 million which amounts to 1.8% of its PBT to support social causes across the country.

### 3.16 Shell Pakistan

Shell Pakistan Limited's strong general business principles provide the anchor for all its activities. Its core values of honesty, integrity and respect for people are at the heart of the way Shell manages its business. These principles also embody the values and Shell's commitment to society evident from its philanthropic ventures. Dedication to society, its past and present, Shell Pakistan Limited continues with the hope of securing a better future for all. Shell Pakistan has a well defined procedure

of giving. Health, Education, Environment and Heritage are the four primary areas on which Shell focuses for social investment. In Health Shell partnered with Layton Rahmatullah Benevolent TRUST (LRBT), a chain of six hospitals throughout the country including The Kidney Centre (TKC), which provides free medical treatment including dialysis to poor and needy patients; and Karvan-e-Hayat which is one of the only institutions providing mental healthcare facilities in

Karachi.

To supplement the education sector, Shell has partnered with Behbud Association to support girls' schooling; Human Rights Education Programme and The Book Group, which provides quality text books for under-resourced schools. It also supports 'The SOS Children's Villages' in Pakistan, which provide a home and education to destitute children.

Shell also supports a number of heritage sites which have been neglected despite being declared UNESCO World Heritage Sites. Among these is the magnificent Rohtas Fort, built by the Emperor Sher Shah Suri in the 15th century. Shell is proud to be the only corporate entity which is currently engaged in this unique project. Shell has also been one of the key contributors in the restoration and development of the Mohatta Palace

Museum- a key heritage site in Karachi, having a long association with the Father of the nation, Mr. Muhammad Ali Jinnah. Shell also channelises its funds through its trust 'TAMEER' and is another significant part of Shell Pakistan's social investment programme. It is an entrepreneurship development programme, which in partnership with SMEDA and IBA focuses on promotion of entrepreneurship amongst the youth by developing their skills. Launched in January 2003, Tameer is a public service programme run by the Shell Live Wire by Shell Foundation, which operates globally. Reaching out to over 10,000 people, it has met with spectacular success and is being cited as a best practice for the region. In 2005, Shell spent Rs 20.9 million which equates to 0.5% of its PBT to support various social causes in the country

### 3.17 Standard Chartered Bank<sup>15</sup>

Standard Chartered (SCB) is the largest international Bank in Pakistan. Besides business, the Bank has been involved in social development activities in some way or the other since its founding. Lately SCB has embarked upon some ambitious programmes under its global CSR policy. The Bank's community strategy is to invest in initiatives that have long term, sustainable and measurable benefits for the community, align with Government and other key stakeholders' priorities and enable their involvement.

The innovative latest ambitious 'Seeing is Believing' programme aims to make a difference to the lives of 10 million people by raising USD 10 Million by World Sight Day 2010. The most inspiring proactive on part of the Bank is that it gives every member of its

60,000 employees two days paid leave to volunteer work on community projects such as Seeing is Believing. The Seeing is Believing programme was launched in Pakistan at the end of 2004 by Standard Chartered Bank in partnership with Sightsavers International. It consists of support to the Layton Rahmatulla Benevolent Trust (LRBT) in Korangi and Lahore and a scholarship programme to provide advanced training to 80 ophthalmologists in cataract surgery at various hospitals at Karachi and Lahore. The Seeing is Believing programme has contributed to over 33% of all cataract surgeries done in Pakistan between January to December 2006 and an overall reduction in the prevalence of cataract blindness by 15%. The main focus for its other education related intervention 'Community

<sup>15</sup> Standard Chartered has been included as it took over Union Bank Limited, which was one of the Top Corporate Givers for the year 2005

Partnership' has been to support less privileged students and provide them an opportunity to complete their education in order to earn a decent livelihood for themselves and their families. This will have long term, sustainable and measurable benefits for the community. The support mainly consists of Scholarship to the post matriculate students, teachers' training and donation of computers to the schools. The Bank has donated 200 computers to primary schools of Behbud Association Karachi that runs several schools and vocational centers in the slum areas of Karachi. The Bank is

providing 100 scholarships annually to post matriculate students from these schools for two year period to complete their intermediate.

SCB has also partnered with CARE Foundation and PCP and donated 205 computers for adopted primary schools in Sindh and earthquake affected areas. The Bank has also supported The Kidney Centre by contributing Rs. 5.8 million for the purchase of specialized equipment (MCUG Fluroscopy) and a mobile van to promote early diagnosis and awareness amongst children with kidney ailments.

### 3.18 Sui Southern Gas Company Limited (SSGC)

Sui Southern Gas Company (SSGC) is Pakistan's leading integrated gas company. The company is engaged in the business of transmission and distribution of natural gas besides construction of high pressure transmission and low pressure distribution systems.

SSGC's commitment to social causes is evident from the fact that the company has a well defined CSR policy that guides its support programme in the sectors of education, health and environment. Through a system of checks and inspection, the company renders invaluable services to the community and endeavors also to preserve the valuable heritage of its franchise areas of Sindh and Balochistan.

SSGC conducts its programmes by partnering with NGOs and other organisations such as the WWF, Literate Pakistan Foundation, The Citizens Foundation and Marie Adelaide Leprosy Centre to help make a difference in the community.

SSGC establishes, extends and renovates schools under its adopt-a-

school programme in Sindh and Balochistan and also supports the Literate Pakistan Foundation with its adult literacy campaign in the various districts of these provinces. There are efforts to raise awareness about the environment by supporting various Beach cleaning initiatives, triggering tree plantations and also coordinating with WWF in reaching out to schools for the spread of the crucial message of a cleaner environment. The programme support to WWF has so far benefited 10,600 students and teachers from 399 CDGK schools. In Mirpur Khas and Pishin, the company adopted two triple merger centers of Marie Adelaide Leprosy Centre. SSGC rendered enormous support to the relief operations of the October 2005 Earthquake relief effort.

