



CORPORATE SOCIAL RESPONSIBILITY VOLUNTARY GUIDELINES 2013



1. Introduction and Scope

- 1.1 In order to promote responsible business conduct that supports community growth for public interest, eliminates adverse practices impacting the public sphere and ensures corporate accountability, the Securities and Exchange Commission of Pakistan (“SECP”) is pleased to issue the Guidelines for Corporate Social Responsibility (“the Guidelines”).
- 1.2 These Guidelines are voluntary in nature and businesses are encouraged to move beyond the recommended minimum provisions articulated in this document.
- 1.1 The Guidelines are being published for all companies that have initiated or intend to initiate corporate social responsibility (“CSR”) activities. Further, it is expected that all companies may endeavor to adopt working models that complement the recommended guidelines with a focus on fair, transparent and responsible business practices.
- 1.2 For the purpose of facilitation, companies are encouraged to use (self-assessment) CSR governance benchmark and terms of reference of CSR committee, annexed to the guidelines.
- 1.3 The Guidelines are being issued in exercise of powers under section 506B of the Companies Ordinance, 1984.

2. Objective

The objective of these Guidelines is to promote the development of a framework for CSR initiatives by all companies. Companies are encouraged to strive and work in cooperation with stakeholders for implementing a transparent and socially responsible strategy.

3. CSR governance

Companies are encouraged to have a CSR policy endorsed by the board of directors (“board”) of the company, reflecting their understanding and commitment to CSR, thereby ensuring that:

- a) CSR policy is incorporated into the vision, code of ethics and business plan/strategy of the company.
- b) CSR commitment statement is agreed through meetings/session by Board of Directors w.r.t CSR definition, business value of CSR, vision and commitment (resources, time, personnel).
- c) Output of the CSR commitment is integrated into a board level CSR policy.

- d) CSR mandate is executed either through a pre-existing committee or by forming a new CSR committee.
- e) Hold education/orientation sessions to ensure that board members have adequate understanding and expertise of CSR for making informed decisions.
- f) Include CSR activities as part of agenda of the board meetings and incorporate CSR as part of annual board evaluation.
- g) Periodically review operations of the board to identify and implement measures to align the board operations with CSR strategy of the company.
- h) Ensure that CSR goals, objectives and targets are incorporated into business plans/strategy.
- i) Board members determine CSR risks, opportunities and impact prior to any major business decisions (acquisition, mergers, product variation, capital expenditures).
- j) Review and approve CSR related communications to internal and external stakeholders ensuring compliance with relevant reporting framework.

4. Consultative Committee

The Company is expected to adopt a focused approach towards CSR through formation of a CSR Consultative Committee ideally led by a CSR expert. The committee members are expected to have an understanding and experience of implementing CSR activities/projects. The committee may be entrusted to ensure transparent, specialized supervision of CSR activities and periodic reporting to Board of Directors in adoption of CSR policy and reporting its progress.

A sample term of reference of CSR Committee is annexed to these Guidelines.

5. CSR Management Systems

CSR policy of a company is expected to be formulated in a manner that serves as a guide to its strategic plans, paves way for a systematic CSR management system and projects the roadmap of CSR initiatives. The systems are expected to reflect following broad indicators:

- a) Express commitment of the board and the top management to formulate and implement CSR Policy
- b) Ensure that policies, processes and systems exist and support the CSR policy. This is measured by:
 - (i) Specifying the organizational approach towards CSR
 - (ii) Incorporating the CSR approach into code of ethics of company

- (iii) Defining objectives for carrying out CSR activities
 - (iv) Setting targets for achievement of CSR objectives
 - (v) Determining the working model and devising action plan (time, resources, budget)
 - (vi) Delegating responsibility and management of resources with respect to CSR policy
- c) Sensitization and training of the board, senior management and employees for implementation of CSR targets
 - d) Mechanism for stakeholder engagement prior, during and on conclusion of CSR plans
 - e) Periodic monitoring and evaluation of CSR activities
 - f) Disclosure and reporting of CSR achievements
 - g) Recognizing and documenting the shortfalls/failures
 - h) Incorporating improvement in future CSR policy/plans

