



Rebuilding a greener, more inclusive and prosperous recovery in Pakistan - Call to Action

The Association of Chartered Certified Accountants (ACCA Pakistan), Pakistan Business Council's (PBC) Centre for Excellence in Responsible Business (CERB) and The Pakistan Institute of Corporate Governance (PICG) held a high-powered virtual roundtable on "Rebuilding a greener, more inclusive and prosperous recovery in Pakistan." Whilst the engine is still hot, ACCA, PBC and PICG believe that a "Call to Action" should be one of the outputs of our initiative.

All panellists believed time is of the essence because of the rapid demise of our environment, our social fabric and our governance all requiring urgent but systemic remedial action. There is no better time than the present when the critical need for ESG is accepted to voice, share and escalate key actions to catalyse our outcomes.

We have categorised our call to action into the four R's: (i) redefine Governance; (ii) responsible business conduct; (iii) reward and recognition; (iv) regulatory action.

REDEFINING GOVERNANCE

A "new-governance" model for prosperity is required, one that not only provides economic return to the providers of financial capital but also one that minimizes our business impact on the Environment and maximizes social impact on the existing Governance model that is accountable and transparent, and that serves shareholders, customers, employees, vendors and the community.

Action: Convert the boardroom into a situation room where stewardship is channeled through the prism of ESG. To educate and provide training to boards and upcoming leadership on their vital role of oversight and management of their organizations' environmental, social and overall governance impact. Action stakeholder consultation on this that is based on ESG principles in line with global best

practices requiring measurement and disclosure.

RESPONSIBLE BUSINESS CONDUCT

Many enterprises continue to view philanthropic activities as being their ESG investment, resulting in an accumulation of risks linked with erosion of ESG capital. Hence, there still exists a huge ESG knowledge capacity gap within organisations in private and public sectors. This gap also exists amongst customers, regulators, investors both institutional and individual.

Action: Train people to become responsible in their approach, by building knowledge, skills and competencies to be able to identify, report and manage material sectoral and firm level ESG outcomes connected with their enterprise processes and to differentiate between philanthropy and ESG.

REWARD AND RECOGNITION

Business enterprises that are investing in ESG and making a real effort to preserve and create ESG capital must be rewarded and recognised by the capital and financial markets and wider ecosystem. This may take the form of demand driven share value premiums, lower borrowing costs and lower insurance premiums.

Action: Take steps to engage capital and financial market players through roadshows on ESG. Engage psx to develop and share roadmap to SSE. Financial and insurance markets to adopt policy to prioritise low cost lending and insuring ESG ranked companies according to SSE and a future national ESG dashboard.

REGULATORY ACTION

Changing business behaviours for the sake of creating and preserving the nation's environment and social fabric cannot happen without some form of strict recourse. You can't have one factory investing in a water recycling plant and have an adjacent factory continuing to run as a going concern whilst polluting the rivers and land with toxins that poison our lives. The latter must be penalised both by market forces as well as the State.

Whilst there may be existing laws to prevent the above, they are often flouted by the polluter. A mechanism of "polluter pays" must be developed and weaved into the tax system.

Action: A policy intervention to be consulted, developed and delivered to the regulators on a modern pragmatic "polluter pays" system and signed off by wide cross section of stakeholders.