### 3.19 Unilever

Unilever Pakistan Limited (UPL) was established some fifty years ago in Pakistan. Its Corporate Purpose states "To succeed requires the highest standards of corporate behaviour towards its employees, consumers and the societies and world in which we live. This is its road to sustainable, profitable growth for its business and long-term value creation for shareholders and employees." The Company's dedication to Corporate Social Responsibility stems from its core values, business principles and commitment to improving the community in which it operates. Unilever Pakistan has focused its involvement on three areas that are most significant to Pakistan and its people: education, health and water. Unilever's concentration is on strengthening the base of education, particularly primary education for girls. The Unilever-TCF partnership was established in the year 2003. Since then, the partnership has flourished as it has built 3 new schools and is supporting another 12 nation-wide. Furthermore, Unilever Pakistan together with LUMS and GIK offers a unique opportunity to women from all over Pakistan. This programme is for the women from lesser-privileged areas encouraging them to pursue their MBA and Bsc Engineering at the aforementioned universities with financial support. Unilever's support is aimed towards those leading medical institutions with proven track record of curing and caring for the poorest in our society. Health is one of the key values in Unilever's commitment towards "Making a Better World". Therefore, it has partnered with The Kidney Centre, Marie Adelaide Leprosy Centre (MALC)

and Layton Rehmatullah Benevolent Trust (LRBT), ensuring that each organisation continues to provide essential medical treatment to needy patients. Unilever's employees and brands also play their roles through the Corporate Social Responsibility initiatives. Employees volunteer to help LRBT in the development of HR and IT Audit systems. In addition, Wall's donated various outdoor sites to the organisation for the LRBT Zakat campaign during Ramzan. The scarcity of water in Pakistan gives the company an opportunity to provide effective solutions for water sustainability and conservation. Unilever's commitment to water sustainability has further advanced with the help of its partner, the Thardeep Rural Development Programme (TRDP). To date, it has installed 336 hand pumps, funded the construction of 3 rain water harvesting reservoirs and supported and funded pilot projects in drip irrigation. Thus, Unilever provides clean water to the villages available all year round, ensuring better hygiene and health. UPL aims to integrate economic, social and environmental initiatives in major brands in its endeavour to give back to the community. The Fair & Lovely scholarship programme to help young women from lower income families fulfil their scholastic ambition was launched in 2005. The programme has awarded over 100 scholarships to deserving young women. The scholarships provide tuition fees for one full academic year to deserving women who qualify for admission on the basis of merit. In 2004, UPL supported a number of social development initiatives and contributed Rs. 29.1 million which is 1.3% of PBT.

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### 3.20 United Bank Limited

United Bank Limited (UBL) is one of the premier banks in Pakistan. After relatively recent restructuring the bank, besides focusing on improving its business outreach and services, has also included social responsibility aspect in its policies. The Bank has a CSR policy, which emphasizes contributing towards community welfare and development projects, across the country. This not only helps the company enhance its image in the eyes of public but accrues business benefits as well. In adherence to SBP's requirement, the giving decisions are taken by the Board.

The Bank works in collaboration with

established organisations and NGOs to optimize the benefit to the community. The company's areas of focus are Education, Health and Community Welfare. In terms of Community Welfare, UBL's goal is capacity building and creating conditions for increased productivity of human capital, which is in line with its business requirement as well, having larger benefits to society.

The Bank contributed generously to the cause of Earthquake victims. In the 2005, UBL spent Rs. 63.4 million which was 0.6% of the PBT, for social development initiatives.

## 4. An analysis of Corporate Giving Practices in Pakistan

The discussion in this chapter is based upon the information and data collected during the face-to-face interviews, survey questionnaires sent via post and e-mails and telephonic conversations with relevant personnel in top corporations as mentioned in the methodology. It is prudent to highlight here that this is not a comprehensive analysis of all the public listed companies but a qualitative attempt at outlining the vastly unexplored

empirical map on effective philanthropy practices among Pakistani top giving corporations. The report documents some good corporate giving practices of top trend setting PLCs in Pakistan along with some inspiring international examples with a view to motivate other businesses to adopt good corporate giving practices. Following is an analytical review of Pakistani top giving companies practices viz corporate social responsibility and corporate philanthropy.

### 4.1 Perception of CSR

The perception of CSR among company employees depending upon the understanding of respondents. Out of the companies that responded to the queries, 40% claimed that CSR merely meant paying taxes, whereas 15% stated that they could extrapolate CSR to employee welfare. A mere 10% responded that for them CSR meant contributing to community welfare and development irrespective of the company's location while another 10% claimed that CSR meant working in areas where the company's interest resides, for example, in the

neighborhood of plant sites. 10% felt that CSR meant donating to other organisations/individuals for social development purposes whereas 5% felt that directly implementing social development activities was a better option than channelizing funds through intermediary organisations such as NPOs. The remaining 10% felt that CSR meant 'other activities' such as contributing to the economic uplift of the community or business' responsibility towards the community at large and not just its stakeholders.

### 4.2. Documentation of CSR



40% of the respondents stated that they had a formal written CSR policy. Unfortunately, 45% of the companies questioned did not have a documented CSR policy. 15% companies stated they were in the process of developing a written CSR policy, which is encouraging. CSR is an emerging concept in Pakistan and a CSR policy is not mandatory by law. When companies who did not have a policy were probed further, 85.7% stated that the main reason for not having a written policy was to maintain flexibility, while the

### 4.3. Monitoring of projects

The data indicates that at present the level of regular involvement of the company with projects is minimal; only 5.8% companies conduct regular site visits of the institutions/projects they fund for feedback on their social investments. A relatively high number of companies, 47.1% evaluate projects through quarterly review meetings, annual reports to the regional offices or by comparing expenditures to the budget lines. These mechanisms though a step in the right direction are insufficient to gauge whether the

### 4.4. Decision making of CSR/CP related activities

A diverse picture was obtained when companies were questioned about their CSR related activities. For instance, CSR decision making activities of Shell Pakistan Ltd are channelised through a Social Investment Committee whereas

remaining revealed that they had never thought about having a written policy. This brings to the fore the need to promote good practice of adopting formalized policies; considering the companies interviewed were Public Listed Companies (PLCs) which is the most organised and well documented subset of the corporate universe of Pakistan. Thus the evidence at present indicates that true involvement in CSR and realization of its importance has a long way to go in Pakistan.

programme is functioning effectively. 23.6% of the respondents have various internal committees that monitor projects. It was worth noting that 23.5% corporations have no monitoring mechanism at all for the projects they fund; 1/4th of the companies that fall in this bracket have no supervision mechanism as the renowned trusts they contribute to, are certified<sup>16</sup> by Pakistan Centre for Philanthropy. Certification in their view provides the “assurance” of the clean, credible and efficient performance of the Non-profit Organisation (NPO).

Unilever's Corporate Affairs Department handles CSR related activities. At PICIC the final decision makers on award of grants are their shareholders while at Pakistan State Oil budgetary approval is granted by the Board of Managers and

**16** The Certification Programme seeks to bring transparency, accountability and good governance in the nonprofit sector in Pakistan. The first initiative of its kind in South Asia; it involves the evaluation of a nonprofit organisation on standardised parameters of internal governance, financial management and programme delivery.