6. Areas of Interest

CSR policy is expected to clearly determine the priority areas wherein the CSR projects are currently being managed (ongoing projects) and are planned to be initiated (upcoming projects). The areas may broadly cover:

- a) Community investment (skill development, livelihood, health, education, infrastructure, social enterprise development, safe drinking water, poverty alleviation, youth development and environment conservation)
- b) Governance (human rights, transparency, anti-corruption, business practices, stakeholder relations, responsible marketing)
- c) Product responsibility
- d) Work life balance
- e) Safety (risk management, disaster management)
- f) Climate Change

7. Implementation Structure

7.1 The CSR policy is expected to be implemented through a systemized structure that measures and reflects progress of CSR goals/targets. It is imperative that the system must be able to identify the role of the company and the extent of involvement of internal and external stakeholders for carrying out CSR plans.

7.2 The implementation system may indicate the following:

- a) Specific goals, business plan and working model to be implemented
- b) Resources aligned for implementation of CSR goals
- c) Extent of implementation and completion of CSR activities

- d) Incorporating changes in its working model to changes in business/social needs
- e) Specifying the role and resources of partnering agencies
- f) Systemized periodic assessment of impact of CSR policy/goals
- g) Define systematic reporting of implementation status to internal and external stakeholders

8. Allocation of Resources

The company is expected to earmark specified resources (quantifiable), specific criteria (for e.g. hours of service at partnering agency) or a proportion of their profit (preferably 1-2%) for selected CSR initiatives. The method of allocation of resources or identified criteria must ideally be predetermined, duly endorsed by the board and form part of CSR Policy.

9. External Assurance

9.1 The company may undertake arrangement for obtaining assurance by an external party. The external assurance is expected to be implemented in a manner that is systematic, documented, evidence-based, and characterized by defined procedures.

9.2 External assurance ¹:

- Be conducted by entities, groups or individuals external to the reporting organization, who are demonstrably competent in the subject matter and assurance practices;
- Should utilize groups or individuals who are not unduly limited by their relationship with the organization or its stakeholders to reach and publish an independent and impartial conclusion on the report;
- Is implemented in a manner that is systematic, documented, evidence-based, and characterized by defined procedures;
- Assesses whether the CSR report of the company provides a reasonable and balanced presentation of performance, taking into consideration the veracity of report data and the overall selection of content;
- Assesses the extent to which the report preparer has applied any Reporting Framework; and
- Results in an opinion or set of conclusions that is publicly available in written form, and a statement from the assurance provider on their relationship to the report preparer.

9.3 The assurance report may form part of its CSR Report.

¹ Derived from GRI's key qualities for external assurance

10. Disclosure and Reporting

- 10.1 Companies are expected to report concise and material information regarding their CSR policy and activities that may be consolidated and reported in the form of a separate CSR Report.
- 10.2 CSR report may prominently disclose the CSR objectives, working model, implementation status, impact/achievements, risks, opportunities, challenges and working partners. This may also include comparison drawn from previous year.
- 10.3 CSR reporting is expected to state the goals that the board has planned to set forth for the next year. This may be descriptive narration of the areas of concentration or any specific projects along with brief overview of source of generation of funds for said goals.
- 10.4 Companies are expected to prominently disclose CSR report (summarized or detailed format). The said reports may be disseminated on its website (if any), annual reports, separate report and other communication media.
- 10.5 Notwithstanding the preparation of CSR Report, the company shall provide descriptive as well as monetary disclosures of the CSR activities undertaken by it during each financial year in line with the requirements of Companies (Corporate Social Responsibility) Order, 2009. This may also include disclosure to the effect of compliance by companies with relevant industry/regulator guidelines or standards.

