

Baseline Study of Sustainable Development and SDG Reporting Among Listed Companies in Pakistan



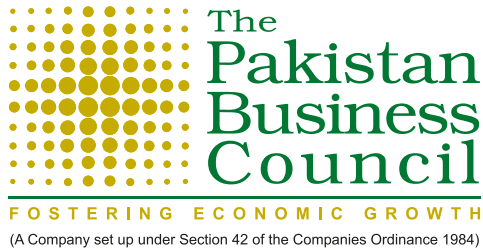
ACKNOWLEDGEMENTS

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DISCLAIMER

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The Centre of Excellence in Responsible Business (CERB) is the first of the Pakistan Business Council's outreach initiatives to build capacity and capability of businesses in Pakistan. CERB's vision is to assist Pakistani businesses to pursue long term sustainability and value creation, and its mission is to strengthen and grow the formal sector enabling large, small and medium sized businesses to work in an integrated value chain and contribute towards responsible, inclusive and sustainable development. As part of its strategic objectives, CERB engages with businesses and industry leaders to provide a clear direction towards conducting responsible business in Pakistan. It leverages private sector growth as a means for development and poverty reduction and is guided in doing so by the United Nations Sustainable Development Goals framework. Its operations comprise of an Online Research & Innovation Initiative and one or more interdependent business coalition forums: 'Inclusive and Sustainable Development' – to focus on generating livelihoods, promoting women's empowerment and decoupling growth from its impact on the environment; And 'Ethics, Values and Governance' – to promote responsible practices which strengthen the formal sector in pursuit of sustainable value creation. The forums that may be subscribed to, aim to raise awareness of responsible business practices that ensure a fair and competitive economic environment central to sustainable business, economic growth and national development.

FOREWORD



Pakistan was one of the first countries to adopt and commit to the United Nations 2030 Agenda for Sustainable Development. In 2016, the Parliament and Government of Pakistan adopted the MAPS approach that focuses on; mainstreaming Sustainable Development Goals in national and subnational policies and development plans; strengthening reporting and monitoring mechanisms; developing a budgeting and financing framework; and fostering an integrated approach to accelerate progress on priority SDGs.

The process of SDG implementation requires integration of all stakeholders and recognition of their roles and responsibilities to deliver on SDG commitments. Among these stakeholders, the business sector has an important role to play in the achievement of SDGs, particularly those concerning the environment, sustainable consumption and economic growth. By adopting sustainable business practices, the private sector can make direct contributions to a number of SDGs. We believe that reporting on SDGs will help organizations align with the government's priorities, while enhancing access to impact funds and new business opportunities as investors need credible and high quality data in terms of the positive and negative contributions companies are making to the SDGs. Moreover, reporting and focusing on the SDGs will enable companies to build greater goodwill within the communities and help minimize social and environment risks such as inequality, air quality, water pollution and climate change.

In this respect the private sector is an important strategic partner for UNDP in achieving its vision to help countries achieve sustainable development by eradicating poverty in all its forms and dimensions, accelerating structural transformations for sustainable development and building resilience to crises and shocks.

This baseline survey has been conducted in collaboration with The Pakistan Business Council's Centre of Excellence in Responsible Business. Its aim was to collect data from private companies listed with the Pakistan Stock Exchange (PSX), and identify which SDGs are brought into consideration during business decision making within the companies and how they report on the impact thereof. This study presents a baseline which can be used by both the private sector and public sector as a starting point to contribute over the next ten years towards Pakistan's progress in achieving the SDGs. The findings will also serve as a guidance to the UNDP, the Federal and Provincial Planning and Development departments, and not-for-profit organizations for interventions and developing possible public-private partnerships.

Ignacio Artaza
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UNDP Pakistan





FOREWORD



Ehsan Malik
CEO
Pakistan Business Council

The Pakistan Business Council (PBC) is a business advocacy forum composed of the largest businesses including multinationals that have significant investment in and a long-term commitment to Pakistan. Members' turnover represents 11% of Pakistan's GDP and they contribute 25% of the taxes and 40% of the exports. Our key advocacy thrust is "Make-in-Pakistan" with the objective of creating jobs, generating value-added exports and encouraging import-substitution. We also work to enhance the level of documentation of the economy in order to broaden the tax base.

PBC works closely with the relevant government departments, ministries, regulators and multilateral institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. It has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. PBC also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan, and other regulators with the objective to provide policy assistance on new initiatives and reforms.

The Centre of Excellence in Responsible Business (CERB) is the first of PBC's outreach initiatives to build capacity and capability of businesses in Pakistan. CERB's vision is to assist Pakistani businesses to pursue long term sustainability and value creation, and its mission is to contribute towards inclusive social development. As part of its strategic objectives, CERB engages with businesses and

industry leaders to provide a clear direction towards conducting responsible business in Pakistan. It leverages private sector growth as a means for development and poverty reduction taking guidance from the United Nations Sustainable Development Goals framework.

With scale comes the responsibility of leadership, and the current partnership in which PBC has engaged with UNDP establishes a strong base and one that allows other Pakistani companies which will one day be listed at the PSX to pursue from now. Companies today are increasingly demonstrating that success and forward-thinking in the business extends beyond just financial gains to long-term sustainable value creation that encompasses responsible, inclusive and sustainable development which is imperative for the growth of the company and of the country.

The Sustainable Development Goals (SDGs) present a roadmap for the world to a sustainable future. Businesses have a key role to play in achieving the SDGs as they represent the power of innovation that can enable inclusive and sustainable development. Through alignment with the SDGs, companies can access new capital, strengthen their financial performance, develop new opportunities, improve their reputation, and mitigate risks. With 10 years to go to achieve the SDGs, this baseline survey looks at how companies are disclosing their inclusive and sustainable development practices. The results, and our recommendations will enable all stakeholders to streamline further efforts for achieving inclusive and sustainable development for the country.

CONTENTS

A. Abbreviations	vi
B. Executive Summary	1
C. Introduction	3
D. Background and Objectives	4
E. Survey Methodology	7
F. Results And Discussion	8
I. Respondent Demographics	8
II. Priority Areas In Inclusive And Sustainable Development In The Private Sector	8
Material non-financial issues that companies are working on	8
Sustainable development goals that are relevant to the company's current business operations	10
SDGs that represent future business opportunity to companies	12
III. Mainstreaming Sustainable Development	13
Responsibility for sustainability initiatives within the organization	13
Actions companies have taken in incorporating sustainable development within their organization	14
Policies that are formally adopted by companies	15
Kind of partnerships that companies enter into to develop and implement their sustainable development initiatives	16
IV. Reporting on Sustainable Development	16
Approach that companies take for reporting on sustainable development initiatives	16
National and International standards adopted by companies as part of their sustainability progress	19
G. Recommendations	20
H. Bibliography	23



TABLE OF FIGURES

Figure 1:	Principal place where the company operates its business	8
Figure 2:	Material non-financial issues that companies are actively working on	9
Figure 3:	SDGs in order of relevance to the company's business operations	11
Figure 4:	SDGs as prioritized by companies globally	11
Figure 5:	The top and bottom ranked SDGs that represent business opportunities to companies in the future	12
Figure 6:	Where responsibility for sustainability within the organization lies	13
Figure 7:	The extent of action companies have taken to incorporate sustainable development in their organizations	14
Figure 8:	Formal policies that have been adopted by companies	15
Figure 9:	Partners that companies develop and implement their sustainable development initiatives with	16
Figure 10:	Company's approach to sustainable development reporting	17
Figure 11:	Company's reporting practices on sustainability	18
Figure 12:	A look at how companies globally report on sustainable development	18
Figure 13:	Standards used in Pakistan by companies	19
Figure 14:	Standards used globally by companies	19



A. ABBREVIATIONS

CERB	Center of Excellence in Responsible Business
CSR	Corporate Social Responsibility
ESG	Environmental, Social, and Governance
GCNC	Global Compact Network Canada
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Council
PBC	Pakistan Business Council
PCP	Pakistan Centre for Philanthropy
PSX	Pakistan Stock Exchange
SASB	Sustainable Accounting Standards Board
SDG	Sustainable Development Goals
SECP	Securities and Exchange Commission of Pakistan
UNCTAD	United Nations Conference on Trade and Development
UNGC	United Nations Global Compact
WBCSD	World Business Council for Sustainable Development

B. EXECUTIVE SUMMARY

This study was conducted by the Pakistan Business Council's Centre of Excellence in Responsible Business, (CERB) with the support of United Nations Development Programme (UNDP) and the Pakistan Stock Exchange (PSX). The study explores how listed companies are engaging and reporting on the sustainable development goals (SDG). The survey was sent out to 547 companies listed with the Pakistan Stock Exchange. 71 companies responded to the survey including member companies of the Pakistan Business Council, that accounted for 54% of the survey responses.