This voluntary assessment aims to enhance the NPOs' credibility and resultantly their access to funding. Through the allied activities of this programme, PCP promotes certified NPOs in an annual directory and on its website and also builds capacities of nonprofit organisations for improved effectiveness.

operational approvals are granted as per Limits of Authority for donations. Pakistan Tobacco Company Limited makes decisions on a case-to-case basis depending on the merits of the applicant. Out of the remaining companies, 33.3 % stated that the CEO/Chairman of the company made CSR related decisions, whereas 66.7%

stated the BOD/Governors were in control of the decision-making process. The data indicates that at present grant-making mechanisms are not institutionalized and philanthropy undertaken by most businesses is discretionary at best, further strengthening the view that there is an absence of proper written policies.

#### 4.5. Prevalent process of grant making

The general trend observed was that the giving process starts at the beginning of the year when public service projects are identified on the basis of proposals received from different departments and outside organisations. The CSR department evaluates the proposals and places them before the Management Committee. The company also conducts continuous dialogue with various stakeholders to find suitable partnerships. Projects considered worthwhile and consonant with the company's corporate philosophy are approved by the Board of Directors and allocations are made accordingly. A case in point where such a methodological process is undertaken

is Engro Chemical Pakistan limited. Although the above process is in the right direction, systematic grant making processes are few and in most cases CSR is left to the discretion of the management for putting proposals to the Board of Directors, who then makes the final decision. There are certain companies that have set up specific mechanisms such as the Social Investment Committee, CSR committee and Social Welfare Committee. It is hoped that other companies will follow their lead and Pakistan's corporate giving shall become a more organised arena of social investment. However at present, few follow the organised process of Engro quoted above.

#### 4.6. Perceived benefits of CSR for a company

It is encouraging that companies in Pakistan are aware of the goodwill that CSR activities obtain for a company. This can be seen by the fact that 55.5% of the companies claimed that "accrual of public goodwill" was perceived as a benefit from the company's corporate giving programme, whereas consideration of 'image building' as a factor was only identified by 11.1% of the companies. Government support (reduced red tapism, access to top Government officials, obtaining various

licenses, for instance) was seen to be a gain from CSR programmes by another 11.1% of the corporations. However, only 5.5% of the companies related tax-benefits to the company's corporate giving programme. Other benefits listed by companies were 'to see improvement in the quality of life of the less privileged' (5.5%), 'community development and social welfare' and 'contributing to the growth of education in Pakistan on a long term basis' (11.1%). Hence, it can be seen that for the

majority of companies acting as socially responsible agents translates into goodwill and profits. However, the

minority view CSR as instrumental in bringing about social change and development in Pakistan.

#### 4.7. Motivation for giving

When asked to share their motivation for giving, 65% of the corporations interviewed confirmed it was part of the business strategy or the company's policy, with a further 15% claiming it was in line with the company head's personal vision. Humanitarian grounds were a motivation to give for 10% of the corporations. Further, only 5% felt development initiatives were a good enough incentive for their philanthropic

contributions. An equal percentage considered national calamity or an emergency situation to be the driving factor. However it was interesting to note that none of the companies stated that motivation included gaining political mileage, further strengthening the belief that traditionally Pakistan is a giving nation and considers it an obligation to assist those in need.

#### 4.8. Process of channelising donations

Lack of trust in the Government became evident as only 3% of the respondents claimed they used a Government department as a medium for the distribution of their funds. As expected, a sizeable portion of the companies 38.2% used other private foundations or NPOs to channelise their giving. 32.3% donated directly to beneficiaries or individuals. This method, some companies felt, was more meaningful as they knew where the funds went and

the company could keep track itself. However, a positive trend was seen as 26.5% of the companies have set up trusts or foundations working directly for the improvement of various sectors of society. Such trusts can increase the effectiveness of a company's giving as the institutional architecture provides for supervision of the entire process competently; operating trusts have the resources and the infrastructure to carry out social development programmes.

#### 4.9. Level of satisfaction of companies with giving mechanisms

Those companies, who have not set up their own trusts or foundations to run their charitable programmes, have to rely on other trusts or NPOs to channelise their donations. The most frequently mentioned recipients names were, The Citizens Foundation (TCF), Shaukat Khanum Memorial Trust Hospital (SKMH), Edhi Foundation, The Layton Rahmatulla Benevolent Trust

(LRBT), Sindh Institute of Urology & Transplantation (SIUT) and the Kidney Centre. 88% of the companies were fully satisfied with channelising their corporate giving through the above mentioned NPOs. The reason for complete faith in these NPOs could be that they have been able to build efficient programmes and construct a positive public image. The marketing strategies they have adopted

have been instrumental in bringing about an aura of trust, transparency and accountability. One company

pointed out they stop donating to an NPO when they feel their funds are being misused.

#### 4.10. Future Prospects

Since NPOs such as TCF, SKMH, Edhi Foundation, LRBT, SIUT and the Kidney Centre provide a high level of satisfaction to most of the companies, it is not surprising that an increasing number of corporations (43.3%) wish to funnel donations through the same NPOs in the future. Businesses that have set up their own trusts stated that the trust is effective in promoting their company's CSR activities (26.5%). Therefore, companies will continue to give through such trusts hoping to

develop more innovative programmes since such trusts are solely dedicated to the task of contributing to the welfare of society. Other companies interviewed stated that they will continue giving directly to beneficiaries and individuals since this is the only way to ensure that funds will reach the deserving recipients. Hence, a clear-cut preference is evident among three methods of giving in rank order i.e directly to beneficiaries, through own trusts/foundations and to NPOs.

#### 4.11 Importance of recognition

More than half (57.9%) of the companies were of the opinion that the Government should provide greater tax incentives and recognition in the form of awards and preferential treatment to top givers as it will encourage enterprises to become socially responsible members of society. With such acknowledgement, their corporate image is enhanced. Furthermore, if companies feel that their efforts are being lauded, they will be compelled to give more and will be involved in

initiating effective programmes. However 42.1% companies expressed reservations that the above measures were not an incentive, since their goal was beyond mere recognition and these companies wished that the government would extend help in other ways: providing manpower and logistic support, reducing bureaucratic red tape in attaining business permits and ensuring accessibility to remote areas of Pakistan that are in need of assistance.

#### 4.12. Pakistan Corporate Philanthropy Awards (PCPA)

As part of the effort to encourage and promote philanthropy in Pakistan, PCPAs were held for the first time in January 2007 and will be an annual event. PCP has been instrumental in initiating these awards. Across the board it was felt that PCPAs will lead to

recognition and encourage broader participation of companies in the development process of Pakistan. The awards act as an impetus to develop more socially responsible activities and augment the general well being of society. They motivate other companies

and increase healthy competition. The top giving companies and their CEOs demonstrate how leading corporate citizens in Pakistan reconcile competing

demands for profitability and responsibility while fulfilling both economic and social functions in society.

### 4.13 Best Practices according to the companies

To understand what “best practice” was according to Pakistani business leaders today, companies were asked to share their views. It was thought by many that schemes should have minimum recurrent costs and giving programmes should utilise indigenous resources and skills.