CSR Committee

Terms of Reference

a) Strategy and Policies:

Review and recommend to the board of the company in forming or refining the CSR vision, strategy and policy of the company. This includes ensuring that appropriate management systems, implementation model and regulatory compliance are in place.

b) Assessing indicators:

Monitor and recommend changes in working model of CSR in line with best practices, economic indicators, social implications and stakeholder trends that may impact the company.

c) Stakeholder Engagement:

Review and monitor stakeholder relations and devise mechanism to incorporate input of partnering agencies/stakeholders into CSR plans/policies

d) Management of Risk:

Monitor, periodically review and document the major CSR risks, opportunities and impact of CSR policy. It may also recommend to the board the appropriate changes in CSR policy/management systems.

e) CSR Assessment:

Review and report impact of CSR plans/activities on business. Further review and recommend impact of CSR policy on major business decisions.

f) CSR Report:

Determine the overall extent of reporting of CSR activities, provide input on CSR reports and recommend to the board for adoption of CSR report. This includes ensuring CSR reports are in accordance to relevant CSR reporting framework.

Corporate Social Responsibility

Governance Benchmark

Board of Directors is expected to develop and evaluate their governance framework w.r.t corporate social responsibility initiatives. Following is a self-assessment table that shall complement Board of Directors in the evaluation process:

| S.N. | Direction | Assessment (please tick) | | | | | Comments |
|------|--|--------------------------|----|---------|------------|--------------|----------|
| | | Yes | No | Partial | Don't Know | Not relevant | |
| 1. | Has Board developed a CSR vision and strategy? | | | | | | |
| 2. | Have Board and management expressly declared its commitment to CSR? | | | | | | |
| 3. | Has board communicated the company's business case for CSR to management? | | | | | | |
| 4. | Do Board and management share common CSR aspirations? | | | | | | |
| 5. | Does CSR vision coincide with the vision and Code of Ethics of the Company? | | | | | | |
| 6. | Does the Board have clear understanding of CSR and industry practices? | | | | | | |
| 7. | Are CSR goals incorporated in the business plans of the business? | | | | | | |
| 8. | Is there a specific CSR committee? | | | | | | |
| 9. | Does the CSR Committee comprise of one or more CSR experts? (Indicate the number in comments section) | | | | | | |
| 10. | Is there a designated CSR committee member reporting to Board? | | | | | | |
| 11. | Does CSR committee seek guidance with board approved CSR policy? | | | | | | |
| 12. | Does the CSR committee periodically report the progress of company on CSR goals, objectives and targets? | | | | | | |

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|-----|--|--|--|--|--|--|--|
| 13. | Does the CSR committee review and make recommendations in the implementation model of the Company? | | | | | | |
| 14. | Is the CSR committee involved in preparing implementation model for CSR plans? | | | | | | |
| 15. | Is management's incentives linked to CSR goals/ targets? | | | | | | |
| 16. | Is CSR progress included as a factor in remuneration/ recruitment of CEO? | | | | | | |
| 17. | Does the CSR committee review and recommend suggestion for incorporating CSR risk in Company's risk management policy? | | | | | | |
| 18. | Is CSR committee entrusted with the role of recommending major CSR risk and its impact prior to major business decisions? | | | | | | |
| 19. | Are CSR risk, opportunities, impact and issues are considered by Board and management in approving major business decisions? | | | | | | |
| 20. | Is there a system of implementation of CSR goals? | | | | | | |
| 21. | Are there adequate measures in place to determine the impact of CSR policies by Board and senior management? | | | | | | |
| 22. | Does the internal audit process include assessment of CSR commitments? | | | | | | |
| 23. | Does the board hold CSR orientation session and periodically review progress on CSR commitment/goals? | | | | | | |
| 24. | Does the CSR committee provide its input in preparation of CSR reports? | | | | | | |
| 25. | Does the Board give its input in extent of disclosure in the CSR reports? | | | | | | |
| 26. | Does the board review and approve external reporting of CSR issues in compliance of relevant regulatory requirements? | | | | | | |
| 27. | Does the board consider CSR | | | | | | |

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|-----|--|--|--|--|--|--|--|
| | report as a record of company's performance on CSR goals for disclosure to its stakeholders? | | | | | | |
| 28. | Does the Board approve external assurance of CSR activities? | | | | | | |
| 29. | Does the Board approve the external assurance report to be made part of CSR report of the Company? | | | | | | |
| 30. | Does the Board approve of placing the CSR report on website of the Company? | | | | | | |