The survey revealed that despite national conversations on corporate contributions (that are currently more focused on philanthropy or corporate social responsibility), and the presence of the governmental federal and provincial SDG units, there is much work to be done in relating and determining the business sectors contribution to the SDGs. The key findings from the survey are as below:



1. $\frac{1}{3}$ rd of the companies do not report on sustainable development, nor provide an overview in their annual financial reports or websites.



2. Corporate Social Responsibility (CSR) and sustainable development are used interchangeably as companies are often unable to distinguish between CSR, charitable donations, and inclusive and sustainable development that is integrated within the organization's operations and supply chain as part of its business models.



3. Companies are able to identify sustainable development goals relevant to their work, but do not understand the targets and indicators that make up the goals, and the methodology to measure and report in their progress towards achieving the goals. Though some companies have identified goals that are relevant to their business operations, they fall short on developing KPIs aligned with the goal's targets, and in disclosing on their progress.



4. Sustainable development is more thoroughly integrated into an organization when it is driven by the senior leadership (Chief Executive Officer, Chief Operating Officer or Chief Financial Officer).



5. Companies were able to identify the non-financial issues that are material to their business, however without addressing these through formal policies and transparent reporting their commitments could be perceived as superficial.



71

Submissions received



35%

Of companies do not report on sustainable development



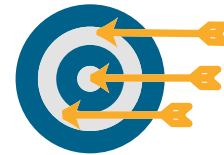
60%

Of companies mention sustainable development in their annual report



40%

Of companies have identified strategies on SDGs



78%

Of companies do not disclose on SDG targets



40%

Of companies are limited to the C-Suite for sustainable development



43%

Of companies are tracking and measuring their progress and impact on sustainability targets



A. INTRODUCTION

In 2015, the adoption of the sustainable development goals by 193 countries as part of Agenda 2030 identified a unanimous commitment to inclusive and sustainable development. As a key stakeholder, the private sector displayed a lot of interest in developing building blocks for the SDGs. The need for better management of resources, realization of impact of pollution in all forms, recognition for inclusivity in approach and understanding that these risks are material to economic growth – propelled the business case for having a roadmap for the future. The risks of not taking action on various aspects are multifold to economic development, and as such the SDGs in their approach identify targets which can both safeguard and provide opportunities for growth. Whilst not all goals are relevant to businesses, working on the business-related targets will impact others as economic growth is key to living a quality, inclusive and productive life. With 10 years left to achieving Agenda 2030, there is a need to realize how much is needed to be achieved and how each stakeholder can play an important part. Businesses which transform their business models can be an important contributor to the achievement of the SDGs.

The businesses in Pakistan can play an important role in assisting the government in its drive to achieve the SDGs by engaging in inclusive and

sustainable development. Sufficient data needs to be collected to enable availability of comparable indicators at a company level specific to inclusive and sustainable development like the rational use of resources such as water, energy, land; on emissions and waste reduction; good governance, human resource development and gender equality. Disclosure or Reporting on such data encourages a ‘measure to manage’ approach as it will require companies to develop a strategy, setting goals and targets and metrics for achievement. Here the management approach will enable companies to identify how they can commit to the SDGs.

The SDG Compass identifies five steps to enable companies to maximize their contribution to the SDGs: understand the SDGs, define priority SDG targets by mapping the value chain identifying impact areas, setting goals by identifying the baseline, integrating into the business model and reporting on the commitments. Any enabling approach needs to determine at what level companies are at in integrating the SDGs into the business model. The trends identified can then be used for setting targets, providing fiscal incentives for investments, making policy changes and in creating opportunities for public-private partnerships.





C. BACKGROUND AND OBJECTIVES

We resolve, between now and 2030, to end poverty and hunger everywhere; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; and to ensure the lasting protection of the planet and its natural resources. We resolve also to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all, taking into account different levels of 'national development and capacities.' - 70/1. Transforming our world: the 2030 Agenda for Sustainable Development, Resolution adopted by the General Assembly on 25 September 2015.

In 1987, the United Nation World Commission for Environment and Development published 'Our Common Future' - and envisioned a future where economic growth does not come at the expense of future generations. This has led to an ever-growing realization that an evaluation of the bottom line must not just focus on 'profit' but include 'people' and 'planet'. This has led to a global effort to incorporate and integrate sustainable development at all levels and institutions.

The 17 Sustainable Development Goals and their corresponding targets are a consensus on what the world needs to achieve for a sustainable future for all. These take into account risks the world faces due to climate change, population growth and excess consumption. For businesses these are defined as non-financial risks which impact

long-term value creation. As an engine for growth, the private sector can provide solutions for the goals by embracing inclusive and sustainable development in their business models.

In terms of sustainability, a number of trends have emerged as a result of the growing understanding of how non-financial issues can impact the bottom line. Firstly, companies as well as partners in their value chain, are doing more to track and disclose sustainable practices (Kiron et al, 2017). Secondly, companies are forming partnerships related to sustainability such as the B-Team, World Economic Forum, The Sustainability Consortium and so on (Kiron et al, 2017). Thirdly, the investing institutions have now started incorporating environmental, social and governance (ESG) factors for analysis for their portfolios. These have been spurred on by growing impact of environmental and social issues as a risk to a business' reputation and long-term sustainability and the corresponding link to financial performance. With USD 30.7 trillion of investments being made in 2018 (Global Sustainable Investment Alliance, 2018), investors now are interested in companies providing more sustainability disclosures that are material to financial performance (McKinsey and Company, 2019).

In terms of disclosures, the main aspect which companies have found challenging is in identifying which ESG issues are material i.e. those that are relevant and could have an impact on the organization. These issues, known as non-financial material issues, are specific to an organization's



activity and often its geographic location. Standards such as the Global Reporting Initiative (GRI) and the Sustainable Accounting Standards Board, have been developed on how to measure and report on the material issues according to a company's specific operations and supply chain.

Another approach seen as important is the principles-based approach. Companies can sign the United Nations Global Compact (UNGC). Once companies become signatories, they have to report progress on the 10 principles on human rights, environment and governance. This has been followed by the International Integrated Reporting Council (IIRC) that has introduced a principles-based approach to reporting on how value is created over time.

With the advent of the SDGs and efforts being made towards reporting at the country level, plenty of guidance has been given by all of these institutions to enable companies to report on the SDGs by using such international frameworks. The SDG Compass, developed by GRI, the UNGC and the World Business Council for Sustainable Development (WBCSD), is a guideline for multinational enterprises identifying steps which guide a company's management approach to the SDGs.

In terms of actual reporting on the commitments on the SDGs, there is a need to report on the indicators. In 'An Analysis of the Goals and Targets' by GRI, UNGC and the PwC, the guide details the business

disclosures per SDG target. It also highlights the GRI indicator relevant to this target thereby enabling businesses to develop disclosures for SDGs at a country level from existing business actions (GRI, UNGC, PwC, 2017). Many investment companies have used SASB and have also mapped the indicators to the SDGs (Carbon Disclosure Project et al, 2019). The process of developing reporting methodologies is ongoing (UNCTAD, 2019). UNCTAD has released guidance on a set of core indicators which it feels are relevant to all businesses (UNCTAD, 2019).

With only 10 years left to the Agenda 2030, an urgency is required to acknowledge how much is still left to be achieved, and how each stakeholder can play an important part in that progress. Pakistan as a country was amongst the first to commit to the SDGs. Investment in all forms is needed for Pakistan to achieve its priority SDGs and targets.