According to Pakistan Petroleum Limited, an enterprise must adopt a participatory approach involving all the stakeholders in the project cycle thus ensuring project sustainability, transparency and ownership. Another way to advance philanthropy as a social investment would be that all the community welfare initiatives are approved by the company's Board and the top management; funds allocated for social welfare under the CSR are properly allocated and budgeted with complete accountability of their utilisation.

Unilever Pakistan Limited believes that if giving is to be effective as a long term plan of any company then it should be an integrated part of business strategy and brand philosophy. Unilever feels it should lead by example, set precedents for others to follow. Furthermore, monitoring of their corporate giving and transparency is a prerequisite for effective giving. Crescent Steel and Allied Products Limited is of the view that corporate giving is really about giving time, talent and resources.

Crescent further explains that as companies give, they also receive. There are real benefits not just for the receivers but also the givers, particularly when the programmes are in line with the company's objectives. Ultimately everyone is a winner; the nonprofit organisations, the companies, their employees and the community at large.

According to Arif Habib Investments, donations made through renowned organisations or NPOs should be considered as these entities have greater experience in the development arena and can gauge which project will work better. To ensure efficiency, these organisations must be visited on case to case basis. United Bank Limited believes consistency, focus and effectiveness are the attributes of a best practice related to giving.

While organisations might take different approaches towards giving, the consistent theme they share involves having a deep commitment and strong passion, clear goals and the ability to mobilize and effectively capitalise on their resources accordingly. This exercise proved that many companies in Pakistan have a reasonably clear understanding of the theoretical aspects of social responsibility. Although at present the implementation is slow but companies have started to follow international trends of corporate philanthropy and it is hoped that this field will develop further in the next decade.

## 5. Outcomes:

### 5.1 Some principles of good giving practices

After qualitative analysis of international and local examples, reviewing literature and secondary data on corporate social responsibility, corporate philanthropy and PCP's own experience during interviews and interaction with corporations in Pakistan, the Centre has been able to list certain factors and guiding principles that are necessary to ensure success of a corporate philanthropy programme.

Firstly, programmes should be well structured and must be need-based in nature. A corporation should understand the needs of citizens, sectorally or geographically and contribute accordingly. There should be a balance between corporation's and community's preferences. It is always advisable to involve employees and communities to create ownership and sustainability. Secondly, the goals that the programme sets out to achieve must be clear from the start so that when the programme is underway and completed, the business can gauge whether it has been instrumental in bringing about a positive change. Provision of indicators for monitoring the same should be in place well ahead. To gauge the above, there should be mechanisms for transparency

and accountability in the reporting line. Therefore, it is beneficial if the corporation implements a well devised policy framework to ensure systematic giving. The framework should outline the scale on which the business gives now and wishes to give in the future, the impact that the business wishes to have and the long term sustainability of the project that the business has undertaken. It must be borne in mind that the benefits of the programme should be beyond the business' profit-seeking motives to be effective in essence. Thirdly, the partnership approach is best to create synergies to have desired goals.

Lastly, when giving through an NPO the company should analyse if the NPO is credible and from the onset formulate an exit strategy that ensures the programme is sustainable once the company provides no further funds. If the company is giving to an NPO the mechanism for checking the fund allocation and programme delivery should be well defined by the company in advance.

It is hoped that if the above factors are taken into consideration, companies can give effectively. The following flow chart depicts a viable Step by Step process approach to Effective Corporate Giving.

### 5.2 An elaboration of the good corporate giving principles

#### The purpose

Through this analysis and laying out

some principles of good giving practices, it is hoped that the benefits of becoming socially responsible firms will become