Businesses in Pakistan can play an important role in assisting the government in its drive to achieve the SDGs by engaging in inclusive and sustainable development. Sufficient data needs to be collected to enable availability of comparable indicators at a company level specific to inclusive and sustainable development like the rational use of resources such as water, energy, land; on emissions and waste reduction; good governance, human resource development and gender equality. Disclosure or Reporting on such data encourages a 'measure to





manage' approach as it will require companies to develop a strategy, setting goals and targets and metrics for achievement. Here the management approach will enable companies to identify how they can commit to the SDGs.

In Pakistan, various efforts have been made to guide the private sector towards sustainability. In 2009, the Securities and Exchange Commission of Pakistan (SECP) issued a Corporate Social Responsibility (CSR) Order applicable to all listed companies. The said Order required descriptive as well as monetary disclosures of CSR activities undertaken by companies, if any, during each financial year in the directors' report to the shareholders annexed to the annual audited accounts. In 2013, SECP released the 'Corporate Social Responsibility Voluntary Guidelines' (SECP, 2013). The guidelines suggested the requirements for the Board CSR Committee and the qualification of relevant personnel for companies. The guidelines leave it to the company's discretion to define how and at what level it desired to integrate sustainable development practices in the organization. More recently, in 2017, the SECP released the Code of Corporate Governance for Listed Companies which encourages companies to develop an ESG policy and the board to oversee the implementation of ESG in business practices.

In the 'SDGs National Framework', the first three objectives are linked with businesses: a growing economy, human resource policy for sustaining growth, knowledge and technology for businesses to meet food, water and energy needs (Planning

Commission, 2018). This signifies the importance of the role of businesses in achieving the SDGs. Other research highlights the current impact of businesses. The Pakistan Centre of Philanthropy has identified how companies are making their philanthropic donations in terms of the SDGs (PCP, 2018). UNDP Pakistan has created a reporting tool to facilitate reporting of the SDGs by companies (UNDP, 2019). Whilst both aspects are important in guiding the companies in the sustainability landscape, there is a need to evaluate the management approach for linking inclusive and sustainable development in their operations and supply chain. Research shows a gap exists between committing to sustainable development and reporting on the same in large businesses (CERB, 2018). This highlights a need to understand further about the gaps which exist in reporting on inclusive and sustainable development.

The main aim of the baseline survey is to identify whether and how companies are meeting their commitments to the SDGs and what efforts are being made to disclose the related non-financial information.

The specific objectives of the survey are:

1. To identify trends in how companies understand current and future commitments to the SDGs
2. If companies are using any standards to report
3. If there is a commitment at the top towards inclusive and sustainable development

D. SURVEY METHODOLOGY

This survey was conducted through the contributions of UNDP, and was facilitated by the Pakistan Stock Exchange. The survey design, dissemination, report, and result sharing were executed by PBC's Centre of Excellence in Responsible Business (CERB).

The survey questions were developed through research by the CERB team, and inspiration was taken from CERB's report on 'Transforming business culture in the business sector of Pakistan, and global surveys on SDGs conducted by PwC, World Business Council for Sustainable Development, and Global Compact Network Canada.

The survey was shared with company CEO's, company secretaries, and other relevant persons in the organization. It was circulated through an online link, and a PDF document. The Pakistan Stock Exchange issued a notice about the survey on their website, emailed all of the companies in the database and mailed letters to the PSX 100 companies. CERB then contacted the company secretaries of the companies, in order to bring to attention the email sent by the PSX.

Survey results were calculated through the data analytics provided by the survey software and Microsoft Excel. All information has been analyzed with the responses received. Individual responses are confidential, and efforts have been made to ensure that no one sector or company is highlighted.

Number of listed companies: **547**

Number of PSX listed companies
in the top index: **100**

Number of responses received: **71**

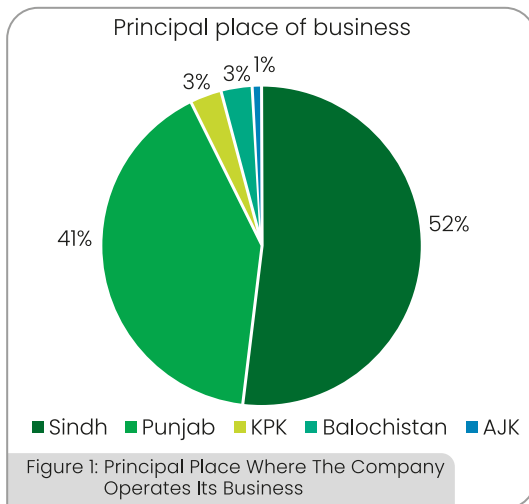
All information has been tabulated and analyzed based solely on responses received. While all possibly care has been taken to compile the results, the possibility of any error cannot be ruled out. Kindly inform the CERB Team on farwah.shariff@pbc.org.pk in case any of these are detected.



E. RESULTS AND DISCUSSION

I. Respondent Demographics

Total number of responses received: 71
Out of the PSX listed companies, we received responses from 71 listed companies. 54% of the respondents were The Pakistan Business Council members. Most of the responses were completed by the Company Secretary, CFO/CEO, or the CSR head. The highest number of responses were received from companies that are registered and operate in Sindh. This result could be a reflection of the make-up of the PSX top-100 listed companies as Karachi is the financial capital of Pakistan. Companies that responded to the survey hail from the sectors of automotive, banking and finance, cement, chemicals, engineering and industrial, fertilizer, fast moving consumer goods, food, insurance, logistics and storage, packaging, pharmaceuticals, power generation and distribution, and textiles = that is, a total of 15 out of the 35 sectors listed on PSX.



II. Priority Areas in Inclusive and Sustainable Development in The Private Sector

Material non-financial issues that companies are working on

Globally there is a growing trend of companies shifting their purpose from creating shareholder value to stakeholder value - that includes shareholders, customers, employees, suppliers, and communities. Traditionally the business sector mindset involves the pursuit of financial gains and in some cases investing a portion of the profits in charitable donations. However, businesses now are turning to a more holistic approach where they consider the implications of profit making to include material non-financial issues. These issues provide companies with the opportunity to shift away from business-as-usual, and instead derive innovative methods to reduce the adverse impact of growth, address new areas, and enhance their initiatives. Such issues are material in that they reflect the various ways an organization can make an impact. By working and reporting on these material non-financial issues, companies can showcase their values.

Companies were presented with 18 material non-financial issues, and asked to select the ones their companies were addressing. The results are illustrated in Figure 2. The top four issues identified were employee engagement and skills development, energy management, health, and education.



Governance and accountability was the fifth most important non-financial issue identified. This is perhaps due to reputational risks associated with poor governance and lack of transparency.

It is interesting to note that ‘women empowerment’ was identified as the top sixth non-financial issue, but ‘diversity and inclusion’ in comparison was a significantly smaller concern. This is perhaps an example of how pervasive gender-washing has become with companies showing an interest in opening up their businesses to include women, but ignoring other vulnerable groups.

Aside from energy and waste management, all other environmental issues (climate change, water scarcity, waste management, air pollution, and

biodiversity) fell in the bottom half of concerned issues. This is an alarming revelation given that amongst dangerous environmental trends, Pakistan is the 7th most vulnerable country to climate change; is water stressed and is facing a freshwater crisis; and has a few cities with extreme levels of ‘smog’.

Only five companies considered population growth to be a material non-financial issue for them. Pakistan’s population is expected to jump from 220 million to 403 million by 2050. An exponentially increasing population in a country with limited resources and jobs presents a high risk to the future business environment and one that is currently not being recognized.

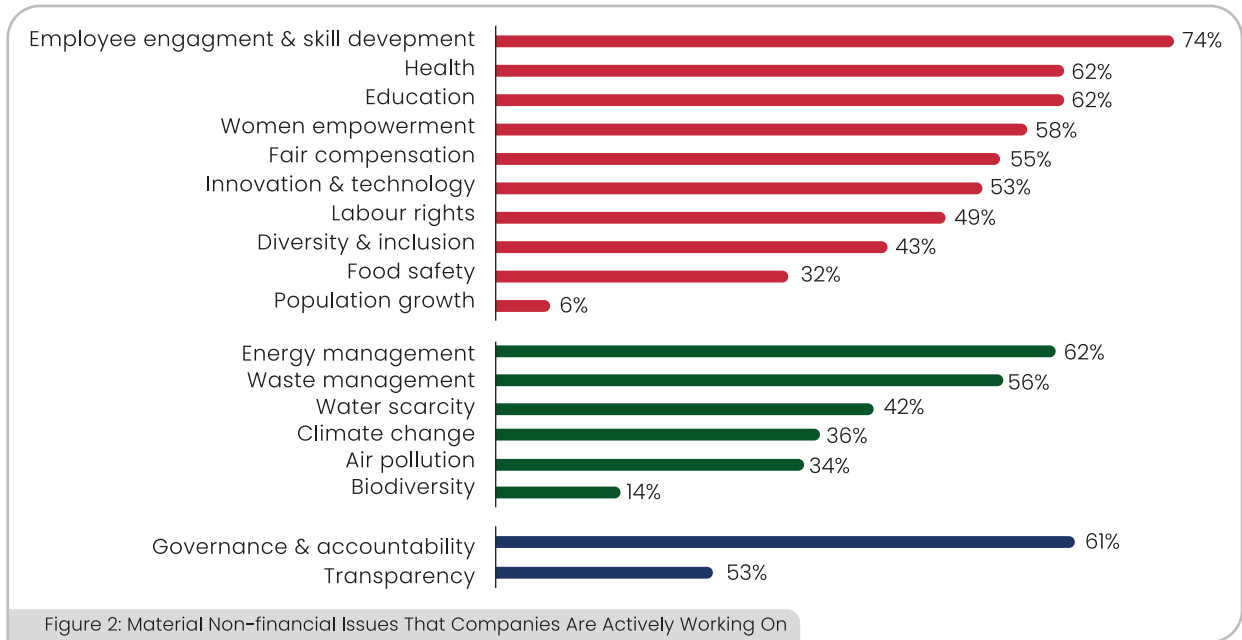


Figure 2: Material Non-financial Issues That Companies Are Actively Working On



Sustainable development goals that are relevant to the company's current business operations

We asked companies to rank the SDGs in the order that were most relevant to their company's initiatives. Goal 3, 8, 4, and 5 were ranked as the most relevant. However, it is possible that companies have viewed these goals as relevant based on their CSR activities and philanthropic donations, as opposed to meeting the goal indicators for their own company. Such as organizing health screening camps for the neighbouring community the business operates in as against offering health insurance to all its workers. It is perhaps for this reason that SDG 3 – Good health and Well-being, was most prioritized by companies as it is also the sector where many companies make charitable donations. This corresponds to research on corporate philanthropic giving which identified that SDG 3 received 28% of total donations, second to SDG 4 only (PCP, 2017).

Goal 14 and 15 were ranked as the least relevant. This data suggests that companies are not aware of the different ways their operations and supply chain affect the environment. For instance, goal 6 and 12 are ranked relatively high, which shows that companies are aware of the importance of clean and bountiful water resources, however by ignoring goal 14 they do not acknowledge the ecosystem that is affected by their water-use practices, and the role that the ecosystem plays in ensuring the health of the water resource.

Goal 13, consistently been ranked as one of the top priorities by global companies, has yet to be given priority by Pakistani companies. Given that Pakistan is the 7th most vulnerable country to climate change, the inaction of Pakistani companies in reducing their environmental impact and in recognizing and safe guarding their operations from climate change is alarming.

Goal 1 and 2 are ranked as mid-level priorities by Pakistani companies but globally are ranked low. It is possible that companies lack the knowledge of how they can contribute to these goal's targets. It is also likely that Pakistani companies eschew this data by including their CSR initiatives as part of the goal's targets.

Goal 8 and 9 are ranked high both by Pakistani companies and globally. A simple driver for this result could be that these goals seem the most obvious for the private sector to contribute to. However, based on other research conducted by CERB, the actual work done to meet these targets is wanting.

A comparison of the results of the question with the rest of the data suggests that companies have a superficial understanding of the SDGs. Companies are quick to prioritize the goals that are important to their business, and have not gone deeper into the targets and indicators that make up each goal.

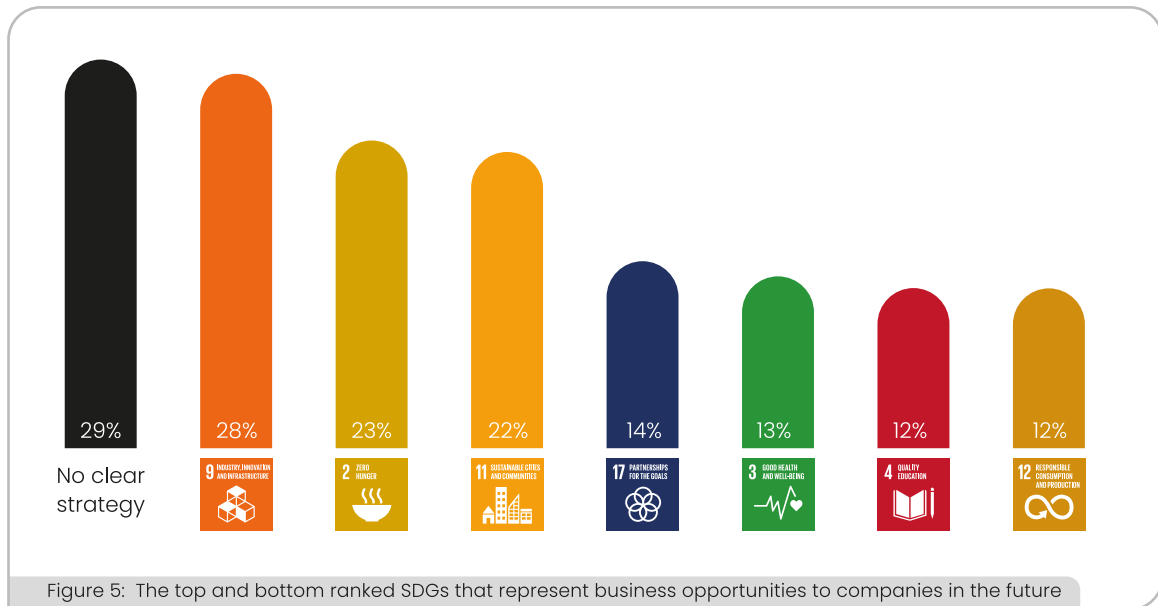


SDGs that represent future business opportunity to companies

As against how the SDGs are prioritized by companies, when asked to identify the SDGs that represent future business opportunities, most companies reported having no clear strategy aimed at the SDGs. This leads one to conclude that while companies are able to identify the goals that could be relevant to them (based on what is obvious), they are not able to grasp how those goals could constitute a business case and thereby can be delivered on.

Similar to the SDG prioritization results, goal 9 was ranked high. However, this result has to be taken at face value as the private sector has not been able to deliver the results for meeting the goal's targets.

In stark contrast, goal 12 was ranked the lowest in representing future business opportunity. This is surprising as given that goal 12 is one of the most relevant goals for the private sector as companies are directly engaged in its outcomes. One can conclude that companies lack awareness about the benefits of responsible business practices like improving reputation, competitiveness, access to new capital and markets, and a lowered risk.



III. Mainstreaming Sustainable Development

Responsibility for sustainability initiatives within the organization

The degree to which the SDGs are embedded in the business strategies of a company are often dependent on the buy-in that is given to SDGs at the senior executive level. It is essential for CEO's to play an active role in ensuring that the SDGs are embedded in business strategy as their active support can propel change and remove barriers to success. Communication on the SDGs by the CEO gives a clear signal to investors on the company's interest in responsible business practices. As a trend in the right direction, the survey showed that in 42% of the cases, sustainability initiatives were driven by the C-suite.

Though the C-suite is probably the most effective at advancing the agenda of the SDGs, it is the designated department that is made accountable

who would be most effective at implementation. 19% of the companies surveyed do not have a designated person looking at sustainability. The SECP's CSR Voluntary Guidelines recommend the presence of a designated person to look after corporate sustainability. For companies to move ahead on identifying and embedding strategies to meet SDG targets, it is imperative that they internally build their capacity on inclusive and sustainable development.