# Step by Step Approach to Effective Corporate Giving

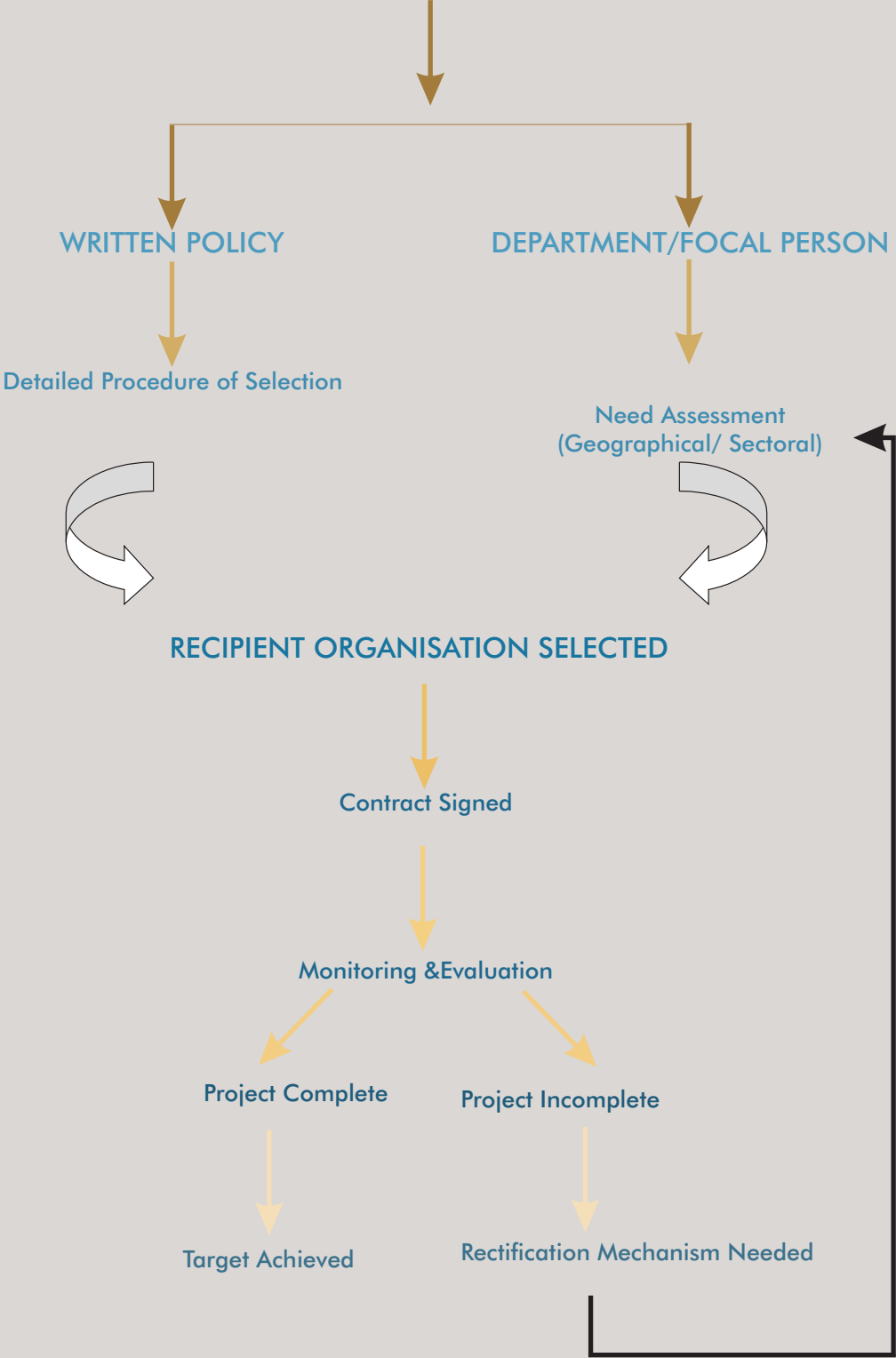


Figure 3: Step by Step Approach to Effective Corporate Giving

evident to more corporations in Pakistan. The review of corporate giving practices in the country by and large confirms the findings of this report while at the same time some lessons can also be learnt from international practices and trends. Findings of many studies conducted in the U.S.A show that corporate charitable giving helps improve a company's image. According to data from the Cone/Roper Cause

Trends Report: <sup>17</sup>

- ▶▶ 76% of consumers indicate they would switch brands or retailers to one associated with a good cause, when price and quality are equal.
- ▶▶ 87% of employees at companies with philanthropic programmes feel a stronger sense of loyalty to their employer.

### Points to Ponder for Effective Giving

Going beyond business and giving effectively is many-sided and multi layered when seen through a prism of modern corporate giving practices; the following are the easy to adopt steps for giving away effectively:-

#### **Allow time for growth and learning**

One of the most important elements in effective giving is allowing time for it. Effective giving requires care and attention while strategizing.

#### **Create a focus for giving**

Evolves structured giving programmes; determine a focus for concentrating your charitable resources and choose primary areas of interest for funding. Make decisions about what your company wants your funding to accomplish.

#### **Fund your passions**

Because growth and effective giving require time, fund and support what genuinely interests your company. That way you will be able to maintain the long-term involvement needed for learning and you'll enjoy the process too.

#### **Be flexible**

Look for gaps, issues and opportunities where your funding leadership can make a substantial difference. Regardless of the size of your charitable gift, be a listener. Don't assume that you know in advance what is needed.

#### **Synergize**

Look for partners, reach out to them, involve employees and communities

<sup>17</sup> Ways to give, Minnesota Toolkit for giving, Available at: [www.minnesotagiving.org/options/corporate.htm](http://www.minnesotagiving.org/options/corporate.htm) [Accessed on 15 July 2007]



Furthermore, there are external benefits of corporate giving:

- ▶▶ Improved customer loyalty
- ▶▶ Enhanced reputation and standing in the community
- ▶▶ Increased positive name recognition and brand awareness
- ▶▶ New and enhanced relationships with key community leaders and officials
- ▶▶ Beneficial business-to-business relationships with nonprofits
- ▶▶ A reservoir of goodwill within the community
- ▶▶ Healthier, more livable and economically stronger communities

Also, there are internal benefits of corporate giving:

- ▶▶ Competitive advantage in attracting and retaining employees
- ▶▶ Leadership and development opportunities for employees
- ▶▶ Exposure of senior staff to new ideas, points of view and important social movements
- ▶▶ Improved internal communication and common purpose

Companies should take into account that there are at least four options for them to consider for their company's philanthropic giving: 1. a corporate giving programme, 2. a corporate foundation, 3. a corporate donor advised fund, 4. payroll giving employee matching and non-cash giving.

### **Corporate Giving Programme**

Many corporations operate an annual giving programme to make charitable grants, funded as part of their annual operating budgets. Business owners can blend their family business with family philanthropy by channeling their

charitable support through their family corporation(s). A corporate giving programme has no independent endowment and its budget is typically administered by corporate staff and directed by the CEO or an advisory committee of management staff members. A corporate giving programme is not subject to the rules and regulations governing private corporate foundations.

### **Corporate Foundation**

A company can create a corporate foundation as an independent, tax-exempt private foundation. A corporate foundation is usually started with a single gift that can become the endowment, to which the company can add future contributions as it wishes. The foundation's officers are usually the company's owners and key executives, although leaders from headquarters, communities are sometimes included. At some companies, employee committees make giving recommendations about projects they believe are worthy of support. The corporate foundation is subject to the same rules and regulations applicable to other private foundations.

### **Corporate Fund**

Companies can create their own donor advised funds at a community foundation of their choice.

### **Employee Matching & Non-Cash Giving**

In addition to awarding cash grants to charity, companies often offer to match their employees' gifts of cash and volunteer time to nonprofit organisations. Many companies assist and encourage their employees to give by organising workplace giving programmes (also known as "federated funds") and by facilitating payroll deductions for

employees' charitable gifts. Companies sometimes match gifts that their employees make through workplace giving programmes. Some companies also organise employee workplace volunteer efforts, donate "in-kind" gifts of their products, or offer their services to charities on a free "pro bono" basis. According to a survey of members of the Minnesota Keystone Programme, a recognition programme for corporate givers, there are three key ingredients to successful corporate philanthropy:

1. Encourage employee participation.  
89% of Keystone survey respondents

involve their employees in the company's charitable giving decisions.

2. Manage the process. Have a rationale for what you are doing, develop guidelines and objectives, budget your giving and stay focused.
3. Keep top management involved. The single most important ingredient for starting a corporate giving programme is a strong value and support for corporate giving from top management.

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## 6. Conclusion

It has been seen that though CSR is a newly emerging field in Pakistan it is one that is slowly catching up with the international and regional competitors in this domain. Though programmes in Pakistan may not be as systematic as hoped, by following the easy to adopt good giving practice principles mentioned in this document corporations can give effectively and innovatively if they so wish. However, this process requires firm commitment on the part of the corporation and the belief that effective and innovative programmes implemented by Foundations and NPO's alike can fill a service-delivery void that is apparently present in the country. It can be seen that the leading corporations in this country wish to bring about change, however efficient management and checks and balances are needed for the funds that

corporations provide. Moreover, it has also been noticed that the GoP (through CBR) does provides certain incentives to encourage philanthropy to NPOs, however these are neither comprehensive nor have been explored by the corporate world adequately, other than when the incentives run parallel to the businesses profit making motives. It is hoped that this effort of PCP will encourage businesses to initiate programmes that are effective in building social capital in Pakistan. The Centre envisions that this document will stir the interest of business leaders and help raise societal understanding of corporate giving practices in Pakistan. Going beyond business and giving intelligently should be the hallmark of Pakistani corporates.