Companies in Pakistan have made significant contributions in corporate philanthropy and CSR, but still seem to struggle with grasping how inclusive and sustainable development can be incorporated within their organizations. Only in 6% of the cases did each unit have their own sustainability targets. Integrating sustainability in an organization can be achieved by holding each unit accountable for meeting sustainability targets and ensuring that it is valued across the organization.

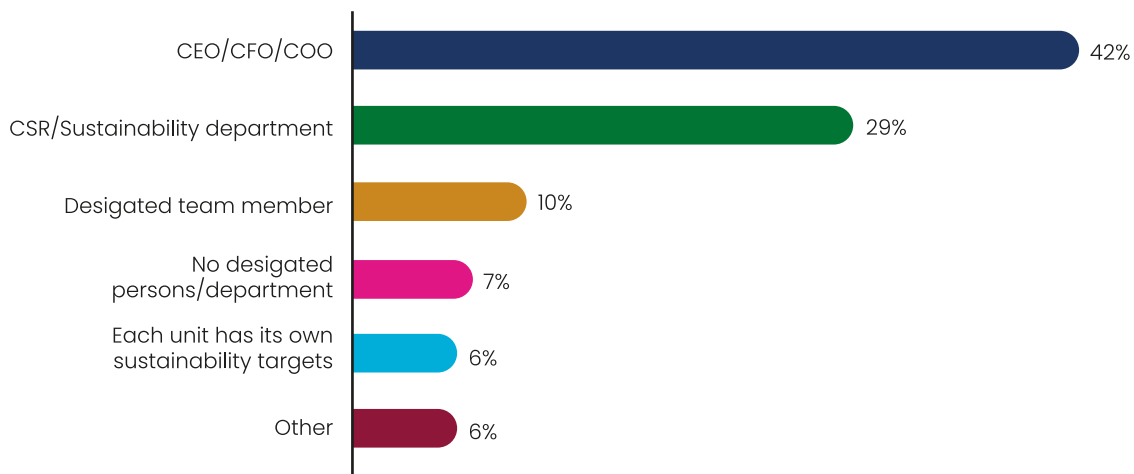


Figure 6: Where responsibility for sustainability within the organization lies

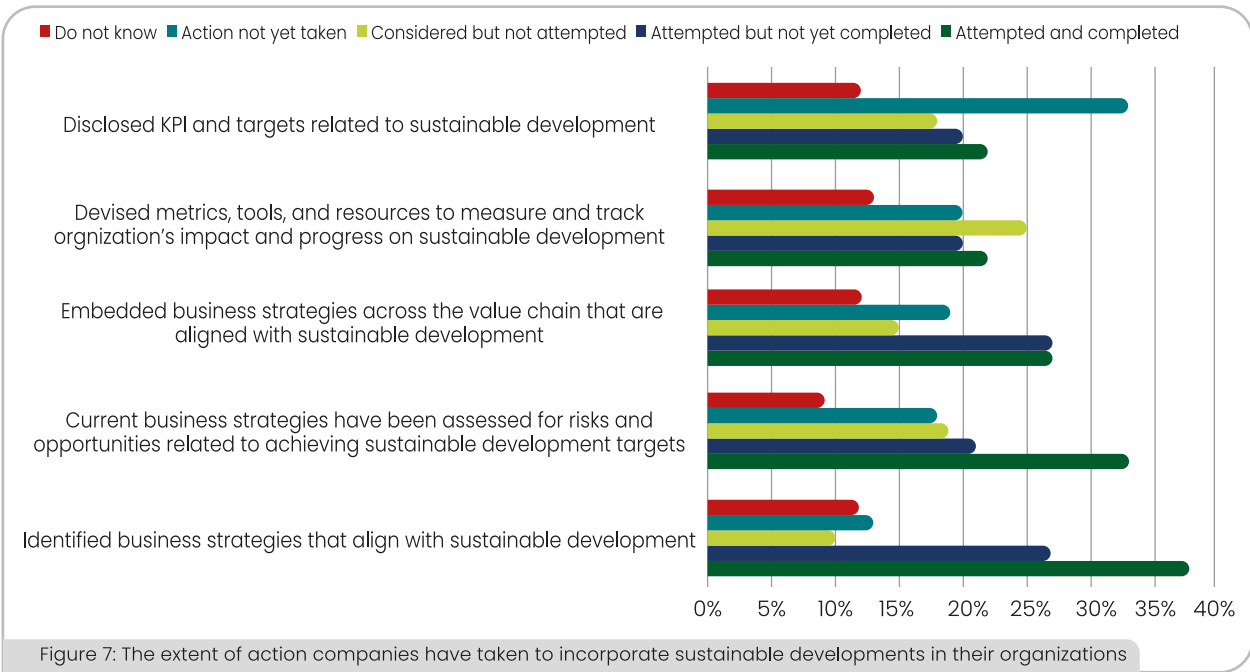
Actions companies have taken in incorporating sustainable development within their organization

There are different degrees of action that a company can exercise for meeting its sustainable development targets. A company that is ‘walking the talk’ of its commitment to sustainable development would have identified strategies that are aligned with the SDGs, assessed the strategies for risks and opportunities, embedded them across the value chain, devised metrics and tools to measure their progress, and would publicly disclose on their impact.

While most companies surveyed claimed to have attempted and completed identifying and embedding sustainability into their operations, a comparatively smaller number of companies are

measuring and disclosing on their progress. If the data is clubbed together to juxtapose companies that have acted and not acted on the various stages of engagement, only a tiny number of companies are actually engaging with sustainable development in a meaningful way.

The results of this question show that companies can be quick to act in prioritizing the SDGs that are relevant to their business, though that does not translate into meaningful action without taking the steps to see those business strategies through to their reporting and disclosure. The data suggests that companies are starting to develop an interest in sustainable development. They are however unable to align sustainable development with their long-term business agendas.



Policies that are formally adopted by companies

Policies provide clarity and accountability on issues that are important to the company. They ensure that the values and commitments that a company holds are upheld. Companies were asked on the policies that have been formalized and communicated within their organization.

A small number of companies have committed to an energy (24%) and diversity policy (31%). It is possible that only large manufacturers are interested in energy, whereas other companies with large infrastructure – such as banks with ATMs and walk-in branches across the country – are yet to acknowledge the benefits of having an energy management program in place. Dialogue on diversity in Pakistan is usually limited to binary definitions of gender, and excludes other minority groups that diversity encompasses like the differently-abled etc.

81% of the companies that were surveyed claimed to have a corporate social responsibility policy. The

private sector in Pakistan has historically been deeply involved in the upliftment of the country through charitable donations. However, companies need to recognize the difference between CSR and sustainable development, and the need to move beyond CSR by incorporating inclusive and sustainable development within the company's value chain.

49% of companies reported having a disaster recovery policy. This however needs a deep-dive as most companies tend to equate this with loss of data. Companies face ever increasing risks at multiple levels due to external conditions as part of their operations and climate change.

55% of companies reported to have an ESG policy. This result is interesting as other available research points to a limited awareness, understanding, and reporting of ESG by Pakistani companies. Given the growing demand of ESG reporting by global investors and regulators, companies need to accelerate their work on identifying and reporting on material non-financial issues.

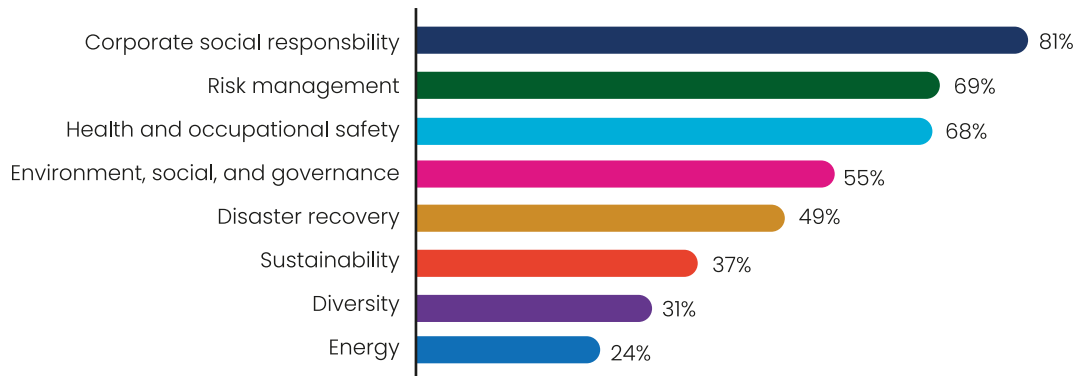


Figure 8: Formal policies that have been adopted by companies

Kind of partnerships that companies enter into to develop and implement their sustainable development initiatives

32% of the companies that were surveyed reported they did not enter into partnerships to develop and implement actions on sustainable development. Though this could mean that the companies have sufficient internal capacity to take action on their own - usually the case with large companies and multi-nationals.