# Annextures

Annex I

# Survey Questionnaire

# Survey Questionnaire

## 1. Company Information

Company Name, address, telephone, email \_\_\_\_\_

\_\_\_\_\_

Name of Company's Head \_\_\_\_\_

Name of Contact Person/Respondent and Designation \_\_\_\_\_

## 2. Financial Information

	2006
Donations	
%Age of profit before tax	

## 3. What in your opinion is the corporate social responsibility (CSR) of a company? Please rank top 3 in order of importance.

Preferences	Rank
Paying taxes	
Employee welfare	
Community welfare in the areas of company's interest e.g. in the neighbourhoods of plant sites	
Contribute to community welfare and development irrespective of their location	
Donating to other organisations/individuals for social development purposes	
Directly implementing social development activities	
Others (Specify)	

## 4. How important is it for a company to be known as a good corporate citizen?

Extremely important

Somewhat important

Important

Not important

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5. How does your company budget total annual quantum of donations?

- As % of total profit before tax       Fixed amount in Annual Budget
- Based on on-going commitment with beneficiaries       Do not have any sort of criteria
- Other (specify) \_\_\_\_\_

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6. Does your company have a CSR policy?

- Yes       No

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7. Since how long has your company been involved in giving?

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8. Do you have a written policy or guidelines for corporate giving?

- Yes       No

If yes please attach. When was it made? \_\_\_\_\_

If no, what are the main reasons for not having a written policy of corporate giving?

- Never thought to have a written policy       To maintain flexibility
- Are not involved on regular basis in corporate giving
- Others (specify) \_\_\_\_\_

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9. Do you plan to make one and if so when?

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10. Do you report CSR activities through a CSR report or in your annual report?

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11. If you make CSR reports when were they first implemented?

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12. Do you monitor your giving? If so, how?

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13. How often does your company review corporate giving plans?

- Bi-Annually  
 Annually  
 Others (specify) \_\_\_\_\_

14. Who gives final approval for MAJOR contributions under the corporate giving program?

- Chairman/CEO  
 Board of Directors/governors  
 Other Corporate Directors  
 Others (specify) \_\_\_\_\_

15. Do you have a separate department that handles corporate giving? If not, then name person responsible and designation.

16. What is the process for making a corporate grant?

17. How many employees are involved and what is the cost of handling the corporate giving program?

18. Is your company involved in giving?  
(In case of multiple responses, please rank in order of preference)

Preferences	Rank
Parts of the business strategy/company vision	
Company Head's personal vision	
On humanitarian ground	
On religious ground	
Response to national emergency or disaster	
For tax exemption	
Beneficiaries are target consumers	
For company image building/public goodwill	
To build political/social relationships	
For Development Purposes	
Others (specify)	



19. Do you make one off contributions or do you have ongoing commitments?

20. How does your company channelize the donations?

- Through Organisation/NGO's
- Directly to the beneficiaries/individuals
- Through your own trusts/foundation
- Do not have any sort of criteria
- Other (Specify) \_\_\_\_\_

If

A) Through Organisations/NGOs

Name of NGO	Period of Association (in years)

If you do not give to NGOs, can you give reasons why?

\_\_\_\_\_

\_\_\_\_\_

If your company has been working with NGOs, what is your level of satisfaction with this arrangement?

- Fully Satisfied
  Partially Satisfied
  Not Satisfied

B) Through your own Trust/Foundation

If you have your own set up to channelize corporate giving, please provide the following information:

Name of the Trust/ Foundation	Since when

If your company has been working with its own trust/foundation, what is your level of satisfaction with this arrangement?

- Fully Satisfied
  Partially Satisfied
  Not Satisfied

**C) Directly to Beneficiaries**

If your company has been working directly with the end beneficiaries, what is your level of satisfaction with this arrangement?

- Fully Satisfied
  Partially Satisfied
  Not Satisfied

**21. What do you think are the perceived benefits of your company corporate giving programmes? In case of multiple response rank in order of importance 1 5 (Highest = 1)**

Perceived Benefits	Rank
Image Building	
Government Support	
Public Goodwill	
Tax Benefits	
Any Other(Specify)	

Who would you like to give to in future?

- NGO's / Organisations
  Through Government
  Through your own Trust/Set-up  
 Directly to beneficiaries
  Other (specify) \_\_\_\_\_

**22. would be the main beneficiary of your corporate giving program in future? (Please rank in order of priority: 1-highest)**

Beneficiaries	Rank
Women	
Youth and Students	
Handicapped/Disabled	
Orphans	
Rural Poor	
Urban Poor	
Fisher Folk	
Artists	
Employees and Dependents	
Farmers	
Neighbouring Community/ Adjacent to the Unit	
Elderly	
Disaster Victims	
Others (Specify)	

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23. Is it important for you to be appreciated by the government?

Yes

No

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If yes, in what ways do you consider that these efforts should be appreciated?

Increased tax incentives

Give Awards/Recognition (e.g. Pride of Performance)

Others (specify) \_\_\_\_\_

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24. Do you think that the Pakistan Corporate Philanthropy Awards prove a good incentive for increased corporate giving?

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25. What has to date been your most innovative giving programme and why?

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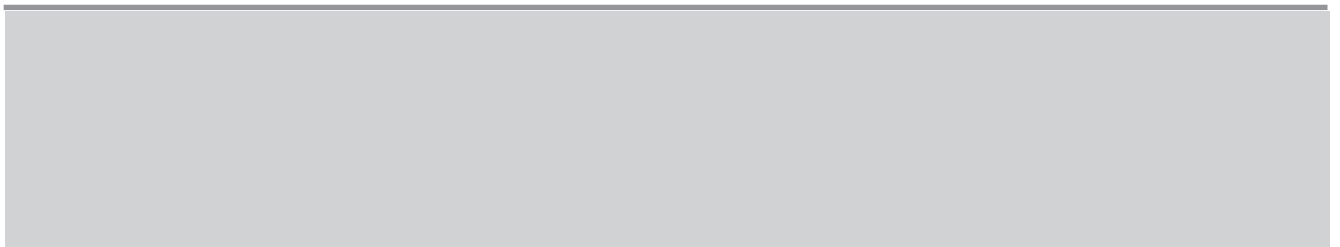
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26. What in your view are best practices associated with corporate giving?

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27. Which of the following sectors receive support from your corporation and in which form?

Notes:  
 Cash=in Rs.  
 Kind=Computers, medicines, hospital equipments, own products supplies  
 Time/Technical Expertise=If company employees provide time or technical support to some projects  
 Facilities Used=If company provides facilities like auditorium, dining/eating places, use of computer, playground, training center, etc.