36% of the companies reported working with non-profit organizations. It would be interesting to do a deep dive and find out whether these partnerships are entered into for purposes other than CSR or philanthropy.

Only 15% of companies look to the UNDP for support on sustainable development. This suggests an untapped potential for UNDP to share its experience in the development sector and through public-private partnerships move the private sector forward on the 2030 agenda.

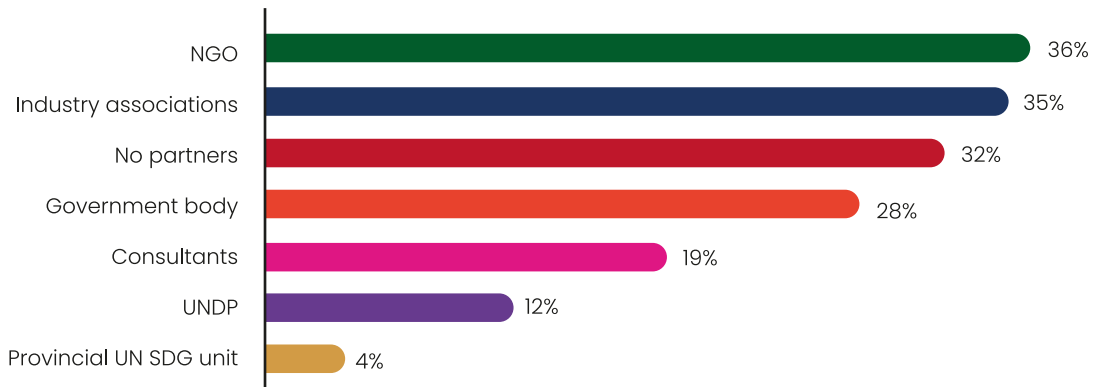


Figure 9: Partners that companies develop and implement their sustainable development initiatives with

IV. Reporting on Sustainable Development

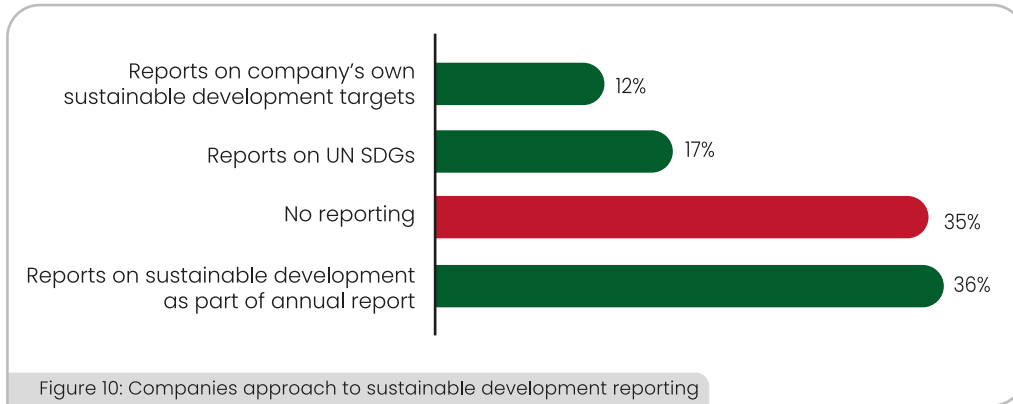
The approach that companies take on sustainable development reporting

Reporting on sustainable development is a key indicator of the level and scale at which a company is making an impact on its stakeholders (and not just its shareholders). 'What gets measured, gets

managed' - this holds true for companies who make an active effort to measure and disclose on their progress in achieving their KPIs. In the past decade, investor demand for high quality ESG reporting has grown dramatically. Reporting on sustainable development indicates to investors, regulators, and customers on how a company is delivering on its targets, and this is in turn good for its reputation and business growth.

Around 40% of the companies surveyed did not have a reporting mechanism in place for the SDGs. 32% of companies claimed to report on their own sustainable development targets in their annual report. These numbers show that more work needs to be done to disseminate awareness on the SDGs

and its reporting. Companies also need to be encouraged to shift from superficial reporting on sustainability in their annual financial reports to one that reflects the importance of inclusive and sustainable development as part of the company's mandate.



Companies reporting practices on their sustainable development initiatives

Where a company reports is often indicative of the company's commitments to transparency and disclosure. A company's website is an essential knowledge hub for it due to the ease of acquiring information online. However, only 44% of the companies report on sustainable development on their website. Most of the companies that do report (62%) do so as part of their annual financial reports. Whilst this trend shows that companies are now including non-financial information with financial information, it would appear that only a certain percentage are following SECP's Voluntary CSR Guidelines.

Only 9% of companies are able to link their business strategies with sustainability through integrated reporting. Considering this framework is relatively recent, this indicates a forward-looking approach in some companies. The framework also enables comparability to the standards used at a global reporting stage.

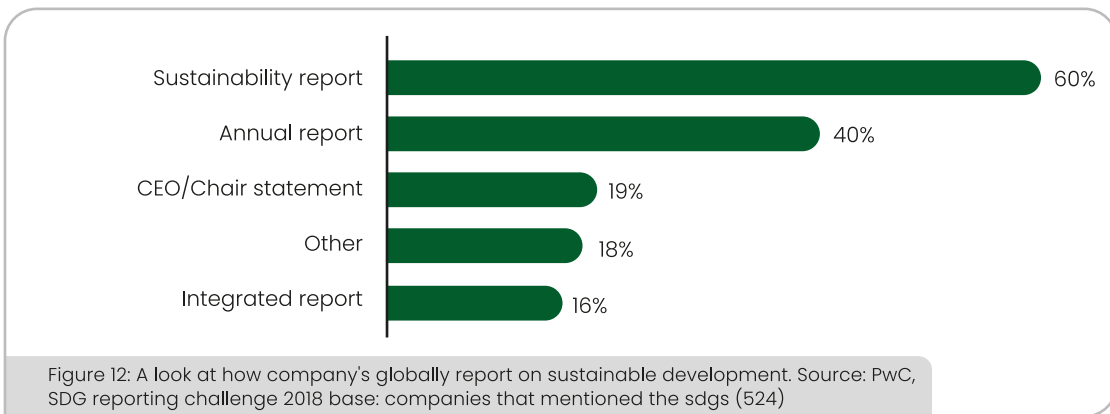
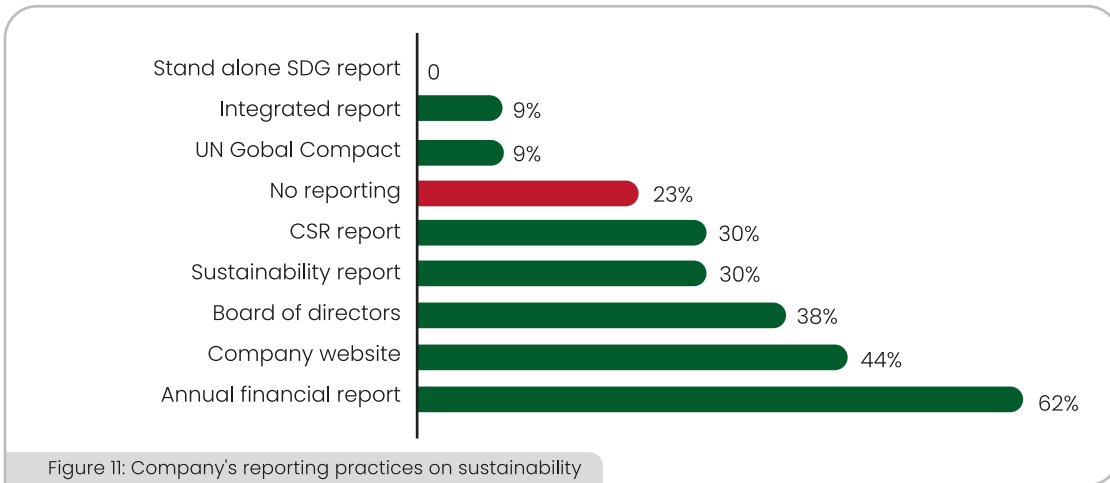
The UN Global Compact works with companies to embed sustainability principles into their business strategies and operations. Companies that are listed with UNGC are required to report on certain measures. Despite there being a local presence of UNGC, only 9% of companies are signatories and report on progress.



38% of the companies surveyed report on sustainable development to their executive board of directors. At this point, none of the companies surveyed exclusively report on the SDGs through a stand-alone report.

The number and quality of reporting could be indicative of companies lacking the understanding

and expertise needed. Without setting out clear KPIs and tracking their progress on sustainable development (as seen in Figure 7), it is understandable that companies are falling behind on reporting. In the absence of a standardized and well-designed framework for reporting, companies would always experience difficulty in measuring impact and reporting.





National and International standards adopted by companies as part of their sustainability progress

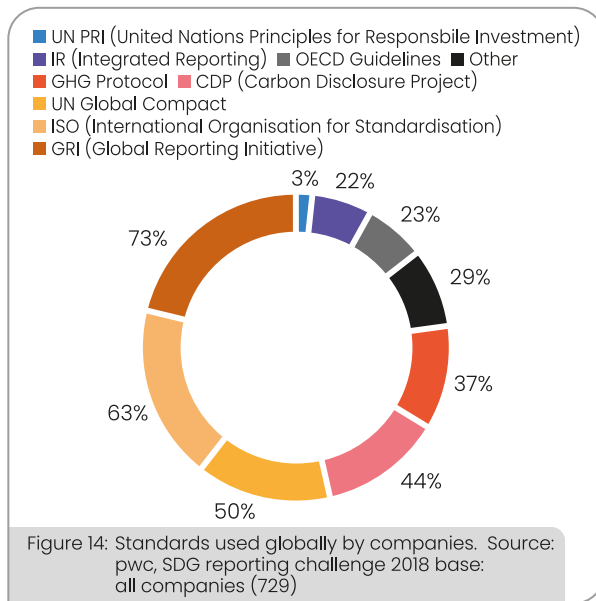
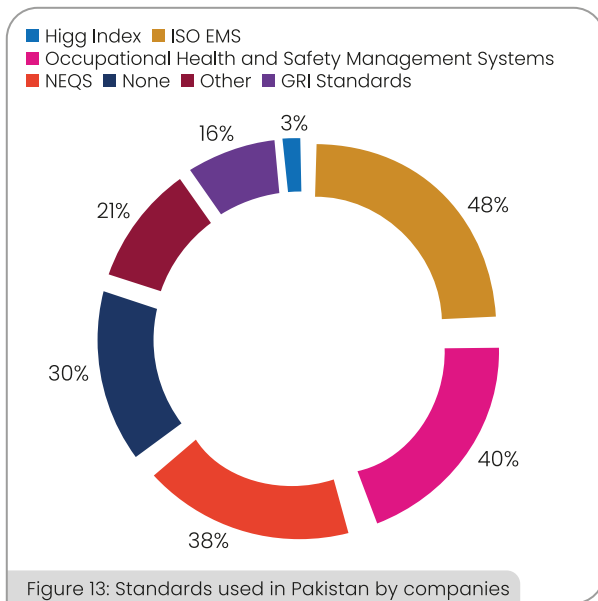
A fairly large number of companies report on their own sustainable development targets (Figure 10). This is a welcome first step that should be followed by reporting on a verified and standardized framework. This ensures that the data published is accurate and reliable, and can be used to make comparisons between companies. The results of this survey suggest that companies need guidance on how to link the impact of their actions on SDGs with established reporting frameworks or standards.

The most widely used standards by the listed companies surveyed were the ISO standards on environmental management systems and occupational health and safety management systems. However, since most of the companies that responded to this survey are part of the PSX top 100

listed companies, it is possible that the companies have to abide by ISO standards to maintain their product quality and business edge, especially for those companies that export.

38% of the companies surveyed report on the National Environmental Quality Standards (NEQS). Considering this is a local and voluntary requirement, the reporting levels are low.

A small proportion of the companies surveyed refer to the GRI standards and HIGG index in their reporting. The GRI Standards are a widely accepted form of reporting at a global level since 2002. The low adoption in Pakistan of these standards could be due to the absence of a locally affiliated organization. As more people receive training in these areas, the trend to report is likely to improve over the next few years.





F. RECOMMENDATIONS

Company reporting can be an important data source for the newly established SDGs monitoring framework. As a primary source of information on company performance, reporting can enrich and enhance Goals monitoring mechanisms by providing stakeholders such as Governments and capital providers with the means to assess the economic, environmental and social impacts of companies on sustainable development. Guidance on core indicators for entity reporting on the contribution towards the implementation of the Sustainable Development Goals, United Nations Conference on Trade and Development, 2019

The survey revealed that despite national conversations on corporate contributions that are currently more focused on philanthropy or corporate social responsibility, and the presence of governmental federal and provincial SDG units, there is much work to be done in relating and determining the business sector's contribution to the SDGs. The key recommendations from the survey are as below:

Regulatory bodies need to drive sustainable development practices and disclosure for businesses

Regulatory bodies enjoy a unique and powerful role where they can encourage economic development in a sustainable and inclusive way. To encourage reporting by listed companies and financial institutions, strong direction is needed from the

corporate and banking regulators to drive Environmental, Social and Governance (ESG) disclosure that also encompasses the aspects of SDGs where businesses can contribute to the nation's efforts in moving towards achievement of the goals by 2030. This will influence the development of appropriate strategies in the short, medium and long-term target level, and help track and report on their progress.

A promising step in this direction would be for the Pakistan Stock Exchange to become part of the UN Sustainable Stock Exchanges initiative which would enable it to promote good corporate governance as well as investment in sustainable development.

There needs to be a shift in language to one that emphasizes sustainable development over corporate social responsibility

The regulatory guidelines from the Securities and Exchange Commission of Pakistan (SECP) were last updated in 2012, are voluntary, and focus only on corporate social responsibility. To shift companies from CSR and self-imposed compliance of percentage allocation of profits to sustainable value creation, regulatory bodies such as the SECP and Pakistan Stock Exchange (PSX) need to update their guidelines. The guidelines need to encourage companies to identify and report on their material non-financial responsibilities and address sustainable development.



Incentives are needed to highlight the importance of inclusive and sustainable development

The current incentive structure is designed to reward companies for their CSR initiatives, as opposed to sustainable development being given the priority. This suggests why it is common for companies to highlight their CSR initiatives on their websites, reports, and at events, but not talk about their work in sustainable development. If material financial and non-financial issues are to be viewed at par, the company's performance on ESG metrics should perhaps be tied to compensation and performance evaluation. PSX adjusting the criteria for the top 25 PSX companies award to include the SDGs is an example of how companies can be incentivized to communicate on sustainable development.

Companies need to be educated on the sustainable development goals

Though most companies are familiar with the concept of the SDGs, they still struggle to distinguish between which SDG targets meet their CSR goals and which can be incorporated within the company. It is perhaps for this reason that SDG 3 – Good health and Well-being, was most prioritized by companies as it is also the sector where many companies make charitable donations. This corresponds to research on corporate philanthropic giving which identified that SDG 3 received 28% of total donations, second to SDG 4 only (PCP, 2017).

The SDG Compass identifies five steps to enable companies to maximize their contribution to the SDGs: understand the SDGs, define priority SDG

targets by mapping the value chain identifying impact areas, setting goals by identifying the baseline, integrating into the business model and reporting on the commitments. Any enabling approach needs to determine at what level companies are at in the journey for integrating the SDGs into the business model. The trends identified can then be used for setting targets, providing fiscal incentives for investments, making policy changes and in creating opportunities for public-private partnerships.

Showcase strong business cases for implementing SDGs

The best way to draw the interest and finance of the private sector is by demonstrating to businesses how the SDGs present a strong business case by creating efficiencies, cost savings, innovation, and risk reduction among other benefits. This can be done through developing case studies of best practices with the top performing companies, and conducting workshops on specific targets that businesses can achieve.