Sr. No.	Areas/Forms of Assistance	Cash Donations	In-Kind Donations	Time/Technical Expertise	Facilities Used	Others
		2006	2006	2006	2006	2006
1	Education					
2	Health					
3	Disaster Relief & Rehabilitation					
4	Social Services					
5	Culture and Arts/Sports					
6	Environment					
7	Religious Causes					
8	Others (Specify)					
9	Human Rights/Advocacy					
	<b>Sub Total</b>					

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Annex II

# List of Companies contacted

<b>Sr.No.</b>	<b>Company Name</b>
1	Al-Ghazi Tractors Limited
2	Arif Habib Securities Limited
3	Askari Commercial Bank
4	Askari General Insurance Limited
5	Atlas Honda Limited
6	Atlas Insurance Limited
7	Babri cotton mills Limited
8	Bank Al-Falah Limited
9	Bank Al-Habib Limited
10	Bestway Cement
11	Century Paper & Board Mills Limited
12	Cherat Papersack Limited
13	Clariant Pakistan Limited
14	Clover Pakistan Limited
15	Colgate-Palmolive Pakistan Limited
16	Crescent Steel and Allied Products Limited
17	Crescent textile mills
18	Dawood Hercules Chemicals Limited
19	Dewan Salman Fibre Limited
20	Dewan Sugar Limited
21	Engro Chemical Pakistan Limited
22	Fateh Textile Mills Limited
23	Fauji Fertilizer Bin Qasim Limited
24	Fauji Fertilizer Limited
25	Fazal cloth mills Limited
26	Ferozsons Laboratories Limited
27	First Equity Modaraba
28	First Habib Modaraba
29	Ghani glass Limited
30	Gul Ahmed Textile Mills Limited
31	Gulistan textile mills
32	Hub Power
33	Indus Motor Company Limited
34	International Industries Limited
35	Island textile Limited
36	Ittehad Chemical Limited
37	Jahangir Siddiqui & Co. Limited

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38	Jahangir Siddiqui Bank
39	Jahangir Siddiqui Capital Markets Limited
40	Janana-de-malucho textile Limited
41	Javed Omer Vohra & Company Limited
42	K.S.B. Pumps Limited
43	Karam Ceremics
44	Kohinoor Textile Mills Limited
45	Lakson Tobacco Company Limited
46	Liberty Mills
47	MCB Bank Limited
48	Metropolitan Bank Limited
49	Metropolitan Steel Corporation Limited
50	National Bank Limited
51	National Refinery Limited
52	Nestle Pakistan Limited
53	Oil & Gas Development Company Limited
54	Pakistan Cables Limited
55	Pakistan Petroleum Limited
56	Pakistan Premier Fund Limited
57	Pakistan Services Limited
58	Pakistan State Oil Company Limited
59	Pakistan Synthetics Limited
60	Pakistan Telecommunication Company Limited
61	Pakistan Tobacco Limited
62	Paramount spinning mills Limited
63	PICIC Commercial Bank
64	Premier Insurance Company
65	Quetta Textile Mills Limited
66	Rafhan Maize Products Limited
67	Sanofi-Aventis Pakistan Limited
68	Security Papers Limited
69	Service Industries Limited
70	Shakarganj Mills Limited
71	Shell Pakistan Limited
72	Siemens Pakistan Engineering Company Limited
73	Sitara energy Limited
74	Tata Textile Mills Limited
75	Unilever Pakistan Limited
76	Union Bank Limited
77	United Bank Limited

**Annex III**

# **Template Corporate Philanthropy (CP) Policy**



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(Name of company) is committed to setting standards for business practices and corporate values that exceed industry norms. (Name of company) is leaning its CP strategy towards sustainable community development by optimising on the core financial, non-financial and networking strength of the financial institution for the empowerment of the underprivileged.

## Policy on Corporate Philanthropy

As an essential element of its commitment to the principle of Corporate Social Responsibility, it is the policy of (Name of company) to maintain a corporate philanthropy budget for the purpose of demonstrating good corporate citizenship in the communities in which the company is active.

## General Budget Considerations

The company's Corporate Philanthropy Budget shall:

- ▶▶ be up to 2½% of net profit after tax
- ▶▶ be administered such that a donation to a single institution should not be more than 10% of the total amount earmarked for donations
- ▶▶ be given to exclusively to nonprofit/ charitable/ welfare institutions
- ▶▶ be administered in a fashion that both serves the interests of the community at large or the communities in which the company does business as well as the commercial objectives of corporation
- ▶▶ Where deemed appropriate, be accompanied by a corporate communications strategy or program that covers all of the company's monetary and in-kind giving (including the corporate philanthropy budget), so that giving is aligned closely with the company's business objectives and highlights the corporation as a socially responsible corporation.

## Authority

Before making any donation or contribution (Name of company) would observe all regulatory requirements pertaining to donations. Every donation or contribution would be subject to prior approval of the Board of Directors.

All donations and contributions to be made during the year shall specifically be approved by the shareholders at Annual General Meeting.

The President and CEO shall have authority to administer the budget for corporate philanthropy in any given fiscal year with the approval of the Board of Directors.

Vice President, Public Affairs (in consultation with Vice Presidents and/or with the President and CEO) may suggest institutions and sectors for corporate philanthropy.

## Recipient Selection Considerations

The recipients of (Name of company)'s corporate philanthropy allocations shall be recommended by the company's Vice Presidents with the following considerations in mind:

- ▶▶ Donations should be given to those institutions/bodies which are registered with the CBR for the purpose of tax exemption.
- ▶▶ The institutions/bodies serving humanity in health and education or any other field considered appropriate by the Board of Directors.

### Scope and Relevance

Does the cause relate directly to one of (Name of company) endeavours/projects?  
Will the giving have a direct or indirect benefit to (Name of company) with respect to one of its endeavours / projects?

### Social Relevance

Does the cause have a great deal of public support?  
Do supporters receive associated credibility and profile?  
Will stakeholders feel that (Name of company) is exploiting the cause or making a positive difference?

### Opportunities

Does the support help differentiate (Name of company) within its sector?  
Does support enhance the perception of (Name of company) with its audience?  
Are there opportunities to increase the profile of the corporation and enhance the image of the company and its work in various communities across the country?

### Quality of Program

Does the organisation have a credible track record?  
Is the organisation financially stable?  
If the organisation fails to meet objectives, can (Name of company) withdraw without suffering adverse consequences, such as public dissatisfaction?

### Leverage Media

Is the cause of program appealing in a positive way to the media?  
Does the program have an existing media partner or partners?  
Can it draw broadcast and print coverage?  
Can (Name of company's) presence be recognised?

### Measurability

Does the organisation have the infrastructure to deliver what it promises?  
Does the cause or program lead itself to measurement?  
Does the organisation conduct regular evaluations to which (Name of Company) would have access?