Partnerships with academia can help to promote the business paradigm on sustainable development

Academia can help to set the tone by teaching business models that take into consideration all the ways in which companies employ capital including financial, human, intellectual, relationship, natural, and manufactured. Academia can also be involved in the development and promotion of case studies on best practices.



Awareness needs to be raised among consumers

Through their purchase power consumers can endorse the companies that perform on sustainable development. To create this awareness and ethical choices on the part of the consumer, awareness can be raised through encouraging companies to pay attention to eco-labelling and communication.

Senior leadership has to drive the change with the values being shared by everybody in the organization

A culture of responsibility would need to be developed where inclusive and sustainable development is integrated in the hiring of resources, in the company's business model, and in monitoring and evaluation. Awareness and drive on the part of senior leadership can guide the growth of the company with sustainability at its core. SECP's CSR Voluntary Guidelines that provided for instituting of the CSR Committee is a good beginning that can be extended to enable a practice of the implementation and review of the sustainability framework within the organization.





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Baseline survey on sustainable development reporting in the private sector



Contact Information

* 1. Name

* 2. Email Address

3. Company Name

4. Designation

* 5. Registered office location

- AJK Punjab
- Balochistan Sindh
- Khyber Pakhtunkhwa

* 6. Principal place of business other than registered office location

- AJK Punjab
- Balochistan Sindh
- Khyber Pakhtunkhwa

7. Sector

- Automotive Fertilizers
- Banking & Finance Food & Consumer Products
- Cement Logistics & Storage
- Chemicals Textiles
- Engineering & Industrial Products
- Other (please specify)



Sustainable development goals (SDG) reporting

8. Please rank the sustainable development goals (SDG) in their relevance to your company's existing initiatives. Most relevant at top.

- No clear strategy targeted at the SDGs
- GOAL 1: No Poverty
- GOAL 2: Zero Hunger
- GOAL 3: Good Health and Well-being
- GOAL 4: Quality Education
- GOAL 5: Gender Equality
- GOAL 6: Clean Water and Sanitation
- GOAL 7: Affordable and Clean Energy
- GOAL 8: Decent Work and Economic Growth
- GOAL 9: Industry, Innovation and Infrastructure
- GOAL 10: Reduced Inequality
- GOAL 11: Sustainable Cities and Communities
- GOAL 12: Responsible Consumption and Production
- GOAL 13: Climate Action
- GOAL 14: Life Below Water
- GOAL 15: Life on Land
- GOAL 16: Peace, Justice, and Strong Institutions
- GOAL 17: Partnerships for the Goals



9. Please check the sustainable development goals (SDG) that your company is not currently working on but could represent a business opportunity for your company in the future.

- No clear strategy targeted at the SDGs
- GOAL 1: No Poverty
- GOAL 2: Zero Hunger
- GOAL 3: Good Health and Well-being
- GOAL 4: Quality Education
- GOAL 5: Gender Equality
- GOAL 6: Clean Water and Sanitation
- GOAL 7: Affordable and Clean Energy
- GOAL 8: Decent Work and Economic Growth
- GOAL 9: Industry, Innovation and Infrastructure
- GOAL 10: Reduced Inequality
- GOAL 11: Sustainable Cities and Communities
- GOAL 12: Responsible Consumption and Production
- GOAL 13: Climate Action
- GOAL 14: Life Below Water
- GOAL 15: Life on Land
- GOAL 16: Peace and Justice Strong Institutions
- GOAL 17: Partnerships to achieve the Goal

* 10. Please select the option that best reflects your organization's approach to sustainable development.

- No clear strategy targeted at the SDGs
- Reports on UN SDGs
- Does not report on UN SDGs, but reports on its own sustainable development targets
- Organization reports on its sustainable development targets as part of its annual report
- Organization as of yet does not report on sustainable development
- Other (please specify)



* 11. Please select where your organization reports on sustainable development areas. Check all that apply.

- | | |
|---|--|
| <input type="checkbox"/> UN global compact's communication on progress report | <input type="checkbox"/> Annual financial report |
| <input type="checkbox"/> Integrated report | <input type="checkbox"/> Board of directors |
| <input type="checkbox"/> Sustainability report | <input type="checkbox"/> Company website |
| <input type="checkbox"/> CSR report | <input type="checkbox"/> None of the above |
| <input type="checkbox"/> Stand alone SDG report | |

12. Please upload the best example of your company's reporting on sustainability. It could be a report, a page in the annual report, a paragraph on the website etc.

Choose File

* 13. Which of the following organizations does your company participate with for developing and implementing your sustainable development targets?

- | | |
|---|--|
| <input type="checkbox"/> Government body | <input type="checkbox"/> Consultants |
| <input type="checkbox"/> UNDP | <input type="checkbox"/> Industry associations |
| <input type="checkbox"/> Provincial UN SDG unit | <input type="checkbox"/> None of the above |
| <input type="checkbox"/> INGO/NGO | |

* 14. Which international or national standards does the company use?

- | | |
|---|--|
| <input type="checkbox"/> National Environment Quality Standards | <input type="checkbox"/> GRI Standards |
| <input type="checkbox"/> ISO 14001:2004 Environmental Management Systems Standard | <input type="checkbox"/> Higg Index |
| <input type="checkbox"/> 18001:2007 Occupational Health and Safety Management Systems | <input type="checkbox"/> None of the above |
| <input type="checkbox"/> Other (please specify) | <input type="text"/> |



15. Please indicate the material non-financial issues that your company is addressing for its employees and operations. Check all that apply.

- | | |
|---|--|
| <input type="checkbox"/> Energy management | <input type="checkbox"/> Fair compensation |
| <input type="checkbox"/> Waste management | <input type="checkbox"/> Air pollution |
| <input type="checkbox"/> Water scarcity | <input type="checkbox"/> Food safety |
| <input type="checkbox"/> Employee engagement and skills development | <input type="checkbox"/> Population growth |
| <input type="checkbox"/> Labour rights | <input type="checkbox"/> Biodiversity |
| <input type="checkbox"/> Governance and accountability | <input type="checkbox"/> Health |
| <input type="checkbox"/> Transparency | <input type="checkbox"/> Women empowerment |
| <input type="checkbox"/> Innovation and technology | <input type="checkbox"/> Diversity and inclusion |
| <input type="checkbox"/> Climate change | <input type="checkbox"/> Education |

16. Which of the following policies have been formalized and communicated in your organization? Check all that apply.

- | | |
|--|---|
| <input type="checkbox"/> Corporate social responsibility | <input type="checkbox"/> Diversity |
| <input type="checkbox"/> Environmental, social, and governance | <input type="checkbox"/> Disaster recovery |
| <input type="checkbox"/> Sustainability | <input type="checkbox"/> Energy |
| <input type="checkbox"/> Risk management | <input type="checkbox"/> Health and occupational safety |

17. Do you see opportunities in the business community for your organization to share best practices and knowledge?

- | | |
|------------------------------|---|
| <input type="checkbox"/> Yes | <input type="checkbox"/> Yes, but limited |
| <input type="checkbox"/> No | <input type="checkbox"/> Do not know |

* 18. Please indicate your interest in SDG related impact training/seminar/roundtable

- | | |
|-------------------------------------|---|
| <input type="checkbox"/> Interested | <input type="checkbox"/> Not interested |
| <input type="checkbox"/> No | <input type="checkbox"/> Do not know |



Management Approach

* 19. Who looks at sustainability at your organization?

- CSR/Sustainability department
- CEO/CFO/COO
- Each unit has its own sustainability targets
- No designated persons/department yet
- Designated team member who exclusively looks at sustainability
- Other (please specify)



*** 20. To what extent do each of the following sentences describe the actions that your organization has taken on sustainable development?**

	Action not yet taken	Considered but not attempted	Attempted but not yet completed	Attempted and completed	Do not know
Identified business strategies that align with sustainable development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Current business strategies have been assessed for risks and opportunities related to achieving sustainable development targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Embedded business strategies across the value chain that are aligned with sustainable development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Devised metrics, tools, and resources to measure and track organization's impact and progress on sustainable development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disclosed KPI and targets related to SDG	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