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Annex IV

# Legal incentives available to corporations

Charitable and philanthropic giving by different sections of society is incentivised by governments through various means in almost every country as part of their endeavour to create an enabling environment for philanthropy promotion. Charity's transformation into philanthropy has particularly changed business sector's approach to see their giving in terms of social investments and social returns. The spur to resource rich corporate sector's giving is reinforced by government in the form of tax rebates and credits. Following is a brief summary of available tax incentives elucidated with examples of tax rebate calculations:

There are mainly two sections and one clause of Income Tax Ordinance 2001 (and Rules 210-220 of ITO 2002) under which businesses/associations/individuals/recipient organisations can enjoy tax credits concerning their social contributions i.e Section 61, Section 2(36) and Clause 58(3).

Section 2(36) and Clause 58(3) in part I of the Second Schedule of the Ordinance deal with the approved charities (recipient organizations) in addition to enumerated statutory exempt charities, whereas Section 61 deals with the donors of these charities. Section 61 prescribes the calculation of tax benefit (tax credit/rebate) when donations are made to charities.

## Section 61

This section provides calculation of Tax credits to corporates as well as individuals/associations for donations made to approved nonprofits, government educational institutions, hospitals and relief funds provided that payments for donations are effected through banks.

### 1. Where the donor (payer) is an individual or association of persons:

Eligible amount of donations for rebate is lower of the:

- ▶▶ Amount of charitable donations and/or fair market value of the property given; or
- ▶▶ 30% of the taxable income.

	Example I	Example II
1. Taxable income	Rs 2,00,000/-	Rs 2,00,000/-
2. Amount of charitable donations	Rs 80,000/-	Rs 50,000/-
3. 30% of taxable income	Rs 60,000/-	Rs 60,000/-
4. <b>Eligible amount for rebate (Lower of 2 and 3).</b>	Rs 60,000/-	Rs 50,000/-

### 1. Where the donor (payer) is a company:

Eligible amount of donations for rebate is lower of the:

- ▶▶ Amount of charitable donations and/or fair market value of the property given; or
- ▶▶ 15% of the taxable income.

	Example I	Example II
1. Taxable income	Rs 2,00,000/-	Rs 2,00,000/-
2. Amount of charitable donations	Rs 40,000/-	Rs 20,000/-
3. 15% of taxable income	Rs 30,000/-	Rs 30,000/-
4. <b>Eligible amount for rebate (Lower of 2 and 3).</b>	Rs 30,000/-	Rs 20,000/-

## Calculation of tax rebate

**(A/B) x C**

Where

- A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;  
 B is the person's taxable income for the tax year; and  
 C is the eligible amount of donations for rebate

### Individual

Example I	Example II
Tax/taxable income * Eligible Amount	Tax/taxable income * Eligible Amount
$8,000/200,000*60,000=2,400$	$8,000/200,000*50,000=2,000$
$8,000-2,400=5,600$	$8,000-2,000=6,000$
<b>Tax payable before rebate=8,000</b>	<b>Tax payable before rebate=8,000</b>
Tax Rebate=2,400 Tax Payable after rebate=5,600	Tax Rebate=2,000 Tax Payable after rebate=6,000

### Private limited company

Example I	Example II
Tax/taxable income * Eligible Amount	Tax/taxable income * Eligible Amount
$70,000/200,000*30,000=10,500$	$70,000/200,000*20,000=7,000$
$70,000-10,500=59,500$	$70,000-7,000=63,000$
<b>Tax payable before rebate=70,000</b>	<b>Tax payable before rebate=70,000</b>
Tax Rebate=10,500 Tax Payable after rebate=59,500	Tax Rebate=7,000 Tax Payable after rebate=63,000

## Benefits for charities:

### Section 2(36) read with section 61

- Tax credits are available to corporate donors (recognized as “donees”) on amounts donated as mentioned above. Rerecipient which is an approved nonprofit organisation under this section gets the benefit of their utilities tariff charged on domestic rates; their imports such as machinery, vehicles, and equipments become exempt from customs, excise and even provincial levies such as government of Sindh's Infrastructure Cess. These organisations also become eligible for exemption from levy of minimum tax of 0.50% of their turn over under clause 11 of part IV of the second schedule to the Income Tax Ordinance 2001.

### Under clause 58 of II Schedule

▶ Tax credits on business income of nonprofit organizations e.g. house rents, investments in saving schemes etc are available under this clause.

If a charity is engaged in any business activity, this clause provides exemption to business income of such charity, in addition to their exempt rental income, investment in securities, donations and grants. The exempt business income is calculated in following manner;

To the extent amount is expended in Pakistan for carrying out welfare activities and in proportion to ratio of income from business to the aggregate incomes from all sources.

#### Example

1.	Income from voluntary contributions	Rs. 50,000/-
2.	Income from property	Rs. 15,000/-
3.	Income from business	Rs. 35,000/-
<b>4.</b>	<b>Total Income</b>	<b>Rs. 100,000/-</b>
5.	Amount expended in Pakistan for Carrying out welfare activities	Rs. 20,000/-
	<b>Exempt business income</b> <b>[3 diving by 4 and multiply by 5]</b>	Rs. 7,000/-

## About the Centre

It is this vision of a galaxy of eminent citizens of the country, now on the Board of the Centre, which helped establish this only infrastructure organisation dedicated to the cause of philanthropy promotion. Pakistan Centre for Philanthropy (PCP) emanated out of an original research on philanthropy and is an outcome of recommendations of 'International Indigenous Philanthropy Conference of 2000'; attended by His Highness the Aga Khan and President Musharaff, who supported the idea of fostering an enabling environment for civil society and creation of PCP to promote structured and strategic approach to enhancing philanthropy for social development.

PCP is an independent nonprofit support organisation with a mission to promote the volume and effectiveness of philanthropy for social development in Pakistan. The Centre is licensed under section 42 of the Companies ordinance 1984.

Instead of getting into the direct service delivery mode or making donations, PCP being a support and facilitative organization, seeks to facilitate altruistic efforts of others i.e national and international donors (individual, corporate & diaspora) by establishing effective linkages between the donors and nonprofit organisations (NPOs). This requires bridging the information and credibility gap that exists in the sector and is often a major impediment in the promotion of philanthropy. In line with the vision and mission and to achieve the objectives, PCP has designed innovative programmes (i) standard setting Nonprofit Organisation Certification (ii) Philanthropy Support Services: mobilizing corporate philanthropy for education under Public Private Partnerships (3Ps) and an online web based development market place Philanthropy Portal (2P) Give2Pakistan (iii) expanding the philanthropy knowledge through evidence based Research and (iv) Communication and Advocacy to enhance societal understanding of philanthropy and development.



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